

Main Street Money:
How to Outwit, Outsmart, and Out-Invest the Wall Street Bullies

“I made a killing on Wall Street a few years ago. I shot my broker.” –Groucho Marx

You may not know me – but I know you.

Or, at least, I know of most of you.

Chances are you're one of the 95 percent of Americans who are destined to retire broke.

It's not really your fault. Goodness knows it's confusing out there for the average American trying to secure their financial future. Contradictory advice and information, misleading promises, portfolio-gutting investment strategies - and that's just from my fellow Wall Street investment professionals.

Maybe that's why the finance industry's leading lights can be counted on to say one thing one year and the opposite the next. Market timing? It will never work. Oh wait, yes it can. Asset allocation? A big winner – until a real bear market comes around. Buy and hold? The best thing since sliced bread. That is, until the market tanks and the buy and hold model is tossed onto the scrap heap by so-called market experts.

It's almost like financial professionals *want* to confuse the investing public. Where is the continuity? Where is the unvarnished truth about investing strategies? Why won't anyone step up to the podium and admit that nobody can predict the future? After all, people scoff at astrologers and tarot card readers. But some guy in a suit hangs a “stockbroker is in” sign on his door and people can't wait to see what he has to say during a bull market or during the latest market crash. There is no shortage of talking heads who pretend they can forecast the future and magically allow you to own all of the best stocks and get into and out of the market at the perfect time.

These prognosticators prey on the psychology of Main Street investors. Often causing them to take risks they don't understand and lose more money than they could possibly imagine. I call these posers Bullies because they take advantage of investors to line their own pockets with your hard-earned money. The money you will need for your retirement and most important life dreams.

But it doesn't have to be that way. I can teach you how to outwit, outsmart, and out invest the biggest Wall Street Bullies and icons. And help you create true peace of mind in your investing experience. And the good news is that it is not that hard.

Once you are armed with the basic knowledge you need, you can adopt an investment philosophy and strategy with the potential to beats the vast majority of all the blow-hards on Wall Street. The trick to getting their hands out of your pockets once and for all is to understand that your problems are their profits. Make no mistake, Wall Street does not want you to read this book and they don't want you to take the actions outlined in this book.

I know educating investors is an uphill battle. Only 10% of Americans actually buy a book in a given year. And many of those do not read it. The book sits useless on the bookshelf collecting dust. So dear reader, if you can muster the focus and discipline to complete this book and take action you will be amongst the truly elite of Main Street investors who have the guts to invest in themselves and their education. As you will see in these pages, it is the greatest single investment you will ever make. After all, you are worth it.

My Story

It does not have to be this way.

I've always maintained that, as a longtime Wall Street observer and the CEO and founder of my own investment management firm, I have an obligation to my clients to speak the truth; to state my beliefs – beliefs that won't change like the weather off of the New

England coastline. Beliefs that are clear, concise and compelling. Beliefs that have the potential to protect your money, backed up by evidence as old as money itself.

These bedrock tenets didn't come to me by Divine Providence – or by accident. They came from my upbringing as the son of an insurance salesman who led me on my journey to Cincinnati, Ohio, and to a calling as a financial advisor who shoots straight and practices what he preaches.

I use the term “calling” intentionally.

“If you're born in Kentucky you've got three choices; coal mine, moonshine or move it on down the line.” –A Coal Miner's Daughter

Helping people manage their money was a natural course for a kid whose parents didn't have any. My mom and dad grew up in the hollows in West Virginia. Back in the 1950's, there wasn't any money in either of their families, nor a lot of career opportunities in rural West Virginia. For a while, my Dad didn't have a job, but he wound up getting a foot in the door to Wall Street - selling insurance. I sure didn't know it at the time, but that job was the launching point for my own career in finance and investments.

I've taken a lot of cues in life from my Dad – I looked up to him the way most boys look up to football players or firemen. Not for me. I knew right away I wanted to follow my father into the finance business, and that's what I set out to accomplish.

My Dad fed my passion for wealth and money. Even when I was 11-years-old, he gave me books like *“Think and Grow Rich”* and *“How to Sell Insurance”*. That's right, when most kids were reading comic books and trading baseball cards, I had my nose buried in a wealth management book.

