

# INTRODUCTION

## The 30-Minute Millionaire

### **Why This Book is Different from Other Investment Books**

The concept of a "30 Minute Millionaire" may sound like a gimmick. But after you take a few minutes to understand the premise, you'll see that it's actually a viable strategy.

Start your timers.

### **Why isn't everybody a millionaire?**

There are lots of reasons, of course. But one of them shouldn't be that you don't have enough time. This goal is eminently attainable for a many, many investors. We are not talking about the super-wealthy or individuals who have mid six-figure incomes. We're talking about people who are employed, have some savings, and who would love to figure out how to save and invest their money to build a lucrative nest egg. Does this sound like you?

Most investors fail not because they have too little information about investing, but because they are exposed to *too much* information about investing. Look around. Financial news is available from sources as near as our smart phones, not to mention newspapers, blogs, dedicated cable channels and electronic alerts on just about anything that happens in the market of the economy. Is it any wonder that most investors emerge confused at the end of a typical day?

## **Why isn't everybody a millionaire, part 2?**

Some plan their retirement by stashing savings in a bank, CD, or Treasury bonds. These individuals are painfully aware of the lessons of recent stock market crashes in 2000-2002 and 2007-2009. Others are willing to take some risk in the stock market by buying stocks they find attractive, or those that were recommended in the financial press or over the airways. But somehow these investors never seem to get ahead.

## **An intelligent and practical strategy to retire a millionaire**

We're going to show you how to become a millionaire by spending no more than 30 minutes a week on your investments and by adopting a relatively simple investment strategy that will see you through for years to come. It relies on understanding what works in the markets, and understanding what doesn't.

And here's the key: Successful investing is not really about how much time you spend doing it. It is about how smart you are with the time you spend. We believe strongly that spending much more than 30 minutes a week is not only unnecessary but also will be counter-productive. Our job is to show you exactly what to look for and how to spend your time building and supervising the intelligent, well-balanced, risk-mitigated portfolio that will make you a millionaire.

## **What you should expect from us**

We are two individuals with a wealth of investment experience. Tanous has nearly 50 years of experience in the investment field, and is the author or co-author of six books on investments and the economy. Cox is an acclaimed and award winning financial journalist with

CNBC and co-authored with Tanous, *Debt, Deficits and the Demise of the American Economy* (John Wiley, 2011). He appears almost daily on CNBC and has been a writer and editor for nearly 30 years.

We view our task not to *tell* you what to do, but rather to *explain and convince* you that this 30 minute strategy is the most sensible and intelligent approach to achieving your goal.

### **What we need from you**

We ask that you commit to saving an appropriate amount of money on a regular basis, weekly or monthly. These funds will be put aside and invested according to the plan we will give you. If you start early on, say, when you're in your twenties or thirties, you will need to save a lot less than if you start in your forties or fifties and are playing catch-up. But we will show you specific amounts you will need to get to millionaire status along with the strategies to get you there. The goals we will strive to achieve are not pie-in-the-sky objectives that assume a rate of growth that is practically and historically unrealistic. We know better, and you do, too. Many of the portfolio outcomes we will show you assume a rate of growth that is *lower* than the historic rate of growth of the stock market.

You should approach this goal with sense of discipline and habit, and we'll help you achieve that. No prior investment knowledge is needed, or even necessarily helpful. We'll keep everything simple, understandable, and even fun.

That's about it. Don't rush to read this book in one or two sittings. Let the material sink in slowly and securely. Soon you will be prepared to embark on your personal road to becoming a millionaire, once or several times over.

# 1

## Investing: What Works, and What Doesn't

When you've been around investing for several decades, you ought to have learned a few things. We believe we have. Think about it from your own experiences. How many people do you know who buy a stock on rumors, or because someone famous on TV recommended it, or because a friend has a friend who is the nephew of the CEO of a company that is about to make a major medical breakthrough that will send the stock soaring? Yes, we've all been there. Most of us, however, don't keep falling for these traps forever. Losing money is painful, and making investments like these almost always result in a financial loss.

That's the first lesson. *Don't buy stocks on rumors or tips.* If your shoeshine boy or cab driver thinks a company is hot stuff, chances are pretty good that you've already missed the boat. Hopefully, you already knew that.

