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Retirement Millionaire

How to Double Your Wealth Without
Touching Ordinary Investments



Stansberry & Associates
Investment Research

How to Double Your Wealth Without Touching Ordinary Investments

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Right now, the markets are more frightening than they've been in 70 years.

Most folks watched their retirement portfolios plunge 50%... and their home's value wither 25%. Every day, the news reports on someone stealing, cheating, or going bankrupt. Governments like Iceland and Russia are bust. Large U.S. states like California will soon be in the same condition.

People are so afraid right now, *they are essentially stuffing money in their mattresses*. Last month, interest rates in U.S. government T-bills dropped to their lowest level ever... six-month bills now offer a measly 0.647%. At that rate, it would take you more than 100 years to double your money.

Don't worry though. After spending years on Wall Street working for firms like Goldman Sachs and Chase, I've discovered tons of alternatives to following the crowd into conventional stocks and bonds... And sadly, I know most Wall Street firms could not care less if you know about them. You see, an ignorant client is much more likely to put up with years and years of poor performance because he's unaware of alternatives.

In this report, you'll learn my top alternatives to mediocre mutual funds and annuities. I've worked with several of the world's leading investment advisors to put it together. You'll learn how to earn at least 15% annual income from your current investments... You'll learn how to use a special "private bailout" to earn super safe double-digit interest payments. And don't forget to read the section on how to get into the world's safest and most one-sided private investment deals.

No matter your current situation, you can use this information immediately to start multiplying your retirement nest egg. Let's begin with our first idea...

No. 1 – How to Collect Rent from Your Investments

You're probably not going to believe me when I describe this strategy. That's OK because it takes a little extra effort, and if everyone did it, we wouldn't be able to make so much money. But this strategy is a favorite of mine. I've used it over and over and made hundreds of thousands of dollars doing it.

One of my colleagues and fellow editors at Stansberry and Associates, Jeff Clark, calls it "The World's Greatest Income Secret." He spent 25 years managing money for wealthy folks in California and used this strategy to make small fortunes. I asked him if I could share what he wrote recently about the topic. Here's how he explains this strategy to his *Advanced Income* subscribers:

The World's Greatest Income Secret

By Jeff Clark

I want to introduce you to an income secret that could easily give you all the money you need for the rest of your life.

I can remember one client, for example, who started out with 2,000 shares of a company called Siebel Systems. By using this strategy, we were able to generate an incredible HALF-MILLION dollars in income in just a single year.

The guy bought a vacation home in Tahoe with his earnings.

I had another client who simply needed to generate about \$2,500 a month in income to cover his monthly expenses. We were easily able to do that for him using this income strategy.

The technique is called "selling covered calls," which is sometimes referred to as "covered call writing." It's probably the best way to add extra income to your portfolio.

Although covered call writing involves the use of options, it is really quite simple. **In a nutshell, the strategy involves buying a stock and then selling someone else the right to buy it from you in the future.**

That's it. Think of it in terms of real estate...

Let's say you buy a piece of property for \$200,000. You then turn around and sell someone the right to buy it from you anytime in the next three months for \$210,000. For that right, you charge a fee of say 4%, or \$8,000.

You pocket the \$8,000 immediately. It's your money now. You are also obliged to sell the property for \$210,000 if the buyer chooses to exercise his right.

This scenario has three possible outcomes...

- 1) The property goes up in value, and the buyer exercises his right to buy.** In this case, you've pocketed the \$8,000 premium, and you'll be selling the property for \$210,000. Here, you'll have an \$18,000 gain (9%) in three months, and you'll have to find another investment property to buy in order to continue the strategy.
- 2) The property remains worth \$200,000.** In this case, you keep the \$8,000 premium. Since the buyer won't be willing to pay \$210,000 for a property that's only worth \$200,000, you'll keep the property, too. You've made 4% over three months, and you can even sell the right to buy your property again, presumably for another \$8,000!
- 3) The property falls in value.** In this case, the \$8,000 premium you received helps to offset the loss on the property. The buyer walks away when the right expires, and you're also free to sell another right.

So if the investment goes up, then we sell it for a gain. If the investment stays the same, then we profit

off of the premium. And, if the investment drops in value, then the premium helps offset the loss.

I know it sounds like a terrific strategy, but there are two major pitfalls...

First of all, if the investment collapses, the small premium you received by selling the option won't do much to alleviate the loss on your "safe" money.

If a stock drops a little, say 10%-20%, you can make up for some of the loss by selling the premium a few times. But you will not be safe from a 50% loss with this strategy.

With this strategy, we'll be looking for low-risk stocks where the options can generate 15%-20% annual returns.

The other pitfall to covered call writing is that you sell off your potential for enormous gains.

Take our real estate example. We are obligated to sell the property for \$210,000. That's a good gain, especially considering the extra \$8,000 premium. But if the property jumps to \$300,000, then we'll be kicking ourselves for selling at such a cheap price.