I took another great life lesson from my Dad. He wanted to be an entrepreneur and I knew that I did, too. As my father earned his financial planning license and opened up his

own investment advisory practice in Cincinnati, I headed off to college – at the University of Miami of Ohio. There, I amped up my investing lessons, taking every class I could on business and finance. During summer breaks, I went back to Cincinnati and worked at my father's investment firm. I was gung ho and hammered down on the accelerator. By the time I graduated, I had my life and health license, financial planning license and my stockbroker's license.

I didn't have my sheepskin off for five minutes after I graduated before I went to work for my father full time. I saw myself as a young Thomas Edison – an entrepreneur making his own way in the world. I knew even at that raw age that, like Edison, I would be my own boss, run my own show, and make a big difference for people who really needed financial help.

That was my dream, but the reality was bit more sobering. My Dad was a hard worker and he expected me to work hard, too. So burning the midnight oil became a regular occurrence. I also began haunting sales conventions, where I'd rub elbows and soak up the knowledge of older, more seasoned stockbrokers and insurance sales gurus.

The thing was, the more books I read, and the more research I did, I began to notice something peculiar. It dawned on me that what my broker dealers and financial planning brethren were telling me just didn't ring true.

This was back in the 1980's, when Fidelity's Peter Lynch and Templeton Fund's Sir John Templeton were stock-picking supernovas. Back then, the drumbeat was all about beating the markets and portfolio performance.

Hey, I danced to the performance mantra, too. I fully bought into what I was being told by my broker dealer. What did I know? They were the experts and a 25-years-old kid would only know what he was being spoon-fed by the Wall Street professionals. I would see economists and famous money managers and watch them speak. Time after time performance and beating the market was the first item the experts would talk about.

It was always a variation on the same story – some brilliant money manager analyzed all the economic data could see the future by predicting what would happen next and would let my clients in on the amazing picks and timing moves that had made him a five-star money manager.

Doing client reviews with investors and trying to explain why all of the gurus from the biggest mutual fund companies like Vanguard, Fidelity, American Funds and Templeton were losing to the market was gut-wrenching. I was failing my clients. I couldn't eat or sleep, the stress was mounting. If I couldn't pick the best managers in advance, what good was I? What value could I bring my clients? After all, they could speculate and gamble with their money on their own. They didn't need my help. I was hitting bottom.

I was fed up with the Wall Street garbage I was being force-fed. I knew what I was being served up by my broker/dealer was BS. With every fiber of my being, I knew what we were doing was wrong, but I had no idea how to fix it.

But a strange thing happened on the way to the coronation of Wall Street's "best and brightest". It was gradually dawning on me that the investments we recommended to clients weren't performing like we thought. It was tough to ignore the elephant in the room. Time and time again, I would have to explain to a doctor or small business owner with a \$500,000 portfolio why seven of the eight funds in his portfolio were underperforming.

I did try talking to my broker dealer about the raw deal we were giving our customers. But it was the same old song and dance – it was always something different. It got to be a joke, with all the excuses the manager's would trot out. It was value one day, then growth the next, then REITs the day after that. Finally, I just couldn't take it anymore. I felt a bit like a homicide detective who knew he had the killer in his sites, but couldn't prove it. After doing some serious independent research (not to mention some serious soul-

searching), I knew that the manager would not beat the market – I just didn't know why. Worse, I had no explanation for my clients.

But what *did* I know? I knew that I didn't like commissions – I thought commissions bred mistrust between the advisor and the client. Plus, I realized everything on Wall Street was a product sell, customer's financial health be damned. It was all very disingenuous. To get new business, we would do a free financial plan with a potential client. Above all, I knew that the commission-based investment sales game was a brutal way of making a living, even though I was successful. Toward the end, my health was suffering, too. I wasn't working out, not seeing my family, drinking and eating too much. There was just a lot of stress and bad news.

I knew a career shift was long overdue, but it had to be one that kept me engaged with customers; working with them to secure their financial futures; but in a way where when I got up in the morning, I could actually look at the guy in the mirror and hold my head up high – just like my dad had taught me.

So at age 27, I pulled the trigger and left the commission-based side of Wall Street in my rear view mirror and moved over to the fee-based advisory side. I also began the process of reevaluating how I invested my clients' money. Efficient and free markets and not a random beat the market crapshoot would be my cornerstones. Within days, I felt in my gut that I was making the right move, but a total act of serendipity confirmed that sentiment.

