

# **THE PATH**

**ACCELERATING YOUR JOURNEY  
TO FINANCIAL FREEDOM**

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**Figure 1.1**

**ANNUAL SAVINGS TO BECOME A MILLIONAIRE BY 65**

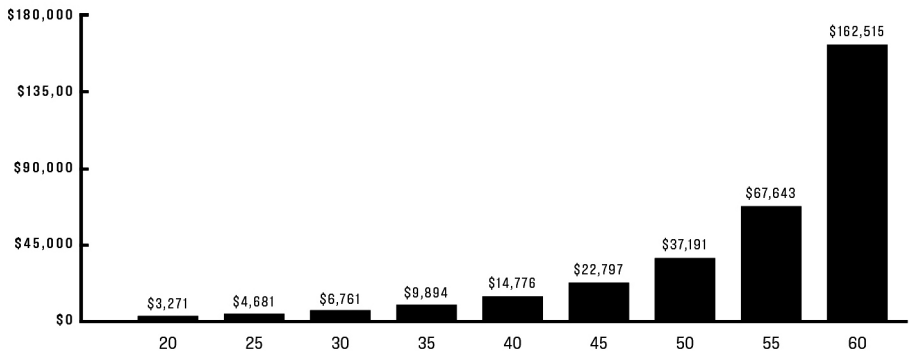


Figure 2.1

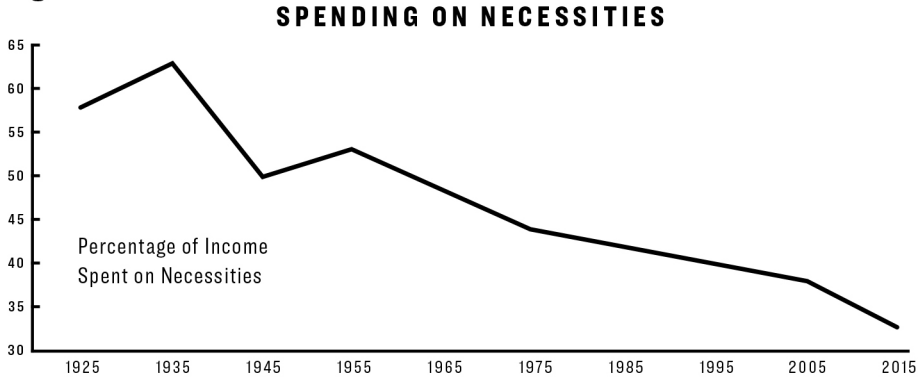


Figure 2.2

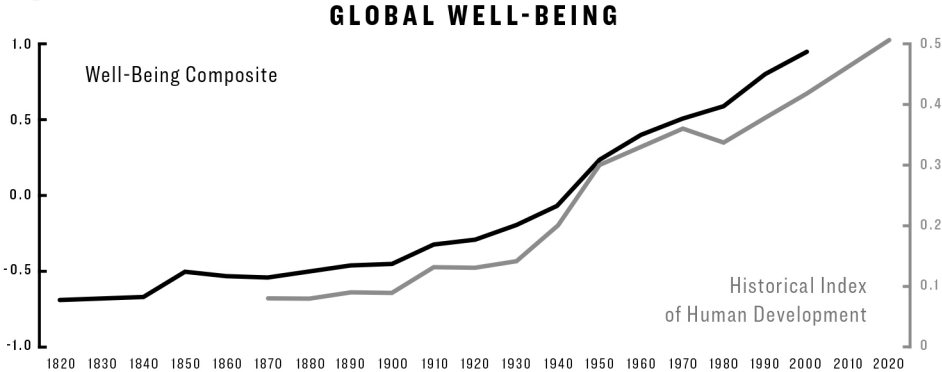


Figure 2.3

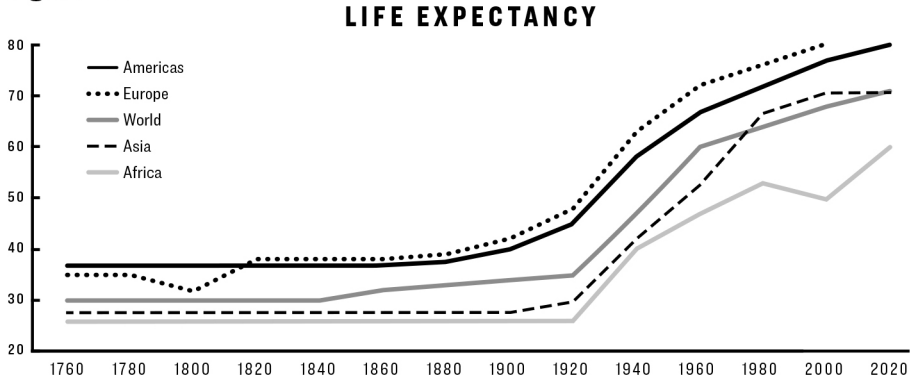
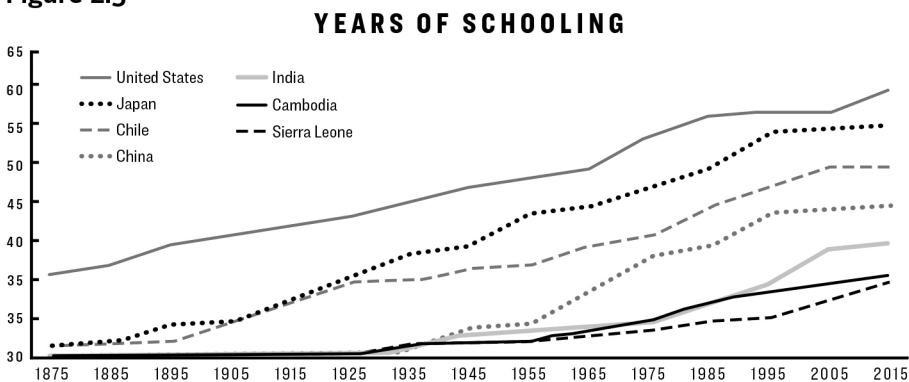


