



Vj g O wj ngpneo r O go qtcpf wo

O wj ngpneo r '('Ego rcpf. 'Kpe0
Kpvnki gpv'kpxguo gpv'O cpci go gpv
34522'Rgtt/'J ki j y c/'Y gzhuf. 'RC'372; 2
*634#; 57/7742'©'HCZ'634#; 57/6942
Kawg'3; . 'Vj kf 'S wctvgt'3; ; 3

C'RCWUG'VQ'T GCRRTCKUG

Vj g'ugeqpf 's wctvgt 'qh3; ; 3'y cu'qpg'qh'dqvwo kpi 'kp'y g
geqppo {'cpf 'i gpgtcm' 'ukf gy c'u'o qxgo gpv'lp'y g'uqem'icpf
dqp' 'o ctngw'0'Chgt'tgeqxtkpi 'Itqo 'hgtu'qh'y ct'cpf
tgeguakp'y kj 'c'34/37' 't'kug'lp'y g'hktu's wctvgt. 'y g'uqem
o ctngv'j gnf 'ku'i c'kpu'lp'y g'ugeqpf 's wctvgt'0'Dqpf u'o qxgf
f qy p'c'dk'cu'f gdv'o ctngw'eduatd'g' j gex{'dqttqy kpi 'd{'y g
WU'Vtgcuw' {'cpf 'y g'Hgf g'cn'Tgr vdrke'qh'I gto cp{0
O gcpy j kq. 'y g'r vdrke'j cf 'c'ej c'peg'vq'tgwtp'vq'tqwkpg'hkxkpi
chgt'y g'go qv'kpcn'tcwo c'qh'y g'y ct0

Geqppo kuu'ctg'pqy 'eqpenf kpi 'y cv'y g'tgeguakp'ku
r tqdcdn' 'qxgt'0'Vj gk 'hgewu' cu'uj kngf 'Itqo 'S'J qy 'f ggr 'ku'y g
tgeguakp'AS'vq' \$Y j cv'uj cr g'y g'tgeqxt {AS''Uqo g'hgt 'y cv
cp{'ut gpi y 'lp'I P'R'y kn'tguw'lp'j ki j gt 'kphr'v'k'p'0'Q'j gtu
hgt 'y cv'geqppo ke'tgeqxt {'y kn'd'cd'at'v'f 'd{'c'eqo d'k'p'v'k'p'
qh'ukn'j ki j 'kphr'v'k'p'cpf' 'o qf guv'i tqy y 'lp'y g'o qpg{'uwr r n{0
Vj g'geqppo kuu'g'zr tguakpi 'y g'ug'hgtu'y g't'uc {kpi 'y g'uc'o g
y j kpi 'lp'3; : 4.'cpf 'y g{'y g't'g'y tqpi 0'Cv'y cv'v'o g.'o qf guv
o qpg{'i tqy y 't'guwngf 'lp'c'f tco c'v'e'f gerkp'g'lp'kphr'v'k'p'.
gxp'cu'y g'geqppo {'tgeqxtg'f 'lp'v'3; : 50

Vqf c{'y g'o qpgvct {'ektewo ucpegu'ct'g'uko krt'vq
3; : 4/: 50'Y g'ugg'pqy kpi 'y cv'ko r n'gu'cp'lp'et'g'ug'lp'kphr'v'k'p'0
K'p'hev.'y g'ugg'c'uki p'k'k'ep'v'f get'g'ug'cu'kngn' 'qpeg'ci c'k'p'0
J ki j 't'gcn'k'p'v'g'v'c'v'gu'cpf 'c'uj k'v'k'p'eqpuwo g't'c'w'k'w'f'gu'ugg
d'g'ny +o c{'o cng'y g't'geqxt {'ng'u't'q'v'w'v'y cp'y cv'qh'3; : 5.
dw'v'j g'ngpi g't'c'v'gu't'go c'k'p'y g'm'c'd'q'x'g'kphr'v'k'p'y g'i t'g'v'gt
y g'k'ngn'j qaf 'y g{'m'f gerkp'g'x'g't'v'o g'0'T'g'p'y g'f 'ut gpi y 'lp'
q'w' 'uqem'icpf 'd'qpf 'o ctngw'ku'cy c'k'k'pi 'y ku'f gerkp'g.'dw'y g
f qp'v'hpqy 'y j gp'k'y kn'd'gi k'p'0