*Another common error is buying a mutual fund that has had a terrific performance for the last one or two years.* Have you ever noticed that when you buy a fund like that, the fund's performance mysteriously and suddenly goes into a steep downward spiral? Studies, including those conducted twice a year from the S&P Dow Jones Indices, have found consistently that past positive performance is very frequently a measure of future *poor* performance. Most of us have made that mistake, too. But then the question becomes—if you can't pick a fund based on its track record, how will you make the right choice? That's a good query and we'll explain it later in chapter TK.

One final example: You own a bunch of stocks or funds or both. The stock market turns ugly. *Your investments register a big paper loss. What do you do? In too many cases, you will sell out in a panic to protect whatever you have left,* That's what happened after the market meltdowns of 2000-2001 and 2008-2009.

These are just three examples of how NOT to make money in the stock market. There are others, but enough negativity for now. Let's get positive.

A few of the secrets to successful investing are, surprisingly, well known but not well followed. Most likely you've heard or read about most of them. This book is about what works and what doesn't and—most importantly—how to spend a modest amount of time to get it right and stick with it.

So here are the basic rules. In the coming chapters we'll take you through some of the background of *why* the rules that work actually do work. Once you understand why the rules are there, you'll find them easier to follow.

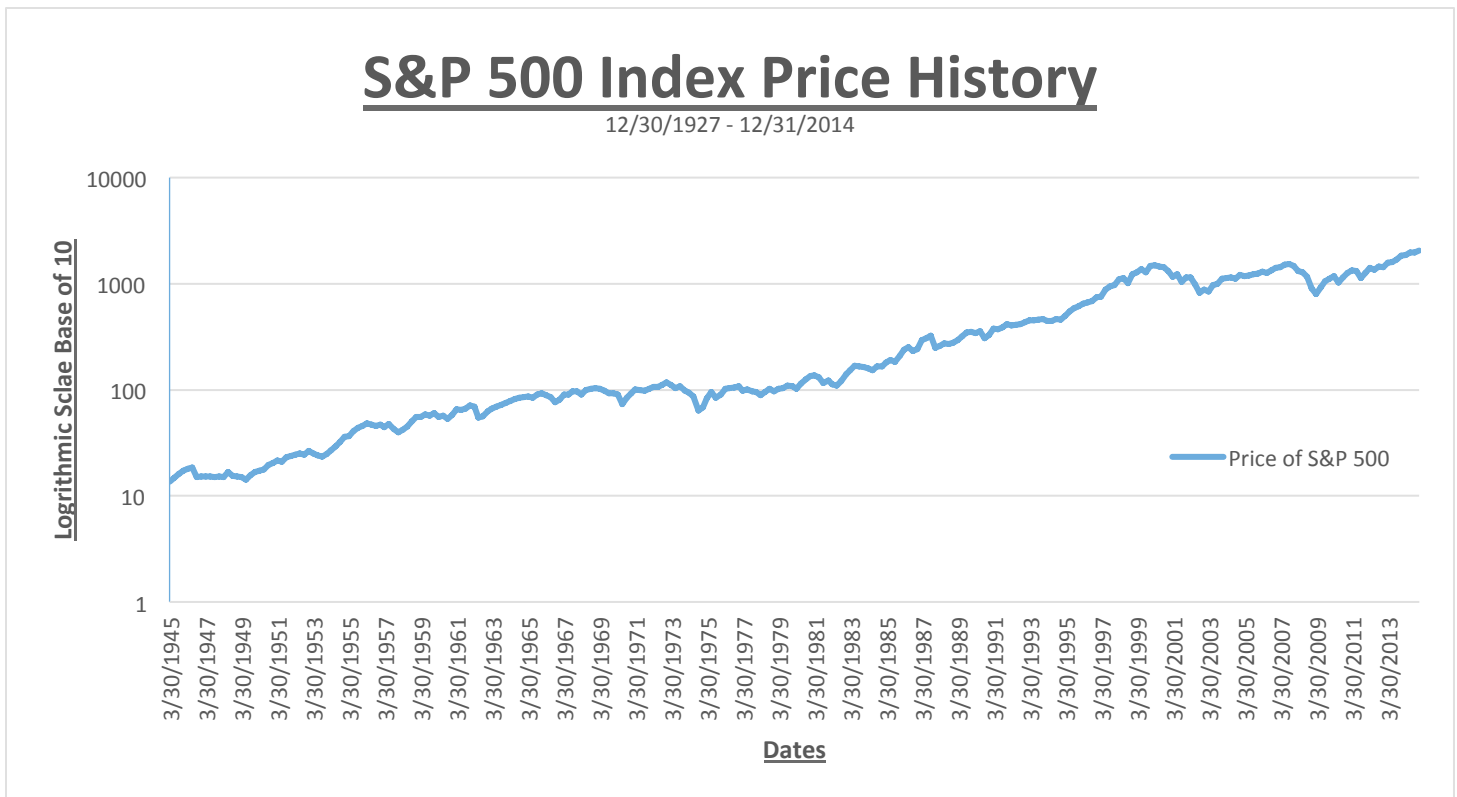
## 1. SUCCESSFUL INVESTING WORKS BEST OVER THE LONG TERM

