

Doug Fath

The Freedom Report



www.InvestingInCashflow.com

The Freedom Report

Forget a survival guide, forget trying to make a few bucks, forget trying to pay the bills. This report is about Freedom... True Freedom. Specifically, this report is about financial freedom and living your dream lifestyle the way YOU want to live it.

Before I get into what will have you thrive in today's new economy, you first need to understand what the heck is going on in today's economy.



You cannot get out of the way of things you cannot see moving toward you.

– Dr. Buckminster Fuller

Buckminster Fuller's quote may be obvious, but the reality is there are major changes going on in the world that many people cannot see.

These changes and events are downright scary. The first half of this report is meant to help you see what's coming toward you. The second half is meant to help you navigate through this new economy and have you succeed beyond your wildest dreams.

Are You Ready?

America is entering uncharted territories and our mistakes and debts from the past are starting to catch up to us. And when they do, as history always proves they do, is it going to make you richer or poorer? Are you going to make more money or less money? Is your quality of living going to improve and decrease?

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We Are At War

America is at war with the fundamentals of our own economy and unfortunately, employees and the average American citizen are going to bear the brunt of this war.

Jobs

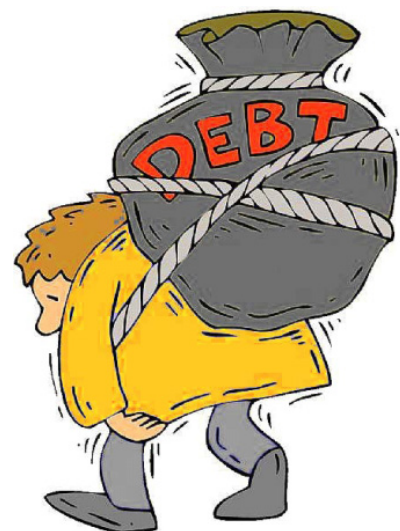
Jobs are no longer cutting it. As you may be aware, unemployment is currently at 9.6% as of its last report from October 2010. Even worse, thanks to our economic situation and some of the crisis's we will talk about below, unemployment could potentially get even worse throughout the next few years. An extreme case would be if unemployment rises as high as it once did during the Great Depression of the 1930s, when it reached a whopping 24.9%. Whether or not unemployment reaches that high of a level, difficult times are ahead for employees.

Debt

Our national debt has been increasing for years and it is truly reaching unparalleled heights. As of November 30, 2010 our national debt is \$13,794,702,949,965.11.

As a nation we continue to get deeper into debt each day... in fact since October 2007 the national debt has increased an average of \$4.13 billion per day.

Not only has our national debt risen, but consumers have followed in the footsteps of our government. US Consumer



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debt has increased over 300% since 1989 and as of June 2010 has reached \$2.42 trillion.

American's Credit Card Debt 1989-2006

(In Billions)



