DICK FABIAN'S
THE POWER OF COMPOUNDING

You are about to embark on a great journey and adventure. You'll need to learn patience – since this journey is necessarily for the rest of your life – but the rewards along the way are many and great. Wealth-building is fun and exciting and something more; when you see the value of your financial accounts increasing over the years, you'll experience a level of joy and peace-of-mind like you've never known before.

Happily, wealth-building is not very difficult. You can accumulate all the money you want. Once you learn the rules and adopt the correct financial lifestyle, you'll find your wealth-building discipline will take just a few minutes per week. Now, let's roll up our sleeves and get to work.

> *We believe every adult in America can become wealthy … and given enough time … can become a self-made millionaire … based solely on the gains made from their personal investment portfolio.*

Here are the three components that go into your wealth building formula:

1. **Time**
2. **Compounded Growth**
3. **Money**

As you can see, the components are simple enough.
But whatever you do, do not allow yourself to be put off by their simplicity, looking for something more difficult or mysterious, even though you have previously thought so. Once you learn to combine this simple formula with my investment plan, pursuing the wealth you desire will be easy.

Note that the first two components, time and compounded growth, are freely and readily available to everyone. Time will pass whether we like it or not, and the laws of compounded growth have been in existence since the beginning of time. So, putting those two components to work is easy. To complete the formula, we need only to add some money. Any amount will do – whatever we already have saved or can set aside from our earnings – since time and compounded growth will convert even the smallest amounts into enormous sums.

We are convinced that compounding is the key that opens the door to wealth for everyone. It is compounding plus the passage of time that magnifies the potential of developing wealth through your investments.

Let us now show you in detail why we believe so strongly in the power of compounded growth.

Please refer below to the 20% Annualized Compounded Growth Table - Table 1.1. This table shows the results on a $100,000 investment, over one through twenty-five years, growing exactly 20% each year.

Table 1.1

20% Annualized Compounded Growth Table
Compounding + Time + Money = Wealth

This 20% compounded growth table shows the dramatic effects that long-term compounding can have on an initial investment of $100,000 from one through twenty-five years. Note that the average annual return (column B) after the first year is 20%, but each year after that the return is higher. In five years, the average return is 30% per year; in ten years, the average return is 52% per year; and in fifteen years, the average annual return is 96% per year on the initial investment.

Year	A			B	C
1	100,000	+	20%	20.00%	$120,000
2	120,000	+	20%	22.00%	144,000
3	144,000	+	20%	24.27%	172,800
4	172,800	+	20%	26.84%	207,300
5	207,300	+	20%	30.00%	*250,000
6	248,800	+	20%	33.10%	298,500
7	298,500	+	20%	36.90%	358,300
8	358,300	+	20%	41.25%	429,900
9	429,900	+	20%	46.22%	515,900
10	**515,900**	**+**	**20%**	**52.00%**	***620,000**
11	619,100	+	20%	58.46%	743,000
12	743,000	+	20%	65.97%	891,600
13	891,600	+	20%	74.61%	1,069,900
14	1,069,900	+	20%	84.56%	1,283,900
15	1,283,900	+	20%	96.00%	*1,540,000
16	1,540,700	+	20%	109.30%	1,848,800
17	1,848,800	+	20%	124.62%	2,218,600
18	2,218,600	+	20%	142.35%	2,662,300
19	2,662,300	+	20%	162.88%	3,194,800
20	3,194,800	+	20%	187.00%	*3,840,000
21	3,833,700	+	20%	214.31%	4,600,500
22	4,600,500	+	20%	246.39%	5,520,600
23	5,520,600	+	20%	283.68%	6,624,700
24	6,624,700	+	20%	327.07%	7,949,600
25	7,949,600	+	20%	378.00%	*9,550,000

A = The value of the investment at the beginning of each year

B = The average annual return for each year. It is computed by subtracting the initial investment from the value at the end of any year and then dividing that figure by the initial investment. Next, to arrive at a percentage, multiply your answer by 100 and divide by the number of years you have held the investment. (See example below.)