Vj g'O qt g'Vj kpi u'Ej cpi g.'Vj g'O qt g'Vj g' Uvc { 'Vj g'Uco g

Qpg'o clqt 'h'w'p'v'k'p'qh't'geguakp'ku'v'q'f co r gp'eqpuwo g't
gp'y wukuo . 'v'r'kecm' 'chgt'{'gct'u'qh'i' tqy y 0'C'p'q'y g't 'h'w'p'v'k'p'
ku'v'q'o cng'y g'r vdrke't'g'g'x'c'w'v'g'cpf 't'gcr r tckug'y qug'ct'g'cu
y j g't'g'r t'k'g'u'j c'x'g'i q'w'g'p'o qu'v'q'w'qh'k'p'g'y kj 'geqppo ke
t'g'crk'0'F w'k'pi 'y g'3; 92'u'ht' 'gzco r ng.'h'cto gtu'y j q'ua'f
r'p'f 'h'q' 'y keg'k'u' \$geqppo ke'S'r t'k'g'y c'v'ej g'f 'y g't 'p'g'ki j d'q'tu
d'k' 'k'u'kn'j ki j g'0'K' 'V'g'z'cu.'y g'cuuwo r v'k'p'y cv'y g'r t'k'g'q'h
q'k'f'eqw'f 'q'p'n' 'k'p'et'g'ug'f 't'q'x'g'q'y g't 'r t'k'g'u'w' 'cu'y gm
gur gekm' {'t'gcn'g'uc'v'0

Q'k'ic'p'f 'h'cto r'p'f 'y g't'g'w'd'ugs w'p'v'f 't'gcr r tckug'f 'lp'y g
t'geguakp'qh'3; : 2/: 4.'dw'v'j g't'g'u'v'q'h'y g'eqw'p'f {'k' p'q't'g'f 'y g
y c't'p'k'pi u'0'F w'k'pi 'y g'3; : 2u.'y g'r vdrke'u'r g't'egr v'k'p'q'h
g'x'g't'k'k'p'i 't'gcn'g'uc'v'r' t'k'g'u'y cu'w'p'uj c'ne'd'g'0'G'x'g'p'w'cm' {'k'v
d'geco g'c'r r c't'g'p'v'y cv'y g'geqppo ke't'g'cr'k'g'u'q'h'd'q'y
eqo o g't'ek'n'ic'p'f 't'g'uk'f g'p'v'c'n't'gcn'g'uc'v'g'f cf 'ej c'pi g'f
f t'co c'v'ecm' 'Itqo 'y g'3; 92u'0'K'3; : 9.'y g'y t'q'v'g'cp'g'uc'f

gp'v'k'ngf '\$Y cng'W' 'Co g't'lec.'J q'w'gu'F qp'v'O cng'O qpg{\$
c'w'go r v'k'pi 'v'q'r'q'k'p'v'q'w'v'y g'ug'ej c'pi gu'0'Y g't'ge'g'k'g'f 'o cp{'
t'g'ur q'p'ug'u'q'h'\$' gu.'dw'p'q'v'k'p'D'qu'q'p'='q't' {'gu.'dw'p'q'v'k'p'
Y cu'j k'pi v'q'p F'0'0'R'j k'c'f g'r j k'c.'g'v'e'0'T'gcn'g'uc'v'g'p'c'v'k'p'y k'f g
ku'p'q'y 'lp'y g'r t'q'eg'u'q'h'd'g'k'pi 't'gcr r tckug'f 0

Co q'pi 'j qo g'q'y p'g'tu.'y g'c't'g'ugg'k'pi 'c'uj k'v'k'p'c'w'k'w'f'gu'c'p'f
c'v'k'p'u'ht'qo '\$V't'c'f'g'w' 'q'p'y g'g's'w'k'v'{'\$'v'q'S'r't'g'r c{'q'p'y g
o q't'v'ci g\$0'F go q'i t'c'r j g't'u'j c'x'g'd'gg'p'uc {k'pi 'h'q' {'g'c't'u'y cv
y j gp'y g'd'cd {'d'q'qo g't'u'w'p'g'f '62/u'qo g'y k'pi . 'y g't' 'h'gewu
y q'w'f 'uj k'v'k'p'ht'qo 'd'q't'q'y k'pi 'h'q' 'j q'w'gu'v'q'uc'x'k'pi 'h'q' 'eq'm'g'i g
w'k'k'p'0'Y g'u'w'ur g'v'v'y cv'y g't'c'w'o c'v'e'g'x'g'p'w'qh'3; ; 2'j c'x'g
j g'r g'f 'v'q'c'ee'g'ng'c'v'g'y ku'uj k'h'0'Y g'f'q'p'v'{'g'v'hp'q'y 'j q'y 'n'c't'i g
y j g'uj k'v'o c{'d'g.'cpf 'y g'c't'g'p'v'k'ngn' 'v'q'np'q'y 'h'q' 'u'qo g'v'o g'0
D'w'c'p' {'uj k'v'c'v'c'm'y k'n'j c'x'g't'go g'p'f q'w'u'g'h'g'ew'q'p'y g'uj cr g
q'h'q'w' 'geqppo {'h'q' 'c'v'g'c'v'v'y g'p'z'v'f g'ec'f g'0

