Chapter 1
Why I Decided to Write this Book

This book, Peace of Mind Planning: Losing Money is No Longer an Option, has been several years in the making.

It is my belief that this book will be the last book I'll write in a series of books about how to protect and grow a person's wealth. Only time will tell if that is the case.

My previous books are as follows:

Bad Advisors: How to Identify Them; How to Avoid Them (www.badadvisors.com).

Retiring Without Risk (www.retiringwithoutrisk.com).

The Home Equity Acceleration Plan (H.E.A.P.™) (www.heaplan.com)

The Home Equity Management Guidebook

The Doctor's Wealth Preservation Guide

Many topics covered in the above-listed books will be covered in this book. I won't be able to cover them in as much detail, but I will touch on them so you can understand the importance of each.

If you find certain topics not fully discussed in this book important for your individual situation, you can pick up one of my other books; or you might try surfing the web for more information. Although, be careful with what you read on the web.

STOCK MARKET RISK

The main reason I wanted to write this book was due to the fact that, in the nearly 15 years I've been writing articles/books to help educate consumers, I've never written anything that talks about growing wealth properly in the stock market.

For years I've educated consumers and advisors on the proper use of fixed products such as cash value life insurance and fixed annuities. Both have tremendous wealth-protection features that can help give insureds peace of mind.

Did you know that, when you grow cash in a properly designed Retirement Life™ policy, you can earn gains up to 12-15% depending on the product; and when the stock market goes negative, you receive a zero rate of return. If you grew cash in such a policy from 1998-2008 when the stock market averaged a negative rate of return, you would have earned nearly 6% as a rate of return.

Did you know that, when you use fixed indexed annuities, you can buy a product that has a guaranteed return on an accumulation value of 6-8% depending on the product coupled with a guaranteed income for life you can't outlive (the guaranteed payments vary per product but for a 65 year old, the payment is typically a 5% payment rate).

Because the vast majority of readers know nothing about the above-mentioned, wealth-building tool, I wrote my book, Retiring Without Risk (www.retiringwithoutrisk.com).

But what about the percentage of your money that arguably should be invested in the stock market?

What should you invest in to mitigate risk?

-Should you invest in individual stocks?

-Should you use mutual funds?

-How about bonds? Everyone should have bonds in their portfolio, right?

-What about index funds?

-What about REITs (Real Estate Investment Trusts)?

-Should you take a funds-of-funds approach to investing?

-How about an asset-allocated approach (based on the modern portfolio theory)?

Do you know the risks associated with each of the above-listed investment vehicles?

Most investors have no idea how much risk they are taking in the investments they are using. Most financial planners who recommend mutual funds or index funds to clients don't really understand the "drawdown" risk (explained in an upcoming chapter) of each.

CHANGING THE DISCUSSION

It is my goal with this book to change the way people go about choosing investments.

When you choose an investment, what do you look at? What is the biggest determining factor when picking a mutual fund for example?

Most investors want to know the answer to one main question: What is the Rate of Return (ROR) on the investment over the last 1, 3, 5, 10, 15, and 20 years?

With that data in hand, most investors will make their decision on whether or not to invest.

It seems simple enough, right? If the S&P 500 stock index has averaged 7.10% over the last 10 years, that sounds like a good place to grow money, right?

What if you knew that the S&P 500 had a "maximum drawdown risk" (how much you could lose in an investment at any given time) of -14% to -19% at any given time depending on how the drawdown risk is calculated?

Would that change your stance on whether the S&P 500 stock index was a good place to grow your money? Could you withstand a -14% to -19% decline in your invested assets?

Because the financial services industry does not appropriately discuss risk, I was motivated to write this book.

MILLION-DOLLAR QUESTION

I want to ask you the following question, and I'd like you to think about it for more than just a second before coming up with the answer.

Question: Should investors take the least amount of risk to reach their investment goals?

Keep thinking while I ask you what is essentially the same question asked a different way.

