HOW TO TURN ONE HOME INTO A $1,000,000 RETIREMENT FUND

Special Report

How You Can Turn ONE Rental Home Into a Million Dollar Retirement Fund for Your Family!

Years ago, Richard Russell of the Down Theory Letters wrote an incredibly powerful article titled, "Rich Man, Poor Man." In the article, he shared how important it is for the average investor (you and me) to have a financial plan utilizing the power of compounding. I'll share a simple financial plan with you in this chapter.

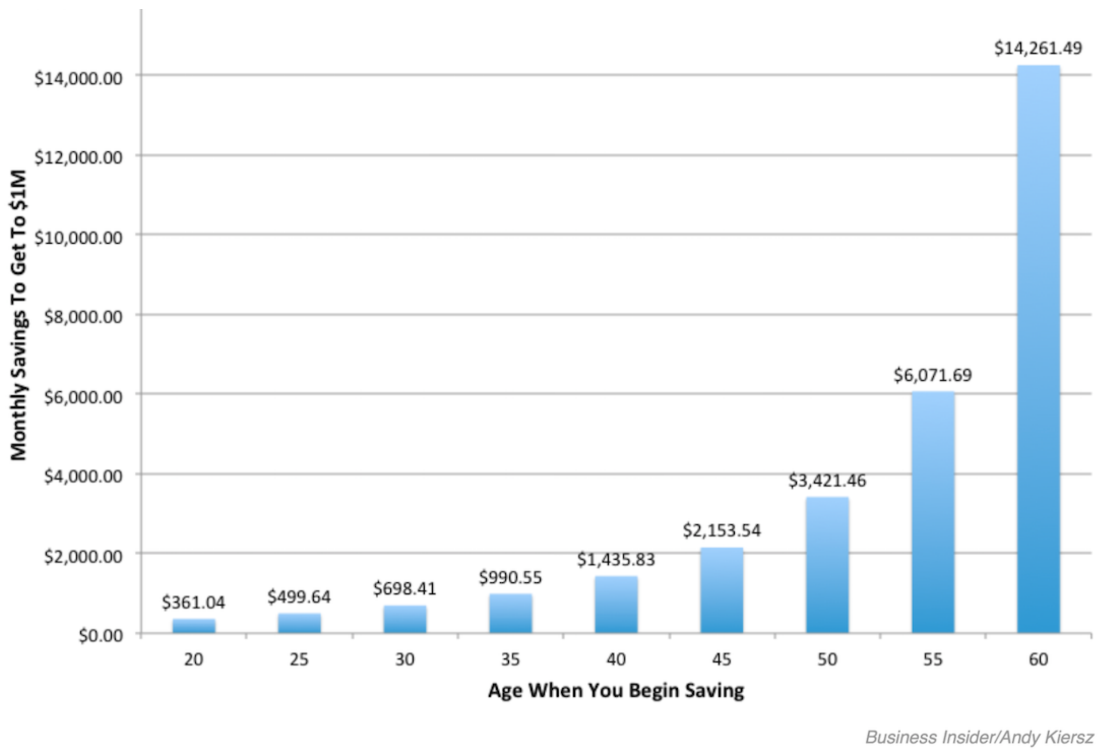
Before I do, I want to quote a portion from Rich Man, Poor Man:

"Compounding is the royal road to riches. Compounding is the safe road, the sure road, and fortunately, anybody can do it. To compound successfully you need the following: perseverance in order to keep you firmly on the savings path. You need intelligence in order to understand what you are doing and why. And you need knowledge of the mathematics tables in order to comprehend the amazing rewards that will come to you if you faithfully follow the compound road. And, of course, you need time, time to allow the power of compounding to work for you. Remember, *compounding only works through time*."