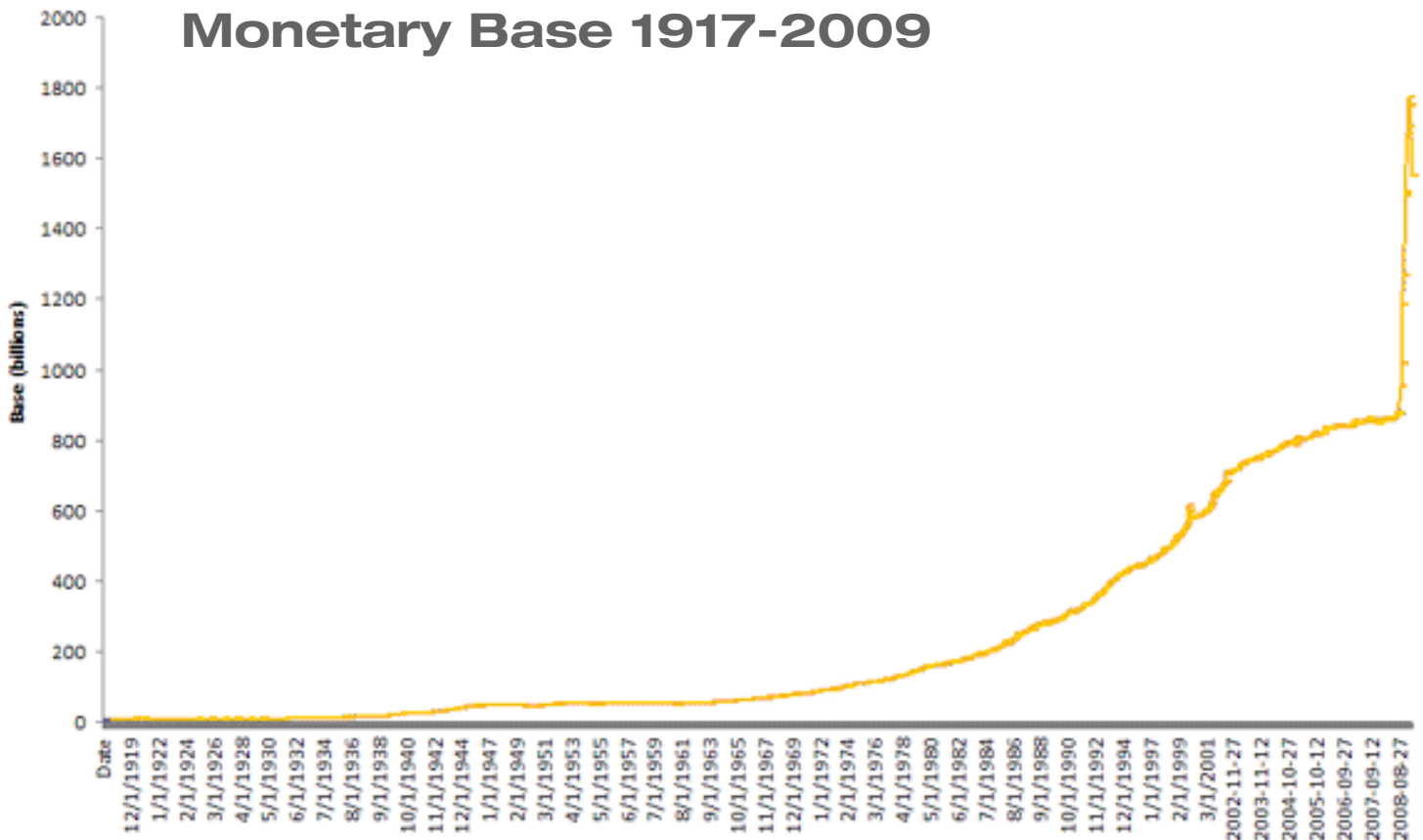
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The Money Game

Even though our debt is at all time highs I believe this is nothing compared to what is to come. We will continue to do what we have done for years, print more money... but we will end up doing it even faster.

Between 1913 and 2007, a period of 84 years we printed \$825 billion into circulation.

The following 3 years, from 2007 to 2009 we printed \$1.7 trillion into circulation. In the last 3 years we have more than doubled the amount of money we printed in the previous 84 years.



Why do we keep getting further into debt?

- 1. Because we can**
 - a. Investors and other countries are still buying US treasuries.
 - b. China is our largest creditor and wants to keep their exports high and therefore has a vested interest in the US continuing to purchase goods from China, keeping our imports high. In order for the US to continue buying China's exports, the US needs money. We then issue more US treasuries which China gladly buys from us and now we have more money to buy more Chinese goods.