Question: Should investors take more risk than is necessary to reach their investment goals?

Keep thinking while I ask the question a third different way.

Question: Why would anyone in their right mind take more risk then they need to when trying to reach their financial/retirement planning goals?

As I stated, risk is talked about too little in the financial services industry. All most financial planners want to talk about is rates of return so they can pull out spreadsheets to show you how much wealth you'll have after the investments they help pick earn a certain rate of return.

The problem with focusing on rates of return while ignoring risk is that most investors are taking far too much risk for the expected rate of return.

Let me ask you another simple question.

Assume investment A and B both had an expected rate of return over the next 10 years of 8%.

Sounds great, right. You probably don't care which one you go with because the expected rate of return is 8%.

What if the financial planner told you that with investment A you had to run the risk of loss in any given year of -20% of your assets while with investment B you only had a risk of loss of -5% in any given year?

Would that change your mind as to which investment to go with? Sure it would. You'd want investment B because the risk of loss is so much less for the same expected rate of return.

In a nutshell, the previous discussion is why I decided to write this book. I wanted to explain to readers how to fully understand the risks associated with investing so that could become the key factor when readers ultimately choose which investments to select.

LOSING MONEY IS NO LONGER AN OPTION

Because the subtitle to this book is **Losing Money is No Longer an Option**, I will be covering a wide variety of topics in addition to the area of the book that focuses on investment risk.

As I stated in the Preface, anyone or anything that can take your money is a creditor. Until you know you are protected from "all" creditors, you can't have financial "Peace of Mind."

Like all my books, the material is in an easy-reader style but done so with enough specificity so you can have the detail needed to believe in what you are reading.

WHO AM I TO WRITE A BOOK THAT WILL GIVE YOU "PEACE OF MIND"?

My name is **Roccy DeFrancesco, JD**; and it is my job to educate CPAs/EAs/accountants, attorneys, financial planners, and life insurance agents on how to provide the "best" advice to their clients.

Let me answer the question that you may have when you read the above paragraph of what I do for a living. Yes, I'm an educator; but before moving into the education space, I practiced law for a period of years after which I provided wealth preservation planning advice to clients all over the country.

My point is that I want to dispel any notion that you may have that I am just some pundit who hasn't been in the real world giving advice to clients. I've been there, done that, and found a higher calling for myself which I fulfill through my company, The Wealth Preservation Institute (**www.thewpi.org**).

In all of my books, I put in a bio section because I think it's important for readers to know about the author's background (so readers can determine by my background if there's a good likelihood that I know what I'm talking about).

Because this book will challenge your perception of every advisor you've ever had and every advisor you will ever have, it is more important than ever for you to learn about my background.

Let me start with a discussion about my background by going back to my last year of undergraduate studies at Embry Riddle Aeronautical University in 1992. In 1992, I was a commercial pilot looking to graduate undergrad in 1993 and start looking for a job. As it turned out, the airline industry was in a tailspin (pun intended); and you could not find a job anywhere (and, if you found one, it was a very low-paying job). Actually, to get a job, you had to pay the airlines for your own training (which usually exceeded $10,000).

Thinking that flying would be a fun career, but not the only possible one, I contacted my parents and asked them what they would think if I decided not to work as a pilot and instead go to law school.

To my surprise, they were very supportive of the move; and so in 1993, I started law school at Valparaiso University School of Law.

While in law school, I decided that I wanted to be a personal injury attorney (you see them typically on the back of your phone books). I had family friends who did that type of law, and they seemed happy and made more money than other attorneys in my home town. Therefore, when taking elective courses in law school, I concentrated on personal injury courses.

When I graduated from law school (similar to the airline industry), personal injury law was on the downswing due to "tort reform." Therefore, few firms were hiring in the area where I wanted to live.

