SUMMARY

MONEY
master the game

Tony Robbins

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Summary of «MONEY: Master The Game» by Tony Robbins

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A guide to mastering your money by learning the ins and outs of investments that will allow you to live the lifestyle you want and achieve financial freedom.

Introduction

If you're looking to achieve and maintain financial freedom, you must begin by building your "Money Machine." If your money isn't working harder than you are, then it's time to build a machine that will earn you money while you sleep! Through a portfolio of personal investments, you can master the money game and begin your journey to financial freedom and independence. Financial investments provide the opportunity to generate ongoing income to fund the lifestyle you want, but how can you achieve this? There are seven steps to financial independence: become an investor, know the rules of investing, figure out the numbers, allocate your investments, create a plan, start investing today, and finally, enjoy your future - it's going to be a great place.

Make the Decision to Become an Investor, Not Just a Consumer

If you truly want to take control of your money, you need to figure out how it's working for you. How hard is your money working? If it's simply sitting in a bank account, then it's living a sedentary life and doing nothing for you. Even a small amount of money can be magnified by the power of compounding. The best way to unleash that power is to learn how to become an investor, not just a consumer, and begin building your money machine.

In the words of Tony Robbins, "If you work for a living, you're trading your time for money. Frankly, it's just about the worst trade you can make. Why? You can always get more money, but you can't get more time. If you stop working, you stop making money. Let's build a money machine to take your place and, let's set it up in such a way that it makes money while you sleep." Compounding money is the best way to make your money work for you. It simply means letting your money develop over the years through interest. For example, if you set aside $100 that generates a 10 percent profit, you'll end the year with $110. Next year, that ten percent will build upon $110, so you will end the year with $121. Each year you'll accrue more money without even touching it! So how do you create this money machine that works for you?

First, think of your personal money machine as if it were a second business you own. No employees, no payroll, no overhead expenses. The only product? A lifetime stream of income for you and your family that never runs dry. When you view investment from this perspective, you begin to recognize that your money machine is really a freedom generator for you and your family. But what's the first step to this financial freedom? Decide how much of your current income you will save each week to start building your money machine. However, don't even think of it as savings! Robbins calls it your "Freedom Fund" because freedom is what it's going to buy you, freedom now and in the future. Save a fixed percentage each pay period, and then invest it intelligently, and over time you'll start living a life where your money works for you instead of you working for your money. So what percentage works for you? It's up to you to decide. What does your gut tell you? Whether it's ten percent or twenty percent, only you can make the decision.

If you're thinking "I can't save another penny out of my paycheck," well, you aren't alone. The easiest way to begin is to create an automatic payment into your savings account. This way, you don't even see the money in the first place. Compounding interest can work no matter how much or how little you make. For instance, in 1924 Theodore Johnson started working for UPS and never earned more than $14,000 a year in his entire life. For each paycheck, Johnson set aside 20 percent, and each Christmas he put that money into UPS stock. By 90-years-old, his UPS stock portfolio was worth more than $70 million thanks to stock splits and dividends. In other words, saving can be done no matter what you earn.

Know the Rules of Investing So You Can Become an Insider

Once you've decided to begin investing, it can become overwhelming to know where to start. There are so many options, should you get a professional to help? What if you invest in the wrong thing? Many novices fall prey to the myths of investing, so it's time to debunk those myths so you can be sure you are getting the best value for your money. These myths are important, if you're aware of them, you can boost your personal money machine's performance by hundreds of thousands of dollars every year.

Robbins advises to "Don't get in the game unless you know the rules! Ignorance is not bliss. Ignorance is a pain, ignorance is a struggle, ignorance is giving your fortune away to someone who hasn't earned it." Remember, your aim should be to conquer the mountain of financial freedom.

The first myth involves the mutual fund industry. Professional money managers in this industry promise they can generate better returns; however, this is far from true. 96 percent of managed funds fail to beat the market over any sustained period of time. Additionally, the average cost of owning a mutual fund is 3.17 percent a year. This is 30 times the 0.14 percent cost of owning the entire market through an index fund. When you consider those "small" fees combined with the average lower returns, it becomes clear that a mutual fund is not in your best interest.

Others look to brokers to help them with their investments. Brokers are in the business to make money through their commissions on investments they recommend, simply put, they don't have your best interest in mind. Only a fiduciary has a legal obligation to give you independent advice, only work with fiduciaries, not brokers.

Many also believe their retirement is all sorted with their 401(k). However, saving just three percent of your income tax-free won't build a viable money machine for you. It just cannot be done and it simply won't be enough to give you the financial freedom you want. But also don't be fooled into thinking you must take big risks to get big rewards. The phrase "It takes money to make money" is untrue. You can certainly set up your investments so you risk a little but make a lot.

Lastly, you need to believe in yourself and in your ability to achieve financial freedom. Do your research and find a strategy that works. Money is simply a reflection of your creativity, your capacity to focus, and your ability to add value for other people.