Y j k'g'y g'52/u'qo g'y k'pi 'd'cd {'d'q'qo g't'u'j c'x'g'd'gg'p' 'r c {k'pi
j ki j 'k'p'v'g't'g'u'v'c'v'g'u'y k'j q'w'i k'k'pi 'k'v'et'k'k'ec'n'y q'w'i j v.'y g't
t'g'v't'g'f 'r c't'g'p'u'j c'x'g'd'gg'p't'ge'g'k'k'pi 'e'q't't'g'ur q'p'f k'pi n'j ki j
t'c'v'g'u'q'p'y g't 'uc'x'k'pi u.'cpf 'c'u'w'o k'pi 'k'y q'w'f 'eq'p'v'k'p'v'g
k'p'f g'h'k'p'ngn'0'Vj g'ug't'g'v'k'g'g'u'y g't'g'v'c'w'i j v'v'q'S'r t'q'v'g'v'r t'k'p'ek'cn
cpf 'ur g'p'f 'k'p'eqo g\$. 'c't'w'g'q'h'y wo d'y j k'ej 'y q't'm'u'y g'n'k'p'c
n'y 'k'p'hr'v'k'p' *2/3' +g'p'x'k'q'p'o g'p'v'0'D'w'v'y g'f 'eq'p'v'k'p'v'g'f 'v'q'w'ug
y ku't'w'g'y j gp'k'p'hr'v'k'p'v'q'c't'g'f 'v'q'x'g't'32' 'lp'3; : 2/: 4'cpf
y gp'ug'v'g'f 'cv'6/7' 'h'q' 'c'p'w'o d'g't'q'h'f'g'c't'u'0'U'w'ej 'k'p'hr'v'k'p'
f'g'ut'q'f'f 'o w'ej 'q'h'y g'r w'ej c'k'p'i 'r'q'y g't'q'h'y g't' r t'k'p'ek'cn
*ugg'q'w't'v'o g'D'qo d'g'uc' {'+y k'j q'w'v'y g't'np'q'y r'f'i g'0'Vj g'f
q'p'n' 'd'geco g'c'y c't'g'q'h'y g'f g'ut w'v'k'p'y j gp'k'p'v'g't'g'u'v'c'v'g'u'c'p'f
y w'v'y g't 'S'k'p'eqo g\$+'u'w'd'ugs w'p'v'f 'h'gn'0

F w'k'pi 'y g'h'k'v'v'g'i 'f'q'y p'lp'k'p'v'g't'g'u'v'c'v'g'u'lp'y g'g'c't'n'f
3; : 2u.'o c'p' {'d'q'w'i j v'\$'j ki j '{'k'g'f '\$'d'q'p'f 'h'w'p'v'q't'q'v'j g't
u'g'w't'k'k'g'u'y j k'ej 'r t'qo k'ug'f 'j ki j 'k'p'eqo gu.'q'p'n' 'v'q'f'k'ue'q'x'g't' 'y cv
y g'r t'qo k'ug'u'y g't'g'go r v'0'0'c'p' {'n'v'v'uk' c'd'ng'r q't'v'k'p'u'q'h'y g't
c'u'g'u'0'Y g'c't'g'p'q'y 'lp'y g'o k'f'v'q'h'c't'g'r g'v'q'h'y cv
g'z'r g't'k'p'eg'0'0'c'p' {'t'g'v't'g'g'u'j c'x'g'eqo g'v'q'f'g'r g'p'f 'q'p' 'S'k'p'eqo g\$
{k'g'f' u'q'h' : /; ' 0' 'g'v.'u'k'p'eg'v'c'u'v'y k'p'v'g't.'uj q't'v'g't'o 't'c'v'g'u'j c'x'g
f t'q'r r g'f 'v'q'7/8' 0'T'g'n'k'pi 'q'p'y g't'w'g'q'h'y wo d.'o c'p'f
t'g'v't'g'g'u'c't'g'h'c'k'pi 'c'ur g'p'f k'pi 'e'w'd'c'c'm'q'h'w'r 'v'q'52' 0'U'qo g'c't'g
u'ko r n'j 'q'r k'pi 'h'q' 'c't'g'w't'p'v'q'j ki j g't' 't'c'v'g'u'0'W'p'k'ngn' . 'k'p'q'w't
q'r k'p'k'p'0'Q'v'j g'tu'c't'g'o q'x'k'pi 'o q'p'g'f 'v'q'x'c't'k'w'u'c't'g'c'u'y j g't
y j g'f 'c't'g'r t'qo k'ug'f 'q'h'g'p'q'p'n' 'k'o r n'ek'n'f '#c'v'g'u'q'h' : /; ' 0'U'qo g
q'h'y g'y k'pi u'y g'f 'c't'g'd'w'k'pi 'y kn'p'q'v'w'v'k'k'p'y cv'r t'qo k'ug'0