As it turned out, I could not find a job that I wanted; and so in 1996, I ended up coming back to my home town of St. Joseph, Michigan, to practice law with my father, Roccy M. DeFrancesco, Sr., JD. My areas of practice were business law (setting up corporations), real estate law, a little personal injury law, and a heavy emphasis on estate planning and divorce law.

I was truly amazed at how much Roccy, Sr., knew and was more than happy to make virtually no money while learning as much as I could from him.

As it turns out, I've got one of those personalities where I'm always searching for that next challenge in life. The next challenge was to still become a personal injury attorney. After a year or so of working with Roccy, Sr., I found out that our local personal injury firm in town was hiring (a rare occasion). The firm was founded by a long-time family friend who after an interview process hired me to be their new associate in the summer of 1997.

During that summer, I blew out my knee playing with my dog in the yard and had it operated on by another long-time family friend, Dr. Sterling Doster, and his new sports-fellowship-trained surgeon, Dr. Gregory Fox. Most people stop me when I'm going through the twisted story of why I do what I do for a living and ask why I tell people I blew my knee out. The answer is simple—blowing my knee out and having it operated on ended up being a life-altering event as you will see.

On one of the follow-up visits with the doctors who fixed my knee (their office was in Bloomington, Indiana, which was four hours south of where I lived at the time), we all went out to dinner. After a few glasses of wine, the doctors asked me if I wanted to come down to Bloomington to run their medical practice. They said their office manager was getting in over her head and that they'd double my salary to come run their practice.

I told them I could not possibly entertain accepting their offer since I just took a new job with the local personal injury law firm in town. After dinner, I went home and continued to work at the law firm. As it turned out and through no fault of the new employer, I really didn't enjoy the personal injury work I was doing.

Therefore, after working at the new firm for a few months, I called the doctors back and asked them if they were serious about me running their medical practice. They said they had a few glasses of wine that night and sort of remembered the conversation. They asked for a few days to talk about it; and a week later called me and told me to come down to Bloomington, Indiana, to run their medical clinic.

When I told the attorneys who hired me at the personal injury firm that the medical practice was going to double my salary, they laughed a bit and wished me well. I didn't expect them to match that offer; and as I said, they were long-time family friends, and they simply wanted the best for me.

When I moved down to Bloomington, Indiana, in January of 1998, my wife was pregnant with our first child and things were moving quickly. The lady who was supposed to train me took six weeks of sick time and then quit. I learned on the fly how to run the medical practice, which took a good six months.

As it turned out, I was a <u>terrible manager of people; but I was a whiz with the finances</u>. Understand that I came out of a litigation practice where I went to war every day with other attorneys on behalf of my clients (especially the divorces I used to work on). Then suddenly I ended up running a medical clinic with thirteen female employees who worked under an office manager who really did not give much direction.

Needless to say, I did a very poor job of managing the staff the first six months. The finances of the office, on the other hand, were another matter. Since I had no faith in the previous office manager, I decided to shop every vendor the medical practice used to see if I could save the office some money.

As it turned out, I saved the four-physician medical office over $35,000 in expenses my first year. On what? Health insurance, malpractice insurance, office supply purchasing, outside professional help, collections expenses, and overtime; and I successfully helped negotiate a very difficult purchase of the medical office building the practice rented.

After about six months, I had things in the office the way I wanted them from a financial point of view. While I did not always get along with the staff, I have to give them their due in that most of them were top notch and did a tremendous job in their particular specialty. What that left me with, however, was a dilemma.

After fixing the office financially and because the staff did not require much oversight from me, I had a tremendous amount of free time on my hands. I could run the medical office for what I needed to do as a manager in two-to-four hours or less each day. Remember, that in the practice of law, I used to have 25+ clients all wanting something from me; and now I was running a medical office with fewer than 20 employees. If I didn't come to work for weeks on end, the office would run just fine.

The physicians at the medical office knew I would get to the point of being bored and thought I would open up a small legal practice out of the medical office or that I would play golf every day. **Instead of doing either, I decided to research in extraordinary detail "advanced" planning for high-income/net-worth clients (**who were my physician employers).

