THE NO NEST EGG RETIREMENT PLAN

PRESENTED BY

RETIREMENT REHAB

SECTION 3

SOLVING THE BIGGEST FINANCIAL CONINDRUMS

Section III:

Solving the Biggest Financial Conundrums

Introduction

Welcome to Section 3 of Retirement Rehabilitation. In this section, we are going talk about everyone's least favorite subject: the "elephants in the room", or how to solve the biggest financial problems you are likely to face.

At this point, you should have a good idea of a holistic view of your overall balance sheet. You should begin to understand the basic assets and liabilities at your disposal. Hopefully, you've started to have more meaningful conversations with your family about your plans, and you've been able to implement some of the basic budgeting and debt relief tactics we went over. Good for you. However, there are still a few subjects which warrant further discussion.

Conventional retirement planning isn't really wise any more. Non-financial assets are a critical component to designing an effective transition plan from a corporate existence. Traditional plans require you to make assumptions about fundamentally unpredictable things like an indefinite career and generous annual raises. They are seriously flawed from the start.

How exactly then will you be able to amass that presumably healthy nest egg you'll need in today's world? If you are so lucky, how can you expect decent returns in a world of near-zero real and actual interest rates?

The good news—and final pillar to be removed—is that life expectancies are telescoping out at a wonderful rate. When traditional retirement planning was founded, you were expected to live to just a bit beyond the presumed retirement age of 65. This was the reality for my grandparents, as three of the four died in their 60's. Thankfully, we all enjoy a much longer life expectancy. The only problem is that we now need to address how to fund it. This is a very good problem to have!

The "Elephants in the Room" are those things that have now crossed your mind that seem like insurmountable challenges. They result from a well ingrained mindset and deeply formed habits. These are the things that are either unspeakable or overwhelming to consider. To you, they are all but impossible.

Mindset is difficult to tackle because we have each developed our own story over the years about how things work. We believe our interpretations on an unconscious level, never questioning how things could possibly be any different. In my case, I was incredibly invested in the persona of the division CEO. This position came with respect and admiration from peers. Social stature became my main non-financial liability.

Of course, I enjoyed my work and my colleagues. The issue with my mindset came about because I embraced the story of my own importance. I just assumed I would be rewarded with a continual stream of higher bonuses and a career longevity of my own choosing. I would not subject to the new market factors after the Great Financial Crisis.

Coupled with this delusion was the horrible daily habits I had allowed myself to slip into. While my technical skills in my field are still top notch, I had become intellectually complacent. To be blunt, I had become lazy. I can only say this now because I took stock of my daily activities and I was less than impressive in my self-discipline. I was just so used to things being very easy that I stopped exerting effort in all areas of my life.

The point of this section is not to discuss diet, physical fitness, and reading habits, to name just a few areas where I needed a sharper focus. These are things that are mostly fixable by oneself and require willpower, which is another topic entirely. The elephants are just a few critical issues that must be addressed to move forward with a new Retirement Rehabilitation plan that will work for you. It has to leverage your core skills and be executable to be practical.

In this section's lessons, you are going to learn how to overcome your elephants, even though you probably never even considered that to be possible before. I firmly believe that there are 3 non-negotiables to make the transformation from corporate executive warrior to financially free independent agent.

First, a change in mindset is required from relying upon your corporate employer for your future earnings to becoming more entrepreneurial. We all owe our employers a solid effort, and don't ever want to fall short of our own very high expectations. The reality is we all need to develop other income streams that will

provide durable and stable income.

Second, our most basic housing decision drives the bulk of our personal expenses. Starting with the city and neighborhood we choose to live in, you can see a direct linkage to most family expenses. Housing choices influence everything from public or private school choice, to vacation expectations, to automobile purchases. It's critical to rethink this and get it right. You can and should be able to do a lot without relocating, but don't take that off the table if you're serious about succeeding. Lifestyle arbitrage allows you to earn wealth in one place, but spend it somewhere comparatively cheaper. The possibilities for this are endless.

Third, eliminating a negative cash flow requires a new discipline. It requires forsaking debt as a tool to make ends meet. It requires a combination of an elimination of access to debt and the equivalent of taking a chainsaw to your expense run rate.

It may be appalling to many but I have always had a notion that I would continue to out earn my growing expenses. This led to an addiction to various types of credit when my expenses outstripped my current income. After the Great Financial Crisis, the income and expense lines crossed for me and I needed a new mindset and a new tactic to become cash flow positive. Those who have the discipline to always be earning substantially more than what they spend will have a much easier time achieving true independent financial freedom.

Let's get started on lesson one, where we discuss independent income opportunities.

Lesson 1 - Income opportunities

Welcome to lesson one of Section 3 of the Retirement Rehabilitation course.

Back in lesson one of the previous section, I purposely neglected to mention non-quantifiable "income opportunities" when we talked about cash flow. Even the busiest people have bandwidth to do more during their day. In fact, you *must* learn to get more done during your day going forward to succeed with your Retirement Rehab Plan!

The “income” I’m referring to is what you will earn from the time spent researching and building out your Plan. This may sound hokey, but I assure you it’s not. My own experience has allowed me to write and sell this, invest in a variety of other profitable businesses, and mentor/coach people who want to accelerate their progress.