- 2. Only way we can pay our bills** – Investors are still buying US treasuries, but this just allows the US to continue to rob Peter to pay Paul. When we can't pay Paul the interest on the money he lent us, we simply go to Peter and borrow Peter's money so we can pay Paul. This process continues with Peter and Paul alternating roles. Next time we have to pay Peter his interest, but since we can't afford to pay Peter, we turn to Paul and borrow more money from Paul, so that we can pay Peter the interest owed to him. Every time this happens it just adds to our national debt and makes the problem worse. The question becomes what happens when both Peter and Paul are no longer willing to lend us money?

As you probably remember, one of the reasons we needed to print more money recently was to first SAVE the economy and then to stimulate the economy after the mess of 2008. Bailouts here and bailouts there, it all adds up. In fact it adds up to the tune of \$4.6 trillion spent in bailout money as of September 30, 2010.

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Timing is Everything

Combine this with the possibility that the worst is yet to come for both the real estate market and the economy.

A major cause of the current recession was due to the subprime mess in 2008 thanks to the extraordinarily high number of mortgages resetting. We had \$20 billion in mortgages reset in a single month back then.

The good news is that resets have been fairly low recently – and that is why you might hear commentators saying the economy is turning around and that things are picking up.

What most people are not aware of is that in November 2011, we are going to experience the largest amount of debt resetting in a single month, \$38 billion of debt will adjust in the month of November 2011.

The question I am wondering is this...

If \$20 billion of mortgage debt resetting in a single month sent our economy into a recession, what will happen when \$38 billion dollars adjusts in a single month?

Dare I say the word Depression?

Economic cycles show that a depression happens every 80 years. Our last depression was in 1930 which means according to this cycle our time is coming near.

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What kind of depression are you planning for?

> Deflationary Depression

This is what happened in America during the 1930s. Consumers lost confidence in the market, pulled out their money, stuck it under their mattresses, money dried up, and prices plummeted.

> Inflationary Depression

This is what happened in Germany during the 1920s. Here prices rose dramatically as a result of the German government printing too much money to solve its financial problems (sound familiar?). The result was hyperinflation, which eroded the purchasing power of their currency in an extremely short time period.

A key difference between these two depressions was the ability to print money. During the 1930s the US dollar was backed by the gold standard which meant for every dollar the US printed they needed to hold a certain amount of gold in reserves. As a result, the US could not print money at will. Since the US was battling deflation, if it had been able to print money at will, it would have made the depression shorter lived as the government would have been able to pump money into circulation, lower interest rates, and spur spending (sound familiar?).

Germany on the other hand experienced a depression because it was able to print money. Since its currency was not backed by gold and they didn't have to maintain a certain amount of gold in reserves, they were able to print money at will and hyperinflation was the result.

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What's happening today?

Deflation is one of the primary concerns right now of the ultra rich and our government. Federal Chairman, Ben Bernanke, has echoed this concern and has spoken at length about what he is willing to do to prevent deflation. In Ben Bernanke's book, *Essays on the Great Depression*, one thing is made clear. If the US was able to print money at will in the 1930s... the depression would have been short lived. Thanks to Richard Nixon taking us off the Gold Standard in 1971, Ben Bernanke will have at his disposal the ability to print more money, which he has made it clear he is willing to do.

In our best efforts to save the economy from collapsing, money is going to be printed like we have never seen before. If it gets printed fast enough and large enough we will see hyperinflation occur and prices will rise dramatically, eroding the purchasing of your hard earned dollar.

The world is changing... are you?

There will be consequences for the current situation that we as a country are in. The question you want to be asking yourself is: are you set up to come out on the winning side or losing side?

Just as we saw during the great depression of the 1930s and even more recently with the real estate crash in the last few years, the majority of Americans unfortunately end up on the losing end.

But just as there are losers, there are winners as well.

Floyd Bostwick Odium turned \$39,000 into \$100,000,000 during the depression of the 1930s.

Although the changes in today's new world may be scary, if you are willing to face them head on and accept them you can come out on the winning side and pave your way to financial freedom.

Five Freedom Traits

To Win In Today's New Economy

Freedom Trait # 1 - Control

In today's new economy, you need to have control of your financial vehicle... which is how you make money and pay your bills.