People wonder how I was able to create three advanced education/certification courses with over 1,300 pages of text and two books by the age of 37. It's really not that I'm any brighter than anyone else or anyone reading this book. It's that, due to the extraordinary circumstances of my employment at the medical practice, I was able to spend two-and-a-half years researching: asset protection, income, estate and capital gains tax planning/reduction, corporate structure, advanced estate planning, long-term care, disability and life insurance, annuities, mortgages, and the list goes on and on.

After my research on a topic, I would write an article on it and get it published in any number of places including, but not limited to, the following: Orthopedics Today, Physician Money Digest, Physician's News Digest, MomMD, American Urological Association Newsletter, Today in Cardiology, The Rake Report by Price Waterhouse Coopers, The CPA Journal, CPA Wealth Provider, Strategic Orthopaedics, General Surgery News, the Indiana Bar Journal, the OH CPA Newsletter, Financial Planning Magazine, and Insurance Selling Magazine.

Then I started doing educational seminars for the following organizations (not an exhaustive list): Indiana State Medical Association, Ohio State Medical Association, Academy of Medicine of Cincinnati, Mid-America Orthopaedic Association, the MI, OH, IN, and KY CPA Societies, Professional Association of Health Care Office Management (PAHCOM), BONES, the American Academy of Medical Management, TX Medical Group Management Association (TX MGMA), Texas Medical Association Insurance Trust (TMAIT), the Michigan Orthodontics Association, the National Funeral Home Directors Association, the

Society of Financial Service Professionals, the National Association of Insurance and Financial Advisors, and more.

After awhile, you have enough content from articles and speaking engagements to write a book; so I wrote my first book, The Doctor's Wealth Preservation Guide.

MOVING ON FROM THE MEDICAL PRACTICE

While at the medical practice, I started two separate consulting companies─one company where I would provide advice to physicians and one company to work with advisors who wanted help with their physicians and other clients.

As it turned out, I made enough money from the side consulting businesses to allow myself to try consulting full time. By then my wife was pregnant with our second child; and since the family didn't visit us much in Bloomington, Indiana, we also wanted to move back to Michigan so we could be closer to them.

That's just what we did in the spring of 2000. My wife, daughter, and soon-to-be son moved back to my home town of St. Joseph, Michigan, where I worked with my two companies to help physicians with asset protection, estate and tax planning, and advisors who had physicians or other high-income/net-worth clients who needed help.

The good news is that I was making a good living with my two consulting companies. The bad news is that after awhile I became miserable. I don't want to sound like I was crying with a loaf of bread under my arm; but I was traveling a lot to visit clients and advisors around the country as well as doing several seminars, and I was getting worn out. It's not that I didn't enjoy it; but with two young children, I was looking for a business model that would let me go to their ball games, go to the pool, and work in the yard (although I despise yard work).

THE LIGHT BULB GOES ON

I was in Las Vegas in 2004 giving a seminar for the National Society of Accountants (NSA) when the light bulb finally went on for me. A friend of mine, Lance Wallach (who introduced me to the NSA), and I were out to dinner in between the days of the seminar; and I was complaining to him about how I was making decent money but that I was really getting worn out. I basically had made the decision that I needed to do something else, and I was even considering going back to practicing law (it's hard to even type that and see it in print).

Lance told me to stop complaining and then off the cuff said: "Roccy, what you need to do is create your own Roccy-certification course. You need the School of Roccy."

Of course, he was making fun of me, which I'm sure I deserved; but he was onto something and didn't know it. Lance had heard me speak many times and read my book, The Doctor's Wealth Preservation Guide. As someone "in the industry," he knew that the topics I dealt with in my book and spoke about at seminars were fairly unique and that other advisors who have or want to have high-income/net-worth clients would like to learn these topics.

