Clark A. Kendall started Kendall Capital in 2005 with a phone, desk, and the goal to help and serve the Washington, D.C., area's middle-class millionaires as a fiduciary advisor. Since then, Kendall Capital has grown tremendously, but Clark's commitment to middle-class millionaires has remained. His success and understanding of this demographic comes from melding 30 years of experience in investment and wealth management with the academic knowledge obtained from the Chartered Financial Analyst® (CFA), Accredited Estate Planner® (AEP®), and CERTIFIED FINANCIAL PLANNER™ (CFP®) programs.

Clark is a former equity seat holder on the New York Stock Exchange (NYSE) and a member of the Washington Society of Chartered Financial Analysts®. He is also an active member in various community organizations, including the Boy Scouts of America, Olney Boys and Girls Community Sports Association, Young Life, Big Brothers Big Sisters of America, and the Universities at Shady Grove mentor program.

Clark is a graduate of James Madison University and holds a Bachelor of Business Administration (BBA) in finance and economics. Clark and his wife of 31 years, Diane, reside in Sandy Spring, Maryland, and are most proud of their four grown children.

THE PHRASE "MIDDLE CLASS" MEANS DIFFERENT THINGS TO DIFFERENT PEOPLE. SURPRISINGLY, SO DOES THE TERM "MILLIONAIRE."

Containing sound advice for those who aspire to be or already are middle-class millionaires (those with one million or more in amassed assets), Clark Kendall draws from his 30-plus years of experience to offer thorough yet accessible advice for people from all walks of life. In *Middle-Class Millionaire: Surprisingly Simple Strategies to Grow and Enjoy Your Wealth*, learn how to:

- Accumulate wealth by adopting the mindset of a smart and finance-savvy saver
- Grow your wealth by increasing your knowledge of how finances can compound and amass over a lifetime
- Transition into retirement by safely planning for and reliably assessing associated costs

---

KENDALLCAPITAL.COM/BOOK MIDDLE-CLASSMILLIONAIRE.COM

@KENDALLCAPITAL KENDALL-CAPITAL

MASCOT BOOKS

KENDALL CAPITAL
Serving Middle-Class Millionaires®

ISBN 978-1-64307-451-1
US $19.95
CAN $25.95
51995
9 781643 074511

CLARK A. KENDALL

MIDDLE-CLASS MILLIONAIRE

MB

US $19.95
CAN $25.95

MIDDLE-CLASS MILLIONAIRE

SURPRISINGLY SIMPLE STRATEGIES TO GROW AND ENJOY YOUR WEALTH

CLARK A. KENDALL
CFA, AEP®, CFP®
FOUNDER AND CEO OF KENDALL CAPITAL

The middle class makes up most of the population. Defined as a household that earns a yearly income that hits above the poverty line but falls shy of the upper class, people in the middle class come from all walks of life, hold various types of jobs, and lead vastly different lives. One aspect does tie them together: they work hard to live well, and without realizing it, may be on the path toward becoming a millionaire.

In this day and age, millionaires aren't as rare as they used to be, with many individuals possessing at least one million dollars of amassed net worth by the time they retire—including the value of their home(s), cars, financials, and other assets. By living within their means, saving well, and spending wisely, members of the middle class can soon be part of a group that is growing by the day: the middle-class millionaire®.

In this informative and comprehensive guide, Clark Kendall, CEO and founder of the successful investment management firm Kendall Capital, shows you just how to secure your financial future. *Middle-Class Millionaire* is full of applicable insight into the ins and outs of short- and long-term saving, spending, and investing, for those working toward a safe and comfortable retirement.

Living well in the years up to retirement and beyond depends on your financial preparedness. Let *Middle-Class Millionaire* help get you there.

