RECOMMIT TO WEALTH !

START OVER, FINISH RICH

10 Steps to Get You

BACK ON TRACK IN

2010

Author of 7 *NEW YORK TIMES* Bestsellers

DAVID BACH

Dear Friend,

Welcome to the free download of my new book, *Start Over, Finish Rich*! You have taken the first step in putting your finances—and your dreams—back on track in 2010. As you'll see, this is a very powerful book. It's super short and super simple. You'll be able to read it in a couple of hours. But it's going to change your life and totally motivate you to join in the economic recovery that comes after a recession. The recovery is starting now—and you cannot afford to miss it! This book gives you your action plan for 2010. I'll show you how to:

- Get out of debt
- Fix your credit
- Rebuild your 401(k) plan
- Take SMART risks
- Make your financial recovery automatic
- Rebuild with real estate
- And much more

Whatever you may have lost in the last few years—that's behind you. Life is too short to stay down. So please take this book—take your dreams—and START OVER.

Thank you for reading this, and please know that I am honored and grateful that you spent this time with me. I want to hear about how 2010 works out for you so email me your success story at success@finishrich.com and stay connected in the following ways:

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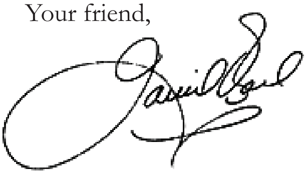
Now start reading—and take your first steps on the new road to wealth in 2010!

Your friend,



David Bach
January 4, 2010

BROADWAY

This book is designed to provide accurate and authoritative information on the subject of personal finances. While all of the stories and anecdotes described in the book are based on true experiences, most of the names are pseudonyms, and some situations have been changed slightly for educational purposes and to protect each individual's privacy. It is sold with the understanding that neither the Author nor the Publisher is engaged in rendering legal, accounting, or other professional services by publishing this book. As each individual situation is unique, questions relevant to personal finances and specific to the individual should be addressed to an appropriate professional to ensure that the situation has been evaluated carefully and appropriately. The Author and Publisher specifically disclaim any liability, loss, or risk which is incurred as a consequence, directly or indirectly, of the use and application of any of the contents of this work.

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STEP 6

RE-ENERGIZE YOUR RETIREMENT PLAN

Of all the terrible ways in which the recession affected people's lives, one of the most painful was what the Wall Street meltdown did to our retirement savings. Upward of 50 million Americans are putting aside money for retirement in one way or another, and with most people's 401(k) accounts and individual retirement arrangements heavily invested in stocks, virtually everyone took a major hit.

If you're contributing to a retirement account (and I do hope you still are), your nest egg probably lost close to a third of its value between the end of 2007 and the beginning of 2009—maybe more.

This has led a lot of people to throw in the towel. In a February 2009 survey by AARP, nearly 4 out of 10 workers said they had cut back the amount of money they were putting into their retirement accounts. Even worse, *one in five workers over the age of 45 said they had cut out their retirement contributions entirely.*

Giving up like this is one of the worst things anyone hoping to finish rich could do—and it's hard to think of a worse time than right now to be doing it. So if you are among those who have backed off from your retirement savings plan, or if you are thinking about changing course, then you need to hear this: **Given the economic surge that usually follows a deep recession, you couldn't pick a better time than today to recommit to a wealthy future by saving and investing for retirement.**

UPS AND DOWNS ARE NORMAL

The most important lesson to take from what's happened over the last few years is that the economy runs in cycles. Ups and downs may not be fun, but they are normal. Moreover, there are both good and bad things about both booms and busts.

When the market is up, our investments are worth more, but they also cost more. During the downturns, our investments are worth less, but they also cost less.

In other words, down markets present smart investors with a huge opportunity. Downturns are when you can buy stocks and other investments at bargain prices—that is, ON SALE. When the market goes back up—as it *always* has (and as I know it will again)—your investments will be worth much more than you paid for them.

As I write this in the summer of 2009, the market has already recovered a lot of the ground it lost in the meltdown. Between the beginning of March and the end of July in 2009, the Dow Jones Industrial Average jumped by roughly 2,250 points, from 6,626 to 9,176. That's a 38% increase in FIVE MONTHS. Will stock prices go straight back up to where they were in 2007? I doubt it, because Wall Street rarely moves like that. But while I don't know where the market will be when you read this, I do know this: You are either watching what is happening, wondering what is happening, or making something happen. Which is it?

