

**Review of Missed Fortune 101 by Douglas Andrew**

This book was recommended to me by a client. Evidently it is getting some traction in the CPA community as an effective strategy for tax reduction over time.

I purchased the book at *Half-Price Books* for \$4.98. I won't say it was a complete waste of money because the book does instigate thinking about the best strategies for retirement/financial freedom. But I have to admit I found Andrew's conclusions and advice faulty.

Here are some of my objections to the two major points of advice offered in this best-selling financial book. Andrew's advice is in **bold**:

1. **Take out the highest possible mortgage on your home and invest your home equity or money that you would use to pay down your mortgage.** His preferred investment is universal life insurance which I will briefly dissect below:

You can make sound financial arguments that you will be better off investing home equity in other financial instruments. But it is no slam dunk. You are assuming good economic times. You are discounting the peace of mind factor that comes from having little or no debt. I am comfortable personally carrying a mortgage in the 5% range. But I won't seek to increase my mortgage debt as the author recommends. And I certainly question your ability to do better than your mortgage rate in an investment that has annual fees of greater than 3% per year as universal life insurance does.

I believe people will do well to follow biblical counsel in this area: "Let no debt remain outstanding, except the debt to love one another." *Romans* 13:8. Having little or no debt is the path to freedom. It does not presume on tomorrow. Following the Missed Fortune 101 strategy presumes a lot on tomorrow.

2. **Only contribute enough to your 401k to receive the employer matching contributions. You should take the remaining savings and purchase a universal life insurance policy and then withdraw proceeds as a tax-free loan.**

There are some good uses for universal life and variable life insurances. But having these policies as the backbone of your savings strategy is foolish. The costs and commissions are high. There can be some effective tax strategies and estate planning strategies that make these policies worth the high costs. But Andrew assumes a lot here.

First, he assumes that tax rates are going higher in the future. History is not on his side. Tax rates have been declining all across the world. It is highly debatable whether we will be paying higher taxes in the future. I bet that tax rates will not increase dramatically. It is political suicide. Inflation is far more likely because the true cost of inflation is less understood.

Second, Andrew assumes historically rosy returns on your investments. If we repeat a period of stock market returns that is better or equal to 1987-2007 then his strategy will probably work. But if the returns are lower, Andrew's strategy fails because of the high internal costs of universal life insurance. This is a risk that most Americans cannot afford. If returns are less in the future (an outcome I expect) than 1987-2007, you are left with more debt and far less savings. Not a formula for happy clients.

As many strategies that sound good on paper, the reality is often far less desirable. There is no substitute for:

living well below your means; paying off debts quickly; keeping a healthy emergency/savings fund in a liquid money market or cd; reducing taxes through tax-favored qualified plans; taking advantage of the Roth IRA if you are eligible; diversifying your assets properly and keeping your investment fees to a reasonable level.

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