Figure 2.4



Figure 2.5



**Figure 2.6**

## THE DOW JONES INDUSTRIAL AVERAGE 1896-2016

HUMAN INNOVATION ALWAYS TRUMPS FEAR

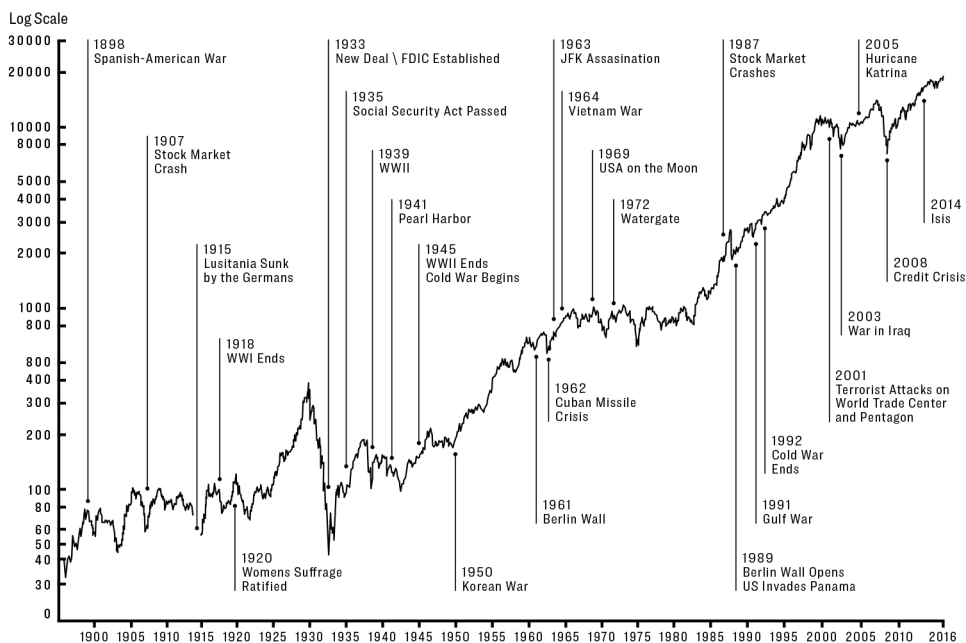


Figure 4.1

WHAT TO AVOID	REASON
<b>BROKERS</b>	They are not held to the fiduciary standard and are not obligated to comply with the highest legal standard of care. You deserve better.
<b>DUALLY REGISTERED ADVISORS</b>	Dually-Registered Advisors: They are sometimes held to the fiduciary standard and sometimes not. You shouldn't work with someone that is only held to the highest legal standard of care "sometimes."
<b>ANY ADVISOR, INDEPENDENT OR BROKER, THAT ASKS YOU TO CONVERT YOUR ENTIRE TAXABLE ACCOUNT TO CASH TO INVEST IN ONE OF THEIR MODELS.</b>	This shows a blatant disregard for tax consequences that may be nearly impossible for even an excellent money manager to overcome.
<b>A STOCK PICKER</b>	There is nothing wrong with stock picking but it is not financial advice. The role of a financial advisor is to provide you with a personalized approach to money management, matching your investments to your goals. If someone is simply picking stocks, they are not really a financial advisor, but a money manager. If you believe stock picking works and that is all you are looking for, simply buy a low-cost mutual fund and move on.
<b>ANY ADVISOR WITH A FEW MODELS FOR YOU TO CHOOSE FROM.</b>	Watch out square peg, you are about to be shoved into a round hole. You want an advisor that can tailor a portfolio to your needs, not tailor your portfolio into their easy-to-manage model.
<b>AN ADVISOR THAT MAKES COMMISSIONS SELLING INVESTMENTS.</b>	In today's world, the best investment can be purchased without paying an advisor a commission. Avoid the conflict.
<b>AN ADVISOR THAT MAKES INVESTMENT RECOMMENDATIONS WITHOUT FIRST DELIVERING A COMPREHENSIVE, WRITTEN FINANCIAL PLAN.</b>	How can the advisor possibly know what is right for you if they don't know where things stand today and what you are trying to accomplish?