You can't get rich watching and wondering. **You have to take action.**

YOU HAVE TO BE IN IT TO WIN IT

Most people I talk to were perfectly comfortable making investments with their retirement accounts *before* the market crashed. But having watched their retirement accounts lose as much as half their value, they are now extremely nervous about doing anything. Indeed, many people in their thirties and forties have given up completely. They are in what I call "do nothing" mode. A really good friend of mine named Chris says he will never invest in the stock market again. "The whole thing is rigged," he insists. "It's a fool's game, and I will never play the fool again."

Chris was so traumatized by watching his investments collapse that he's put all his retirement savings in a money-market account that pays less than 1% interest—and even though he's only 42, he insists that he's going to keep it there from now on. "I would rather live with a 1% return than run the risk of losing half my money in one year," he says.

Chris is a great guy and a smart guy—but he's dead wrong.

I totally understand the fear and anxiety the Wall Street and recession meltdown has generated. But there's such a thing as being too conservative. It may seem prudent, but there's a real problem with investing all your retirement savings in some super-safe asset paying a guaranteed rate of, say, 1% a year. *Your money is simply not going to grow fast enough.* Earning an annual return of 1%, it would take the rest of your lifetime (maybe longer) for you just to get back where you were before the meltdown.

YOU CAN MAKE UP YOUR LOSSES FASTER THAN YOU THINK

Earlier, I said that over the course of the stock market meltdown you probably saw your nest egg lose close to a third of its value. But that doesn't mean your

401(k) or IRA balance went down that much and stayed there. If you held on to your investments and kept contributing to your retirement account every month, you would have cut your losses considerably! In fact, according to the Employee Benefit Research Institute, 401(k) investors who stuck to their guns and kept putting money into their accounts throughout the meltdown actually saw their balances fall less than 9%.

YOU CAN CATCH UP

So don't think you're so far behind that you'll never be able to catch up. In fact, you can make up your losses much, much faster than you might think.

Let's say that during the Wall Street meltdown your 401(k) balance had dropped by 20%, from $100,000 down to $80,000. If you kept contributing $500 a month, do you know how long it would take you to get back to where you were before the crash?

Would you guess three years? Five years? Ten years?

How about less than two?

Even though the recession has taken its toll, more than 70% of companies with 401(k) plans still match all or part of their employees' 401(k) contributions. The most common match is 50 cents for every dollar you put in up to a total of 6% of your annual pay. According to calculations made by the Employee Benefit Research Institute for CNNMoney.com, if your employer kicked in an additional "match" of $250 a month and your investments earned just 4% a year, you'd be back even within about 18 months.

This is truly your Start Over deal!

Remember Step 1 in this book? It said that you must recommit to believing in the possibility of living and finishing rich. Your first step toward fixing your retirement plan in 2010 is to recommit to keeping up with your retirement contributions and reclaiming your faith in your future financial freedom.

WHERE IS YOUR MONEY RIGHT NOW?

Before you can decide if you need to make any changes in how your retirement money is invested, you need to know where your money currently is and how you really did in the downturn. So here's a question to ask yourself:

Do you know what you are invested in RIGHT NOW?

Every day, people tell me their retirement accounts "stink," but when I ask them what their investments are, they have no clue.

"David," they say, "it's in my 401(k) plan."

Great, what company manages it?

"Oh, I don't know—I think it's a Fidelity 401(k). Are they any good?"

Actually, Fidelity is great and they offer many options for you to invest in. What funds do you own?

"No idea. All I know is that my money is in a Fidelity account and it went down 50%."

You may think I'm exaggerating, but I have conversations exactly like this every single day. The point is that you have to know what you own! When it comes to your retirement savings, ignorance will kill you. **So pull out your statement today—right now!—and FIND OUT what your retirement savings are invested in.** It's your money, and you need to know this—no excuses.

HOW DID YOU REALLY DO?

What did you discover? If the stock market as a whole is down 20% and your retirement account is down 10%, you're not doing that badly. I know it feels terrible to have lost so much. But in fact, you did better than the market as a whole. Keep in mind that while stocks may have fallen by 40% between October 2007 and October 2008, most retirement accounts didn't actually lose that much because they were not 100% invested in stocks. They were invested in a combination of stocks, bonds, and cash.

