

## ***CREATING SPENDABLE INCOME***

If you stop and think about how you spend your day, you quickly realize that the biggest portion of your day – as well as most of your mental and physical energy – goes into making a living. Just surviving is expensive as you pay your monthly bills. Clearly, the biggest part of your day is spent in the pursuit of money – making a living. You work, you earn, you pay! Most likely what you earn is not enough – most people just survive.

Perhaps you have decided to get ahead, to break away from the herd. You have decided there is something better for you and your family. Because you are not lazy, you have decided to take a second or maybe a third job. But is this really the answer? It may provide a temporary fix, but face it, there is only one of you – you only have two hands.

There is only one of you. Maybe working harder is not the total answer. The answer is working smarter. George Clason said in his book *The Richest Man in Babylon* "Every gold piece you save is a slave to work for you. Every copper it earns is its child that also can earn for you."

Working smarter is putting the power of compounding to work for you as I describe in my special report "The Power of Compounding." Take a tip from *The Richest Man in Babylon* and start to save and put the earnings to work for you. If you truly want to become wealthy, then pay yourself first. This is easier to do than you think when you have a clearly defined goal as I outline in "Take Control of Your Financial Future." After all, who is more important than you and your family?

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You see, I am talking about developing a financial lifestyle. In the morning you rise, shower, dress, eat breakfast, go to work, etc. Just add one more item to your routine – take care of your finances. Simply concentrate on your financial GOAL – your destination – and then visualize what your life would be like when you get to your financial destination. You will find it will be easy to pay yourself first. Become a financial architect and create the wealth you desire.

### ***HOW TO USE YOUR MONEY TO GENERATE SPENDABLE INCOME***

When I speak to individuals at investment conferences or on our radio show, the question I am asked most often – after how to work toward 20% annualized compounded growth – is how do I generate income in my retirement years? I tell them that I am glad you asked.

The purpose of creating wealth is to provide spendable income in our retirement years – to maintain the quality of life that was our GOAL – destination.



The primary goal of the Fabian Compounding Plan is to accumulate wealth in order to enhance your future quality of life. Talking about spending money at retirement is a lot of fun. It also is very important because today we all are living longer, staying healthier, and may live as much as one third of our lives in retirement.

I have always said that every investor should be shown the power of compounding, as I have explained in my special report "The Power of Compounding." Second, investors should then be shown a path to work toward achieving a high compounded growth rate, as outlined in my special report "Take Control of Your Financial Future."

My goal is 20% annualized compounded growth over the long term. When I say the long term, I mean the rest of your life. I set this goal because I know the effect it will have on my financial goals and my long-term quality of life.

I have always believed that the minimum goal for any investor is to accumulate \$300,000 of liquid assets by retirement. Of course I encourage higher retirement goals, but this is the absolute minimum goal. Then following the Fabian Compounding Plan, take withdrawals of 12% each year as your spendable income.

On the Spendable Income Table below, we show a hypothetical example of how our spendable income plan might work. It is important to keep in mind that this is a hypothetical example. The annual growth of the investments in the spendable income worksheet were based on the actual investment results attained by the Fabian Newsletter for 1977 to 1999, and our Fabian Indicator Composite for 2000 and later years. (Second Column.)

Past performance is no guarantee of future results. I felt however, that telling the story this way, gives a better understanding of the concept rather than simply using made up performance figures.

Looking at the Spendable Income Table below, you see the example started with an initial investment of \$300,000. Further, you see the Fabian Newsletter performance for the first period was 20.07% (second column). This means the \$300,000, at the end of that period had grown to \$360,210. Taking 12% of that figure produces \$43,225 as shown in the last column, leaving a balance in the account of \$316,985 after the withdrawal.



This amount is then invested for the next year where the example shows that in 1978 the performance of the Fabian Newsletter was 26.02%. At the end of that year the account had a value of \$399,464. Taking 12% of this total works out to be \$47,936. This left a balance after the withdrawal, of \$351,529 to be invested the next year. This same process continues each year for the remaining periods.