*Really?* Yes, we've heard that for years. Big deal. But let's ground this rule in facts. The single best investment in American history has been the stock market. We have more than 100 years of records to prove it. As of 2015, stocks have produced an average annual return of over 10 percent (dividends included) for more almost 100 years.

Here's a chart going back 87 years of the S&P 500:

# S&P 500 Index Price History

12/30/1927 - 12/31/2014



\*chart by Justin Ellsesser, Lynx Investment Advisory. Data from Bloomberg

Return:	Annualized	Compounded
1927-2014	10.01%	444,113.00%
1980-2014	11.60%	4,563.00%

Impressive, no? And if only those returns were in a nice straight line...but that isn't the way it works. More on this phenomenon in coming chapters.

Now let's divide the stock market returns into deciles, or periods of 10 years. Here are examples of different 10- year periods in the stock market:

From 1989 to 1999, stocks, as measured by the S&P 500, rose 19% a year for 10 years!

Pretty impressive. If only...

But naturally, this is not typical.

Nor is this decade: From 1965 to 1974, 10 years, the stock market declined, on average, 4.6% a year. Of course, the stock market didn't decline every year in that 10-year period, but a loss of 4 percent on average every year would certainly discourage most investors.

Moreover, these examples aren't the worst of the lot; they are just samples. And they reinforce the point that successful investing is a long-term game. You need to be intellectually and psychologically prepared for that. Getting rich is a function of patience, not how much time you spend learning the mechanics and theory of stock market investing.

To be a successful investor, you must base your actions and your faith in what has transpired through history.

## 2. ASSET ALLOCATION IS REALLY IMPORTANT

Asset Allocation is the term we use to explain how we diversify our portfolio. It's a term we take for granted in the investment business. It means is that our different investments (assets) in stocks, bonds, and other investments, need to be diversified intelligently by "allocating" *how much* of each of the different types of investments we want to own. It's important for a number of reasons. First, do you really want all of your investments to move up and down at the same time? Probably not. Sure, if the market is going up, we're happy if ALL of our investments are going up. It's the down markets that really concern us. When the market plunges, we need to own some investments that anchor our portfolio and reduce the volatility and the pain while our stocks lose value. Back 20 or 30 years ago, a typical portfolio would be called "60/40" which meant that the portfolio was invested 60 percent in stocks and 40 percent in bonds. But this allocation was popular when bonds actually had decent yields of 5%, 6% or even higher. Today

most bonds yield next to nothing, so a 60/40 portfolio today would mean that only 60 percent of the portfolio is invested and the rest is just, well, sitting there asleep, earning nothing.

The issue today is that most portfolios aren't, and shouldn't be, invested 100 percent in the stock market. The stock market is generally the most volatile (read: risky) asset class in which to invest. For most investors, a 100 percent allocation to stocks is just too risky since stocks might go up substantially, but they can also drop dramatically in a short period of time, something most investors don't want to experience. As a result, professional advisors recommend that a portion of the portfolio should be invested in stocks, since they will provide the most growth but there should also be a separate allocation of the portfolio invested in securities that are less risky and perhaps offer a more certain, if smaller, return. These are the decisions that comprise the asset allocation process. We'll get into more details in chapter TK. It's really important that you understand asset allocation and make the decisions that are appropriate for your goals.

The good news about this process is that it need not be done very often. If you get it right early on, there's generally little need to change it. Of course, there will be occasions to tweak the allocation. For example, if stocks rise too far and reach euphoric levels, we never know when the euphoria's going to end, but we know that it will. At times like these, it may be advisable to reduce the amount of the portfolio invested in stocks (the riskiest asset class) and increase the allocation to safer investments such as WHAT and WHAT.