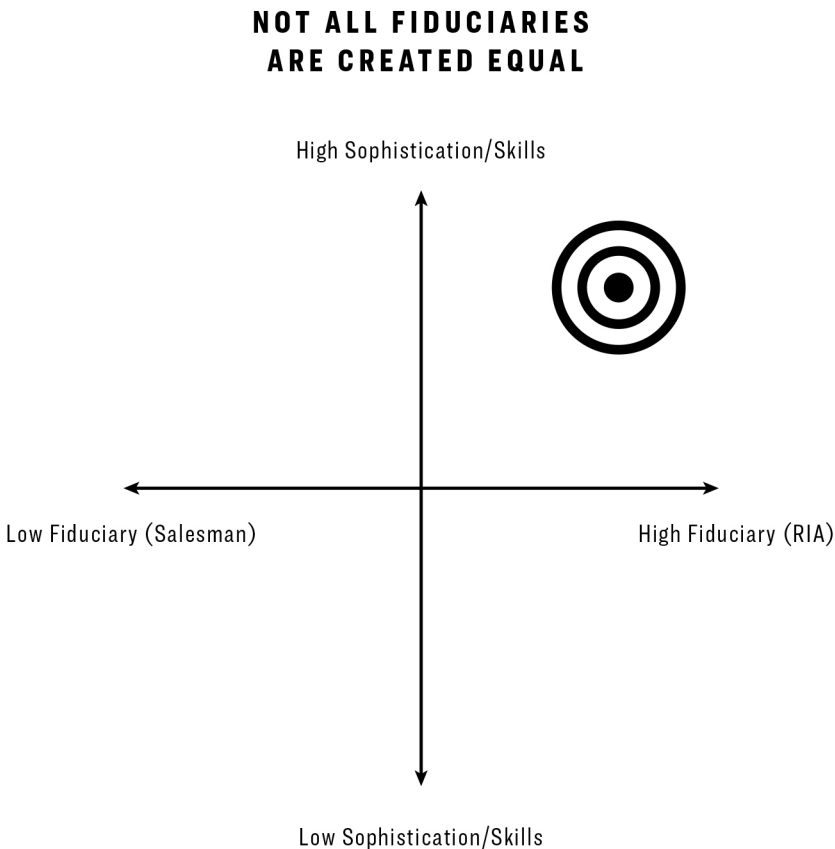
**Figure 4.2**

**WHAT TO LOOK FOR**

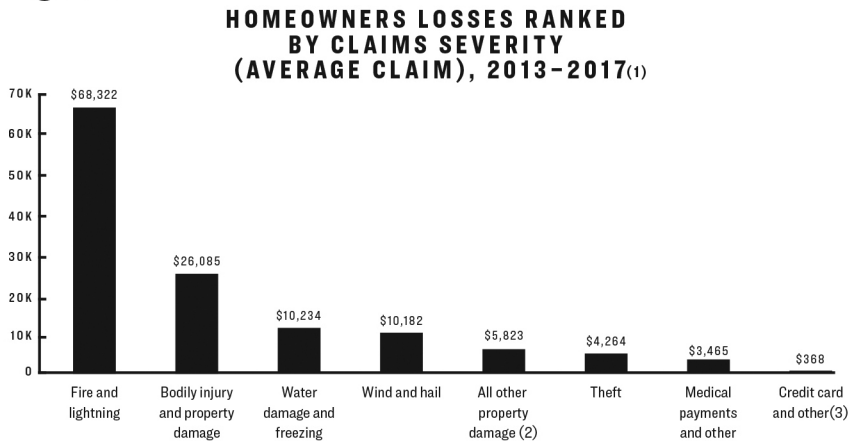
An advisor that works for an RIA and is not dually registered.
An advisor who works for an RIA that does not own any of its own products.
An advisor that takes the time to get to know you and your goals by first preparing a comprehensive, written financial plan, prior to making any investment recommendations.
An advisor whose firm has extensive experience working with people like you.
An advisor whose firm is capable of tailoring a portfolio to match your needs.
An advisor that will never automatically convert your taxable portfolio to cash prior to investing.
<p>The financial world is changing and you no longer have to choose between a brokerage firm with breadth and depth or an RIA that does not have extensive experience.</p> <p>Lean on the collective due diligence of other investors and seek out a large RIA with extensive experience customizing portfolios for people like you.</p>