C = The value of the investment at the end of each year after the effect of 20% growth.
*Rounded

Example using year 10
1. (620,000–100,000)/100,000 = 5.2
2. 5.2 x 100 = 520%
3. 520 / 10 Years = 52%

This model represents a hypothetical example. It is assumed that all dividends are reinvested. These results do not reflect the effect of taxes, management fees, and charges. These results do not reflect the impact of material economic and market factors that might have altered the investment mix for an actual account. Hypothetical performance is not indicative of future earning expectations.

The most important items in table 1.1 are the percentage figures shown in column B. This column shows the average annual return at the end of each year on the original investment. Obviously, at the end of the first year, the average annual return is 20%. Now look at the 5th year. Here you see that an equal growth of 20% each year results in an average annual return of 30% on the initial investment.

Now look at the 10th year. Here you see that the average annual return is 52% each year on the initial investment.

To further illustrate the significance of my last statement... let me ask you a question.

Which would be more meaningful to you: 52% growth on all of your current investment dollars for the next 12 months, or 52% growth on those same dollars for each and every year for the next 10 years? Of course you would prefer that growth rate over 10 years. Trying to achieve 52% growth on any investment in any one year is extremely difficult, if not impossible. This is like hitting a home run.

Because I believe so strongly in the powerful effect compounded growth can have on people's lives, I find myself talking about it all the time. But whenever I make the statement to anyone about 52% annual growth on your current investment--for each and every year over the next 10 years--you know what happens? Almost everyone gives me a blank stare, shakes their head and tells me they just do not see it the same way I do.

In order to realize the maximum benefits of compounding -- IT TAKES TIME.

To help everyone see this concept more clearly ... let us take a moment to look at how 20% annualized compounding works from another vantage point.

Please look at the group of Annualized Growth Tables, Table 1.2 on the next page. Let us review this page by first looking at the 10 year table. In this table, each line represents one year. On each line is shown the amount of the original investment of $100,000 taken from the 20% Annualized Compounded Growth Table, Table 1.1.

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Table 1.2

Annualized Growth Tables

10 Year

Year	Original Investment		Average Annual Overall Growth of 52%
1	$100,000	=	$52,000
2	$100,000	=	$52,000
3	$100,000	=	$52,000
4	$100,000	=	$52,000
5	$100,000	=	$52,000
6	$100,000	=	$52,000
7	$100,000	=	$52,000
8	$100,000	=	$52,000
9	$100,000	=	$52,000
10	$100,000	=	$52,000
Total Annual Growth		=	$520,000
Original Investment		=	$100,000
TOTAL		**=**	**$620,000**

15 Year

Year	Original Investment		Average Annual Overall Growth of 96%
1	$100,000	=	$96,000
2	$100,000	=	$96,000
3	$100,000	=	$96,000
4	$100,000	=	$96,000
5	$100,000	=	$96,000
6	$100,000	=	$96,000
7	$100,000	=	$96,000
8	$100,000	=	$96,000
9	$100,000	=	$96,000
10	$100,000	=	$96,000
11	$100,000	=	$96,000
12	$100,000	=	$96,000
13	$100,000	=	$96,000
14	$100,000	=	$96,000
15	$100,000	=	$96,000
Total Annual Growth		=	$1,440,000
Original Investment		=	$100,000
TOTAL		=	$1,540,000

