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VOLUME 5, ISSUE 6 JUNE 2013

SPECIAL POINTS OF INTEREST:

- **Are you making the best investments?**
- **Brush-up on your sales training**
- **Retirement planning mistakes**
- **How to plan if you owe taxes**
- **Richard's latest trip**
- **And, more...**

INSIDE THIS ISSUE:

Your House May Not Be the Investment You Thought It Was

Just because something costs a lot doesn't mean it is an investment. An investment is something that pays you money.

The house you and your family live in is not an investment. Neither is the vacation home you rent occasionally. Nor that piece of land next to your house you bought to preserve your view or your privacy. It is human nature to justify a purchase by calling it an "investment," but if you don't earn a return on that "investment," it shouldn't be treated as an investment in financial planning.

Historically, equities increase in value at a rate of about 6.5% above inflation. If inflation has historically been 4.5%, equities average about 11%. Equities include stocks, stock mutual funds and stock exchange-traded funds (ETFs). Your portfolio, depending on your age and other factors, should be invested mostly in equity investments to appreciate at a rate greater than inflation.

Fixed income is more stable, but averages interest payments of 3% over inflation. If inflation averages 4.5%, fixed income investments average 7.5%. Fixed income includes bonds, bond mutual funds and bond EFTs.

Real estate as an investment falls somewhere between stocks and bonds. On average commercial real estate produces a real return of about 4.9% above inflation. If inflation averages 4.5%, commercial real estate averages 9.4%.

Commercial real estate as property with no income doesn't appreciate at the rate of inflation. It actually depreciates against inflation by about 1% per year. Fortunately, with income, it should produce a 5.9% profit to overcome this depreciation and produce a real rate of return around 4.9% over inflation.

Managing commercial real estate on your own requires a good deal of work. If your commercial

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My Two Minute Sales Training Course

By: Steve Clark

For those sales reps and sales managers who are overburdened – who isn't these days - being asked to do more with less, looking for short cuts to increase sales, and who are under pressure to produce instant results, here is my short course for salespeople. It is not as effective or as comprehensive as professional sales training, but hey, it is better than the sales training that most sellers are receiving these days.

Be Real and Authentic. Quit trying to act like a sales person – whatever that is. Prospects want real human beings, not some robotic poor actor who is trying to play a part they have not been trained to do.

Quit Trying To Sell Anybody Anything. Start trying to help people solve problems. Most salespeople don't give a Rat's Ass about prospects. All they care about is how much commission they can extract. Buyers aren't stupid and they can smell insincerity from a mile away. Take your eye off of your needs and genuinely focus on the prospect's needs. It ain't about you and never has been, so get over it.

Don't Sell Them Something They Don't Need. Your manager won't like this, but only sell them what will actually solve their problem. If they are unwilling to buy what will work and insist on buying something that won't work have the guts to walk away. If you don't, they will blame you when it doesn't work.

Shut Up, Ask Questions and Listen. Buyers don't care about you, your company, the management team, how long your company has been in business or anything else. They only care about the same thing all human beings care about – THEMSELVES. Buyers want to know, who are you, so what, why should I listen to you and what's in it for me. The only thing that

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Your House - *continued from page 1*

property isn't generating considerably more income than it costs to maintain it, including depreciation, it isn't pulling its own weight. Only if it can produce significant income and grow at a real rate of return of 4.9% over inflation will a $100,000 investment grow to $331,000 after 25 years.

Similar equations can be used for residential real estate. On average it produces slightly less income, giving a real return of 4.1% and growing to have a buying power of $273,000. Obviously all real estate is subject to the increasing or decreasing desirability of its location. Some excellent school districts have experienced appreciation significantly greater than inflation. But, many rural communities have barely kept up.

These historical averages provide benchmarks as a way to judge the investment worthiness of a particular property. If you own a $300,000 rental home, you should expect to average at least $3,000 each year in repairs and upkeep. One year it might be lower only to have major bills the next. Your benchmark is a real rate of return of 4.1%. After repairs and all other expenses, you should have a profit of $12,300, or 4.1% of your investment. That means you have to have a profit of at least $15,300 (5.1%), or more, for your investment to pay you the appropriate amount.

Real estate that pays you appropriately can be considered an investment for the purposes of wealth management. But, you need to run it like an investment and track your return after all your expenses.