Everything you will be able to achieve comes down to how wisely you spend your time. Since most of your day is probably already consumed at work, you need to get creative with the hours you have available, or figure out how to make more hours. Creating and utilizing extra time is a critical source of future income for you. In fact, structuring your employment to optimize what you can earn at work while securing less responsibility and time commitment is a new paradigm shift you will want to make sooner than ever, once you see the results.

How much time can you create in your current schedule to develop this new “income”? Everyone’s situation will be different here. The first place to find extra time is not by cheating on your work, as that could be extremely destructive to your place of employment. You could also jeopardize the income you already have. I propose a radical re-engineering of your personal time to get optimum free time out of each 168-hour week. This must become an obsession, as time is both your biggest asset and constraint.

In my situation, it really just came down to a few basic things to massively re-shape my life and refocus to achieve more:

1. I stopped watching any television, easily clearing up an extra 10-15 hours a week to use.

2. I started going to bed by 9:30 each night and waking up by 5:00 in the morning. Sticking to a routine created more morning time and higher productivity.
3. I walked thirty minutes to an hour each day while listening to a podcast or audiobook. Combining exercise with education allowed me to get a lot more done.

These simple changes worked out so well for me that I became fanatical about my schedule. Just the mental clarity that you experience when you get this right (along other simple changes in diet and lifestyle) is amazing.

The other big non-quantifiable "income opportunity" that exists in many families is that a spouse is also usually under-employed, or not employed at all. They might quit their career and never meaningfully re-enter the workplace. A friend recently described her circle of friends in thirds as ones that work, ones that don't desire to work, and ones that aren't working but wish they were. But having both spouses work long hours away from home can be a nightmare on family synergy, regardless of the additional income it brings.

The best solution is if one of them can find a way to earn money on their own schedule and in their own home, as my own wife did when we realized we needed something we could control ourselves. Leveraging this capacity is also critical to making the best of your personal situation. If both spouses can contribute the combination is obviously greater than one alone. You've effectively doubled your available hours this way. It's also great for the family dynamics if done correctly.

I often hear people repeat the old adage that "time is money" when nothing could be further from the truth. Time is irreplaceable and money is plentiful. Re-engineer your time allocation and your productivity will explode. My favorite examination of where to find more time is in Laura Vanderkam's book, 168 Hours (http://lauravanderkam.com/books/168-hours/). This is a good start to understanding the time choices people make and how you can improve yours.

Now, please continue on to lesson two on what to do about housing.

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Lesson 2 - The Housing Decision

Welcome to lesson two of the third section of Retirement Rehabilitation. In this lesson, we are going to figure out a solution to the housing problem that afflicts every member of the corporate world.

Americans are crazy about their houses, now more so than ever before. For at least a couple of generations, the mantra to constantly trade up to larger homes has been steadily growing. But this is not a decision to be taken lightly, in regards either to your personal life or your financial situation. What price home you buy has an amazing number of consequences

Buying a home is an enormous lifestyle and financial decision that has long-term and complex family implications. One of those consequences is what school district your children will end up in. This can determine whether you will pay for private schools or utilize the public school system. The monthly tuition payments for two children can easily be 50-75% of the monthly cost of the home. Often these homes are in urban areas where the public schools are not a great option, making private schools or homeschooling the only option for some parents.

The other consequences of where you choose to buy your home can include:

- whether you join a country club
- what car(s) you drive and how often you change
- what clothes you wear
- what entertainment you engage in
- what vacations you take
- what expectations your family has for spending money
- what other peer pressures come with the neighborhood?
- how you furnish your home

Often, a very simple financial decision made by a young couple has huge long-term effects. Going backwards in quality of life is painful after the tradition has been established. Most people don’t respond very well to change. Spouses and children usually revolt at this very thought, but the financial math is inviolable. In any case, there are numerous personal rewards to learning to be adaptable to new standards of living, and you will actually be doing your family a favor by

encouraging them to open their mind to other ways to live.

While I advocate keeping housing expenses to less than 20% of after-tax income, I fully understand that collateral expenses make this number nothing more than a starting point. Housing expenses have to be analyzed in the context of these other dependent expenses. Every action you take here will affect many of the other financial variables of your life. Take your time here and proceed wisely.

How do you break free from this vampiric burden? I recently counselled someone whose wife had agreed that it was time to take control of their rent costs. They agreed to downsize to a much smaller and less elegant apartment in roughly the same urban neighborhood, saving over 40% in the process. This is not easy to do in most cities, but they found a way to make it work because they saw the necessity.

When asked why they made the drastic change, they simply replied that they loved the new building and location. They were also promised a better apartment in the building by the landlord whenever it first became available. This felt good for them at the time. This was an enormous monthly savings, and they were comfortable with their new living situation. Unfortunately, the equation didn't end there.

As a result of the move, their children were now matriculating to even pricier private schools than before. Their school fees stood at 120% of rent costs *after* the downsizing. It was obvious they had chosen the wrong location, but they had failed to take this into account at the time they moved because they liked everything else about the new location.

Ultimately, they chose a radical relocation to another country where they could recalibrate their expenses entirely. The only other choice they considered was a suburban relocation that would have allowed them to save on school fees by switching to public schools. The spouse was very invested in private school education for the daughter, and there was a lot of anxiety over this decision.

This anecdote highlights two important considerations every family faces.
First, what are the options that are on the table and open for discussion?
Second, how do you deal with marital (or family) non-agreement?

In the case discussed, the first discussion to move set the table for the second move. While not exactly optimal, the couple thought their fortunes would improve. They were wrong. But they did establish a dialogue and they were able to slow the cash flow drain.