This is another good example of why 30 minutes a week is all you need to manage an effective portfolio. Spending too much time on the asset allocation process will inevitably be counterproductive, since changes in the allocation should be done rarely.

### 3. DON'T BUY STOCKS!

*What? You just said that stocks were the best performing assets in the U.S. but now you're telling me not to buy them?*

Not exactly. What we mean is that you should let the *professionals* buy stocks for you. Don't pick them on your own. This is another example of how many investors waste time in a failed attempt to achieve good investment performance. Yes, that sounds harsh, but look at it this way. Suppose you are one of the millions of investors who picks stocks to buy on their own. For starters, since it's your money, you'll likely do some research on the stocks you are interested in. That means Internet searches, research reports, perhaps conversations with brokers or research analysts. This takes time. Then again, you have a day job, don't you? How much time do you really have to devote to this activity? If you're serious and motivated, you might spend an hour each day researching companies and stocks you're interested in buying. And that's a big investment in your time.

Now think about all those professional money managers and fund managers whose training and career involves researching stocks to buy. How much time do they spend on this activity? Well, if this is their job, we can assume that they spend upwards of eight hours a day doing the work, can't we? Now answer this question: if you're spending an hour or so a day researching stocks, can you explain how you're going to do better than a professional who spends up to eight hours a day doing the same thing? That's a tough question but the answer should be obvious: The professional fund manager is likely to make more informed, better researched choices than you are. And if you beat the market consistently, you'll call yourself very talented. Meaning no disrespect, we might call you very lucky.

Our advice is NOT to pick stocks; instead pick mutual funds, ETFs, or index funds. This will take far less time and the odds are in your favor. Besides, monitoring these investments will be a snap, and we'll discuss why in more detail. Once again, spending LESS not MORE time on your investments will likely be more productive and rewarding.

#### 4. OWN (SOME) COMMODITIES!

We mentioned earlier that the traditional portfolio of the past was a “60/40” portfolio, one that was allocated 60% to stocks and 40% to bonds.

Times have changed! While 60% of your portfolio should be invested in stocks, in recent times bonds have yielded so little that if you put 40% of your portfolio in fixed income (bonds) you might as well have let it just sit there in cash, earning nothing. By the time you read this, interest rates may have gone up, but likely not high enough to make bonds as attractive as they had been in the past.

Today's smart portfolios have more than just U.S. stocks and bonds. That's in keeping with the objective to reduce risk through effective asset allocation. Today, most well diversified portfolios, in addition to U.S. stocks and bonds, have allocations to emerging market equities and bonds, European equities, master limited partnerships, exchange-traded funds (ETFs) and several commodities, the most important being gold. Commodities refer to the physical assets that investors trade in ranging from the proverbial pork bellies to wheat, corn, and other farm products to precious metals like silver, platinum and gold. Gold is bought through an ETF (GLD among others) or an investor can elect to purchase gold mining stocks.

No matter how you buy it, gold is a very volatile commodity so it must be sized in a portfolio with that volatility in mind. In other words, the allocation will be relatively small. We will discuss in chapter TK why we believe investors should own gold.

## 5. UNDERSTAND RISK

The most pervasive cause of losses in the stock market is fear. When markets go down, many investors panic and get out to stop the losses and to salvage whatever they have left after the decline. This is a mistake. Honestly, we are talking about emotions, not usually the subject of investment books. Say hello to a new area of economics: behavioral economics. Interest in this branch of the dismal science, which deals with our human, emotional, and psychological reactions to investing, has been rising. Indeed, the world took notice of behavioral economics when, in 2002, economist Daniel Kahneman won the Nobel Prize in economics. His work on how emotions affect decision making in investing shed a new light on the human factors involved in effective and rewarding investing.

While we can't predict human behavior, or even change it much, our contention is that if you, as an investor, have a deeper understanding of risk, you will be better prepared to handle it. Understanding risk is likely to make it easier for you to deal with market losses. It's all part of the game. There is no reward without risk. For that reason, we have a special chapter on risk later in the book.

These are the basics and provide a good starting point. Everything we do from here on will be designed to prepare you for the portfolio you will use for a lifetime. And we'll show you how to spend your 30 minutes a week on the monitoring and the changes that matter, while not wasting time on investment practices that have proven to be useless.