Cu'k'p'x'g'u'q'tu.'q'w't'y q'w'i j w'v'q'p'v'q'w'v'k'p'u'v'q'y ku'f'k'g'o o c
j c'x'g'd'gg'p'eq'x'g't'g'f 'k'p'g'c't'ng't'g'uc' {u'0'Q'w'r'k'p'v'k'p'y ku'g'uc' {'ku
y cv.'k'p'c'f'f'k'k'p'v'q'c't'g'c'r r t'c'k'c'n'ic'p'f 'u'w'd'ugs w'p'v'v'q'y g't
ur g'p'f k'pi 'd' {'d'cd {'d'q'qo g'tu.'y g'c't'g'c'nu'g'k'ngn' 'v'q'ugg'c
t'gcr r t'c'k'c'n'ic'p'f 'c't'g'f w'v'k'p'lp'ur g'p'f k'pi 'd' {'t'g'v't'g'g'u'c'u'y g'n'0
U'w'ej 'c't'gcr r t'c'k'c'n'y q'w'f 't'g'k'p'h't'eg'y g'f gerkp'g'lp'k'p'v'g't'g'u'v
t'c'v'g'u'y g'x'g'd'gg'p'y c't'p'k'pi 'cd'q'w'0

Cu'q'h'C'w' w'v'35.'3; ; 3'y g'P'g'v'Cu'ug'v'X'c'w'g'q'h'y g
O wj ngpneo r 'Hw'p'f 'y cu'834029'r'g't'uj ctg.'w' '53' 'Itqo
{gct'g'p'f'3; ; 20
Ertenj g't'g'ht'v'y g'ew't'g'p'P'g'v'Cu'ug'v'X'c'w'g'ht'v'y g'
O wj ngpneo r 'Hw'p'f 0

Muhlenkamp Memorandum

Basic Financial Maxims I Want My Kids To Know

- 🕒 There is no free lunch.
- 🕒 There's no free income either.
- 🕒 The essentials of life are cheap. Only the luxuries are expensive.
- 🕒 A bad product is always a bad deal. Don't buy a car or appliance with a poor service record. Don't buy a house with a cracked foundation.
- 🕒 A good product can be a bad deal if the price is wrong. How do you know a good price? Shop around and be willing to walk away from any "deal".
- 🕒 The purpose of insurance is to protect against financial disaster. Any loss that is non-financial cannot be remedied by insurance. Any loss that is not a disaster does not require insurance.
- 🕒 Financial products are simply agreements written on paper. Although written in English, they are written by lawyers and designed so you won't read them. Read them anyway, and read them again, and again, until you understand them.
- 🕒 The price of borrowing money is interest-and worry. Keep all borrowing below the worry point, and don't borrow to buy things that depreciate; you will lose on both ends.
- 🕒 Don't rely on appreciation of the asset. If the price is too high, wait. It's too high for everyone else as well, and they will realize it in due time. The public tends to extrapolate trends long after the financial justification is gone. Read our essay "Houses Don't Make Money".
- 🕒 Any agreement has two parties; the other person will be working for themselves. Figure out whether he is working for or against you. Always check one level deeper and follow-up.
- 🕒 The assumptions that you make consciously won't hurt you. The assumptions you take for granted- what "everybody knows"- will kill you. Always check the assumption behind the assumption you make.

- 🕒 If it's complicated it is probably a bad deal.
- 🕒 If you don't understand it, it is a bad deal. Don't buy any product or service from someone who can't or won't explain it to you in terms you understand.
- 🕒 Don't confuse income and wealth. Income can end with a dismissal notice or a change in interest rates.
- 🕒 Don't confuse wealth with the current price of an asset. People get carried away with prices - up and down.
- 🕒 Don't count on Social Security. The benefits you receive will be a small fraction of what your grandparents now receive.
- 🕒 People think of inflation as prices going up. It's not. It's the value of money going down.

- 🕒 There are no guarantees, there are only guarantors. The phrase "It's Guaranteed" requires the response: "By Whom?"
- 🕒 Only the Ten Commandments were written in stone. All other laws are at the whim of politicians who will change them in response to current pressures.
- 🕒 When you change the rules a little, you change the game a lot.
- 🕒 Convenience is usually expensive. Ignorance is deadly.
- 🕒 "Collectibles" are faddish. They come and go. When everyone knows it's a "collectable" the game is over.
- 🕒 You can't spend yourself rich. You've spent a lot of time and effort to make a buck pretax. The money you don't spend is worth more than the money you earn- it's after tax.
- 🕒 Fund your IRA every year - early if possible. Invest in an equity or total return mutual fund. Equity returns compounded over long periods are truly amazing.