

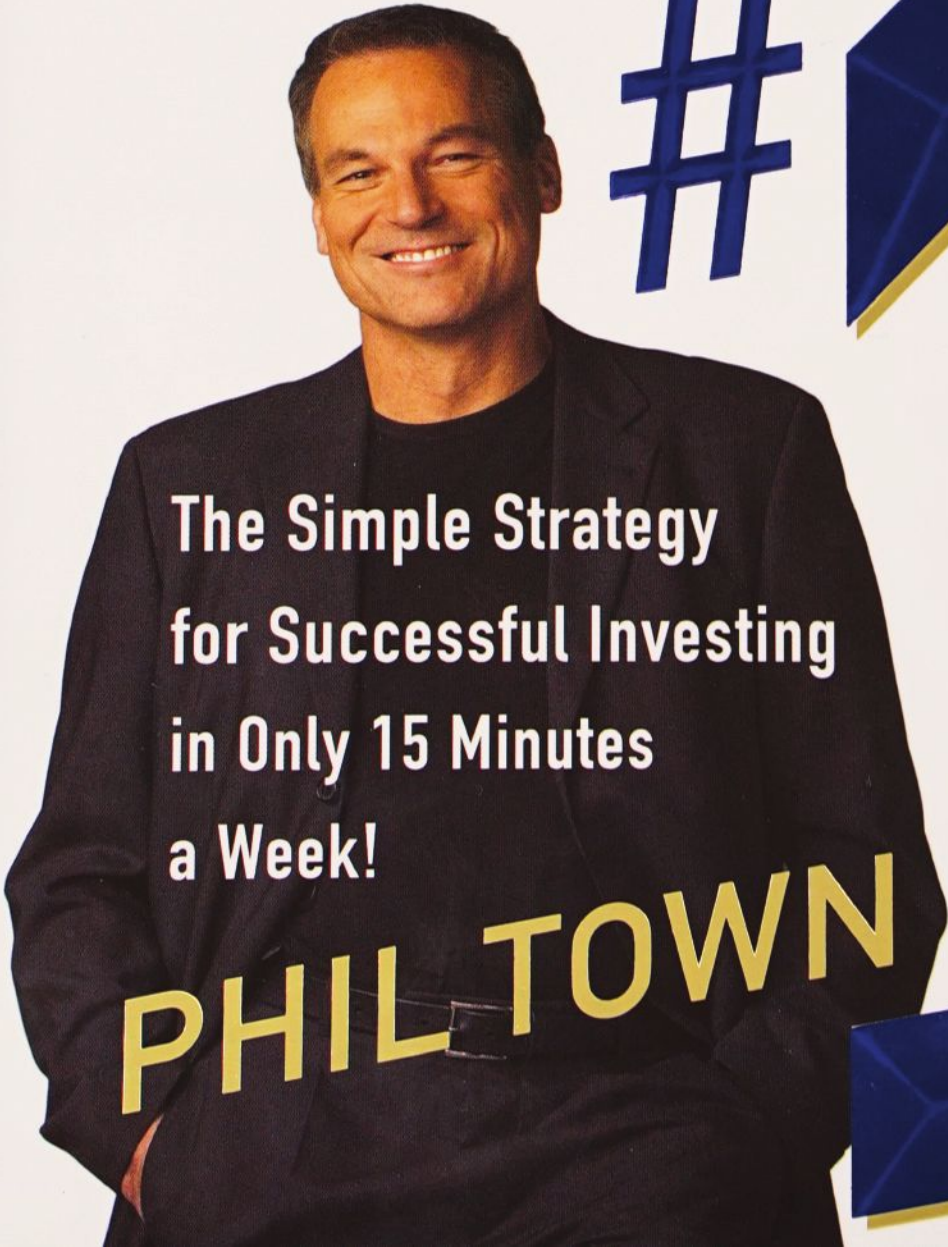
"The clearest and best book out there  
to get you on the path to riches. This one's special!"

—James J. Cramer, host of CNBC's *Mad Money*

# RULE

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The Simple Strategy  
for Successful Investing  
in Only 15 Minutes  
a Week!

PHIL TOWN

# Myths, Lies & Mutual Funds

*Successful and unsuccessful people do not vary greatly in their abilities.  
They vary in their desires to reach their potential.” – John Maxwell*

## MYTH 1:

### You Have to Be an Expert to Manage Money.

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The first myth I want to bust is that it takes a lot of time and expertise to manage your money. It would if investing were hard to learn or if getting the information to make a decision took a lot of time. I'll prove to you that it doesn't, even though the financial services industry wants us to believe it does. The industry stands to make billions from commissions and fees if it can keep you thinking you can't **invest your money yourself**.

## MYTH 2:

### You Can't Beat the Market.

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It's true that 96% of all mutual fund managers have not been able to beat the market in the last 20 years. But you're not a fund manager and you're not judged by whether you beat the market. Your financial skill is judged by whether you're living comfortably when you're 75. You shouldn't care whether you beat the market. If the market goes down 50%, but your fund manager loses only 40%, he may have beaten the market, but he still lost 40% of your hard-earned dollars. Does that seem good to you?