But here's the thing... The purpose of covered call writing is to generate income, not capital gains. It's the difference between buying a bond and buying a stock. Stock buyers look for capital gains. Income is secondary. Bond buyers want the income, and any gains are a bonus.

Folks who write covered calls are similar to bond buyers.

If you like the prospects of a stock and believe it could easily double or triple, then don't ever sell options against it. You'd cap your profit potential and guarantee that you'll be out of the trade before it goes higher.

To put it another way, you should only sell calls against stocks that you wouldn't mind selling at the agreed upon price. Let's look at an example...

Back in August 2007, I recommended a covered call position on Sun Microsystems (Nasdaq: JAVA). The company had just reported stellar earnings – the third time in three quarters that it beat analysts' expectations. It was sitting on a pile of cash, and the fundamentals were all favorable.

So at a little less than \$5 per share, JAVA qualified as a safe, cheap stock. And the option premiums were also quite large. For example, the January 5 call options were bidding 55¢.

Here's the trade I recommended...

Buy shares of Sun Microsystems (Nasdaq: JAVA) at about \$5 per share, and
Sell the SUNW January 5 calls (SUQAA) at about \$0.55.

So we bought the stock at \$5 per share and then sold to someone else the right to buy the stock from us at \$5. For that right, we received 55¢ per share. So our net cost of this trade was \$4.45 per share (\$5 for the stock less the 55¢ received from selling the call).

The options expired on January 18, 2008 – which was just a bit more than five months from the date of the recommendation.

If JAVA traded for more than \$5 per share at that time, we would have to sell the shares for \$5 to the option buyer. Since we got into the trade at a net cost of \$4.45; it gives us a 55¢ gain and works out to better than 12% in about five months. Do this twice a year and that's over 25%.

The only way to lose money on that trade was if JAVA traded for less than \$4.45 on option-expiration day in January. JAVA reached its low point of the past 52 weeks when it hit \$4.40 per share, and that occurred well before the turnaround of the prior three quarters. So, I thought the odds of losing money on this trade were fairly remote.

This was an excellent opportunity to write a covered call. It's a low-risk way to generate a 12% return in a little more than five months. You won't find a bond with that combination.

The trick, of course, is to keep the risk to a minimum. And we'll do that by picking the right stocks. By focusing on conservative, value-oriented stocks we'll eliminate a lot of the volatility that can wipe out several months worth of gains overnight. We'll also avoid the temptation to chase the highest-yielding covered call positions, as those tend to be the trades that are most likely to blow-up.

Understand that this is different than the way in which most people approach covered call writing. Most people start by looking for options that carry the fattest premium and then find a way to justify owning the stock. That's why most people have a tough time generating consistent income through covered call writing.

Jeff and I agree the key is finding the right stocks. It's also important to sell the correct options. I like to sell options with two to six months of time before they expire and a strike price close to where we buy the stock.

Right now, we can get a ton of extra money for selling call options. People are paying higher and higher premiums for put options, which raises the values of all options – trust me, it's how the math works. I love selling options at times like this... It's just like a Vegas casino... only we're playing the house and the gamblers pay us.

In *Retirement Millionaire*, I'll explain exactly what you need to know to execute recommended option trades. It's quite simple. Just make sure you get approval from your broker to do option trades. All it involves is filling out the forms and asking for authority to write covered calls. If you can also get permission to sell "naked" put options, I recommend that, too. The reason is simple (I'll spare you the convoluted math): Selling puts and writing covered calls return identical profits and losses.

I'm reminded of a secret I learned years ago about this strategy. Most options, more than 70%, expire worthless. That's why we want to *sell* options and why the investment is typically less risky than owning stocks outright. It's a great way to supplement your income. This is just like being a landlord and collecting extra rent every month.

I look forward to finding these opportunities for you. To read about my favorite current covered call investment, please review the companion report – *How the U.S. Government Will Guarantee You a Rich Retirement*.

No. 2 – Let Warren Buffett Manage Your Portfolio

Your broker – heck, my broker, too – has no idea how much money this strategy will bring us in the next 10 years. This strategy is often thought to be risky, but it isn't at all. The investment involves us getting access to private deals. The deals are so private that few people in the world have any idea when they actually happen. How do I know? I've been investing in private deals for more than 12 years. With the right managers in those businesses, your profits and wealth will multiply over and over.

In recent years, I've invested in private companies and made hundreds of thousands of dollars on just a handful of dollars initially invested. In fact, my private investments now bring in thousands of dollars a week – not to mention free wine, free coffee, and the satisfaction that I will never have to work again.