Figure 4.3

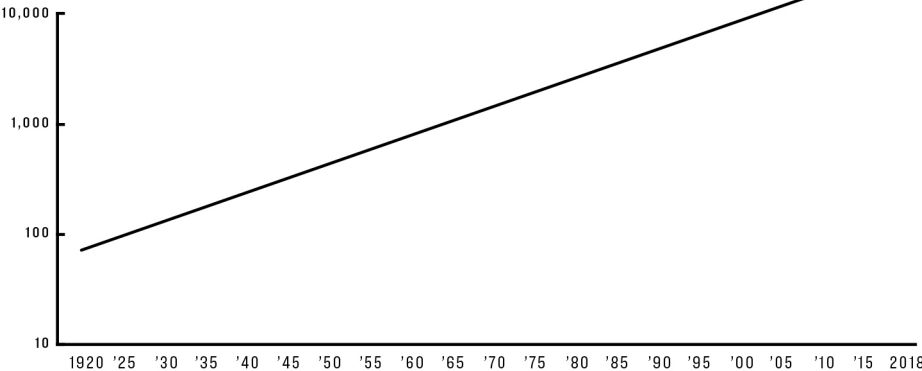


**Figure 6.1**

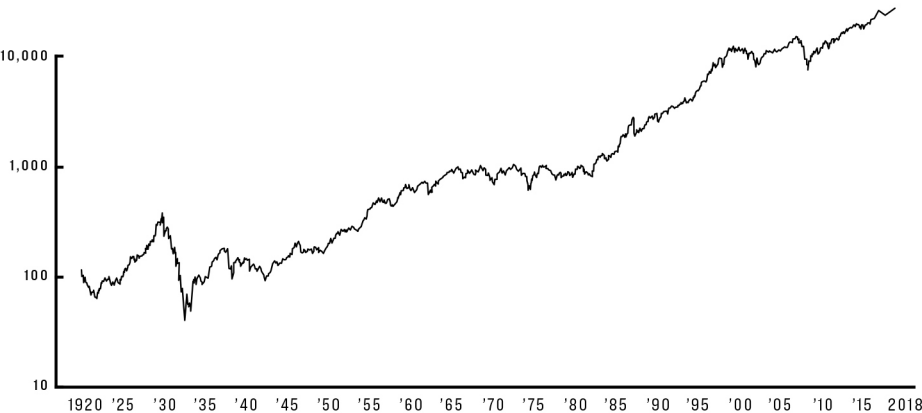


- (1) For homeowners' multiple peril policies (HO-2, HO-3, HO-5, and HE-7 for North Carolina). Excludes tenants and condominium owners policies. Accident year incurred losses, excluding loss adjustment expenses, (i.e., indemnity costs per accident year incurred claims). Excludes Alaska, Texas, and Puerto Rico.
- (2) Includes vandalism and malicious mischief.
- (3) Includes coverage for unauthorized use of various cards, forgery, counterfeit money and losses not otherwise classified.

**Figure 8.1**



**Figure 8.2**  
**DOW JONES INDUSTRIAL AVERAGE, NONLINEAR RETURN**



**Figure 8.3**

**MARKET TIMER CAMPS**

0.01 percent of people who likely  
can beat the market by market  
timing, but we can't find them



Figure 8.4

## LEARNING FROM THE LESSONS OF TIME

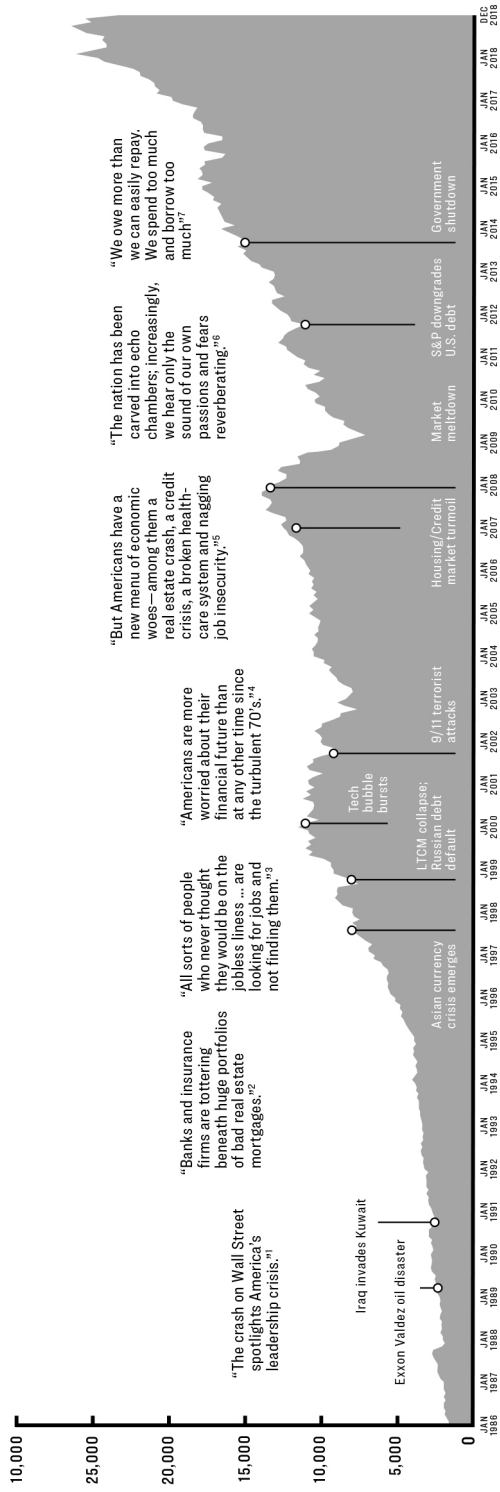


Figure 8.5

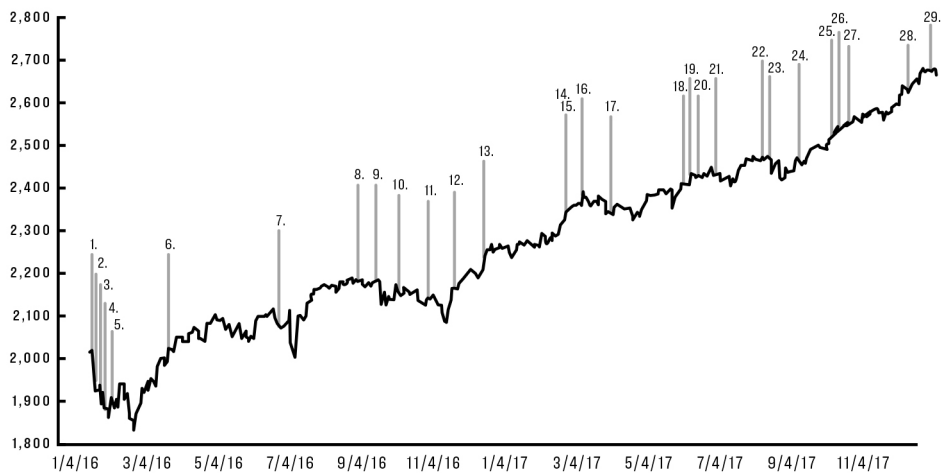
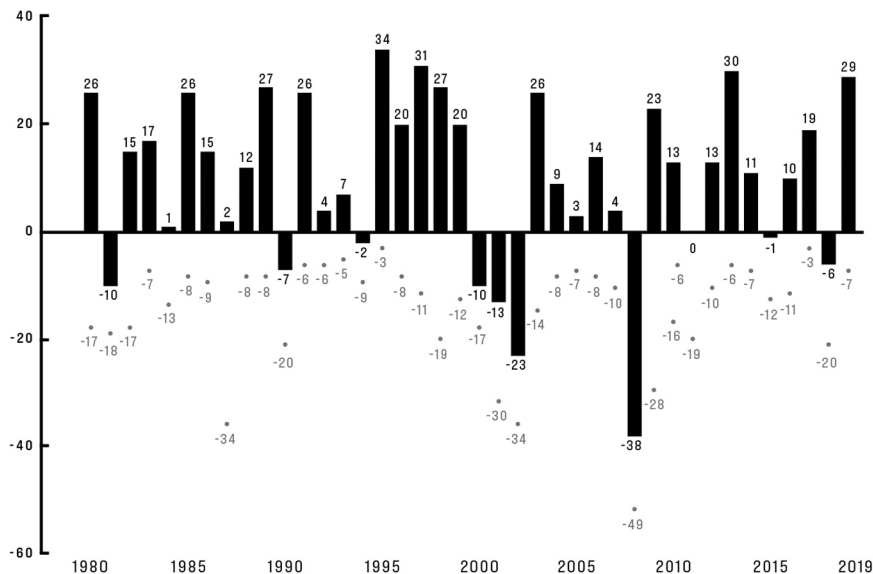