Shortly after I came in from the dark side, I attended a seminar sponsored by Charles Schwab. It paired a five-star Morningstar manager and a stranger to me, Rex Sinquefeld. I knew that the debate was a game-changer for me when Rex stood up and made a simple, yet amazingly brilliant argument that proved to be the last big piece of the puzzle for me - that supply and demand control efficient markets.

Rex said what I had felt all along – that the free market system is an amazingly efficient machine. It takes all knowable statistics and data and it takes unknowns, like emotion and factors that into market prices.

“Active management does not make sense theoretically, isn’t justified empirically, and it doesn’t work for your client...other than that - it’s just fine.”

-Rex Sinquefeld

The fact is, “knowns” and “unknowns” are both unpredictable, as are stock market prices. The essence of Rex’s comments at the Schwab debate – and one that I would eventually build a \$2.9 billion financial advisory business on - is that five-star managers are like chimps throwing darts at a board. A certain percentage of those money managers will beat the market. After all, stock market prices are random. But most couldn’t do what their clients needed – provide steady returns on a sustainable basis, year-after-year. Sooner or later, the law of market averages would catch up with the dartboard crowd, and that’s where the excuse-making would eventually commence. I trusted my clients’ money to a bunch of monkeys. Actually, monkeys would have been better - they work for peanuts, gurus charge huge fees.

It had become crystal clear to me – that the other financial advisors in the room did not understand the problem. Heck, they didn’t even want to admit there *was* a problem. Upon leaving that room after the Schwab conference, I knew I could never go back and offer my client actively-managed mutual funds again. That was scary –but I knew had to eliminate speculating and gambling with my clients’ money once and for all. I had to protect my clients from the Wall Street Bullies – the very people I had trusted for years.

How I changed the game plan, and the lessons I learned after building a successful financial advisory businesses in the U.S., is the story inside of me, and the one I want every Main Street investor to hear.

David Versus Goliath

When I saw the truth at the Schwab conference that night, I knew investors were being pushed around by mega-investment complexes.

They were manipulating investors – and they were bullying their clients, a practice I found – and still find – reprehensible. With this book, I want to pick up the slingshot of justice, David and Goliath-style, and fight a financial management industry that was built on lies.

No One Likes A Bully

As a kid, I was big for my age. This would seem to be an advantage, but the older kids picked on me mercilessly. We were still relatively poor, and when it rained my mother made me wear a three-dollar, hunter-orange rain poncho. It made me an excellent target for the bullies in my neighborhood. Every time it rained, I got beat up. I might as well have had a target painted on my back. At night, I laid awake in my bed praying it would not rain the next day. The older boys pushed me, hit me, tripped me, and sometimes spit on me, and I let it happen because I was too wracked with fear to fight back. Many days I hid from them and walked the long way home hoping to avoid a confrontation. To help me sleep at night, my mother bought a cheap radio at K-Mart. It soothed and calmed me to sleep, but the next morning I was always faced with my fear. I lived in fear of what might happen next.

When my Dad noticed that I'd been getting into fights and I told him about how I was getting bullied, he told me that if I didn't stand up for myself, that I would get bullied forever. Growing up in the streets of Charleston, West Virginia, my father knew how to fight. He often talked about fights he had been in as a boy and even as a soldier in the military. He was small, but he stood up for himself. In my eyes, he was the brave one. It was yet another way I wanted to be like him.

“Mark,” he said, “here is what you have to do. The next time they start to pick on you, choose the leader (that will most likely be the biggest of the bullies) and punch him between his eyes on the bridge of his nose. If you hit him hard enough, his eyes will water, and he won't be able to see you or fight back. Remember, you didn't start the fight. You didn't want this, but if they won't leave you alone, they have it coming. After you open up with the first punch, don't stop! Keep punching with all of your might. Don't give him an opportunity to regroup, take it to him. It won't last long. It might seem forever, but it will probably be over in two minutes.”

My dad said, “Bullies are the worst kind of cowards. They hang in packs, because they are really more afraid than you are. If you take on the biggest one and hurt him, none of them will ever bother you again.”

When the inevitable confrontation finally happened, I was scared, but ready. I took my Dad’s advice and defended myself the best I could. I got hurt, but I stood up for myself and didn’t let myself continue to be the victim. The band of bullies never bothered me again.