So despite whatever hits you may have taken during the meltdown, you may have actually gotten through it pretty well—or at least okay, even though it doesn't feel like it. How can you know if this is the case? It's easy. Pull out your statements and review how your investments did compared to others like them. Every mutual fund is part of a class—it might be large-cap stocks or intermediate-term bonds—and is identified as such in the informational materials the fund company sends you. You can compare a particular fund's performance to that of its class as a whole at a website like **www.morningstar.com**. Or, even easier, you can ask your 401(k) provider or mutual-fund company for a report that compares your funds against the indexes they are supposed to be matching or beating.

Whichever route you prefer, do it today!

HOW MUCH RISK IS RIGHT FOR YOU?

The second question you need to ask about your retirement investments is how risky they are, and whether it is a level of risk that is appropriate for your age and temperament. Basically, the idea is that when you are young you should be willing to be aggressive and take risks in order to achieve high returns. But as you get older and your retirement date approaches, your investment priorities should shift from growth to what's called capital preservation (that is, not losing what you've managed to accumulate). As a result, what's called the asset allocation (the variety of types of investments) in your portfolio should gradually become more conservative, moving away from volatile investments like stocks and toward more stable ones like bonds and cash.

There's an old rule of thumb that says the percentage of your portfolio invested in fixed-income securities (e.g., bonds and bond funds) should equal your age, with the rest being invested in equities (stocks and stock funds). So if you're 25 years old, 25% of your retirement savings should be in fixed income and 75% in equities. And if you're 55, 55% should be in fixed income and 45% in equities.

THE ADVANTAGES OF TARGET-DATE MUTUAL FUNDS

Of course, if you are going to link your asset allocation to your age, you are going to have to rebalance your portfolio every year, making sure you have more of your retirement assets in bonds and less in stocks as you get older. You may also have to rebalance your investments if either the stock market or the bond market undergoes a sudden shift. For example, if the stock market soars, so will the value of your equity investments. And unless you sell off a bunch of stocks, that will unbalance your carefully allocated portfolio. Rebalancing forces you to "sell high and buy low," the first principle of smart investing.

Keeping on top of all this can be a pain. But there is an easy way to get around the need to rebalance every year (if not more often). You can use what are called target-date funds. These funds are specifically designed for retirement savings. They get their name from the fact that each is labeled with a particular target date (2015, 2020, 2025, etc.), indicating it's meant for a person who plans to retire in or near that year. You pick the right year for you, and the fund automatically ensures that you will have the appropriate asset allocation (that is, the right mix of investments in stocks, bonds, and cash) for someone your age—more aggressive when you're younger, gradually becoming more conservative as you approach retirement.

Because of their automatic nature, target-date funds have become enormously popular, especially among younger savers. More than 80% of all 401(k) plans offer them as an option, and as of the middle of 2009, they held an estimated $187 billion in assets. That still amounted to only about 7% of all 401(k) assets, but target-date funds are growing so fast that some experts believe that by 2015 they will account for a third of all savings in 401(k)s and other defined-contribution plans.

Every major fund family now offers these funds, and they are probably part of your 401(k) plan. But they are not all alike. While all of them subscribe to the basic idea that as you approach retirement age you should be moving away from stocks and toward fixed-income securities, they differ widely on what that balance should be. Some funds aim to be 90%

invested in bonds and cash by the target date; others keep you heavily in stocks right up to the end.

With such wide variations, it's critically important that you look closely at the particulars of any target-date fund you might be offered—specifically, how it adjusts the balance between stocks, bonds, and cash as the target date approaches. My suggestion is that you err on the side of safety. A simple way to do this is to buy a fund with a target date earlier than your actual retirement date. So if you are planning to retire in 2020, go with a 2015 fund—that way your savings will be invested a bit more conservatively than if you had bought the "correct" year's fund.

GETTING HELP

Are you still feeling uncertain about your choices? If so, I strongly recommend you get help from a financial professional.

As part of their 401(k) programs, many employers have arrangements with professional retirement-planning advisory firms that will custom-build and manage a retirement portfolio for you, often for a very low price. One of the leading examples is Palo Alto–based Financial Engines (**www.financialengines.com**), which was founded by Nobel Prize–winning economist William Sharpe in 1996 and now manages retirement plans for employees of more than 750 major companies as well as customers of virtually every big 401(k) provider. See if your company offers Financial Engines or a similar firm as a service. They usually charge an annual fee that ranges between 0.15% and 0.35% of the assets they are managing for you.