By financial vehicle, I mean the vehicle that is going to help you achieve your financial goals, the financial vehicle that puts money in your pocket. Most people's financial vehicle consists of a job, a 401k and/or another retirement account. Whatever your vehicle is, you must have control over it.

Are you in control?

- > Does your boss or superior determine how much money you make?
- > Does your boss or upper management decide if you can get a raise?
- > Does someone other than you decide how long you can take off from work?
- > Does someone else invest your money for you?

If you answered yes to these questions you are not in control of your financial well being. Let's take a look at some of the possible options.

Job Most people rely on their job as their financial vehicle. With unemployment currently at 9.6%, unfortunately many American employees are realizing that at the end of the day, they do not have control over how much money they get paid and if they get to keep their job.

Stocks Many people invest in the stock market because it's easy to invest your money in stocks. I personally do not like stocks because I am an outside investor. I do not have control over my investments. I

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have no control over what happens at the company I've invested my money with. For example, if I buy stock in Apple, I can't control how much debt they take on, what prices they sell their products for, how much they pay their executives, how much they pay me, etc. I don't like to gamble with my money.

Real Estate As you probably know, I love real estate, and one of the reasons why I do is that I have complete control. I get to say what we price our rentals at. I get to make decisions that can lower our operating costs and increase our cashflow. I get to choose which assets we buy and which assets we don't buy. By having control, I can be 100% responsible for how my real estate ventures perform. I also like the fact that as inflation occurs the price of my rents, my profitability and my real estate portfolio continues to increase as well.

Business I love owning businesses for many of the same reasons I love owning real estate. I have control over what happens to prices and expenses which means I get to control the profitability and the money I make. Similarly, if inflation occurs, the prices of products go up which means I am able to increase my profit, making sure that the money I make is adjusted for inflation.



Five Freedom Traits To Win In Today's New Economy

Freedom Trait # 2 - Trendy

Good, Reliable Information and Favorable Demographics

Today's world is called the Information Age for a reason. There is an abundance of information available at our fingertips. In order to be successful, you must be trendy and understand what the demographics and trends are telling you. Unfortunately though, much of the information out there is useless. Today more than ever it is important to be able to decipher what is good and reliable information and know the right places to get this information.

Most people get their news from their television or from reading the newspaper. I seldomly use either.

Many people get their latest investment tip from their friend or neighbor. Or maybe they listen to the advice of their stock broker who makes \$50,000 a year.

I get my news from three places.

1. Personal experience
2. Mastermind team
3. Other experts who spend their time either in the field or researching and gathering information for the topic I am interested in.

The right information at the right time is extremely powerful. The right information helps you make the right decisions on what trends to follow and what investments to make.

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Demographics & Trends = Money

One of the reasons I continue to invest in real estate is because of favorable demographics and trends. It's funny having conversations with people who ask me what I do for a living. When I share with them that I invest in real estate, their immediate reaction is "that must be tough right now" or "my friend just lost their house" or "that's the wrong business to be in right now".

Little do they know that I have made more money with my real estate investments each year since I started investing in 2004. One of the reasons I have been so successful, in both up markets and down markets, is because while so called investors were busy flipping houses, I chose to invest in markets that would need housing for decades to come. I chose markets that could house only 30% of its existing population due to high demand and not enough supply. And to make matters worse (or better for me) this same market is going to have an increase of 80 million people, many of whom will need housing through 2024. This market is Student Housing.

Similarly, I've been looking at acquiring large apartment buildings because as it becomes more difficult for home owners to get a mortgage they will be forced to rent. In addition, the US population was 300 million in 2006 and by 2039 will reach 400 million. And the best part is the general public thinks real estate is a bad investment, which means I am able to pick up these investments at a fraction of what they are worth. I get to make money today and even more money tomorrow, and build wealth at the same time.