MIDDLE-CLASS MILLIONAIRE

SURPRISINGLY SIMPLE STRATEGIES TO GROW AND ENJOY YOUR WEALTH

CLARK A. KENDALL

CFA, AEP®, CFP®

FOUNDER AND CEO OF KENDALL CAPITAL

MASCOT BOOKS

www.mascotbooks.com

Middle-Class Millionaire: Surprisingly Simple Strategies to Grow and Enjoy Your Wealth

For more information, please contact:
Mascot Books
620 Herndon Parkway, Suite 320
Herndon, VA 20170
info@mascotbooks.com

Library of Congress Control Number: 2019901806

CPSIA Code: PREFRE0419A
ISBN: 978-1-64307-451-1

Printed in Canada

To all of my past and current clients,

Thank you for giving me the opportunity to serve you and your financial needs. I can only hope you have enjoyed the journey as much as I have. Unlike managing institutional money, managing money for individuals and families gives me great satisfaction and confidence in knowing that proper wealth management decisions do make a difference.

CONTENTS

Introduction 1

Section I: How to Accumulate Wealth 3

Chapter 1: The Mindset of a Saver 5

Chapter 2: Formula for Success 13

Section II: How to Grow Your Wealth 21

Chapter 3: Financial Literacy 23

Chapter 4: Teach Your Children 12 Life Lessons About Money 33

Chapter 5: Taking Credit 39

Chapter 6: Good Value Hunting 49

Chapter 7: Prudent Ways to Protect Yourself 61

Chapter 8: Scaling the Rising Costs of Higher Education 71

Chapter 9: Take Advantage of All Savings Vehicles 83

Chapter 10: Keep Options Open Through Tax Diversification 89

Chapter 11: Asset Allocation Through the Ages 101

Section III: How to Transition into Retirement and Beyond 115

Chapter 12: How to Plan for Your Retirement 117

Chapter 13: What to Do if Your Retirement is Unexpected 125

Chapter 14: When to Take Social Security Benefits 133

Chapter 15: Managing Longevity Risk 143

Chapter 16: Managing Retirement Income: Making Adjustments 151

Chapter 17: Managing Health Care and Long-Term Care Costs in Retirement 159

Chapter 18: Planned Giving 169

Chapter 19: Tax-Efficient Wealth Transfer 177

Glossary 185

Acknowledgments 193

Notes 195

INTRODUCTION

Millionaires aren't as rare as they used to be. It's becoming more common for people to amass a net worth of $1 million or more by the time they retire. In addition—considering factors such as lifestyle, cost of living, and life expectancy—many of us will want to save that much or possibly more in order to retire in comfort.

"Middle class" is a bit of a vague term these days. It conveys a level of wealth somewhere shy of upper class but above poverty, which is a pretty vast range. The term "middle class" could also describe your everyday dedicated, hard-working people. It can mean different things to different people.

Put the two terms together—*middle-class millionaire*—and you have a description that has a more specific, though still somewhat flexible, meaning. I use it to refer to people who have accumulated $1 million or more in investable assets, but who don't live a lavish lifestyle. The two are not incongruous. In fact, it's the lifelong habit of living within one's means, working hard, and saving diligently that has paved the way for many middle-class millionaires to enjoy lifelong financial security.

This book, *Middle-Class Millionaire: Surprisingly Simple Strategies to Grow and Enjoy Your Wealth,* is my attempt to take what I've learned in 30 years of working with middle-class millionaires and share those lessons with the broader public, with fellow middle-class millionaires, and with those who aspire to become one eventually.

Writing this book has required me to self-reflect, observe case studies I've worked on, and led me to make various conclusions. In the following pages, I blend general financial and investment education with real-life examples, though the names of clients and other individuals have been changed for obvious privacy reasons.

I hope that you enjoy reading about and learning a few lessons from middle-class millionaires who could be your neighbor, your doctor, your child's school teacher, a business owner, or perhaps a friend or relative.

The key commonality shared by all of the different, successful people described in this book is their ability to work hard, live within their means, manage their money responsibly, and save steadily. Their reward is that today—in their 50s, 60s, and beyond—they can retire or begin to scale back their work responsibilities (or dream about doing so) and enjoy the next phase of their journey. In this next period of their lives, they'll transition from working to enjoying their leisure time. They will no longer actively accumulate wealth, but instead work to sustain their wealth while enjoying their retirement. Additionally, they may plan how best to pass on some of their good fortune to their heirs when their journey is over.