In addition, the fund companies themselves generally offer their own advisory services. For instance, Fidelity, Charles Schwab, and Vanguard offer online services you can use to create an asset-allocation plan for yourself. They will also provide some hand-holding advice on which funds to use. So check with your 401(k) fund provider to see what it can do for you. Don't put this off—make that call now!

GETTING HELP IF YOU'RE NOT IN A 401(K) PLAN

If you are not in a 401(k) plan but rather are saving for retirement with an IRA and you want guidance, then you may want to get low-cost advice on your own. This may sound complicated and expensive, but it doesn't have to be.

For "do-it-yourself investors," I recommend that you consider working with a discount broker like E*Trade or TD Ameritrade. Both of these firms offer tremendous services to help you build a portfolio of exchange-traded mutual funds (known as ETFs, for short). I generally prefer to invest in ETFs rather than professionally managed mutual funds. The costs of

ETFs are much lower, and over the long term I believe you will make more money.

E*Trade
www.etrade.com
(800) ETRADE-1; (800) 387-2331
E*Trade offers a program called Online Advisor that will recommend an asset-allocation structure for you, compare it with your current holdings, and then suggest investments that will get you where you need to be. It requires a $10,000 minimum investment to start, and the fees run between 0.5% and 0.75% of the size of your account. So if you're investing $10,000, you can get it done for $75 a year. (There are also trading commissions to pay on top of that, but once you get your portfolio built, you're not likely to be doing much trading, so that cost will be small too.)

TD Ameritrade
www.tdameritrade.com
(800) 454-9272
TD Ameritrade offers a similar service called Portfolio Guidance. You can find it by clicking the "Planning & Retirement" tab on their home page. The specific plan you want is called Self-Directed Amerinvest. It will build you a portfolio with low-cost ETFs and rebalance it for you automatically. Fees start at 0.75% for the first $100,000 of assets, and you need to invest at least $25,000 to start.

In addition, you might want to consider these firms:

Fidelity Investments
www.fidelity.com
(800) FIDELITY; (800) 343-3548
Fidelity offers a Portfolio Advisory Service that will build you a portfolio appropriate for your age and risk tolerance. Annual fees range from 0.25% to 1.1% of your assets, and a minimum investment of $50,000 is required.

Charles Schwab
www.schwab.com
(866) 855-9102
In Schwab's Managed Portfolios program, portfolio managers will make all investing decisions for you, including mutual-fund research and selection, with the aim of creating a diversified mutual-fund portfolio matched to your financial goals and risk tolerance. The minimum investment required is $25,000 for an IRA, $50,000 for all other accounts. The annual fee, which includes all trades placed by Schwab, is 0.50% for up to $250,000.

Vanguard
www.vanguard.com
(877) 662-7447
Vanguard offers a service where you work with a cer-

tified financial planner to create a customized plan based on your long-term goals. After a personal consultation, you'll receive asset-allocation and fund recommendations, along with a savings analysis to see if you're on the right track. Their service requires a minimum investment of $100,000 and their fees start at $250 per year. Vanguard has an asset-allocation fund, the Star Fund (VGSTX), that is professionally managed by Vanguard and does all the asset-allocation rebalancing for you (and you only need $1,000 to start investing in an IRA). This is my favorite no-load, low-cost asset-allocation fund.

A NEW SERVICE WORTH CHECKING OUT

MarketRiders
www.marketriders.com
(866) 990-ETFS
MarketRiders is a new company, so its track record is limited, but I think these guys are onto something smart. The idea is "do-it-yourself investing." For a nominal fee of $9.95 a month, their website will design a portfolio of ETFs based on your circumstances and tolerance for risk. You can then buy the funds through a discount broker like E*Trade or TD Ameritrade. Once you've made the investments, MarketRiders will track your portfolio and alert you via email when they think you need to rebalance your account.

NOW MAX IT OUT

Now that you're feeling confident about your investment choices, here is the number-one thing you can do to ensure a richer retirement: Max out your plan. In other words, commit yourself to making the maximum contribution your company's plan allows.

The truth is, most of us haven't socked away nearly enough in retirement savings. According to the Center for Retirement Research at Boston College, the typical worker had assets worth a total of just $56,000 in his retirement accounts at the end of 2008. The Employee Benefit Research Institute's 2009 Retirement Confidence Survey painted an even bleaker picture. It found that 40% of all workers have less than $10,000 in savings.

In other words, most people have socked away barely enough to get them through a single year of retirement—and many don't even have that much. So unless you're planning to work until you drop, what you need to be doing now is putting away more.