Compounding is not about getting rich quickly. It's about creating a compounding financial plan and sticking with this plan for years. This isn't as easy as it sounds because we tend to get easily distracted. Richard Russell wrote:

"There are two catches in the compounding process. The first is obvious – compounding may involve sacrifice (you can't spend it and still save it). Second, compounding is boring – b-o-r-i-n-g. Or I should say it's boring until (after seven or eight years) the money starts to pour in. Then, believe me, compounding becomes very interesting. In fact, it becomes downright fascinating!"

To see how fascinating compounding can be over time, check out this chart from BusinessInsider.com:



This chart shows how much you would have to save at various ages in order to accumulate $1,000,000 by the age of 60. The two factors determining how much you'll have to save each month are:

1. Length of time
2. Average investment return

In the chart above, the monthly savings amount was calculated assuming you would earn 6% compounded over time. The earlier you start saving, the more you'll accumulate by the age of 60. Someone who is 30 years old can have a million dollars at age 60 by saving $698.41 per month.

Things get interesting when you realize you don't have be the one saving the $698.41 per month.

The idea is to buy a rental property and use the income you generate from this property, as way to fund your future retirement.

Imagine how things might be for you in the future if you owned a rental property that provided you with a monthly profit of $698.41. You could this monthly income as your savings vehicle. Instead of spending this income each month, you'd simply reinvest it allowing the magic of compounding to go to work for you.

Obviously, you won't find a rental property for sale that offers this exact monthly income. The good news is you may not need this level of monthly income to hit your financial goals. The key is to set up a situation where you create additional monthly income that you can use to invest each month.

Let's just say you're able to buy a rental property that provides you with a monthly income after expenses of $350. Let's also say you're able to automatically invest this $350 each month earning an annual return of 8.60% on average going forward.

The income from your rental property would turn into:

$65,484 in 10 years
$214,913 in 20 years
$555,898 in 30 years
$1,333,993 in 40 years

These returns are calculated before factoring in inflation.

I've also assumed you invested your monthly rental income into the Vanguard Total Stock Market Index Fund Admiral Shares (VTSAX):

	Month-end	3-Month total	YTD	1-yr	3-yr	5-yr	10-yr	Since inception 11/13/2000
VTSAX	-8.36%	-16.85%	-21.38%	-14.24%	9.63%	10.52%	12.51%	7.20%
Benchmark[1]	-8.37%	-16.85%	-21.37%	-14.22%	9.65%	10.53%	12.53%	7.22%

You can see that we have used an estimated annual return of 8.6% which is less than the 10-Year Return of 12.51%. The reason why we're going to use this as our compounding machine is because Vanguard fees are extremely low and because the fund holds a large selection of stocks providing instant diversification for your protection.

<u>Note</u>: This index fund is the fund that Warren Buffett actually recommends to non-professional investors.

When signing up for this new Vanguard account, you would simply check the box "reinvest dividends" and all dividends earned in the fund would automatically reinvest the dividends into additional index shares compounding your returns further.

Obviously, the 8.60% average annual return isn't guaranteed, and your actual return may be better, or worse, in the years to come.

Think about this for a minute… if you followed this simple plan, in 40 years you would have:

$1,333,933 in the Total Stock Market Index Fund

+

Free and Clear Rental Property Providing Monthly Income

More than likely, the tenants living in your rental home would have completely paid off the mortgage and you would actually have a larger as you would have increased your rent several times.

Richard Russell was right; compounding is pretty boring in the beginning. However, once you get to the 20-year mark, notice how the amount grows every 10 years. Simply amazing.

One rental property purchased this year could create a $1.3 million dollar retirement fund in 40 years through the magic of compounding. And we haven't discussed this, but your investment to buy the investment property amounts to the required down payment. This basically means, that one down payment on a rental property this year can turn into your future retirement fund.

This isn't about getting rich quickly.

This is about setting up a conservative investment plan and following it for years. All you have to do is keep your one home rented continuously reinvesting your monthly income into the index fund.

Think about the impact this could have on your life...

1. **You could make numerous financial mistakes throughout your life**. You could lose your job every few years and still be a millionaire. You could even run up a large credit card balances, which is a big no-no, and you'd still be a millionaire.