Like the day I decided to take the job running the medical practice, that day in Vegas was again one of those days in your life you look back on and see it as life altering.

I went home from the Vegas NSA seminar and thought about putting my own educational program together. I figured I could put the program together with no problem. I had a lot of content and some of the best experts in the country who were nice enough to let me bend their ear on advanced-planning topics. The question was: Could I make a living doing "education"?

I said to myself that it really didn't matter since I didn't want to continue traveling no matter how much money could be made. Therefore, I told my wife that I was changing course; and I hoped for everyone's sake it would work out. I decided to put together what I now call the only "advanced" education/certification courses in the country where I educate CPAs/EAs/accountants, attorneys, financial planners, mortgage brokers, security traders, etc., advanced planning for high-income/net-worth clients.

I formed my own educational institute with an educational board of some of the country's best experts in their fields.

The courses are the Certified Wealth Preservation Planner (CWPP™), Certified Asset Protection Planner, (CAPP™), and Certified Medicaid Planner (CMP™). Each course requires advisors to read over hundreds of pages of text, take a lengthy multiple-choice/true-false test, and pass an essay test. The essay test confirms to me that the advisors who take the courses not only understand the material but can apply it in the "real world."

I rolled the CWPP™ and CAPP™ courses out in 2005 and have had a nice steady flow of advisors sign up to take the courses online or in person. In 2010, I rolled out the CMP™ course.

I'm proud to say that the reviews from those who have taken the courses have been tremendous. I imagine that is the case not so much because I'm that great of a writer of the material but because the material is practical and usable in the real world (vs. esoteric educational material) and because the majority of the topics in the courses are new to those who take them. No other entity in the country provides unbiased education on asset protection, which is the foundation of the three certification courses.

My travel has been severely curtailed since I only put on about a handful of in-person seminars a year; and I get to do what I've found I'm best at, which is to help other advisors fashion solutions for their clients. Therefore, it seems that the move from full-time consulting to educating advisors and working with their clients has turned out to be a good move for me, my family, and those who have taken my courses.

THE ASSET PROTECTION SOCIETY

As the certification courses continue to get traction nationwide, I am always searching for the next challenge. I found that next challenge when I decided to form a new society called the Asset Protection Society (APS™).

I finally got tired of all the asset-protection "scammers" in the marketplace who were luring unsuspecting clients to do business with them only to have the clients find out that the services they purchased were worthless and usually far too expensive.

I formed the APS™ with a handful of other like-minded advisors with one overriding goal and that was to form an organization that would protect the public. It's a tough chore and one that will take time to accomplish, but I believe it is a worthwhile cause.

The APS™ is a place where the public can receive baseline education on how to protect assets from creditors (like the personal injury attorneys I used to work for). In addition, the APS™ "Rates" advisors on their knowledge of what I call "global-asset protection."

My definition of global-asset protection is that anyone or anything that can take your money is a creditor. Think about that for a second. Who is your number one creditor every year? The IRS. Is the stock market a creditor? Sure. Did you lose money in the stock market in 2000-2002 when it lost nearly 50% of its value and again in 2007-2008 when it lost 59% of its value? What about the costs of long-term care? Is that an expense that will take your money in retirement? Absolutely.

Because advisors have knowledge in different areas, the APS™ gives out either an A, AA, AAA, G, or O Rating. G stands for global and O stands for offshore.

I wanted to create a Society that would set the "standard of care" in the industry for how to provide asset-protection advice, and I wanted the public to feel comfortable going to the Society to look for help from "Rated" advisors. I believe the APS™ is such a place, and I look forward to having it grow over the coming years with the help of all of its members and State Representatives.

If you are interested in asset protection or finding an advisor who can help you, please check out the Society on the web.

NOT BELIEVING NUMBERS

Since you know I'm an attorney, you've probably already surmised that I am a cynic at heart (especially in the financial services and insurance fields). I do not take someone's word that a product works as it's been touted. Many times what advisors are told about financial/insurance products are half truths. They are the truths that marketing organizations, insurance companies, or broker dealers want advisors to know.