The best news is, you can do the same thing – gain access to the best money manager in the world. This is the chance of a lifetime; investing in the world's best private deals alongside the greatest investor. Recently, two of our editors – Dan Ferris in *Extreme Value* and Steve Sjuggerud in *True Wealth* – wrote about this opportunity. I'd like to share their thoughts along with mine about it.

The dealmaker is none other than the famous Warren Buffett. He's turned each dollar given to him in 1965 into \$4,000. That's a return on your investment in the 1,000s of percent. He's done it through his company called **Berkshire Hathaway (NYSE: BRK-A)**. I urge you to read the annual reports Buffett sends to Berkshire shareholders (they're posted on the company's website). If you learn anything from your subscription to this newsletter, it is to be sure and read one of his reports.

The list of stocks he has made money from are all-stars in and of themselves:

- | | | |
|-----------------------|----------------------|--------------------|
| • Coke | • Gillette | • American Express |
| • Wells Fargo | • Washington Post | • Home Depot |
| • Johnson and Johnson | • Procter and Gamble | • Wrigley |
| • Dow Chemical | • Goldman Sachs | • Anheuser-Busch |

Recently, Buffett cut deals with Goldman Sachs and General Electric that will pay him between 8% and 10% on his money while he waits for the economy to rebound. At a time when U.S. government notes and bonds pay less than 3%, these insider deals are truly amazing.

And as my friend Dan Ferris recently wrote:

Among other attractive attributes, you and I simply don't have the resources and connections in the financial world to make investments like these. But we can buy Berkshire shares and reap the benefits of them. And really, isn't owning the shares a thousand times easier than trying to learn the business? Owning a stock like Berkshire opens up all kinds of alternative investments you wouldn't otherwise have available to you. The investor buying them for you is the richest man in the world. He's been investing and starting businesses nonstop since he was 11 years old. So you're making alternative investments with the best there is.

Berkshire Hathaway shares trade for around \$91,000 each. And each share represents more than \$100,000 per share in cash, securities, loans, and investments. The company holds more than \$33 billion

in cash with a very liquid balance sheet. This company is poised to take advantage of any and all opportunities in the next five to 10 years. By investing with Warren Buffett at today's prices, you get instant access to deals no other investor even hears about.

Here's what Steve Sjuggerud said about Berkshire Hathaway recently:

In fact, you can say "cheapest in 20 years" over and over again about Buffett's current stock portfolio. Procter & Gamble? Cheapest in 20 years. ConocoPhillips? Ditto. Johnson & Johnson? You betcha. Wal-Mart? Yep. Buffett's stock portfolio now has a median price-to-earnings (P/E) ratio of just 11 and a price-to-book ratio of just 1.3.

I would love to own shares of Coke, Wal-Mart, and the rest at a reasonable price. Cheapest in 20 years – at an extremely low P/E and close to book value – sounds like a reasonable price to me.

And I would love to own Buffett's investment management skills at a reasonable price. By paying close to the most recently reported book value for those skills, we're getting a bargain today. Buffett's businesses generate mountains of cash, as I'm sure you know. And Buffett gets to see "unfair deals" that I'll never see. So paying essentially no premium for his management is completely worth it.

The world's financial system is in its worst shape since the Great Depression. Yet Buffett's company is in a sweet spot to buy and grow companies from all over the world. Recently, he and his team toured Europe looking for companies that fit his portfolio. With a competitive advantage like no other firm in the world, I want my money in his hands. I recommend you put yours there, too.

As Dan Ferris says: "Berkshire Hathaway's financial strength and its superior risk assessment ability are dramatically underappreciated aspects of its unique corporate culture... I firmly believe that Berkshire Hathaway is the single best financial company ever to exist."

My recommendation is to get on the inside track to financial freedom and triple your money in the next five to 10 years... **BUY Berkshire Hathaway.**

You have two ways to do it. You can buy the "A" shares up to \$95,000 each. Or you can buy the "B" shares, which equal one thirtieth of an A share, at up to \$3,200 each.

No. 3 – Your Own Personal Bailout

In late December 2008, the White House made it official: The U.S. auto industry would receive more than \$15 billion in emergency loans.

Soon after, the commercial real estate industry went to Washington, hat in hand, for its bailout. Wall Street's rescue is likely to exceed \$2 trillion. Thousands of home speculators will get their share of the boondoggle as well.

I personally think most all of these financial illiterates should go broke. It's the only way to truly fix the "spend it today and pay for it tomorrow" disease that has taken over America. But the fact is, the money is being handed out, and I'd be crazy not to tell you how to get your share of Washington's huge bailout plan...

With this report in front of you, you'll know how to get yours... And you can start by owning stock in **Annaly Capital (NYSE: NLY)**.

Annaly is what we at Stansberry & Associates call a “virtual bank” because it makes money like a bank without any of the trappings of a bank – no branches, ATMs, retail customers, etc. Most recently, S&A founder Porter Stansberry wrote about Annaly in both of his services, *PSIA* and the *Put Strategy Report*.