Figure 8.6

**S&P 500 INTRA-YEAR DECLINES VS. CALENDAR YEAR RETURNS**  
DESPITE AVERAGE INTRA-YEAR DROPS OF 13.9%,  
ANNUAL RETURNS POSITIVE IN 29 OF 39 YEARS



**Figure 8.7**

**BEAR MARKETS: HOW OFTEN, HOW LONG, AND HOW SEVERE?**

YEAR(S)	NUMBER OF DAYS IN LENGTH	% DECLINE IN S&P 500
1946–1947	353	-23.2%
1956–1957	564	-19.4%
1961–1962	195	-27.1%
1966	240	-25.2%
1968–1970	543	-35.9%
1973–1974	694	-45.1%
1976–1978	525	-26.6%
1981–1982	472	-24.1%
1987	101	-33.5%
1990	87	-21.2%
1998	45	-19.3%
2000–2001	546	-36.8%
2002	200	-32.0%
2007–2009	515	-57.6%

**Figure 8.8**

**FROM BEAR TO BULL**

<b>YEAR(S)</b>	<b>NEXT 12 MONTHS (S&amp;P 500)</b>
June 13, 1949	42.07%
October 22, 1957	31.02%
June 26, 1962	32.66%
May 26, 1970	43.73%
October 3, 1974	37.96%
August 12, 1982	59.40%
December 4, 1987	22.40%
September 21, 2001	-12.50%
July 23, 2002	17.94%
March 9, 2009	69.49%



**Figure 8.9**

<b>WHO NEEDS CONFIDENCE?</b>	
<b>CONSUMER CONFIDENCE &lt;60%</b>	<b>NEXT 12 MONTHS (S&amp;P 500)</b>
1974	+37%
1980	+32%
1990	+30%
2008	+60%
2011	+15%