Facilitating this conversation is something I'm constantly reporting on and writing about. Please feel free to share any observations you have as you begin these types of discussions with your own family. Whatever you decide to do, it needs to take into account every need felt by everyone involved in the move.

Please continue on the lesson 3 where we will talk about what to do about debt.

Lesson 3 - The Debit Card Diet and the Attack on Debt

Welcome to section 3, lesson 3 of Retirement Rehabilitation. In this lesson, we will talk about how to wean yourself off dependence on lines of credit and begin chipping away at your current debt.

The great American alternative to living on active income is the death trap of living off available credit card limits. It's simply accepted nowadays that one should spend beyond their means to live a comfortable life in the US. The big problem of this mass market advice is that it assumes relatively low paying and stable jobs—both bad assumptions for my demographic.

It also understates the need for a disaster fund to get you through an unforeseen rough patch. This is a bigger deal than most people realize. Too many people are one paycheck away from a disaster.

You've probably heard a lot of confusing advice from the experts about what to do about your debt. Dave Ramsay is the best known pure debt focused personal finance writer. Suze Orman is a huge personality with a down market audience who mostly deals with poor decision making. Both have morphed over time to provide broad mass-market personal financial advice and some investing insight. Slightly less popular is Ric Edelman with his retiree centric advice and huge financial planning enterprise.

- Dave emphasizes his "Debt Snowball" of paying off the smaller debts first to get quick wins.
- Suze is more dogmatic about going after higher interest rate debt (surprisingly she's ok with credit cards for emergencies).
- Ric Edelman actually counseled a woman here to pay off credit card debt with savings.

I have watched many of their programs and I suggest you do too. They are all huge personalities that serve their markets.

The only real way to gain financial freedom is to become debt free. This implies generating enough cash flow to save, and also to extinguish debt at the same time. Debt siphons off available cash flow and reduces your flexibility to take advantage of opportunities that may arise. The last thing you want is to be unable to act upon an amazing income opportunity when it comes along your way.

Unfortunately, it is simplistic to give advice on debt pay down in a vacuum. You need to balance this with establishing a disaster fund. You also need to assume you will not have access to credit in a disaster. This is one area that needs real tailoring for the income, stability, and other specifics of the individuals. Have a discussion with a competent financial planner who is like minded. Join our forums and see the dialogues. Schedule a consultation with me.

Over time, you need to have in place a tailored approach to extinguishing debt if you are going to prepare for the retirement you want. In the short term, you will need a rock solid plan to attack expenses and prevent yourself from utilizing your access to more debt. The easiest way to draw a line in the sand is to stop using credit cards entirely. It's far too tantalizing to use the card when the balance revolves. The current mantra is to just pay the minimum payment and go on with life. This is the road to ruin.

Having a credit card is beneficial for any number of reasons, especially since it protects you better against fraud than debit cards. Many people mindlessly cite the need to maintain a credit score by using credit cards. They have fallen for the

industry training and are trapped with a terrible notion. The need for a credit score argument is overrated, and I know many highly successful people willing to ignore it entirely. One only needs a credit score if one needs credit. Your ultimate goal is to go beyond that and never look back.

The solution to this is deceptively simple. Bringing your monthly finances back under your control by only using a debit card is the first step in a disciplined attack on debt.

This is the most basic necessity to live within your means. If you cannot anticipate the expense and plan for it, you cannot afford it. For most everyone reading this I have just struck a chord with you. Credit cards are so ingrained into American culture it would seem to end a good conversation. Just getting a spouse on board with this idea seems daunting.

While everyone has a unique situation, I have seen many of the same problems almost every week for a couple of decades in this field. If necessary, you can wean yourself away from credit cards by setting monthly limits on your cards, or employ prepaid debit cards instead. With mobile phone technology today, there is no reason not to receive an SMS after every use of a debit or credit card. Both you and your spouse should have these alerts to ensure you are on the same page about how much is being spent. Create the awareness of the financial limitations you have with your spouse this way as a first step. This will make every future conversation a bit easier to have. The real risk at this point is slipping back into the old habit of spending on something that you cannot currently fund.

Additionally, using only debit cards establishes a discipline that requires a double authentication to override. In moments of weakness, you simply won't have the ability to make an unnecessary purchase or ill-advised decision. You may need to open a new checking account to intentionally allocate to all of your required expenses as they come. If you have a shortfall, it will not be something you can ignore. If expenses exceed income, you will need to incur debt or become creative in reducing expenses. Or you can delay purchases until you have the needed funds.

Now please continue on to lesson 4, on the subject of creating your own personal disaster plan.

Lesson 4 – Preparing Your Disaster Plan

Welcome to lesson 4 of section 3 of Retirement Rehabilitation. Let's talk about something that puts a lump in the stomach of anyone who lives paycheck to paycheck: maintaining a disaster fund and executable plan in the event of any worst-case scenario.

This is one of the few things I did well from the beginning in my own situation. In retrospect, the single best thing I did for my peace of mind early on was establishing my disaster fund. Knowing I had two years of living expenses sitting in a bank account away from creditors was extremely liberating. Holding cash is neither exciting nor fiscally rewarding these days, but it is comforting to have such liquidity. I may not *hope* for a disaster, but I sure don't fear one anymore.