25 Year

Year	Original Investment		Average Annual Overall Growth of 378%
1	$100,000	=	$378,000
2	$100,000	=	$378,000
3	$100,000	=	$378,000
4	$100,000	=	$378,000
5	$100,000	=	$378,000
6	$100,000	=	$378,000
7	$100,000	=	$378,000
8	$100,000	=	$378,000
9	$100,000	=	$378,000
10	$100,000	=	$378,000
11	$100,000	=	$378,000
12	$100,000	=	$378,000
13	$100,000	=	$378,000
14	$100,000	=	$378,000
15	$100,000	=	$378,000
16	$100,000	=	$378,000
17	$100,000	=	$378,000
18	$100,000	=	$378,000
19	$100,000	=	$378,000
20	$100,000	=	$378,000
21	$100,000	=	$378,000
22	$100,000	=	$378,000
23	$100,000	=	$378,000
24	$100,000	=	$378,000
25	$100,000	=	$378,000
Total Annual Growth		=	$9,450,000
Original Investment		=	$100,000
TOTAL		=	$9,550,000

Compounding has the power to convert trifling amounts of money into enormous sums.

Since we said that 20% compounding over 10 years gives a 52% growth for each and every year on the original investment, what then is the result of a 52% growth on $100,000? The answer is $52,000. Therefore, you see $52,000 printed for each and every year on the table in the average annual growth column.

Finally, we add up the average annual growth figures for each of the 10 years. The total is $520,000. We then add in the amount of the original initial investment... in this case, $100,000 and arrive at an overall total of $620,000.

Now once again look at the 20% Annualized Compounded Growth Table, Table 1.1. This table shows... year by year...step by step... how an initial investment of $100,000 grew each year by 20% and eventually attained a value of $620,000 at the end of 10 years. This is the same figure shown on the 10 year Annualized Growth Tables Illustration 1.2.

Does this not mean therefore that 20% annualized compounded growth over 10 years yields the equivalent of... (is the same as)... a 52% growth each and every year on the original investment? To truly understand the power and benefits of compounding it is very important that you are able to answer "yes" to this question.

Now here is a very important additional question: If you truly believed that you could get 52% growth each and every year, for the next 10 years, on all of the investment dollars that you put to work today, how much money would you commit? Think about your answer to that question for awhile!

With the tremendous power of compounded growth, who needs to run unnecessary risks? If you can achieve a 52% gain per year for ten straight years on the amount of money you started with, isn't that the same as hitting ten home runs? Sure it is. Do not try to reinvent the wheel. Instead, allow the miraculous power of compounding growth to do the work for you. Doesn't that make sense?

It is my hope that you now will see how compounding has the power to convert trifling amounts of money into enormous sums. Look at the 20% Annualized Compounded Growth Table, Table 1.1, again and you will see that everyone can become a self-made millionaire in just 13 years with an original investment of $100,000 achieving 20% annualized compounded growth.

For further proof of the power of 20% compounding, turn back to table 1.2 and look at the 15-year Annualized Growth column. There you see that the growth each and every year, on any original investment, works out to be 96% with 20% compounding. On the 25-year column, it works out to be 378% growth each and every year on the original investment.

This is what makes it possible for any IRA started at age 40, adding $2,000 each year and achieving 20% compounded growth annually for 25 years, to result in the investment growing to over $1,000,000 at retirement. See table 1.3, the Becoming A Millionaire Using Your Roth IRA table.

And remember $2,000 a year over a 25-year period adds up to only $50,000. Once again we see that compounding has the power to convert trifling amounts of money into enormous sums.

Table 1.3
Becoming A Millionaire Using Your IRA

Age	Deposits	20% Growth	Year-End Value
40	2,000	400	2,400
41	2,000	880	5,280
42	2,000	1,456	8,736
43	2,000	2,147	12,883
44	2,000	2,977	17,860
45	2,000	3,972	23,832
46	2,000	5,166	30,998
47	2,000	6,600	39,598
48	2,000	8,320	49,917
49	2,000	10,383	62,301
50	2,000	12,860	77,161
51	2,000	15,832	94,993
52	2,000	19,399	116,392
53	2,000	23,678	142,070
54	2,000	28,814	172,884
55	2,000	34,977	209,861
56	2,000	42,372	254,233
57	2,000	51,247	307,480
58	2,000	61,896	371,376
59	2,000	74,675	448,051
60	2,000	90,010	540,061
61	2,000	108,412	650,474
62	2,000	130,495	782,968
63	2,000	156,994	941,962
64	2,000	188,792	1,132,755

TOTAL   50,000

Assumes IRA contribution is made at the start of the year.