**Figure 8.10**

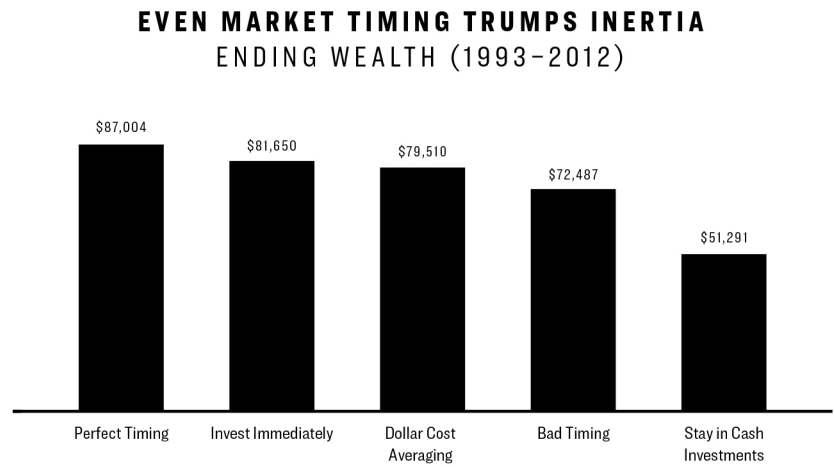


Figure 8.11

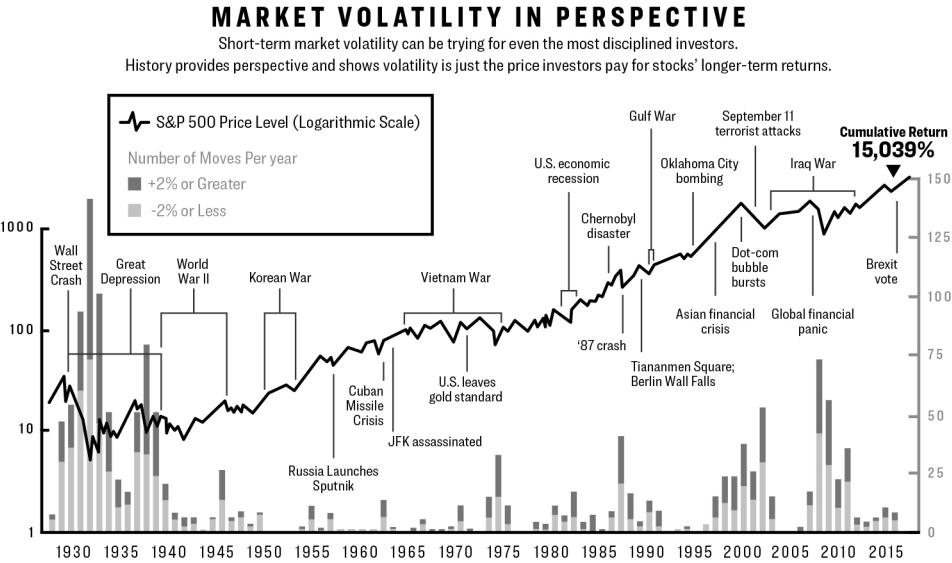


Figure 9.1

## DOW JONES INDUSTRIAL AVERAGE JANUARY 1, 2016–DECEMBER 31, 2016

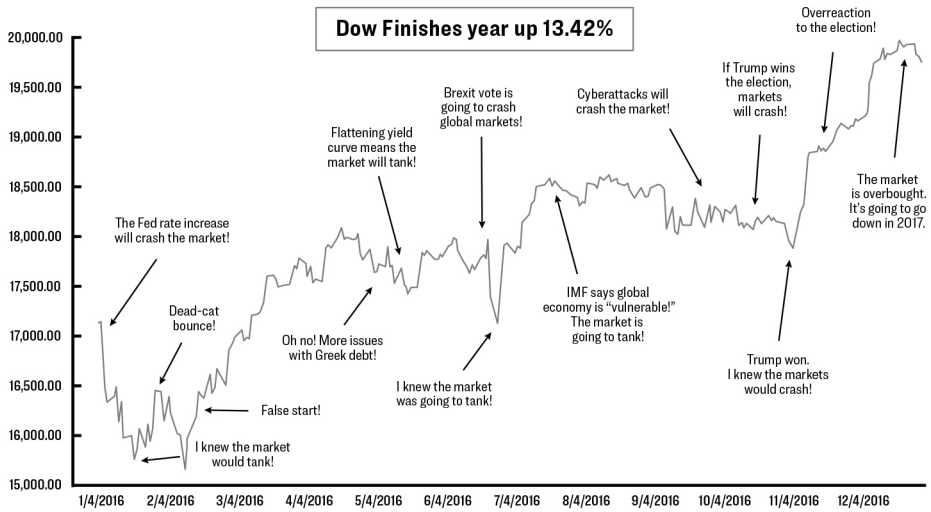


Figure 9.2

INVESTOR CASH FLOWS						
	Date	Equity Weighting	Investor cash flows over the prior two years (in millions)		Stock market performance (cumulative)	
			Stock Funds	Bond Funds	Prior 2 years	Subsequent 2 years
Early in '90s bull market	1/31/1993	34%	—	—	—	—
Bull market peak	3/31/2000	62%	\$393,225	\$5,100	41%	-23%
Bear market bottom	2/28/2003	40%	\$71,815	\$221,475	-29%	53%
Bull market peak	10/31/2007	62%	\$424,193	\$173,907	34%	-29%
Bear market bottom	2/28/2009	37%	-49,942	-83,921	-51%	94%