At the end of the last period you see that the total amount of money that was withdrawn, and used for spendable income, was \$1,537,242. **This is five times the amount of money that we started with.** Further, it worked out that the average annual withdrawal was over \$61,000.

**The most important point is that at the end of the last year in our example, \$415,905 is left for investing in the future to generate spendable income. This figure is \$115,905 more than the initial investment in 1977 of \$300,000.**

***If this is not the second greatest story every told – I don't know what it would be.***

The example we just reviewed uses the absolute minimum of \$300,000 that I believe should be your goal at retirement. However with this potential, shouldn't you strive for \$400,000, \$500,000 or how about \$600,000? With \$600,000 all of the numbers in our example would double, and your quality of life would be enhanced even further.

After all, isn't the primary reason for investing to enhance your quality of life? Begin today to commit to **Taking Control of Your Financial Future.**

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If you may be thinking about possibly using a personal money manager and have at least \$300,000 to put to work, you can learn more about the specific process that Fabian Financial Services, Inc. follows for their clients. These details are included in the printed report entitled *Enhancing Your Financial Future*.

You can receive a copy of *Enhancing Your Financial Future* by calling (949) 852-9800. If you call after business hours, please leave a message for us. If you prefer, you may fax your request to (949) 852-9840.

Links:

Special Report Page at [www.fabianfinancial.com](http://www.fabianfinancial.com)

On the Special report page you will find **The Power of Compounding and Take Control of Your Financial Future.**

Home Page of [www.fabianfinancial.com](http://www.fabianfinancial.com)

## CREATING SPENDABLE INCOME

This table shows theoretical year-by-year results of the Spendable Income Plan. At the end of each year, 12% of the principal was withdrawn for income (far right column). Note, in this theoretical plan that, by the end of the 24-plus year period, the account still has a value of \$415,905.

### Spendable Income Plan with 12% Annual Withdrawals \$300,000 to Begin

Year	Annual Gain	Value before Withdrawal	Value after 12% Withdrawal	Amount Withdrawn
Apr-Dec 77	20.07%	\$360,210	\$316,985	\$43,225
1978	26.02%	399,464	351,529	47,936
1979	18.10%	415,155	365,337	49,819
1980	37.55%	502,520	442,218	60,302
1981	7.58%	475,738	418,650	57,089
1982	43.13%	599,213	527,308	71,906
1983	19.62%	630,765	555,073	75,692
1984	-6.79%	517,384	455,298	62,086
1985	18.97%	541,668	476,668	65,000
1986	10.49%	526,670	463,470	63,200
1987	22.91%	569,651	501,293	68,358
1988	.05%	501,543	441,358	60,185
1989	27.47%	562,599	495,087	67,512
1990	-5.05%	470,085	413,675	56,410
1991	38.02%	570,954	502,440	68,515
1992	4.08%	522,939	460,187	62,753
1993	17.16%	539,155	474,456	64,699
1994	-5.64%	447,697	393,973	53,724
1995	32.04%	520,202	457,778	62,424
1996	5.10%	481,125	423,390	57,735
1997	23.61%	523,352	460,550	62,802
1998	20.02%	552,752	486,422	66,330
1999	22.00%	593,435	522,223	71,212
2000	-1.68%	513,449	451,835	61,614
2001	4.60%	472,620	415,905	56,714

**Total Income Withdrawals: \$1,537,242**

**Summary:**

Starting Capital:	\$300,000
Ending Capital:	\$415,905 (38.6% increase)
Total Withdrawals:	\$1,537,242
Avg. Annual Withdrawals:	\$62,110 (24.75 years)

This model represents a hypothetical example. The rates of return shown above have been calculated by applying historic information based on the Fabian Newsletter for 1977 to 1999 and the Fabian Indicator Composite (FIC) for 2000 and later years. It is assumed that all dividends are reinvested. These results do not reflect the effect of taxes, management fees, and charges. Past hypothetical performance is not indicative of future earning expectations.