Wall Street Hopes You Never Ask This!

"If they can get you asking the wrong questions, they don't have to worry about answers."
– Thomas Pynchon, *Gravity's Rainbow*

Financial and political power congregates on Wall Street… epicenter of the American financial universe, and the subject of many a movie about the ruthless and the rich. But to the average American investor, putting your money into stocks, bonds and mutual funds is just "what you do."

Investing (or should we say, *speculating*) in the stock market is exactly what roughly 100 million Americans do – often, with few questions.

According to data from a 2013 Pew Research Center survey, over half of Americans between age 30 and 65 have money in the stock market, a percentage jumps to 80% for Americans with incomes of $75k or more. Funds that are typically stock-based (over 50% in equities) such as target-date funds, balanced funds, and (most) managed funds are now the default option (where an employee's money goes if they do not specify otherwise) for 401(k) retirement funds.

The Department of Labor actually *changed the default option for qualified plan investments* from stable value funds at stock-based funds the end of 2007, *less than one year* before the stock market started the long slide that deleted TRILLIONS of dollars from American investors' accounts. However, few if any of the administrators, managers, and advisors who watched retirement accounts switch from stable to volatile funds raised questions or protests as to whether this was a good idea.

Frankly, the managers and advisors who benefit from funneling dollars into the stock market (mostly via mutual funds) would prefer that you don't ask the hard questions about where your money is going. And the media – financially dependent upon advertising dollars from financial firms – won't ask the hard questions either.

Instead, the marketing dollars that build top of mind awareness for brokerage firms determine that the questions being asked are the ones that encourage investors to keep handing over their dollars.

Simply put, Wall Street wants you to ask the soft questions… the easy questions… *the wrong questions:*

- "How much should I have in stocks vs. bonds?"
- "Which mutual funds had the highest returns last year?"
- "How much risk do I need to take to earn the rate of return I need?"
- "What target-date fund should I invest in?"

Most of us don't know how to demand the truth about our money. We let the media (and the popular financial gurus it promotes) shape our understanding of financial philosophies, strategies, and products, rarely to our own benefit.

However, no matter how much money you have to invest in financial service products, Wall Street hopes you're NOT asking THESE questions:

"Should I invest based on anticipated (or past) rates of return, or are there more important considerations?"

While rate of return is important, you never want to stand the chance of losing the money you've worked so hard to save. You must consider safety, liquidity, tax treatment, *your* amount of control over the money, cash flow and more.

We think it's a little crazy to speculate in a market that nobody can predict or control… and to pay fees and often taxes in order to do so! But that is exactly what Wall Street offers. The fine print says that "past results are no guarantee of future performance," and you should heed that warning. People who build and keep their wealth do not take risk lightly.

"How can I avoid the peaks and valleys of the market altogether? Are there better investment choices than stocks and bonds?"

Yes, but you'll never discover them if you're listening to Wall Street or a "typical" financial planner, where the question they hope you're asking is, "How much do I allocate to stocks, and how much to bonds?"

When you ask a brokerage firm how to balance risk and the desire for growth, you play right into their hands. Instead, ask, "How can I ensure my money grows regardless of market fluctuations"? Then consider **Prosperity Economics**, a philosophy that teaches investors to avoid the risks of investment gambling by using alternative investments that aren't correlated to the stock market.

Prosperity Economics goes beyond typical financial planning and advice to utilize alternative investments and strategies. Life insurance products, real estate and bridge loans, business, mortgages and other lending environments continue to provide safer, less volatile investments – *often at higher returns than the stock market is delivering.*

Brokers will never educate you about these products -even if they invest in them themselves – ***because they don't sell them.*** (They can actually lose their jobs that way!)

“How will taxes and fees eat into my investment returns?”

Unfortunately, your advisor will likely show you charts and graphs that will show the “potential” of an investment, but not the real returns. You’ll have to ask the tough questions – or use your own calculator – to get the whole truth.

In her book, *Busting the Retirement Lies*, Kim Butler outlines how taxes and fees can gobble entire chunks of the typical 401k – even more than half! You have to read and see the illustrations from Truth Concepts financial software to believe it.

“How do I know you operate in my best interests?”

Wall Street wants you to ask, “What mutual funds do you recommend?” instead of whether or not the advisor works from a fiduciary platform. Recent research estimated that 85 per cent of advisors who teach, sell and advise about retirement accounts do not operate from a fiduciary platform, but rather from a suitability platform. That means that there is no law requiring them to suggest the best choices for you, regardless of their own compensation, your recommendations just need to be “suitable.”

“Is this investment strong enough to collateralize, if wanted or needed?”

Most investments don't make very good collateral, which should be a clue to how risky they really are.

IRAs. IRAs are not allowed to be used as collateral.

Stocks and mutual funds: Sometimes, brokers allow a loan of up to 50% of a mutual fund investment in order to purchase more mutual funds. However, in addition to fees and interest, you could lose big-time if a margin call happens.

401(k) loans: At some companies, employees can borrow the lesser amount of 50% of the account balance, or a maximum of $50,000. If the person leaves, he/she must repay all of the borrowed money in 60 days (using after-tax dollars, of course).

Real estate: Often, up to 80% of a home’s value can be borrowed or remortgaged… sometimes more for owner-occupied homes. Purchase loans go as high as 96.5 – 100% with FHA or VA loans.

Cash value in a whole life policy: A policyholder often can borrow up to 95 per cent of the policy cash value. Annual interest applies but you can repay the loaned amount on your own schedule.

“How can I maintain control of my own money?”

The financial system enables money managers to control the money you invest. What are your mutual funds invested in? Where are your target-date funds allocated? Few investors have any idea, and even the money managers making the decisions have no control over the market or your returns.

Wall Street loves investors to ask which fund has the lowest fees because then you're not thinking about how to *avoid* fees; you're looking instead for the *smallest* fees. However, even small fees add up over time as the fees – and your opportunity costs – compound. Astoundingly, the average American household often pays six figures in "little fees," according to "The Retirement Drain," a study published by public policy organization Demos.

Frontline's investigation, entitled *"The Retirement Gamble"* was an eye-opener about Wall Street and how much of "your" investment nest egg may be going into someone else's pocket – with no guarantees for you! It's an excellent exposé, however, the program stops short of recommending real solutions.

"What are other options?"

Prosperity Economics strategies help you build wealth and financial confidence with great control and transparency. We don't believe in blindly handing your money to financial corporations who make no guarantees and may not have your back. Contact us to discuss how you can protect yourself from Wall Street risks and worries.

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