Figure 9.3

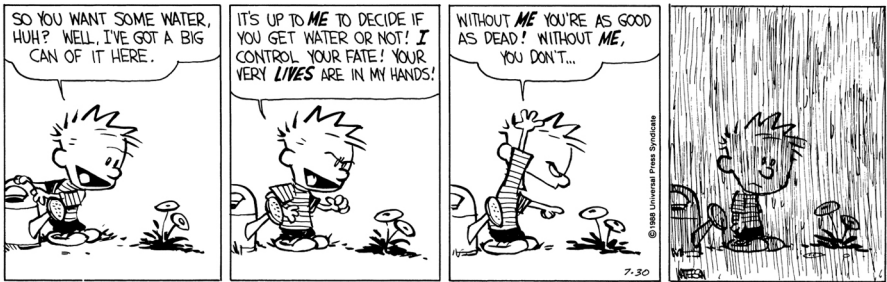


Figure 10.1

INFLATION ADJUSTED ANNUAL AVERAGE GOLD PRICES  
(1914–2018) IN MARCH 2018 DOLLARS

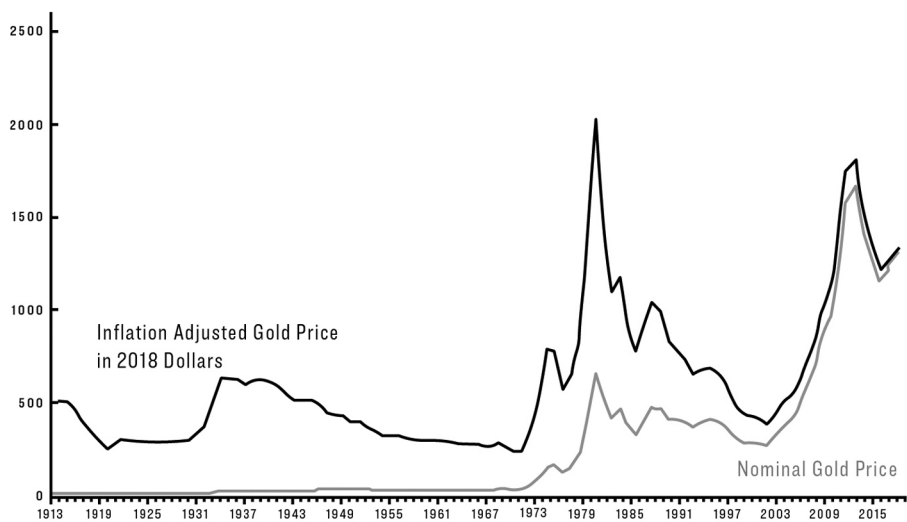
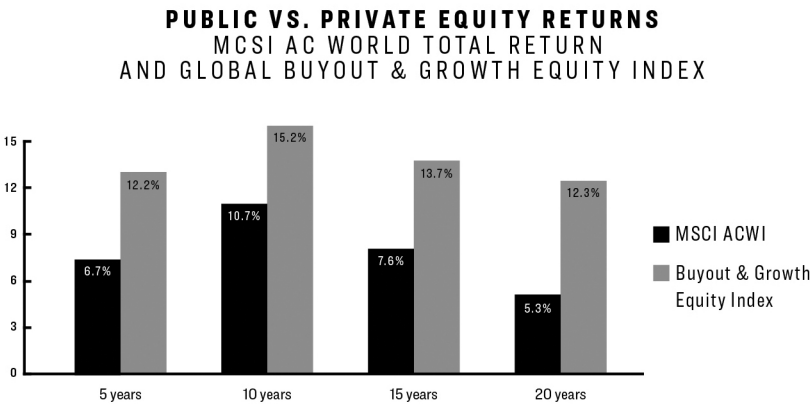


Figure 10.2



Figure 10.3



**Figure 11.1**

**THE PERFORMANCES OF VARIOUS MIXES OF U.S. STOCKS AND BONDS  
1926–2018**

<b>ASSET ALLOCATION</b>	<b>AVERAGE ANNUAL RETURN</b>
100% bonds	5.3%
10% stocks 90% bonds	5.9%
20% stocks 80% bonds	6.6%
30% stocks 70% bonds	7.1%
40% stocks 60% bonds	7.7%
50% stocks 50% bonds	8.2%
60% stocks 40% bonds	8.6%
70% stocks 30% bonds	9.1%
80% stocks 20% bonds	9.4%
90% stocks 10% bonds	9.8%
100% stocks	10.1%

Figure 11.2

**THE MIXTURE OF ASSETS DEFINES THE SPECTRUM OF RETURNS**  
BEST, WORST, AND AVERAGE RETURNS  
FOR VARIOUS STOCK/BOND ALLOCATIONS, 1926-2018

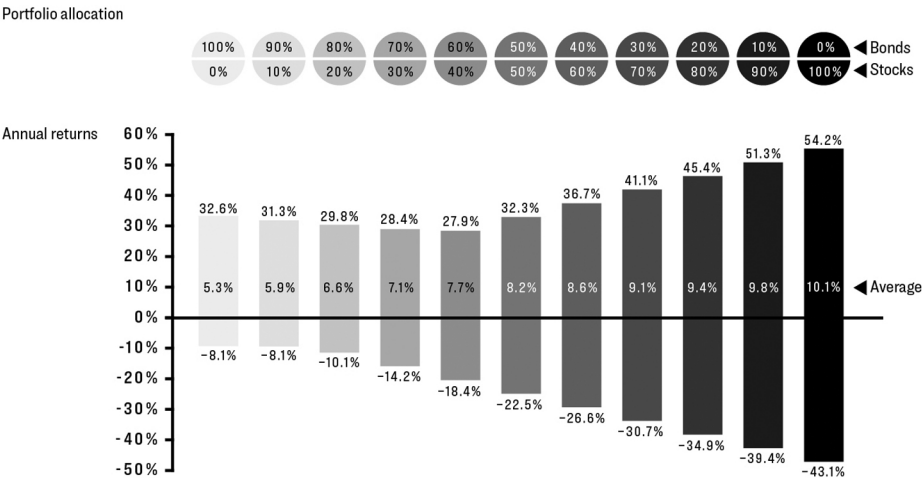
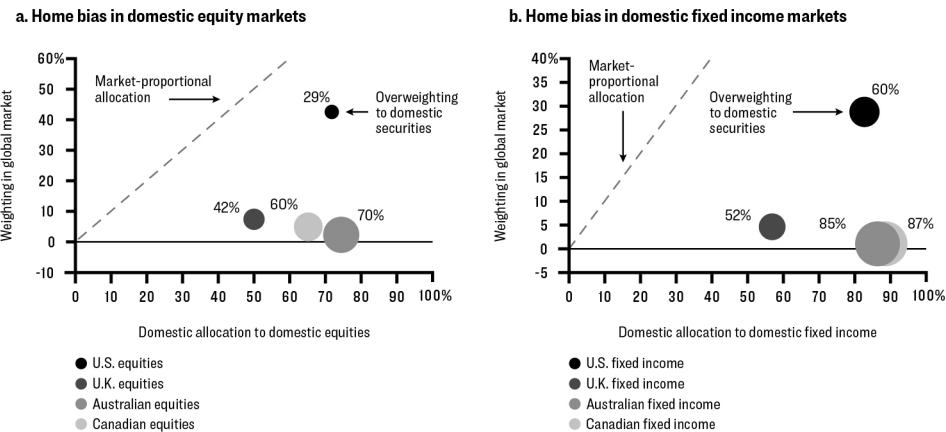