The calculation of two years living expenses is a somewhat arbitrary choice, but it works quite well for most people. In two years, you can completely reinvent your lifestyle. The entire economic landscape can change. In two years, you can be a long way into running a profitable new business. Two years feels comfortably uncomfortable. It's long enough to give yourself plenty of breathing room, but not so long as to be totally unattainable. You don't want it to happen to you, but you're as prepared as you can be.

How much money you will actually need for those two years is another very personal calculation. One thing I can say for sure though is that it's less than you originally think it will be. You are conditioned to think in the terms of your current environment and circumstances. When you strip down the assumptions, you can be very creative.

Some folks have a natural advantage of a low embedded cost of living due to their ability to stay in their home but cease payments. This is the optionality of home ownership I referred to earlier. I presume most people would like to stay in their homes if possible, but it may not be the case for you. This could be a short-term solution, but may be far more expensive than starting anew.

One former colleague used his low cost residence as a rental, and used the income to finance a lower cost housing alternative in another city. He survived the decline of the Great Financial Crisis with the rental income, and sold well after a rebound was in motion.

If a job loss takes place, staying in the same neighborhood can be depressing. While there may be some initial opportunities to interview, there may also be a sense of failure and an expense run rate higher than moving. Watching neighbors in their normal routines when you are unemployed can be soul crushing and expensive. These are normal emotional responses to such a drastic professional change.

From an employment perspective, it looks different though. I have seen way too many people stay in their home with no realistic employment opportunities, simply for the sake of familiarity. Every day their demeanor gets worse as they put up a brave face and try to find interviews when there are none to be had. They usually end up having lunch with their friends at the same old spots they always have. They're dead men walking.

They never learned to consider that their lives could be far more successful if only they were willing to relocate even a short distance. They don't realize that a little bit of adaptability is all that it takes to be able to live anywhere. We'll cover this more in the next lesson.

Imagine, for a moment, executing a plan to take the family to an exotic location with a full agenda of cultural activities for the entire family. Imagine developing this into a once-in-a-lifetime opportunity for them. You could even include teaching and volunteering activities that would enrich them for the rest of their lives.

When job conditions ultimately improve, which experience sells better in an interview? Staying put and waiting for things to get better? Or doing something amazing with your family abroad? Forget that! Which experience would you actually like to live for yourself?

A job loss will ultimately happen for a corporate executive at some point, but the timing is always tricky. Sometimes you can see it coming and take advantage of a "golden opportunity" to get an exit package. Sometimes, it will be a total surprise. It's best to get take a clean sheet of paper and test a few assumptions and really be prepared.

This exercise may not be one you can regularly share with your spouse. While I have the need and ability to do this, my wife doesn't. I look at this process as one of fun and discovery. My wife is prepared for the worst, but prefers not to constantly talk about it. Our compromise is we know exactly what we will do if we need to, but I don't discuss every nuance I may have gleefully discovered on any given day.

In the next two lessons, we'll show more of the hard numbers of what it would take to live overseas for a little or a long time under various circumstances. It's time to move out of theory and into the real world of application.

Lesson 5 - Assume You Can Live Anywhere

Welcome to section 3, lesson 5 of Retirement Rehabilitation. Let's continue our discussion about the feasibility of living somewhere new in the event of a financial disaster.

I love playing around with the cost of living in different parts of the US and the rest of the world. I keep a tab on my browser always open to http://www.numbeo.com./ so I can use the Numbeo Cost of Living Comparison calculator. Some people will not be open to the idea of looking outside the United States as an alternative living situation. It's an expensive choice to stay in the U.S. given the strength of the dollar currently, and a large missed opportunity. As I mentioned in the last lesson, it's also a pretty good story to tell if you're fired and head overseas for a well-planned couple of years. But you ultimately need to do whatever you are most comfortable with.

Whatever your choice, Numbeo is an unbelievable resource. The way their online tool works is by benchmarking the cost of living in New York City at 100 in all of its comparisons. Prices are reported by subscribers and there are always

disagreements as to what is realistic. Check out what they report for the cost of living in your city, and I'm sure you will think the rent or some other reported number is too low or too high. The point is it is a place to start conceptualizing the possibilities.

At this time, Numbeo has chosen to use a New York City monthly budget of $7,300 as a baseline. As of today, they calculate that one could live in Chicago on a budget of $5,202, or 29% less. In using Numbeo, I have found the headline number to be a good start but I also use two other indicators.

First, I look at 3-bedroom apartment rental prices inside and outside the city center. If this is going to be 20-30% of my expenses, I want to know my biggest expense. Rent in New York for a three-bedroom in the city center is $5,749. In Chicago, it's $3,231, or 44% lower! Now the hunt for a perfect city begins in earnest. But rental prices are only one component.

Second, I look at **Average Monthly Disposable Salary (Net After Tax)**. I believe this tells me how "rich" I might feel living in a particular city relative to where I am now. If this number is what the local population earns, I want to be accustomed to someplace pricier and, hence, feel rich. In New York, this is currently $3,826 per month, and in Chicago it's $3,524, but in Paris its only $2,541! In Paris, after-tax monthly earnings are almost 1/3 lower than New York City! Rent for the same apartment is only $2,535, or 56% lower. You can see how you might feel richer knowing this number.

These two numbers are the core of what I look at when I examine the local cost of living. I also scan the other entries in a city's listing to see if something is out of whack. To begin, I am only looking for a rough estimate, and I assume there will be some difference in actual expenses. At this point you can work backwards from how much you can reasonably save and where you can afford to live. If you are not employed and not earning a wage, you have no need for a lot of expenses taken for granted when you are.