There are no assurances that the 20% rate of return can be achieved. Past results may not represent future results.

INTELLECTUAL VS EMOTIONAL ACCEPTANCE

During my many years in the investment arena, I have always been more people-oriented rather than investment oriented. I do not know how to predict the market... nor does anyone else. However, it is really easy to predict people because we all do the same things for the same reasons. Therefore, as a student of people, there is something we must discuss at this point.

Without a doubt we respond differently when we accept a new concept intellectually versus when we accept that same concept emotionally. Here is a case in point. With the mathematical evidence we have walked through regarding 20% annualized compounded growth, intellectually you can accept the growth results that you see because they are mathematically correct. However, having worked one-on-one with many individual investors over the years, I know that if someone accepts the power of compounding only on an intellectual level, it will not serve to motivate them to commit all of their investment dollars to strive to reach the Fabian Investment Goal.

My objective then, is to get you to accept the results of compounding, emotionally. We only respond to an idea emotionally when we can personally relate to it in our daily lives. So when we are first exposed to the idea of actually achieving 20% compounded growth, we hesitate, because emotionally, we cannot relate to this on a day-by-day basis. I understand the dilemma. I have dealt with it many times in the past.

To overcome this dilemma, what I must do is reduce the 20% annual growth into smaller increments. How about monthly? To do this we divide 20% by 12 months. This gives us an average of 1.67% per month. So now, instead of concerning ourselves with working for 20% each and every year, take the pressure off and strive instead for just an average of 1.67% growth per month. Usually the first thought that crosses people's minds when they hear that we are striving to get 20% annualized compounded growth using mutual funds is that this can only be accomplished by investing each year in the top four or five highest performing mutual funds. In reality nothing could be further from the truth. For instance, in the nine-year period, 1990 through 1999, each and every year there were hundreds of individual mutual funds that produced gains

With the tools available today in the mutual fund industry, everyone should be working towards 20% annualized compounded growth. This is the Fabian Investment Goal.

higher than 20% per year. Go to the library and verify for yourself that this is true. At the library ask to see the year-end edition of Barron's, the Wall Street Journal or USA Today. A quick glance through the mutual funds listings will confirm that what I have just said is, in fact, true.

With the tools available today in the mutual fund industry, everyone should be working towards 20% annualized compounded growth. This is the Fabian Investment Goal.

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Let me ask you again - Do you agree that by attaining 20% compounded growth, using only your own individual investment portfolio, it is possible for everyone to become a self-made millionaire?

For instance, how about a white-collar worker, who is in middle management of a large corporation? Does he not probably believe that unless he becomes president of the company, there is no way for him to become wealthy? - Now we all know that is not true.

Or how about a blue-collar worker. He knows he will never be president of the company he is working for and therefore believes he does not have any chance of becoming wealthy. Again, that is not so. All he has to do is become virtually fully invested and work to attain 20% annualized compounded growth.

And how about all of the people in the secretarial pools of large corporations? The majority of them absolutely believe it is not within their power, unassisted, to become wealthy. But again... All of us now know this is not true.