Because of this, I determined that, in order for me to help advisors provide the best advice to their clients when it came to financial products, I better figure out a way to crunch the numbers myself.

As it turns out, I'm a numbers junkie. While 99% of the population has no interest in sitting in front of a computer breaking down the math of a financial instrument, I really enjoy it. I enjoy it so much that I have my own programming team that helps me build software applications to further help me break down numbers to come up with the holy grail of conclusions, which is whether the financial product/instrument really functions as touted. I can tell you that the vast majority of the time the answer is NO, which is one of the problems in the financial services/insurance industries.

EDUCATING AND WARNING ADVISORS

My business grows each year for one main reason: I send weekly educational newsletters out to over 300,000 insurance/financial advisors, CPAs/EAs/accountants, and attorneys.

As it turns out, my educational newsletters are some of, if not, the most well-read newsletters in the financial services/insurance industry. Why? There's one simple reason: I am just about the only one in the industry who devotes significant time in newsletters telling advisors what they are doing wrong, that the products they are selling are not as advertised, and how to avoid scams in the marketplace.

How do I know that specific products/tools are no good or not as advertised? As I stated earlier, I'm the ultimate numbers junkie; and I break the numbers down until I get a yes or no answer about whether products will perform (or the likelihood they will perform) as advertised.

What you will learn in this book is that most financial planners and life/annuity sales people do not do their own independent research on the various products or concepts they use to help clients. They typically take the word or recommendation of a sales organization and run with products or concepts without doing the needed due diligence to determine if either are good for their clients.

Also, attorneys and CPAs/EAs/accountants do not have anyone helping them find innovative, new, and/or better ways to help clients (which is one reason the best advice is often not given to clients by these types of advisors).

What's important for you to understand about my weekly newsletters is that they are written in an in-your-face/black-and-white manner where I come off as a bit of a "know-it-all." That's done on purpose for a few reasons that are unimportant for this book, but the bi-product of sending such newsletters to such a large audience is that every week I have advisors trying to tell me why I'm wrong or try to tell me that they know something I don't.

The feedback I receive from advisors is instrumental in keeping me on top of cutting-edge trends in the financial, insurance, legal, and accounting communities.

THE END

By "the end," I mean the end of my overly long summary of my background. I probably made this section of the book too long; but I figure, if you are not interested in the whole story, you can flip through it or skip it. I know that, when I talk with people these days, they seem interested in the whole story so I thought I would put it in the book.

The end of the story is really the beginning of this new book, <u>Peace of Mind Planning: Losing Money is No Longer an Option</u>. As you now know, the reason I felt compelled to write this book is because of the bad advice consumers are being given by the vast majority of advisors in various industries. Bad advice from advisors to consumers or consumers having nowhere to turn for good advice has cost millions of Americans billions of dollars.

HELP FROM THE AUTHOR

Invariably when you write books, you have a segment of readers who want to get in touch with the author to ask questions. I understand that, and I will do my best to accommodate every inquiry. You can always e-mail me directly at roccy@nolongeranoption.com. I am usually timely with my responses. You can also go to www.nolongeranoption.com where you can sign up for my educational e-newsletters.

If you know you want or need to find an advisor in your local area work to with who understands investment risks, e-mail me and I'd be happy to refer to you to someone in your local area.

For those of you who believe you need more comprehensive planning (asset protection, estate, and tax planning), you should consider using the C.A.L.M. Plan™. It is a platform I put together for the advisors to use who have taken the CWPP™ certification course. C.A.L.M. stands for Comprehensive Asset Liability Management. To learn more about C.A.L.M., go to www.nolongeranoption.com.

Again, thank you for buying this book; and I hope it helps you avoid "bad advisors," identify "good advisors," and grow and protect your wealth in the least risky/most tax-favorable manner possible.

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