This analysis helps explain why property that you do not rent is not an investment. Every $100,000 of equity put into property that lies fallow costs you $1,000 in expenses just to keep up with inflation. And although keeping up with inflation is good, without the 4.1% income there is no way your $100,000 investment will grow to have the increased purchasing power of $273,000.

A family's home, however, does not typically, keep up with inflation. Some couples sell a large expensive home, purchase a smaller house and invest the difference. Many believe they will, but when the time comes, their downsized house is so much nicer that little is left over to invest.

Additionally, for many couples, the value in their home is used as equity toward an assisted living arrangement. The larger their home, the more expensive the retirement community they buy into. For these and other reasons, it's helpful to not assume that the equity in a family's home will be available during retirement.

To reiterate, just because something costs a lot doesn't mean it is an investment. Investments should appreciate at a rate that grows faster than inflation and gains purchasing power. And spending your money on non-investments can jeopardize a plan to reach your goals of financial freedom. As a rule, investments should work for you, paying you money that you can spend or reinvest elsewhere.

Retiree Financial Mistake #3:

Not Guaranteeing Your Basic Income Needs

By: James L. Byrd

This one is probably the most heart-breaking mistake you can make. Imagine that you are cruising through retirement, happy as can be. You do what you want to do, when you want to do it. You don't have a care in the world.

But then, the markets collapse, like they did twice in the 2000's. And suddenly, you see your retirement portfolio evaporating in front of your very eyes. Your portfolio values are dropping because of the market AND to compound matters, you are pulling money out at the same time. This is a "double whammy" of sorts and your retirement assets are diminishing faster than you ever imagined.

When it comes to your income in retirement, that income should be guaranteed to come to you *no matter what*. It shouldn't matter what the markets do, or not do. Your income should come to you regardless, and it should be available to you for life.

How do you do that? You simply put enough money in guaranteed products to deliver you a base level of income that you need for your retirement. It's fine to use risk assets for the extras in life, but your base level of income needs to come from these guaranteed products.

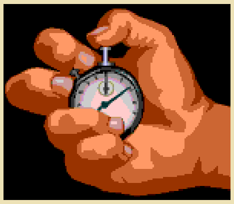
But wait a minute, you say. "Safe" retirement vehicles aren't yielding but a pittance. How can you be expected to generate enough income from those to be meaningful?

If you are dealing with someone who specializes in retirement planning, he or she can almost always help guarantee an income in retirement, regardless of where interest rates are. Financial advisors who focus on retirement planning are very familiar with what can and cannot be done with "safe" retirement products.

Jim Byrd is a licensed insurance professional in the states of Alabama, Florida and Indiana. He holds a Series 65 designation from the North American Securities Administrators Association serving as an Investment Advisor Representative (IAR); a fee based advisor. Jim is a member of the National Ethics Bureau, the Better Business Bureau, National Association of Insurance and Financial Advisors, as well as past-Chairman of the Eastern Shore Chamber of Commerce.

This month's Special Member-Only call-in times for Lindsey's Insider Circle will be 6/24/13 from 2:00 to 4:00 pm. To schedule your appointment, contact Kristen at (251) 633-4070.

My Two Minute Sales Training Course—*continued from page 1*



should come out of your mouth on a sales call are good questions that lead the buyer to discover, for themselves, what their problems are and how you can help solve those problems. **Selling is about asking not telling.**

E-Mail Is Not A Sales Tool. It is a communication tool that should be used with someone that you have established a relationship with. It does not replace face to face meetings. Quit being lazy.

Quit Cutting Price To Make A Sale. Spend more time looking for buyers who are more interested in value and better service than cheap price. If all of your buyers are low price shoppers –well, Bubba, you pick who you call on. The question you should ask all buyers is, "If I can fix X for you and make that disappear, how much is it worth to you not to have that problem anymore?" This question focuses the discussion where it should be - on how much the problem costs, not on how much your product or service costs.

Don't Quit. In the words on Winston Churchill, "Never give up. Never give up. Never give up." That doesn't mean chasing people endlessly, but it does mean to follow up because a "no" today doesn't mean "no" forever. Buyer's situations change and you want to make sure you are there when they do.

Don't Answer Objections. It's stupid. The only person who can answer an objection is the one who brought it up. If you take the bait and try to answer the objection you will inevitably get into a pissing contest that may well end up in an argument.

Are You Selling or Are You Buying*?* On every sales call a sale is made. Either you sell them on giving you money for your product or service, or they sell you on why they are not willing to do so. The best sales person always makes the sale. Unfortunately, most of the time it is the prospect who is the better sales person.