Annaly essentially borrows a little money and leverages that money up to buy mortgage securities. It exists to capitalize on the difference (or “spread”) between short-term interest rates and the long-term rates paid to the holders of mortgages.

Now... before you run from the idea of owning mortgage securities, realize Annaly **only buys securities whose principal and interest are explicitly guaranteed by the federal government**. Annaly's portfolio is essentially the same as cash. These are the most liquid and secure mortgage securities in the world. They're in high demand now, as institutional investors are dumping everything that has any risk at all and buying the safest securities they can find.

Business has never been better for Annaly. And business will very likely continue improving. Why?

Saving the mortgage and banking industries is the U.S. government's No. 1 goal. Everything else will be sacrificed in pursuit of this goal... reputations, goodwill, the value of the U.S. dollar, anything. To save it all, the government must ensure interest rates are low for banks. That way, they'll start lending and borrowing again. The government must also ensure the securities it backs perform well. Annaly is positioned to profit from both of these policies.

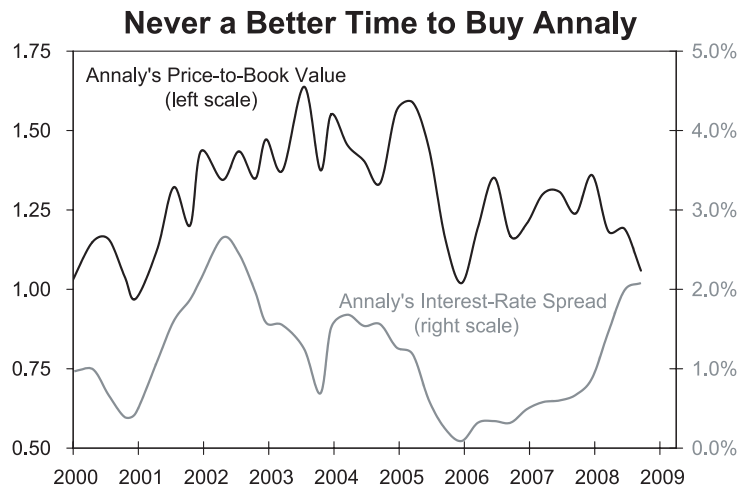
As the Fed must drop short-term rates to aid the banking system, Annaly's primary operating cost falls, allowing it to make bigger and bigger quarterly profits. And because Annaly is organized as a real estate investment trust (REIT), it must distribute these profits to shareholders.

Simply think of it like this: The lower the Fed moves interest rates, the larger Annaly's dividends grow. If the banking crisis lasts for several quarters (which is likely), Annaly will produce record profits and dividends for the next year or two at least.

Normally, when Annaly's costs (the short-term rates) are this low relative to what it earns holding mortgages, the stock trades at a 50% premium to book value. But fear in the market place has erased that premium – for now. **This is the perfect time to buy Annaly.**

Let me show you why...

In the third quarter of 2008, thanks to the Fed cutting rates and mortgage rates rising, Annaly earned more than \$353 million in net income, compared to \$163 million during the same quarter in 2007. And it's all very safe.



As I explained, its one core asset is \$58 billion worth of government-guaranteed mortgages. These are the bonds of government-sponsored entities: Fannie Mae, Freddie Mac, etc. With the Fed's rescue of Freddie and Fannie, they made it explicitly clear they will not allow these bonds to default. If they ever do, we'll have a lot bigger problems than the fate of our Annaly shares.

Against these high-quality assets, the company has borrowed \$50 billion. Normally, you'd stay away from a company that has borrowed so much money to buy mortgages, but Annaly is a special case... *because it only owns mortgages that are fully backed by the U.S. government.*

Since Annaly has never dealt in anything besides the highest-quality mortgage paper, its business has continued to function and even thrive. Annaly has no liquidity problems.

This unique business model means Annaly will print money as the government lowers interest rates and makes good on any defaulting mortgages. If you're a U.S. taxpayer, you can think of Annaly as a conduit to get your share of the ongoing financial bailout. It's like a hose connected to Uncle Sam's bank account. Instead of pumping out water, it's pumping out money. And Uncle Sam just turned the juice on full blast. It's truly free money. For goodness sake, take it.

Buy shares of Annaly (NYSE: NLY) below \$15. Right now the stock trades for \$13.75 and yields 13.8%. I expect the stock to easily trade through \$25 per share. Its book value will be around two times and the yield will drop to around 7% to 8%.

How We're Doubling Your Savings...

Let's recap the unique opportunities in this report:

- Buy stocks in cheap companies and rent your stock out with covered calls. That will double your money in four years.
- Invest alongside the world's greatest investor and watch your money double or triple over the next five years.
- Buy shares in a secret government-backed money machine that pays you 12.7% and has almost no risk... This could double your money in three years.

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