FORMULA FOR WEALTH

The formula for wealth is Compounding + Time + Money = Wealth. I know that most people feel that the most important component in the formula is Money. However, that is not true. In reality the most important ingredient is TIME. Sure, compounding is important but it takes TIME to get the maximum benefits from compounding. Let me share with you why time is more important than money. Refer to the Mary and John scenario shown below.
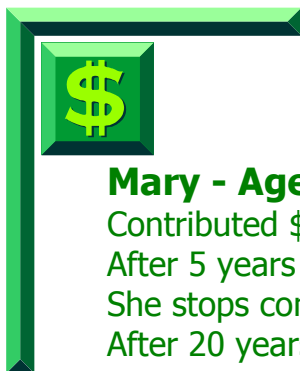
Mary - Age 40
Contributed $2,000 to her IRA for 5 years.
After 5 years the value of her IRA is $17,800 compounding at 20%.
She stops contributing to her IRA and lets it continue to compound at 20%.
After 20 years, at the age of 65, her IRA value is $684,710.
Her principal investment is $10,000.

John - Age 45
Contributed $2,000 to his IRA from age 45 to age 65.
Compounding at 20%, until he reaches the age of 65.
When he reaches the age of 65, his IRA value is $448,051.
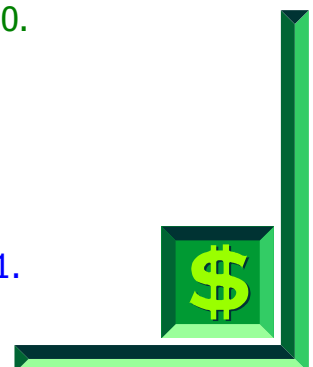His principal investment is $40,000.

Table 1.4

**Yearly Savings To Accumulate $1 Million By Age 65
With 20% Compounded Growth**

Yearly Investment To Reach Goal of $1,000,000 With 20% Compounded Growth	
Age	Yearly Investment
25	$113
30	283
35	705
40	1,766
45	4,464
50	11,568
55	32,102
60	111,983
65	1,000,000

Looked at another way, the importance of time is shown in table 1.4. Here we see the amount of money needed to be saved and invested each year, at different ages, which would grow to $1 million with 20% annualized compounded growth.

If you want to get the younger members of your family excited about the potential gains of compounding, show them that starting at age 25, and only saving and investing $113 each year, (until age 65) and attaining the Fabian Investment Goal, their investment account would grow to $1,000,000.

COMPOUNDING IS THE CORNERSTONE

Once again, compounding is the cornerstone... the very essence ... which makes it possible for everyone to become wealthy and, if given enough time, to become a self-made millionaire. With the potential rewards that compounding can produce, isn't it unrealistic NOT TO HAVE compounding working for you every day of your life? Isn't it also unrealistic, when you have this tremendous power available, to only be investing a small portion of your investment dollars to help you accumulate wealth and therefore enhance your quality of life?

Whenever I look at a 20% compounded-growth table, I am reminded of something that a speaker said at a motivational seminar I attended some years ago. The speaker suggested that everyone find an inspirational saying and tape it to their bathroom mirror so that each morning it would be seen and would help to get one's day off to a good start. I recommend you do the same. For your inspiration, make a copy of the 20% compounded growth table and put it up where you will see it daily. In this way, you can remind yourself of the growth that can be yours in the future (the language of the subconscious). This is also the positive input your "success mechanism" needs to help you stay on target for your financial goals.

NOW, IT'S UP TO YOU

As a result of the presentation made above showing the effect that 20% compounded growth can have on your life, it is now up to you to develop a feel for the impact compounding can have on your investments and your long-term quality of life.

TAKE THESE TWO STEPS:

1. Using the total amount of money you have available for investing, look at the 20% compounding table to see how compounding could affect your investments over the next 10 and 15 years. You can make this calculation using the shown in Table 1.2 or by clicking the link below which takes you to an interactive calculator at 21stcenturyalert.com.

2. Find out how you are going to go about working for the Fabian Investment Goal of 20% Annualized Compounded Growth. The path to follow is to read the special report entitled *Take Control of Your Financial Future*.

I have gone through these steps with hundreds of individual investors over the years. As a result I know how motivated you will become after seeing these results. Begin today to take control of your financial future.

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 our company brochure.

You can receive a copy of our brochure 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.

Recommended Calculator Link at 21stcenturyalert.com