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Weatherproof Wealth: Investing for Stability in Uncertain Times

"Maturity is the capacity to endure uncertainty."
—John Finley

Leaks. Questions about Russia. Political unrest and climate change debates. A media that has become both the attacker and the attacked. Conflicts of interest, ideologies, and personalities. Citizens weary of political drama, increasing terrorist attacks, and bad news.

These are uncertain times. Regardless of how you voted last November, you probably agree that the last few months have been a wild ride. And with rumblings of impeachment (along with warnings of a coup), it seems to be far from over.

Beyond our borders, many work to bring peace to war zones or housing and economic stability to refugees. Meanwhile…

Stocks are up, up, up! Then down with a thud. Wait… no, up again!?

After a remarkable months-long rally in anticipation of business-friendly tax relief, last week, the Dow tumbled 373 points, the largest one-day drop in 8 months. The next day, the gains continued. Today, the S & P 500 reached a new high.

What will happen next? An internet search for "economic predictions 2017" will bring you forecasts from notable analysts and fund managers predicting:

- a currency crisis and a worldwide economic collapse *(or perhaps… just continued stagnant growth of GDP)*
- Gold and silver could skyrocket *(or maybe… precious metals will lose value in further corrections)*
- The stock market will crash with losses exceeding 50%… *(unless it gains an additional 10% before the year closes).*

The guessing game has become absurd! And the prediction is this: If you follow typical financial advice, sooner or later, you'll get caught in a financial storm.

Since no one can accurately predict the economic weather, doesn't it make sense to weatherproof your wealth? And consider this…

Do you *really* want your money at the mercy of a market that responds almost instantly, for better or worse, to the constant parade of ever-alarming news?

Probably not.

So what's an investor to do? How do you position yourself for a financial storm *or perhaps… sunny skies?* Start by practicing these 9 strategies to prosper in *any* economic weather.

9 Keys to Weatherproof Your Wealth

1. Always live beneath your means.

It's personal finance 101, but it bears repeating. Americans have trended towards saving less and less over the last four decades, measured as a percentage of income. The low savings rate produces multiple problems, such as a lack of meaningful emergency funds, which can lead to debt, bankruptcies, and poor choices.

For instance, if you are living paycheck to paycheck, you're more likely to make career choices based on pay rather than satisfaction or fulfillment. If you are practiced at living beneath your means, you'll have more options, whether that means holding out for a better position or taking extra time off to be a parent.

Living beneath your means will also make you a better investor. People who spend 98% (or more) of what they make tend to try to make up what they lack in volume by chasing unrealistically high rates of return, subjecting their dollars to unnecessary risk.

Save 15% - 20% of your Gross Income to keep up with Taxes, Inflation, Plan Obsolescence and Technological Change. This will insure that you are able to meet all of your financial obligations through-out life.

2. Build up savings *before* investing.

If you don't yet have liquidity for emergencies *and* opportunities, your dollars should not be tied up in investments such as 401(k)s, IRAs, or other retirement plans. Build your liquidity first. That will give you the capacity to do take advantage of lucrative opportunities that weren't available to you before. (Many of the better investments begin at minimums of $25k or higher.)[1]

Saving before investing also protects the investments you'll be making. In the aftermath of the financial crisis, Americans pulled *hundreds of billions* of dollars prematurely from 401(k)s and other retirement accounts ($57b in 2011 alone, according to Bloomberg.com), paying penalties and taxes as well as taking huge market losses.

We recommend beginning with cash and a savings account for "everyday emergencies." For long-term savings and liquidity, consider dividend-paying high cash value life insurance policies for increased privacy, long-term returns, and tax-deferred growth within the policy.

Before you make a 401(k) contribution or purchase a home make sure you have accumulated 50% of your Gross Income in a savings or Money Market account. This will prevent future "Bad" debt.