Make the Game Winnable By Figuring Out What Your Real Numbers Are

How much will it take for you to be financially free? Few people ever sit down and really figure out what it's going to take for them to become financially independent. That's because there isn't just a single number, but to make it easier, there are five different goals that you can set out to achieve.

- Goal One: Financial Security is where you've got enough funds to cover your mortgage, utilities, food, basic transportation, and insurance. Essentially, your monthly builds are covered.
- Goal Two: Financial Vitality is where in addition to having everything in Level 1 paid, you also have the funds for clothing, small indulgences, and even a few luxuries. You have all your needs met as well as a few wants.
- Goal Three: Financial Independence is where you no longer have to work, you generate enough income from your investment income to live a great lifestyle. You can stop working and do whatever you like. The average American spends about $34,688 a year, so if your goal is financial independence, you'll need about $640,000 in your freedom fund.
- Goal Four: Financial Freedom is where you have investments that not only generate enough income for the lifestyle of your choice but also allow you to spend on big-ticket luxury items including large donations, expensive toys (cars, boats, planes), and vacation homes, and lavish vacations.
- Goal Five: Absolute Financial Freedom where you can afford to do anything you want anytime you want without any restrictions. At this level, you and your family can live the life of your dreams and you can truly make a difference in the world.

Once you sit down and put a figure to each of those levels, you can begin your plan for financial freedom. The biggest problem many people face is when they see numbers, they assume those goals are too far away so there's no point in trying. But once you have a plan, your next step is figuring out how to make your financial dreams come true faster than you ever thought possible. Of course, there are five ways you can accelerate your process.

- You can save more and invest the difference where compound interest will work. For instance, if you prepay your next month's mortgage payment, you can cut your interest payments in half and invest the difference.
- You can figure out how to earn more and invest the difference. Increase your value by investing in yourself. Retool your career and learn how to provide better solutions and you'll soon be in a position to earn more.
- Get more money out of your investments by reducing your fees and taxes, then reinvest the difference. Even a reduction of 2% in fees can mean hundreds of thousands of dollars more in value over twenty or thirty years.
- You can restructure your investments so you get better returns. Do this by making investments that have a lot of upside potential and little or no risk.
- Lastly, you can change your lifestyle and spend less money on your day-to-day living expenses and invest the difference. Even just moving from a high-tax state to a low-tax state can free up a significant amount of money for investing. Find somewhere beautiful and affordable and put what you save into more investments.

Make Your Most Important Decision - How to Allocate Your Investments

Now that you have money saved in your “freedom fund,” what do you do with it? It’s time to start investing and invest wisely. Where you put your money, or where you allocate your assets, is one of the most important decisions you can make. According to Robbins, “Asset allocation is the most important decision of your lifetime, more important than any single investment you’re going to make in stocks, bonds, real estate or anything else. Anybody can become wealthy; asset allocation is how you stay wealthy.”

The best way to begin is to visualize asset allocation in terms of placing your financial asset into three separate buckets. The first bucket is your security bucket. These are the investments that give you peace of mind, they won’t grow very fast, but that money will be there when you need it. The second is your growth bucket where you make riskier investments, but if they are successful then they will generate high returns. It’s important to prepare to lose everything you put in here. The last bucket is your dream bucket where you invest some of the profits from your other buckets. The profits from this bucket will potentially fund your dream lifestyle.

You must decide for yourself how much you should allocate to each bucket and that amount will change over your lifetime. A reasonable rule-of-thumb many investors suggest is to invest your age in your security bucket. In other words, at age 40, you will want 40 percent in your security bucket and 60 percent in your growth and dream buckets. However, when you turn 60-years-old, you’ll want 60 percent in your security bucket and 40 percent in your other two.

When allocating your assets, ask yourself “how much risk can I afford to take at this stage of my life?” The answer to this question will change as you age, so your investment allocations should change as well.

Create Your Own Guaranteed Lifetime Income Plan

Don’t worry about reinventing the wheel, many other people have succeeded in creating their financial freedom, you can simply follow their steps to create similar results for yourself. When analyzing what other investors have done, you’ll likely find greater success and have a better chance of achieving your goals.

Take Ray Dalio, for example. As the world’s largest hedge fund manager, Dalio has developed an investment portfolio that generates the largest returns with the least amount of risk. Similar to how seasons change, Dalio’s plan is meant to earn you money despite the changes in the market, this is why his plan is aptly named the “All Seasons” portfolio.

According to the All Seasons portfolio, you should invest 30 percent of your assets in stocks, especially in seasons of high growth when you will see a higher return. You should then invest 7.5 percent in gold and 7.5 percent in commodities. These are often smart investments even during periods of high inflation. Finally, add the remaining 55 percent in US Bonds which are low-risk investments. Using this approach offers you the best odds for having a smooth climb up your financial mountain where your investments will generate a steady ongoing income for you.

Next, you need to make savvy use of annuities to generate a lifetime income stream. It’s smart to utilize annuities to get you through the bad times. If you’re confused about what an annuity is, it is simply where you give your money to an insurance company and they begin paying you a return either immediately or at a later date. Essentially, annuities are a guaranteed way to receive a steady income for life. When annuities are paired with the All Seasons portfolio, you’ll have a winning combination for retirement funding.