Remember that this is a ***"Disaster Fund"*** and you are first aiming for a minimum level that is acceptable to live. You will either need to fund this with savings or with some new sources of earnings, which we will discuss in a bit. Make sure you

factor in considerations like elderly parents or any other specific concerns you cannot work around. The point in this is to start somewhere and discover complications you may not have originally included. I also factor a 30% margin of safety into my thinking.

How low can you go? Be creative. Get familiar with as many cities as you have time to explore. In the following lesson, I will show you a variety of cities in three different expenses zones to spark your imagination and provide a start to your exploration. Over several years, I have iterated this calculation many times. I test my assumptions and watch currency fluctuations, as I personally prefer non-U.S. locations. I have firsthand knowledge, and have visited over a half dozen places I like. I feel quite comfortable that in a disaster my family would not just adapt but thrive almost anywhere we wanted!

I have chosen three cities I think would work best for me and my family. I have looked at schools and housing in person. I have spent a week in each, and I know the restaurants and attractions. I know the pros and the cons of these cities from scores of others because I read voraciously about them. I have seen my family enjoy their time there, and I know we could live there cheaply and enjoy the experience.

Take the opportunity to turn vacations into contingency planning exercises. Don't just go to the same exotic location every year. Branch out into interesting parts of the world you could see your family setting up shop for a long time. Living in someplace you would vacation seems like only a dream to many. Why not have this be part of your future if your current job ends abruptly? Live the dream! This is an increasingly common way to live in the modern digital age. It's never too late to start.

Now let's take a look at some specific examples of how this might actually look with different cities around the world.

Lesson 6 – Executing a Disaster Plan Overseas

Welcome to lesson 6 of the third module in Retirement Rehabilitation. We're now going to continue our discussion started in the last lesson about how feasible it is to relocate your life to other parts of the country or the world in the event of a personal financial disaster. I'll show you a brief comparison of some of my personal favorite and most livable parts of the world where you can run this comparison – but the options are truly endless.

As discussed, given the tremendous strength of the dollar compared to most other world currencies, an overseas location is a compelling economic option for a Disaster Plan. You don't even need to go that far to reap the benefits. The largest proportion of the US expat population resides just south of the Texas border in Mexico. Current estimates are that approximately one million Americans reside in Mexico. Many cities in the US are just a short flight or car ride from numerous cities in Mexico. When you get there, familiar fast food chains, Walmart, Costco, and other American brands make you feel right at home.

Mexico is also currently a very cheap option. The Mexican peso has steadily declined from a range of 12-14 per dollar starting in mid-2014 to its current position of 19.5 per dollar - a decline of 50% from this range. While some of the recent weakness is attributed to the US Presidential election rhetoric, the dollar is strong worldwide.

I have spent a lot of time in Mexico on business and pleasure trips. I have watched it become "more American" over the last three decades. Two cities stand out in consistent referrals from expats I know—San Miguel de Allende and Merida.

San Miguel de Allende has spectacular colonial architecture from the 1700's and 1800's. Like many cities in Latin America, it features a prominent city center. It is situated at about 6000 feet above sea level, or right between Denver, CO and Santa Fe, NM in elevation. It's about 170 miles from Mexico City. The weather varies about 15 degrees around a mean monthly temperature range of the high 50's to just over 70 degrees. Numbeo currently pegs rent for a 3-bedroom apartment at between $610 and $1,120. Friends who have permanently relocated there tell me you can live quite well at the upper end of this range.

Merida is located in the Yucatan Peninsula about 180 miles from Cancun. It is a much bigger city with a population of nearly 1,000,000 (versus ±200,000). The Yucatan is known for the ruins of the Maya civilization. The weather is hot and humid with a mean temperature of between the mid-70's and mid 80's. The food in Merida blends more traditional Mexican fare with Mayan, Middle Eastern, European, and Caribbean influences. Beaches are close by and the city is the regional center and has many attendant benefits. Numbeo estimates the cost of a 3 bedroom apartment to be only $350. This number seems way too low to my contacts.

Numbeo's estimate for the monthly expenses of a family of four is only $1,500 for what would cost $7,300 in New York. This Numbeo monthly estimate generally looks too low to me also.

To calculate the expected cost of living for ***my*** family of four, I use simplistic reasoning. First, I round up on my rental costs and multiply this number by 4. This assumes my housing cost will be 25% of my budget, which I believe will be higher than needed. Then I add a 20% safety factor in another column to get more comfortable until I know the numbers from first-hand experience or a reliable source. I also add 50% to the Numbeo number—if available-- in a third column and then compare all 3 estimates.

Simplistically, my expected cost of living in San Miguel de Allende is $4,480 ($1,120 times 4), with a safer estimate of $5,376 (+20%). I know from my friends there that these numbers should be easy to attain. Numbeo does not have an estimate for San Miguel de Allende for a family of 4.

My expected cost of living in Merida is $1,400 ($350 times 4), and my safer estimate is $1,680 (+20%). The Numbeo number for the month is $1,499. Adding 50% is $2,248. All estimates for Merida seem too low, which is often the case, when the rent estimate is so low. More work will need to be done if this is really on the list. It's best to revert to a place like San Miguel de Allende to be on the safe side.