2. **You wouldn't have to work 60-hour workweeks climbing the "corporate ladder" and you wouldn't have to worry too much about finding the highest paying job.** This is because the income from your job

won't have any bearing on your financial future. You could even look for a lower paying job you absolutely love and you'll still be a millionaire.

3. **Depending on your age and financial goals, you may not have to save any additional money for your retirement**. This means you'll have more money in every paycheck. You can spend every penny of every paycheck and you'd still be a millionaire.

3. **When you decide to retire, you can start living off the dividends and rental income leaving the $1,000,000+ Vanguard Fund and the rental home to your children helping to set them up financially for life**. If they continue investing the income from the home into the same index fund allowing the compounding to continue, they're sure to have $10,000,000 in their lifetimes.

Crazy, isn't it?

The average person doesn't "see" this, and they don't understand the true magic of compounding. Sadly, we're not taught this strategy as a way to prepare for retirement. Instead, most financial advisors suggest we save 15% out of each paycheck.

With this simple plan, we're actually having the tenant in your rental home save for your retirement. This savings would be in addition to anything you save in your retirement accounts.

On Tim McAleenan website theconvervativeinvestor.com he wrote:

To truly change your life, you need an asset that throws off regular, monthly cash. That might mean something like a real estate property paid off in cash. If you are renting out a $225,000 property that you own in cash, you could very reasonably have $1,400 coming in per month that you get to use to make stock market investments. Do this for a couple decades, and you are going to benefit from rising rent checks that give you even more money to invest, and then the investments from years gone by start to throw off meaningful income all of their own, allowing you to spend your life constantly taking incoming cash and making fresh investments.

At that point, investing is an art form. It's a lifestyle. You're not playing the lame game of trying to beat the S&P 500 by a point here or a point there each year, but instead, you are laying the bricks of a financial fortress each month as you create a perpetual income machine that lets you build a collection of assets that keep on generating cash.

To build a retirement fund of $1,333,933 in the same Vanguard Total Stock Market Index Fund *without* the rental home, you would have to save $350 a month out of your pocket for 40 years. This means you would have to save $4,200 a year for a total of $168,000 in 40 years – all out of your paychecks. This is money you won't be able to use for your living expenses during the next 40 years.

By shifting your plan and buying one rental home reinvesting the monthly income instead, you'll accomplish the same end result and all you'll need is the down payment to buy the rental home.

Yes, you'll have to manage the rental home going forward. This may not sound very exciting until you realize the tenants living in your home are going to work each week to save for your retirement. You'll be happy to continue managing this one rental property knowing your tenants are working hard to create a $1,000,000 fund for your family's future.

The investor who truly understands compound interest will focus on saving enough to buy the single-family home and will simply reinvest the monthly income allowing it to compound for decades.

Some may feel this is a "risky" investment plan because they'll have to manage a rental property. Others may see how this as a "conservative" investment plan because they understand this plan actually reduces their risk. This plan reduces risk because...

The actual market value of the home has no bearing on your financial future. The market value of the rental home could be the exact same 40 years from now and you'd still be a millionaire.

Plus, you'll have homeowners' insurance on the rental home to protect you from losing all of your money, if your home burns down or is destroyed by a storm.

And you're not trying to pick individual stocks trying to beat the market. You're investing into a low-cost diversified index fund filled with thousands of stocks. If several of the stocks in the index fund tank, it won't impact your future outcome.

Finally, you'll be investing for the long-term and future stock market crashes will allow you to buy more index fund shares at lower price points.

To your success,

-Rob Minton
Cashflownaire

P.S. What would happen if you were to buy *two* homes like the one in this report and reinvest the rental income as outlined? Where would you be in 20 years?

P.P.S. The best part is you may actually set this entire plan up inside a special IRA account using your existing retirement savings to buy the rental home for cash. The monthly rental income will actually go directly into your special IRA providing the funds for your monthly index fund investment.

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