I had become the hero of my own story. I stood up to evil, and I had prevailed. That is what I want to offer you when it comes to your investing experience. I want to give you the confidence and power to stand up for yourself so that the Wall Street Bullies can’t hurt you again. In this book, I’m going to tell you about the Wall Street Bullies, show you how their games work, and how to put a stop to their interference in your investment success forever.

Increasingly, the public is catching on to the lies and the bullying coming from Wall Street. When the economic crash came in 2008 – I felt saddened, but vindicated. But the financial downturn gave us a chance to change the investment landscape for our clients. We created presentations like “How to Love the Bear” and “There Is No Time to Panic”. Our goal: To teach investors how to be proactive and how to be prudent, how to stand up for themselves, and how to take real control of their portfolio.

Those two characteristics, along with the need for investors to stop being victims and stop help perpetuating the lies, are the message I want readers to take away with this book. I want you to have faith and confidence in free markets. I don’t want you to speculate and gamble. I want you to understand where real returns come from and how to go about the work of capturing them.

Above all, I want you to know this: that market returns come from the market - not the manager.

“Own” Your Own Portfolio

This book is dedicated to the Main Street investor - the investor who sees their money as a means to fulfill their deepest and most cherished dreams and purpose in life. This book is not for the speculator who sees money as a drug to be gambled and speculated with to create surges of adrenaline, ego, and money lust. This book is not for you. You may have one hundred dollars or one hundred million, but if you want to stop falling for the traps that Wall Street has set to capture your assets and to truly gain peace of mind then you have the right book in your hands.

By the time you're done reading it, you – and not the fraudsters from Wall Street – will be the real owner of your financial future. I will be ruthlessly hammering home these points because your financial well-being depends on it.

By “owning” I mean the whole enchilada – taking full responsibility for what goes into your portfolio, in what increments, and how long it stays there – understanding what you are doing and why.

When you learn how to do just that – and you will with this book – you'll also be striking a liberating blow against those bloviating barons on Wall Street. And high time, too. Imagine spending your career in an industry that dishes out taxpayer-funded bonuses – many of them in the billions of dollars – to so-called investment experts who blew call after call during one of the most critical periods in American financial history.

Nice work if you can get it, and the fact is – you can – at least in terms of managing your own money better than the crowd that sunk the U.S. economy during that past few years. I'll explain how you can escape from the mediocrity that permeates Wall Street and learn how to manage your money more effectively, safely, and profitably.

I'll show you how to:

- Master the critical ability to allocate your financial resources.

- Understand the phenomenon of global markets (yes, capitalism and free markets still work).
- Fully comprehend and, better yet, put into action the investment skills that have evaded the most polished and articulate gurus on Wall Street.
- Maintain the discipline it takes to be a successful investor long-term.

Main Street Money is broken down into detailed, easy-to-follow steps introducing the reader to the language of the investment industry, and spelling out, case-by-case, why speculating and gambling with your financial future is a fools errand, but one that's happily perpetuated by investment industry insiders. Readers will learn to identify their own risk tolerance limits, and build a financial investment framework that allows them to master the art of designing and building a portfolio with the opportunity to maximize expected returns for investors in any investment risk category.

The book is also full of useful graphics and flowcharts revealing insights highlighting some of the best-kept secrets on Wall Street. The book is also well stocked with sample case studies to provide in-depth analysis and to clearly illustrate *Main Street Money* investment concepts. The book will back everything up with easy-to-understand USA Today-type info-boxes, sidebars, and colorful industry profiles, and package it together in one lively, user-friendly book.

After finishing *Main Street Money*, readers will walk away from the book with the tools and talent to radically change the way they look at Wall Street, and at the professional money management class. It will also reinforce the fact that capitalism and free markets *do work*, and will change the way readers view investment risk and investment opportunity in revolutionary new ways.

Above all, *Main Street Money* will trigger the portfolio master inside of every investor to rise up and take control over their own financial futures, and take that future away from self-proclaimed experts on Wall Street who, by design, are the biggest threat to investors' on Main Street. Metaphorically speaking, it is time to rise up and punch these bullies

square in the nose, because deep down all bullies are cowards. It is my job as your coach to inspire you with the courage to put them in their place. A rallying cry “we have had enough, we will no longer fall for your forecasting parlor tricks, we see you for who you really are, we are taking control of our portfolios and our destiny.”

That’s going to change, and with *Main Street Money*, it starts changing now.