Finally, I started my journey for a location abroad by using a $5,000 monthly budget. Plan to spend $4,000 and hold $1,000 in reserve. I continually tested

locations to see where various cities would score. Figuring out how much it will cost in a city is an art when beginning. It only gets scientific when you put boots on the ground to validate the assumptions. Take every opportunity you get to visit these places in person so you can validate your personal preferences and the likely cost of living. There are also countless books, blogs, and online publications dedicated to helping Americans relocate to the best places overseas for their budget and lifestyle. This is no longer a new trend. Many have gone this route before you and can help you along the way.

Due to their physical and cultural proximity, Mexico and other parts of Latin America like Costa Rica, Panama, Colombia, and Ecuador are the most popular countries for Americans seeking affordable and comfortable relocation abroad. But amazing life experiences and inexpensive living conditions can be found almost anywhere.

In Southeast Asia, Thailand, Bali, and the Philippines are comfortable nesting grounds for expats and long-term travelers – and the cost of living can be even lower than in the Americas. Although Europe as a whole can be pricier, there are always other options – or even ways to make some of the more conventional destinations more affordable.

In conclusion, here is an analysis of the general cost of living for several cities around the world. You may be very impressed with the low rental costs, even if they aren't 100% precise. A family of a corporate executive can live quite nicely on a budget of $4000-$5000 in some pretty exotic and desirable locations. Remember, this is just a tiny sample of what is available in the grand scheme of the globe. When you are ready, please continue on to lesson 7 to learn about saving for your disaster fund.

Representative Selection of Cool Places

City	3 BR Inside City	3 BR Outside City	Numbeo Monthly	City Index	Add 50%	My Estimate
Medellin, Colombia	$ 340	$ 341	$ 331	$ 1,521	$ 2,340	$ 1,254
Merida, Mexico	$ 350	$ 329	$ 314	$ 1,499	$ 2,249	$ 1,200
Cebu, Philippines	$ 558	$ 482	$ 280	$ 1,939	$ 2,909	$ 2,002
Algarve, Portugal	$ 687	$ 594	$ 1,008	$ 2,287	$ 3,431	$ 2,473
Chiang Mai, Thailand	$ 762	$ 459	$ 300	$ 2,015	$ 3,023	$ 2,743
Buenos Aires, Argentina	$ 619	$ 678	$ 875	$ 2,751	$ 4,131	$ 2,918
Porto, Portugal	$ 857	$ 610	$ 803	$ 2,478	$ 3,717	$ 3,065
Valencia, Spain	$ [illegible]	$ [illegible]	$ 1,244	$ 2,394	$ [illegible]	$ [illegible]
San Miguel de Allende, Mexico	$ 1,119	$ 622	$ 509	NA	NA	$ 4,029
Montpellier, France	$ 1,110	$ 894	$ 1,876	$ 3,393	$ 5,090	$ [illegible]
Lisbon, Portugal	$ 1,206	$ 737	$ 872	$ 2,415	$ 3,669	$ 4,319
Barcelona, Spain	$ 1,369	$ 958	$ 1,835	$ 3,057	$ 4,586	$ 4,862
Berlin, Germany	$ 1,471	$ 1,053	$ 2,176	$ 3,503	$ 5,255	$ 5,206
Bangkok, Thailand	$ 1,565	$ 804	$ [illegible]	$ [illegible]	$ 4,173	$ 6,578
					Seem Good	

Lesson 7 – Getting Started Saving for Your Disaster Fund

Welcome back to lesson 7. A disaster fund sounds like a great idea in theory, but odds are that you are already wondering how you are going to begin putting away enough money to make it large enough to matter. It can seem like a daunting notion for most people. Working your way through a financial restructuring with all of the family and job implications takes time. However, there is one trick you can employ if you have a retirement account of any size.

Most retirement accounts, generally corporate 401(k) and IRA accounts, have some amount of creditor protection, except against federal tax obligations. Unlimited protection from other creditors is afforded to 401(k) holders, while it is

generally believed that $1 million is the maximum amount for IRA accounts. This never set well with me, as I am a touch nervous about security with large and identifiable assets.

The other reasons I don't like traditional retirement accounts are the lack of investment options and high fees. Using Fidelity as a custodian, the biggest corporate plan custodian, is simple for any company. It's also sub-optimal for investors, as the choices are limited, and often the fees are higher. While initially cash will be held, you will also want more investment flexibility down the road. Fidelity is also a very visible entity. The same holds true for other corporate custodians.

I favor creating more flexibility in investing your funds and more layers for creditors to go through. My retirement account of choice is the Self Directed IRA LLC account, or "Checkbook IRA". In this structure, you fund a self-directed IRA with either 401(k) or IRA proceeds held at a big custodian by using a passive custodian. This IRA then invests in an LLC you have established by funding a checking account you have opened in the name of the LLC.

In short, you end up with an LLC bank account at your favorite bank owned by your retirement account. You can now access a much larger selection of investment opportunities from Real Estate to physical gold and more.

Some people have even deeper fears that governments may "bail in" fiscal problems by using retirement funds. You are obviously in harm's way at a big corporate custodian. Some people fear using domestic LLCs, as they think they would be easy to identify too, although certainly harder than Fidelity and other big custodians.

The easy answer to these fears is funding a bank account for a U.S. LLC in a foreign country. Taking this one step further, you can have a retirement account own a foreign LLC, and then open a bank account where your retirement funds are held. Several independent custodians work seamlessly to make this easy to do. Either way, with your money now safely offshore you have one more layer of protection, and it's not hard to do.