HOW TO SAVE $750 A MONTH— AT A COST OF ONLY $350

I can hear your protests now: "But, David, I can't afford to put away more than I do." Here's why I know that you *can*. If you are investing using a retirement plan like a 401(k) or an IRA, then every dollar you invest actually costs you less than 70 cents.

How is that possible? It's the magic of pretax investing. As we know all too well, every time we earn a dollar, before that dollar ever makes it onto our paycheck, the government grabs something like 27 cents in federal income withholding taxes (often more—and before very long probably a *lot* more). On top of that, local governments may grab another five cents in city and state withholding. (Exactly how much depends on where you live.) And then there are Social Security taxes, Medicaid, and unemployment.

But it doesn't have to be that way. If you are contributing to a pretax retirement account—like a 401(k) plan or an IRA—the money you put in is entirely TAX-DEDUCTIBLE (up to certain limits). In other words, it comes in off the top, before Uncle Sam takes his bite. You get to keep the whole dollar for you and your future.

What this means is that if you decided to start saving an extra $50 per paycheck in your 401(k) or IRA, you would *not* see your take-home pay go down by $50. In fact, it would go down only by $35. The $15 that normally would have gone to the taxman goes to your future instead.

And if your employer has a matching program, you may be able to add another $25 to that $50. In other words, a $75 investment is costing you only 35 bucks. If you have ever shopped a sale, how can you refuse a bargain like this? The bottom line is that you can save much more than you think, easier than you think.

What I'm talking about here, of course, is the tried-and-true concept known as "paying yourself first"—putting some of your hard-earned wages into your retirement account *before* the taxman takes his cut. I'm going to be blunt here. If you want to be financially secure and ultimately finish rich, you have to do this. There is absolutely no way to start over and finish rich if you allow the government to continue muscling in ahead of you. I mean, think about it—how can you possibly expect to get anywhere if you're willing to give up 30 to 40 cents out of every dollar you make *before you ever have a chance to spend—or invest—a penny of it?*

There's no getting around it. You must PAY YOURSELF FIRST. Not doing it is simply not an option.

IF YOU ARE NOT IN THE GAME, GET IN THE GAME

By now, I hope you are convinced that there has never been a better time to be saving for your future. Even if you have to start small.

So if your employer offers a 401(k) plan and you are not already enrolled, call your benefits office today and find out how to sign up. If your company doesn't have a 401(k) plan, you will need to set up your own individual retirement arrangement (IRA). Details on how to do this—and everything else you need to know about IRAs for 2010 and beyond—are available in a special report I've posted on my website. You can download it for FREE from **www.finishrich.com/retirementreport**.

DEPEND ON YOUR YOUNGER SELF NOW

No one is going to take care of you or me the way we would like to live when it comes time to retire. There are simply not enough taxable dollars to go around to support the 150 million Americans who will reach retirement age over the next 50 years.

You know it and I know it. All we can count on is ourselves.

There's only one real way to guarantee yourself a comfortable and secure retirement: You need to DEPEND ON YOUR YOUNGER SELF NOW. You will save yourself tomorrow by deciding to save yourself today.

The time to take action is now. So please take action. Get back in the game. Increase the amount you are saving for retirement. Decide to pay yourself first. Review what you are invested in and fix it if it needs fixing—and get help if your plan offers professional guidance. This is the heart of your "Start Over" plan. Please get it going today. I promise you—your older self will thank you later.

TO DO IN 2010

- ☐ If you have stopped contributing to your retirement account, start again immediately.
- ☐ If your employer offers a 401(k) or similar retirement plan, make sure you're signed up and contributing. If you don't have a 401(k) at work, you should have your own IRA.
- ☐ Know exactly where your money is invested. Pull out your retirement account statement and find out what your savings are invested in.
- ☐ Using www.morningstar.com, compare your investments' performance to others in the same asset class.
- ☐ Determine what level of risk you're comfortable with—and what's right for someone your age. Then make sure your investments reflect that.
- ☐ Consider "target date" mutual funds so you don't have to rebalance your investments yourself every year.
- ☐ If you don't feel comfortable making these decisions yourself, get help from a qualified financial professional. Ask your employer if your plan

offers a free or fee-based advisory service, or find one from the several recommended in this chapter.

- [ ] Increase your retirement contributions today, and if you don't feel the pinch, raise them some more. Your goal is to reach the maximum contribution allowed.