Figure 11.3

**RELATIVE MAGNITUDE OF HOME-COUNTRY BIAS**





**Figure 11.4**

**DOW JONES INDUSTRIAL AVERAGE COMPONENT COMPANIES**

<b>1979</b>		
3M	Eastman Kodak	Johns-Manville
Allied Chemical	Esmark	Owens-Illinois
Aluminum Company of America (Alcoa)	Exxon	Proctor & Gamble
American Can Company	General Electric	Sears
AT&T	General Foods	Texaco
American Tobacco Company (B shares)	General Motors	Union Carbide
Bethlehem Steel Corporation	Goodyear	US Steel
Chevron	Inco Ltd.	United Technologies
Chrysler	International Harvester Company	Westinghouse
Dupont	International Paper	Woolworth's
<b>2019</b>		
3M	Exxon Mobil	Nike
American Express	Goldman Sachs	Pfizer
Apple	The Home Depot	Proctor & Gamble
Boeing	IBM	Travelers
Caterpillar	Intel	UnitedHealth
Chevron	Johnson & Johnson	United Technologies
Cisco	JP Morgan Chase	Verizon
Coca-Cola	McDonald's	Visa
Disney	Merck	Walmart
Dow-DuPont	Microsoft	Walgreens

Figure 11.5

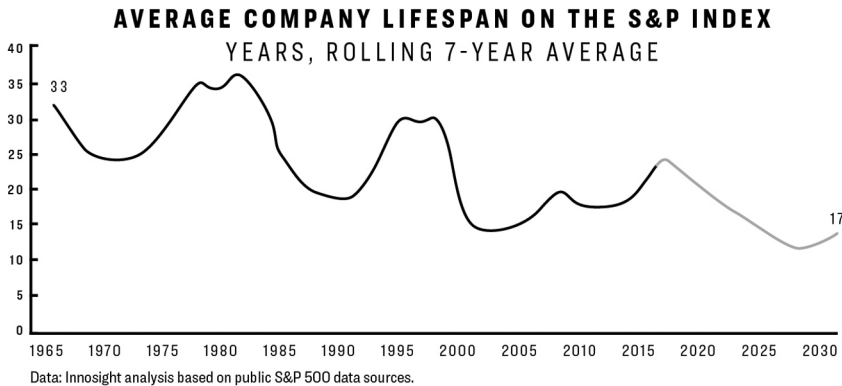
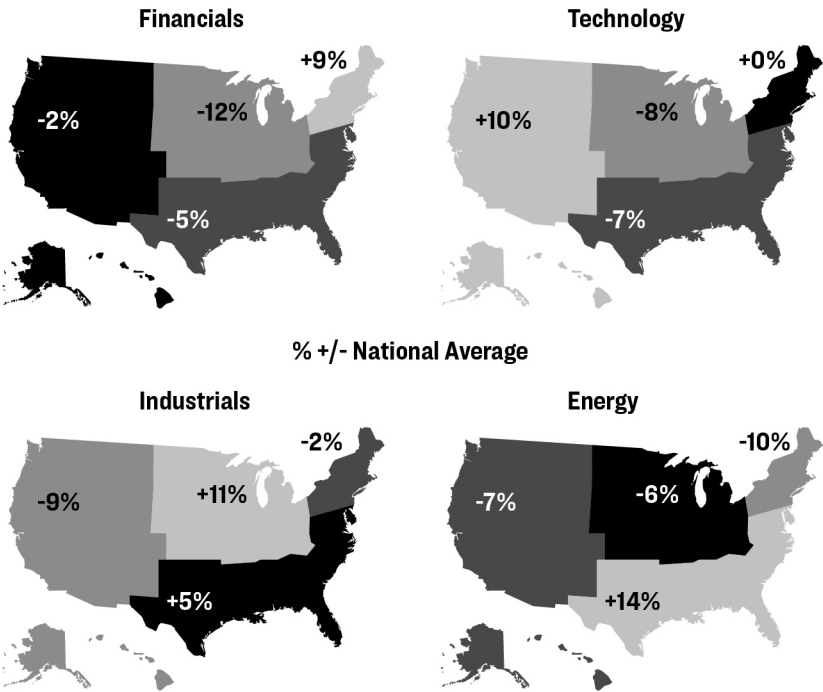


Figure 11.6

**INVESTOR ALLOCATION BY REGION**  
LIKELIHOOD OF OWNING STOCKS IN AN  
INDUSTRY VS. NATIONAL AVERAGE



**Figure 11.7**

**IMPACT OF TAXES ON INVESTMENT GROWTH**

YEAR	TAX FREE	33% TAX ON EARNINGS
	\$1.00	\$1.00
1	\$2.00	\$1.67
2	\$4.00	\$2.79
3	\$8.00	\$4.66
4	\$16.00	\$7.78
5	\$32.00	\$12.99
6	\$64.00	\$21.69
7	\$128.00	\$36.23
8	\$256.00	\$60.50
9	\$512.00	\$101.03
10	\$1,024.00	\$168.72
11	\$2,048.00	\$281.76
12	\$4,096.00	\$470.54
13	\$8,192.00	\$785.80
14	\$16,384.00	\$1,312.29
15	\$32,768.00	\$2,191.53
16	\$65,536.00	\$3,659.85
17	\$131,072.00	\$6,111.95
18	\$262,144.00	\$10,206.96
19	\$524,288.00	\$17,045.63
20	\$1,048,576.00	\$28,466.20

Figure 14.1

**RANKING HIGHER THAN**