Finally, you will want to make full use of tax-efficient life insurance strategies to reduce the amount of time it takes you to achieve financial freedom. Using this strategy can cut your path to financial freedom by 30 to 50 percent. Specifically, private placement life insurance (PPLI) allows you to deposit money and have no tax on the growth of your investments or even when you access the money. The *Wall Street Journal* has described PPLI as “the rich man’s Roth.” Nowadays, you no longer need to drop a quarter of a million dollars a year to access PPLI, instead, companies like TIAA-CREF offer this type of service to everyone.

The US Treasury Department states, “Americans should convert at least half of their retirement savings into an annuity.” George Foreman states, “The question isn’t at what age I want to retire, it’s at what income.” There’s no better time than now to begin your journey to financial freedom, you have the power to create a lifetime guaranteed income, so keep reading to learn how you can start investing today.

Start Investing Today

Luckily, Tony Robbins has already done the hard work for you. You should look to emulate what the most successful investors have already achieved, you can follow their blueprint and do the same for your investment portfolio. Tony Robbins interviewed more than 50 self-made billionaires, Nobel Prize winners, investment gurus, and financial legends. Each of them shared the same four obsessions:

- Each of them focuses on achieving extraordinary returns while ensuring they don't lose money. They don't believe that big risks mean big returns, they understand that you don't have to take risks to make good money.
- If they do take risks, they look for "home runs." They expect to get a return of at least $5 for every $1 they risk.
- Billionaire investors do their homework. They anticipate changes and constantly look for asymmetric risk/reward opportunities that might not be obvious to casual investors.
- They never stop learning. Even though these billionaires have a substantial amount of wealth, they know that there is always something new to learn. They continue to grow and they never lose their hunger to succeed.

To motivate you and get you started, here are some tips and tricks that billionaires have to say about investing. Carl Icahn says, "Don't just look for opportunities in business. Get out there and create them for yourself." David Swensen states, "Asset allocation actually accounts for more than 100 percent of returns in investing - because when you buy and sell, you incur costs. Buy the entire market through an index fund and you'll do better." Warren Buffet advises, "Put 10 percent in short-term government bonds and 90 percent in a very low-cost S&P 500 index fund" as well as "Indexing is the way to go. Invest in great American businesses without paying fees to mutual funds." And finally, Paul Tudor Jones says, "The whole trick in investing is: 'How do I keep from losing everything?' Get out of anything that falls below its 200-day moving average."

Get Started and Enjoy the Future - It’s Going to Be a Great Place

The future is bright. Think about how far the world has come in the past few decades, and think about what it may look like in the future. New technologies that are now coming to fruition will create an age of prosperity in which we will have infinite possibilities that seemed near impossible just a decade ago. The future of the world is one of abundance and the coming technology will wash over the concerns of the present time. Those concerns involving the retirement of baby boomers, the debt wave, the environmental and climate change wave, etc. will all become irrelevant by the wave of technology that is coming.

With this future of abundance, what will financial freedom look like for you? With endless possibilities, you have the opportunity to leave a personal legacy that will continue to grow long after you are gone. You have the opportunity to master the money game and achieve financial independence. However, happiness is also built upon your relationships and good health, you need balance in your life. So with that in mind, think about the following questions:

- What should I be focusing my time and energy on right now? Focus more on what you have and less on what you don’t. You’ll not only be happier, but you’ll achieve more. Focus on what you can control, not on what you can’t.
- What does money mastery mean for me and my family? Look at the events in your life as the means of a new beginning rather than the end of something old. Once you change the meaning you give things, you begin to change your life as well.
- What am I going to do today to move in the right direction? What you do counts more than what you know. If you want to shape your future, you need to commit to taking necessary action in the preferred direction.

- What can I do today to give to others? Think about what you are most passionate about and determine how you can leave a legacy in that area. Invest in others, this will generate happiness that nothing else can match.

Steve Jobs once said, “Being the richest man in the cemetery doesn’t matter to me. Going to bed at night saying we’ve done something wonderful, that’s what matters to me” Similarly, Tony Robbins advises to “Live life fully while you’re here. Experience everything. Take care of yourself and your friends. Have fun, be crazy, be weird. Go out and screw up! You’re going to anyway, so you might as well enjoy the process. Take the opportunity to learn from your mistakes: find the cause of your problem and eliminate it. Don’t try to be perfect; just be an excellent example of being human.”

Final Summary

No matter where you are in life, you can achieve financial freedom. Investing, especially for the newbie, is daunting and it's hard to know where to begin. The important thing is simply to begin. Start small, start slow, but you must start somewhere. You'll never get anywhere in your financial freedom if you don't ever start. Seek advice from those you trust, be smart about how you allocate your assets and prepare for the many financial seasons throughout your life. If you keep going and work hard, you'll find financial freedom and master your money. You have the opportunity to live the life you want and leave a financial legacy for those you love.