It must be emphasized that using these funds personally represents a "prohibited

transaction" in the eyes of the IRS. Serious tax consequences ensue if you do this, like raiding your 401(k). Don't think of this as an easy source of money to tap. This is strictly in preparation for difficult times. Also, adhere to the advice to hold cash and avoid illiquidity. This is how to have maximum peace of mind. Just get your money out of a big custodian and hold it in cash in a bank account of an LLC owned by your retirement account, or a "Checkbook IRA".

With a little planning, it's easy to make your investments work toward the building of your disaster fund. Traditional investment advice would have you invest for the long term if you are in your 40/50's. Mostly this would mean starting with a large concentration in equities when you're younger. Over time, you would slowly shift to more fixed income investments as you get older.

There are two obvious problems with this strategy. First, being subject to any equity market risk is imprudent if you fear a job loss due to a poor economy. Second, fixed income rates are at historic lows and provide a horrible risk-reward profile.

Compounding the problem, many corporate executives are also subject to equity awards as part of their compensation. So many executives are already "long term" investors. In fact, they cannot sell if they want to. To make things worse, their equity concentration is highly correlated to their income. This violates every concept of prudent investing.

The other major problem I have observed over the years is more rooted in the dynamics of working in a corporate environment. Water cooler talk usually leads to unhealthy speculation - a lot of it in the same or highly correlated industries. This is the most foolish path you can travel in investing, yet we have all done it.

So, never invest in your employer or a competitor unless it is for a very short time. Diversify from your employer's equity to cash immediately when your restricted stock or options vest. Bad things happen quickly and most people are consumed by their job and not market experts.

The only reason I can imagine to violate this investment strategy is the opportunity provided by a total market meltdown. This would have to be on par with the GFC and the Dot Com crashes to get me interested. Even then, I can only imagine sticking a toe in the water, As any such public market dislocation should also create a buying opportunity in the private market. I'd prefer to look at these opportunities.

This advice is being written in the Fall of 2016 after over 7 years of an advancing U.S. stock market. The economy in the United States is anemic, and interest rates for 10-year government bonds are around 1.5%, with many sovereign rates in Europe at negative yields. For someone in an unstable employment situation, this is not the time to broadly hold public market investments.

The end goal of a Disaster Fund is to safely hold enough cash that you are comfortable. By first addressing your cash flow, you can stop the bleeding and start to build an after-tax nest egg. Now you have the funds you need. Locking down your retirement account in a Checkbook IRA - either onshore or offshore - is a very potent strategy to secure your initial needs for a Disaster Fund. Now you have the right structure to secure your peace of mind.

Lesson 8 - Isolating Your Disaster Funds

Welcome to lesson 8 of our section on solving financial conundrums.

The purpose of having a disaster fund is to keep it safe and readily available in the event of an emergency of any sort. That means taking care not to mix and mingle it with your regular income and expenditures. There are a number of ways to do this, depending on your personality and level of paranoia. There's nothing stopping anyone from keeping stacks of hundred-dollar bills under their mattress, or burying gold bullion in their backyard. As the saying goes, possession is nine tenths of ownership.

However, for a variety of reasons I won't go into here, that's not the best solution for most people. Instead I recommend setting up a new bank account which is completely isolated from your usual banking options. This can be done locally in the US, or offshore in a preferred jurisdiction with a track record of stability. Be aware though of the offshore FACTA reporting requirements you will be subject to as an American moving their money overseas.

There is something very nice about having a brand new banking relationship where you have no history. It's almost like you have an alter-ego with a clean record of no NSFs, overdrafts, or late payments. Whether you feel more comfortable with a large and well known bank or a small community bank is up to you.

The primary function of a new account is to take it away from the funds you normally co-mingle. In fact, you will want to arrange for easy wire transfers in, but try not to go out to your normal accounts. In the case of a disaster, you will need to think through how you can regularly tap these accounts if you relocate. This is easy if you remain in the United States. You will want to test the ease and ability to send wire transfers between accounts.

Most debit cards work globally, but can be very expensive in both fees and exchange rates if you choose to live overseas. Schwab brokerage accounts do not have fees for ATM use, so you may want to keep a small balance here. In the short term you can use Schwab, but you will still be subject to an exchange rate translation. Otherwise, set up a household bank account in the country you chose to live in if you go offshore.

Later in this program I will talk about entrepreneurial activities to build a durable source of cash flow. I suggest these activities be carried out through a corporate entity like an LLC. This structure is efficient and professional for business operation. It can also have the added benefit of creditor protection.

If your credit is seriously deteriorating, you will want to establish an LLC in a debtor friendly state at a minimum. Delaware, Nevada, and Wyoming offer the best protection from creditors for members of an LLC. There is an article at Nolo.com, which in my opinion is the definitive 5-minute read on this subject. I've included it in the notes for this lesson: http://www.nolo.com/legal-encyclopedia/llc-asset-protection-charging-orders.html

More complex solutions like creditor protection trusts are very specialized and more expensive than most people need. See an attorney who specializes in this, but

don’t go overboard to begin with. An LLC from a friendly state can buy you a lot of time and be established cheaply, if you are in no current court action and do not anticipate any.

