



PORTFOLIO
WEALTH
GLOBAL

Special Report



Investing Essentials Series **Part 1** **Asset Allocation**

Investing Essentials

Part 1: Asset Allocation

If you end up reading only one publication we ever write, this is the one. It is probably the most essential wealth report ever published by our industry, and I would make it mandatory reading in all our schools.

A Story First...

I scuba dive. The depths up to 60 ft. are absolutely breathtaking. Constant exposure to sunlight and an abundance of nutrients make the seas flourish with colors and sea life. My favorite dive thus far was in Egypt. The diving site was named “fish tank,” because an incredible amount of them swam in the vicinity of a rock full of minerals. It was so rich with life that my wife and I felt like it was an aquarium and not the Red Sea. The sun lit the water and we were mesmerized.



Last year, we were in Amalfi, at the south of Italy, by far the most amazing scenery I have seen. We decided to scuba dive under a tiny island where there’s no open water above – essentially a cave under the island. You take a flashlight and hope for the best. Now, it is scary. It is emotional. It is also sensational. The only way I agreed to do it was with a certified and experienced instructor, and, of course, my wife and I were wearing the standard equipment. Every jacket has TWO regulators. Just in case the one you breathe with falls out or malfunctions, there is a second one. In case your tank runs low on oxygen, you use an agreed hand signal, and your partner starts to share his tank with you. This is wise and obviously saves lives all over the world in scuba diving sites. When one source of air dries up, another one is right there to take its place. This is a lifesaving concept in scuba diving and a money

saving concept when investing. It’s called asset allocation. Most research companies never teach this subject, but it is the basis of wealth building. 94% of variation in pension fund performance results directly from asset allocation.

What you must understand is that it is the poor people who put “blindlers” on and are oblivious to the inherent risks, while rich people have insurance and protection. They limit risks. They want balance. They take steps to make sure that they won’t suffer catastrophic losses. That is the largest detriment to not having asset allocation models in place.

Asset allocation is the right division of wealth amongst various classes in order to expose yourself to upside and protect the downside.

Here are the main asset classes:

1. The Six Types of Stocks Special Report
2. Rental Real Estate
3. Fixed-Income Financial Products
4. Cash
5. Crisis Hedges

There are other asset classes that are a bit more complex, so let's keep it simple.

These are all you need to get started with.

The value of proper asset allocation goes a long way towards sound sleep and a healthy lifestyle.

A brief rundown

Group 1

In our Special Reports section, you will find the best analysis of the world of stocks available for free online. Stocks represent ownership of companies. Throughout history, there hasn't been a better compounding wealth vehicle. In order to benefit from stocks fully, one must reinvest his dividends in the 12-18 companies he has decided to own for the long-term. After 20-30 years, your initial investment would be worth many times the original principal money if you chose correctly.

By being speculative, one can, if done wisely, increase his overall long-term returns by becoming an expert in a niche that has explosive potential, such as the resource sector. This can lead to enormous gains over decades that can add up to millions of dollars. In fact, this is exactly our philosophy at WRG. We love safety, but we know that smart speculation is life-changing, so we are very excited to find these opportunities when we dig one out – literally.

GROUP 2

Owning single-family and small multi-family homes and renting them is by far one of the simplest and most lucrative of wealth-generating assets. By using good debt structure and leverage, the rents received cover all expenses, including mortgage payments, and after that is paid, additional cash-flow is accumulated because the rents exceed all expenses.

This is one of the best tax-benefited assets to own. What I love about it is that it is truly hands-off if you let a property manager handle the rental.

Another beauty is that once you own one in a certain area and get familiar with it, the next property you purchase will become easier to find and evaluate. By far the clearest overall advantage is the high return because of the leverage used.

If you are approaching retirement, rentals are the quickest way to turn your savings into safe income outside the stock market. That is a rare advantage that you should exploit to the fullest. The U.S. population is growing in numbers and age, while home ownership is not considered a status symbol and an American Dream as it once was. 2008 reshaped the minds of families to believe that mortgages are risky and should be considered many times before committing to one. This all translates to a rental boom.

GROUP 3

In the past 100 years, most money managers did not always have their majority of their portfolio in stocks. There are periods of time when interest rates on quality bonds are 6%-8%.

Stocks are ALWAYS better at compounding wealth than bonds and fixed-income instruments. That is because companies grow and expand, while bonds do not. Asset allocation, though, is imperative, so allocating a part of the portfolio to GROUP 3 helps you preserve wealth in two distinct times:

1. When you are getting started and pick sub-par stocks (protection from rookie mistakes).
2. Broad stock market corrections or crashes, when almost all stocks drop in price, no matter what the overall business condition is.

GROUP 4

In our Classic Issue ACTIVITY DISEASE, we go over the details of this group, which is the absolute most misunderstood of all asset classes. The Classic Issue is the first thing you should read before buying or selling your first or next stock. We consider this issue the most useful and vital we have ever written.

Cash is a must-have allocation.

Its benefits are tremendous. Briefly, I will emphasize that cash is critical for two main reasons:

1. Exploiting major opportunities: once you understand the power of having liquid cash to purchase distressed assets, you become addicted to cash. An investor can't take advantage of major trends without cash. I guess that's why Warren Buffett keeps \$20 billion at Berkshire Hathaway at all times.
2. Disaster fund: this is money that you only use in case of genuine personal emergencies. Instead of going into debt in medical emergencies or between jobs or any other event, it's better to keep 6-12 months' worth of expenses in cash. I personally keep enough for 6 months, because I want to give myself all the reasons in the world not to use it, and if I do, then I know I have 6 months to get my act together.

GROUP 5

The world is an amazing place. Any investor must be at awe when he sees the miracles performed by the people running the best companies on the planet. As an investor, you get to research countless companies from start-ups to well-established ones. The potential future of the world is astonishing, considering the amount of information available today that is spreading like wildfire in the "global village." 90% of the time, the world is moving forward at a whopping speed, but 10% of the time, the economic situation is uncertain. When this happens, it can play out beautifully, managed by reason and facts, or get out of control, driven by mania and emotions.

We can't afford to wait and see what other investors do or how politicians react. We must be prepared regardless. Right now, according to a number of the smartest money managers and billionaires alive, the world economy is slowing down. This is accompanied by insane fiscal policies taken on by governments and central banks. As you can see, most of the time, the world is somehow resistant to the absurd debt levels that surround us from every angle, but the consequences are no doubt looming in the near future.

Don't trust anyone when it comes to crisis reaction. No one has perfected this art. Since this topic is so

critical, we prepared a one-of-a-kind manual to share what we believe is the most amazing “crisis investing” opportunity in human history. WRG is a wealth research firm. Our purpose is to bring to you the most actionable advice on how to prosper on any financial environment.

This manual is what you need to read if you are worried about the recklessness of developed world government, the Federal Reserve, and other central banks, who have created a chaos with their decisions. In every crisis lies the seed of opportunity, and the manual lays out in simple terms how to make sure you come out as the clear winner.

You now have in front of you the blueprint for success. You must act upon it to make it part of your life.

As part of the WRG community, you can be certain that we will cover the market according to facts only. Let's make sure we are allocated properly and growing in wealth every day for the rest of our lives.

Disclaimer

This work is based on SEC filings, current events, interviews, corporate press releases and what we've learned as financial journalists. It may contain errors and you shouldn't make any investment decision based solely on what you read here. It's your money and your responsibility. The information herein is not intended to be personal legal or investment advice and may not be appropriate or applicable for all readers. If personal advice is needed, the services of a qualified legal, investment or tax professional should be sought.

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