3. Protect your most important financial asset.

The average American earns *millions* of dollars over a lifetime, making their ability to earn their most important financial asset. If you are concerned how a partner, spouse or children would be affected if you were no longer around or able to work, look into term or whole life insurance, or a combination of both, and disability insurance as well to determine how to best protect your income. Your most important assets—family and business—are worth protecting.

4. Create multiple streams of income.

One of the biggest causes of financial storms is loss of work. It is worth noting that the wealthy rarely have only one source of income, and they often have a high level of control over their income.

Consider starting a part-time business on the side. (The potential tax savings alone can make it worthwhile!).[2] You can start a network marketing or referral business with very little time or money, while developing business skills and writing off legitimate business expenses such as travel and entertainment.

Real estate investing provides an income stream for many people, and it can be as simple as renting out your home instead of selling it when you purchase a different home. Or perhaps you have a spare room you can rent through AirBnB.com.

Even if you are looking for work, a full-time student or stay-at-home parent, there are many ways to earn money on the side, from being a weekend Uber driver to freelancing, consulting, or tutoring. Learn to control your income and you'll weatherproof your wallet.

5. Never put your dollars knowingly at risk.

We think that the stock market is the *only* way to invest and that the more risk we take on, the better chance we'll have of higher returns. But nothing could be further from the truth!

Avoid investing in anything that is above your risk tolerance or where "roller coaster ride" volatility is the norm. Save money in safe places, like your bank account(s). A place where you will never lose what you put in.

6. Diversify outside of the stock market

We all understand the concept of not putting all your eggs in one basket. Yet too often, investors (and their brokers) interpret this to mean they should simply diversify their *stocks.* Being truly diversified means investing in different asset classes, not simply different types of stocks or mutual funds. If you are invested even in broad indices such as the S&P 500, you may be in for a lot of pain when the stock market turns bearish.

"No BS Money Guy" Todd Strobel, co-host of The Prosperity Podcast, points out the reason why those invested heavily in the stock market feel a need to diversify… *They don't have confidence that their main strategy is one that will perform reliably for them.* Therefore, investors put their money in various financial vehicles in which they have more or less confidence, hoping that if one fails, another will succeed.

Asset Allocation. People focus on stocks and bonds when there are other alternatives for growth and income.

And don't neglect the asset classes that have helped people build substantial, sustainable wealth long before the financial planning industry even existed:

- Investment real estate—especially *cash-flowing* real estate, residential or commercial—can be excellent for increasing cash flow as well as decreasing taxes and building net worth..
- Whole life insurance provides death benefit protection and living benefits such as cash value and dividends[2.] Dividends further enhance the cash value and death benefit when reinvested. Although not classified as an investment, whole life offers compelling benefits for investors looking for a safe place to store cash.
- Whole life typically outperforms bank rates, often by 2-3%.

7. Invest in non-correlated assets that do not rise and fall with the stock market.

The unpredictable stock market violates the principle of maintaining *control* of your investments. Instead, put your dollars into non-correlated alternative investments that won't roller coaster ride with stocks, but can produce similar (sometimes even superior) returns.

8. Be open minded about alternative investments.

"Alternative Investments" is a term that means different things to different people. We define alternative investments as being outside of the stock market. Some people think of alternative investments as anything that is not comprised of typical stocks, such as REITs. Typical REITs and real estate funds won't help you weatherproof your wealth, as they have a history of peaks and valleys much like the broader stock market. A better option may be to invest directly into real estate.[4]

Just because the big banks and brokers don't sell something is not a reason to disqualify it. Get more information and ask questions, and make informed decisions rather than simply relying on conventional advice that presents very limited choices.

And last but not least…

9. Guard your mindset as well as your money.

It's not just our portfolios that can suffer from political conflicts and economic upheaval. Stay positive, be grateful, and focus on the things—and especially the people—that matter most to you.

Stress can take a powerful toll on our mental, physical, emotional and financial health. We have a higher capacity to succeed in our careers and businesses when we don't allow ourselves to become bogged down negativity and drama.

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[4]Investing in real estate contains risk and may lose value.

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