Solutions = Money

As you may already know, teaching and education is a passion of mine. I really enjoyed working as a teacher for the NY Board of Education but I didn't enjoy the paycheck that came along with it. Today, I still get to teach and educate others, but I get paid much more than my teacher's pay check from the Board of Education. One of the reasons I make more money today is because I get to teach what it is that I am passionate about and help others take control of their financial vehicles and make money. Even more importantly, a lot of people want to learn how to do this and that

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trend is going to continue. More and more people are going to turn to alternative education because the “go to school and get a good job” days are over. In addition, due to high unemployment many people are being forced into entrepreneurship. As more and more people understand and become aware of the realities I mentioned at the beginning of this report, my company's services will be in further demand. More and more people are tired of giving control of their money to fast talking brokers. More and more people want control over their investment vehicle and will pay to learn how to steer their investment vehicle to financial freedom.



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Freedom Trait # 3 - Flexible

In the Information Age change happens faster than ever. You, as an individual, must be able to react and change with the market. You must be able to make quick decisions and shift gears on the fly.

In order to be able to do that, a key part of that is having your finances in order. The people who have steady cashflow and little debt will be in a great position to take advantage of the opportunities that are forth coming.

The same goes for business and investments. You need to be able to react and change with the market. Decisions must be made quicker and faster, and even more importantly, implementation of new initiatives must be quick and efficient.

Similarly, a strong balance sheet and income statement are a necessity in the coming years ahead. Companies with steady cashflow, low overhead and little debt will have the flexibility to adapt and thrive in this new economy. Companies with cashflow problems, high overhead and large debt will be extinct.

Today it has never been easier to start a business with little capital and low overhead. This is in part thanks to technology and the fact that we are now a global economy. Moving forward you are going to hear the word "downsizing" and "outsourcing" mentioned a lot more. As large companies fall out of profitability, downsizing becomes their answer. As new start up companies are born and look to do so with minimal capital outlay, they will choose to outsource many of their needs because outsourcing carries less risk, less overhead, and many times you can get an equal, if not better, job done outsourcing than hiring an employee.

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Freedom Trait # 4 - Printable

Yes, that's right you have to be printable.

At the rate the United States is printing money, the purchasing power of our dollar continues to decline. In other words, if you made \$40,000 last year, that same \$40,000 you made last year is going to buy you LESS stuff this year.

The only way to keep up with and out pace inflation is to be printable and create your own printing press.

Printing Press # 1 – Real Estate

One of the reasons I love real estate is not only does it rise with inflation, but it also serves as my very own printing press.

Real estate has served as my own printing press in a variety of ways.

- 1. Cashflow** – when I purchase real estate the income is greater than the expense so I am left with positive cashflow every month. I view each property as its own printing press. The more properties I acquire the more money I get to print. In addition, as I mentioned earlier, I can increase the amount of money each property prints because I have control. I can increase rents to what the market will bear and similarly can reduce operating expenses to maximize the money my printing press produces.

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- 2. Cashing Out** – This is the second way I use real estate to print money, this time tax free. Here is are the numbers from one of the first properties I ever purchased:

Purchase Price	\$20,000
Renovation Costs	\$5,000
My Total Costs	\$25,000
Property Value	\$45,000
Mortgage Amount	\$36,000

> Tax Free Cash in my pocket = \$11,000 (\$36,000-\$25,000)

Printing Press # 2 – Education/Information Business

I like being able to do work once and get paid forever on the fruits of my labor. That is what I love about the real estate business as well as the education and information business.

- 1. My Company Products** - Once I create a product, I can continue to sell that same product over and over again without having to do any more work. In other words, if I want to print more money, all I need to do is take an existing product and offer it for sale. I view each product I create as its own printing press. If I want to print even more money, I can create a new product and offer that to prospects as well as existing customers. And similarly, once this new product is done, I can continue to sell this product over and over again. Along with it, when you create quality products, affiliate partners want to help you sell them, which makes you even more money.