Please remember the end goal is not an LLC, but rather a bank account for the LLC. This takes some planning ahead. I have attached a list of a few resources that can help you establish LLC and bank accounts remotely. This may not even be necessary in your state, as it may not be creditor friendly. Hopefully, you don’t have to worry about this.

Assignment - The Big Event: Talking to Your Spouse

We’ve reached the end of section 3. Now it’s time for a little assignment that will make a big difference in your life.

The ultimate requirement for a family to succeed on their plan to financial prosperity is for both partners to be in total agreement about the right thing to do. This assumes both have the same assessment of the problem and the solution to be executed. One of the hardest things for many couples is to engage in a constructive conversation on difficult financial matters.

If the primary breadwinner knows down deep the situation is bad and deteriorating, they cannot keep it to themselves. This results in tremendous pressure that ultimately ruins the lives of everyone in the family. The breadwinner can become withdrawn, irritable, or have violent mood swings without warning. Others in the family may see this behavior in isolation although the root cause is the burden of fighting an unwinnable fight all alone. I have seen individuals put on a brave face for so long that financial ruin is almost realized before they finally come clean with their spouse.

One former colleague of mine was let go in a downsizing in early November. The week before Christmas, he was still reporting to work, as prescribed, but had not informed his wife about what had happened. He didn’t want to ruin her holidays. When I gently asked him about their spending plans given his uncertain future, he

sheepishly admitted he would be in a big hole but he didn't know what to do. From my experience, a job change is usually a big enough catalyst to provoke a discussion where everyone knows the facts. This alone can lead to a much larger conversation about a family's overall financial situation.

The more insidious situation is what is going on right now in the global economy. Breadwinners are going to work every day and returning home at night. Everything appears normal on the surface, but that is far from reality. Interest rates are low and consumption is an American pastime. Neighbors and peers are all planning holiday vacations, and may even be remodeling or buying a new house. Spouses and children are bombarded daily with friends talking about what their next purchase will be. Consumerism in America is thriving more than ever.

Despite signing the joint tax returns every year, there is usually very little conversation about the income history and prospects for today's corporate executive. The problems are building, but only one side knows the whole story. It may have been a temporary brave face put on to avoid worrying a spouse. It may have been very well intentioned. At some point the reality becomes too stark to avoid, but that can be a long and painful period. I urge you to do yourself a big favor and get this conversation over with now so you can start taking the right actions immediately.

While I have observed and spoken to many couples about their finances, there is one trait that almost always creates the most problems. The number one problem is when one partner has a deeply entrenched entitlement mindset. It can ruin a relationship. No matter what is going on with the finances, the entitled partner will always feel like they deserve the best. They won't settle for less. It's rare that they will stay together if they are so mismatched. Most often, the breadwinner is trying to be a superhero or hoping things will recover, but the reality is they will never be like they were. Couples can survive this, but not with a toxic entitlement mindset.

"Financial terrorism" is what my wife likes to call it when I freak out about every small purchase she has made for our home. Certain comments I've made, like that she is leading us to financial ruin because she purchased a juicer, are hurtful and make things worse. This behavior is the direct result of holding back on our circumstances and not agreeing on priorities. If you find yourself behaving like this, you still don't have a strong feeling you are the same page with your spouse.

At some point, you will need to have a conversation. My goal is to assure you that you are not alone. My intent is to expedite the meeting of the minds and guide you to success. My experience in advising others has given me some observations on what will work and what will accelerate the process.

First, serious topics require serious treatment. Make a plan to take your spouse someplace where you won't be interrupted, and where you can discuss things privately. This means no kids around (or anyone else) and not in a restaurant or in a park. The ideal venue is a getaway weekend that demonstrates commitment to the relationship but allows time for the conversation to run its course. It may be counterintuitive to spend money, but it's strategic. You need the right environment to engineer a paradigm shift in your approach to your finances.

Spouses are finely tuned to each other and can sense urgency and genuine effort. Leading by example is a huge credibility builder. You can't say you need to radically reduce expenses in one breath and discuss even a trivial purchase in the next. Hopefully, you have mastered your own hunger for consumption at this point and your words are solidly backed by good behavior.

Here are some ways to demonstrate more energy and effort in your relationship before you ask for financial austerity:

- You now rise earlier every day
- You exercise more regularly
- You have improved your diet
- You have lost weight
- You have de-cluttered your own belongings
- You have organized your financial affairs
- You have dedicated more time to your wife and children
- You have not spent on conspicuous consumption
- You have seen a doctor for a check up
- You have made a demonstrable effort to do something you know your spouse values

After your conversation, you will both go back to toxic environments. You will both be surrounded by aliens who come from a different reality. It's hard to decline

renewing your membership at the golf course with your 3 best friends unless you are certain about your new mission. Your spouse's participation is critical to set the tone for the rest of your family. They will need help and encouragement. No uncertainty can exist in your commitment.

Abandoning the habit of consumerism is liberating and exciting. It's liberating, as less stuff is less effort, and you will not experience any decline in happiness as you meet your financial goals, which is exciting. In fact, you will be happier many times over.

The discipline of minimalism may be too extreme but the precepts are correct: uncomplicate your life by having fewer things, but enrich your life by having better experiences. Find someone a couple of decades older than you and ask them about what matters in life. Likely, they will say their family, other relationships, and how they spend their time. Learn from this wisdom and apply it to your own actions.

We're at the halfway point of the course now. Once you've finished talking to your spouse, it's time to move out of the realm of theory and into implementation. When you're ready, please continue on to section 4.