Rule #1 investors expect a minimum annual compounded rate of return of 15% a year or more. If we can get that, we don't care what the market did. We're going to retire rich anyway. Judged by that standard, Rule #1 investors . . . well, rule.

## MYTH 3:

### The Best Way to Minimize Risk Is to Diversify and Hold (for the Long Term).

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Diversify and hold. Everybody knows that's the safest way to invest in the stock market, right? But then again, at one time everybody knew the earth was flat.

If you know how to invest—meaning you understand Rule #1 and know how to find a wonderful company at an attractive price—then you do not diversify your money into 50 stocks or an index mutual fund.

You focus on a few businesses that you understand. You buy when the big guys—the fund managers who control the market—are fearful, and you sell when they're greedy. Today, more than 80% of the money in the market is invested by fund managers (pension funds, banking funds, insurance funds, and mutual funds). This is what is known as “institutional money.”

Out of \$17 trillion, the big guys manage more than \$14 trillion of it. In other words, the fund managers are the market; when they move billions of dollars into a stock, the price of that stock goes up. When they take their money out, the price of that stock goes down. Their effect on the market is so huge that if they decide to sell suddenly, they can generate a massive crash. Understanding this fact is central to Rule #1: The fund managers control the price of almost all the stocks in the market, but they can't easily get out when they want to. You and I, however, can be in or out of the market within seconds. And this is a massive advantage for us.

## LIES:

### A Higher Rate of Return Is Contingent on Incurring Significantly More Risk

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The gold standard of low-risk investing is a ten-year United States Treasury bond, which has a return of about 2-3%. Invest in nothing but these bonds and you're guaranteed that 2-3% haul. The only problem with such a strategy, especially for the millions of soon-to-be-retired baby boomers, is that, at 3%, it takes over 20 years to double your money.

In addition, after 20 years, even with a low inflation rate of 2 to 3%, most of the gain is absorbed. Despite this reality, investors buy billions of dollars of these bonds.

Why in the world would anyone want to own a bond that barely keeps pace with inflation and realizes almost no real gain in wealth?

Because almost everyone is convinced that a higher rate of return necessarily means a lot more risk. And they're more afraid of losing money in an attempt to get a higher return than of their inability to retire comfortably.

**The fact is, a higher rate of return does not mean more risk.**

## LIES:

### The Price of Something is Always Equal to its Value.

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If I want to buy a new car, I have a pretty good idea what it's worth before I walk into a dealership—I know its sticker price and I know it's sold for a range of prices, usually less than the sticker price. I don't plan on paying whatever the dealer asks.

But suppose I don't know what the car is worth? The dealer can get away with selling it to me for a lot more than its value—above its sticker price. If I pay \$200,000 for a Mercedes-Benz that has a retail value or sticker price of \$100,000, when I sell it I'm going to lose a lot of money. But if I could buy it for \$50,000, when I sell it I'm going to make money. Buying stocks as businesses is just like that, except there is no sticker price on the window. We have to figure out what the sticker price is, and then pay less.

## MUTUAL FUNDS:

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If you own mutual funds that are attempting to beat the market, and you're hoping your fund manager can give you a nice retirement, you're highly likely to be the victim of a huge scam. You're not alone —100 million investors are right there with you. Fortune magazine reports that since 1985 only 4% of all the fund managers beat the S&P 500 index ("the market"), and the few who did it, did so by only a small margin. In other words, almost no fund managers have done what they're paid by you to do— beat the market.

That significant fact went unnoticed through the roaring 1980s and 1990s as the stock market surged with double-digit growth, bringing your fund manager along for the joyride. But now the ride is over, and investors are starting to notice that their fund managers are pretty much useless.

“Professionals in other fields, like dentists, bring a lot to the layman, but people get **nothing** for their money from professional money managers.

- Warren Buffett

The key word here is nothing. And yet, what do you do? You give your hard-earned money to one of these guys and hope he can deliver those 15-per-cent-or-better returns. Why? Because you don't want to invest your own money, and because you've been convinced by the entire financial services industry that you can't do it yourself.

Come on, and get real. From 2000 to 2003, mutual funds lost half their value. You could have lost 50% of your money without the help of a professional. In fact, in 1996 a chimp was hired to compete with the best fund managers in New York. He beat them two years in a row.

## Attend my webinar for free

If, after reading this, you want to learn how to manage your own money, or you're just plain tired of the lies from the financial industry, then I'd like you to join me for a free online workshop I'm hosting. During this Transformational Investing webinar, I'll share with you the 6 Principles of Market-Crushing Investing - the same principles the best investors in the world have used for the last 80 years.

Plus, I'll show you how to reduce your market risk while increasing dividends and how to buy \$10 bills for \$5 (the secret to Rule #1 investing).

Oh, by the way, there is absolutely no selling during this webinar. You have my word. And I'm going to be making a special offer when you join me for the webinar. Click here and get signed up now, but hurry - spots are limited.

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