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- 2. Affiliate Products** – If you don't want to do any work creating a product to sell, you can simply sell an affiliate partner's product. Always get to know your affiliate partner first and make sure they have a quality product before you promote it. But once you find good affiliate partners with great products, treat them well as they can make you lots of money. If you choose to sell affiliate products, this can be another printing press.
- 3. Coaching** – The coaching model is a different kind of printing press. With the other printing presses I mentioned above, the amount of money you make is not based on the time you work. Once your product is complete, you can choose to sit back and relax and still make plenty of money selling your product. With the coaching model, you get paid for your time. In other words, if you don't show up to coach, you don't get paid. Although you trade dollars for hours with this model, you are able to charge a higher amount per hour because of the time and attention the client receives.

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Freedom Trait # 5 - Urgatient

Urgatient is paradox because it is being both urgent and patient at the same time. More importantly, it's knowing when to be patient and when to be urgent.

When it comes to making money you need to have a sense of urgency. Forget about creating business cards or thinking of a name for your company. You need to be thinking about and spending time on what is going to make you as much money as possible in the shortest amount of time. In today's new economy the name of the game is speed.

> Urgent – Make Money

Your primary focus needs to be on income producing activities that are going to put money in your pocket now. This was something that was very difficult for me to do initially. I am more of a long-term thinker and I was too concerned about the quality of my product or whatever it was that I was selling. I would spend all my time on the quality of what I was going to sell and very little time on actually making money. Now don't get me wrong here, having a quality product is absolutely important. I would never sell something that was not quality. But the point is that you can spend a lot of time creating what you think is the best product in the world, trying to make it perfect and then when you try to sell it you don't make any money! If I can't make money with something I would like to know as soon as possible, so that I can spend my time on things that will make money.

> Be Patient

On the flip side there are the things that we should be more patient with. Actually, EVERYTHING else you should be more patient with because 99% of the time it really does not have to get handled immediately even though you

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think it may. The hardest things to be more patient with or not handle immediately when they pop up are:

Emails

Emergencies

Phone Calls

Team Support

Now I must admit, I had to put myself in a situation where I was forced to figure this out, in order to kick the habit. In September of 2009 my fiancée, Alexes, and I took a 3 month vacation to Asia and Australia. For 3 months, I didn't carry a cell phone and I checked email once a week.

It was amazing what I discovered:

- 1. Emails** - I learned that 90% of my emails could be answered by someone other than me. There really were very few emails that I had to answer myself.
- 2. Emergencies** – They happened often when I was accessible back home in the US, but since I was not around to solve them, my team realized they had to solve the problems themselves. And my team did an amazing job handling every emergency that came up. I learned the importance of not giving my team the answers, but instead empowering them to seek and find answers themselves.
- 3. Phone Calls** – I didn't have my cell phone so no one could interrupt my 3 month vacation. The only time I used the phone was on my computer, through Skype, and I would call whomever I wanted to call when I wanted to call them.

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4. Team Support – I found out that if I make myself available for support 24/7 my team will undoubtedly come to me numerous times throughout the week for support whenever it is convenient for them. After I returned from my 3 month vacation, I decided to set up one, 30 minute weekly call with each of my team members that is designed for me to support all their needs. I discovered that I can be a lot more efficient and productive in supporting my team and also taking care of what I need to take care of. And given that my team can now handle “emergencies,” I’ve created a lot more time for me to focus on urgently make more money.



Conclusion

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Congratulations. You are in the minority of Americans that are aware of what is going on with our economy. Not only are you now aware of what is coming towards you, but now you know the Five Freedom Traits that will set you free.

Now that you are aware, it is 100% your responsibility whether you come out on the winning side or the losing side. I urge you to make the commitment to yourself to come out of this a winner.

Live Free and Live Passionately.

- Doug Fath

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www.investingincashflow.com/FreedomReport
and leave your comment on the blog.