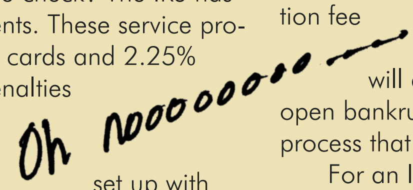
Be Outrageous. Be different and stand out. One of the worst sins a sales person can make is to be boring and flaccid. Stand up straight, look people in the eye, and show them by your actions - not words - that you think your stuff don't stink. No one wants to do business with a wimp.

Steve Clark, aka "*The Sales Psychologist*," is the founder and CEO of New School Selling, an international business development and marketing consulting firm. He is the author of *Profitable Persuasion - Proven Strategies for Sales and Marketing Success* and the Co-Author of *The Ultimate Success Secret* with marketing Guru Dan Kennedy. To take a FREE Sales Quiz, and receive a customized personal analysis of your sales skills plus a set of 6 FREE Sales Training CDs go to: www.newschoolselling.com. ❁

OH NO! I Owe Taxes! What Should I Do?

Once you have prepared your return, it is often a shock to discover you owe taxes. It could be because during the tax year, you were divorced, your child no longer qualifies as your dependent, or you simply did not have enough withheld from your income. Whatever the reason, those taxes must be paid soon. If you weren't expecting it, it could be a burden.

So, how do you take care of it if you can't simply write the check? The IRS has service providers that will accept credit and debit card payments. These service providers charge an average of $3.75 convenience fee for debit cards and 2.25% fee for credit cards. These fees, however, are less than the penalties and interest the IRS will charge for non-payment or late payment.



The IRS also has an Installment Agreement that you can set up with them if your tax liability is less than $50,000. The fee for setting up the agreement is $52 if you agree to direct debit and $105 for a standard agreement or payroll deduction. There is no requirement as to the minimum amount you can pay, but the sooner you can pay the better, as penalties and interest accrue while you are paying.

As a last resort, the IRS has available what is called an "Offer in Compromise." This allows you to settle your tax debt for less than the entire amount you owe. (I know you've seen the TV commercials.) The IRS will consider your unique set of facts such as ability to pay, income and expenses, and assets. There is an application fee of $150 and Form 656 must be completed. Not everyone will qualify, including those in an open bankruptcy. This is a cumbersome process that does not happen quickly.

For an Installment Agreement or Offer In Compromise to be considered, all filings must be and remain current. Information on the above options is available at www.irs.gov or by calling us at 251-633-4070 for more information.

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HAPPY FATHER'S DAY!

Second Time's the Charm?

Carita and I recently returned from our annual "after tax season" cruise. It's a time for me to decompress and for us to get to know each other again.

We took the same cruise we took last year, on the same ship, to the same destinations: St. Thomas, St. Maarten, and the Bahamas. Sounds like we're tempting fate, right? After Carita spent last year's cruise bagging ice for my swollen foot and eventually pushing me around in a way too large wheel chair when I could no longer take a step without excruciating pain.

But, what a difference a year can make.

This year we managed a lot more lounging and reading time. Sometimes out by the pool, sometimes in an empty lounge. I still didn't do any more than watch the Flowrider® and the climbing wall. I never learned to surf or boogie board when I was younger and, at least according to my grandson's Wii, I don't have the balance to attempt to learn at age 57. And the climbing wall… no way! I'm afraid of heights and equally afraid I'd get half way up and freeze… unable to go up or down. Just not doin' it.

We love cruising and have been to St. Thomas and St. Maarten several times and so we didn't plan a single excursion this time. We did get off at each port and do a little shopping… well, Carita did the shopping. I was there to lend support and carry the bags. But, at least I could walk and carry the bags, so I was happy too. ❁

Looking For Someone You Can Rely On?

We really believe in the process of referrals, so part of the service we provide is to be sure to refer our clients and associates to other qualified businesspeople in the community.

Below, you'll find a list of areas in which we know very credible, ethical and outstanding professionals. If you're looking for a professional in a specific area we've listed, please feel free to contact us. We will be glad to put you in touch with the people we know who provide these services.

- Cultured Marble
- Massage Therapist
- Mortgage Lender
- Realtor
- Attorney
- Financial Advisor
- Personal Trainer
- Remodeler
- Web Developer
- Funeral Service Counselor
- Business Coach
- Power Washing
- Civil Engineer
- Florist
- Printer
- Window Treatments
- Veterinarian
- Air Conditioning