Are you a middle-class millionaire? Would you like to become one? You can learn how in this book.

CLARK A. KENDALL
CFA, AEP®, CFP®
FOUNDER AND CEO OF KENDALL CAPITAL
ROCKVILLE, MARYLAND

SECTION I

How to Accumulate Wealth

CHAPTER 1

The Mindset of a Saver

Some people who earn relatively modest salaries manage to accumulate millions of dollars in savings throughout their lives while others—even those who earn sizeable salaries—never seem to save. Perhaps you've heard stories about star athletes or other celebrities who earned millions, but burned through it all, eventually ending up barely able to make ends meet.

Household names who've gone from wealth to bankruptcy or foreclosure include Michael Jackson, Mike Tyson, M.C. Hammer, Kim Basinger, and even Mark Twain.[1]

How can these people come into so much money, but see it slip through their fingers? What is different about savers? How do they do it? What can we all learn from them?

Looking at the formula, it's not rocket science. Spend less than you earn. Save early and regularly. So, why is it so easy for some people and seemingly impossible for others?

Let's look at the paths of a saver versus a spender.

JOHN, THE ENGINEER: HIS MONEY GREW AND GREW

For the past 20 years, I managed money for John, an engineer who retired from a large telecommunications firm in the mid-1980s with a modest pension of around $30,000 per year and annual Social Security benefits of $24,000. John's wife, Sue, died in the late 1990s. We took over the family investment portfolio of $600,000 in 2000. Here's how John and his wife saved their money: Up until retirement, they saved 10 percent of his salary, gave to charities, and lived modestly off the rest of their income for most of their working lives.

Note the order of priorities listed here: save, give, and then modestly spend what's left. What's also important is that they started this process early in their lives together, which allowed their savings plenty of time to grow.

When John died in 2017 at age 96, he left behind a $2 million investment portfolio. Before passing, John remarked to me several times that he didn't understand how he could receive more than $100,000 of dividend income per year when he had never earned more than $40,000 per year during his career. Those relatively small amounts saved early in their lives and a lifetime of living modestly allowed them to accumulate wealth and made a huge difference during his retirement.

DEBBIE AND STEVE: PAYING FOR THEIR SLOW START AS SAVERS

I recall a commercial for oil filters in which the message is to maintain your vehicle cost-efficiently by changing your car's oil regularly along with the oil filter. What's the consequence of not doing that?

Well, the tagline said it all: "You can pay me now," said the guy who could change your oil for a few dollars. "Or, you can pay *me* later," said the expensive mechanic who rebuilds car engines that had been neglected.

The same applies to saving for retirement and for life's other major expenses. John—the retired engineer who saved steadily—reaped the rewards for his disciplined savings plan, and then passed on the benefits to his children and grandchildren. In sharp contrast to John's example, we have worked with several couples who waited longer than they should have to start to save for retirement. How long? Well, Debbie and Steve waited until they were in their 50s to start saving earnestly for their so-called "golden years."

They were always busy paying for other things: the mortgage on their 4,500-square feet, five-bedroom house with the four full bathrooms and three-car garage in the desirable neighborhood; the private school tuition for their four children; the annual vacations to the Caribbean or Mediterranean…it wasn't necessarily a lavish lifestyle, compared to some people, but their attitude was to live now. "Why deny yourself the pleasures of life when you can afford them?" That was their prevailing philosophy about money.

Well, they learned "why" a little late. As retirement age grew closer, they started to realize that they should be saving seriously for their future. I met with them in their early 50s and helped them to begin saving in earnest—otherwise, they'd never retire. So, they started making retirement savings their number one priority rather than what they'd been doing before—adding a bit of money now and then when they had some extra money available.

At least they had realized by then that they couldn't do *everything* with their money. They asked their children to contribute to their college education. They went on fewer and more modest vacations. They downsized once their kids were out of their home, and they managed to buy a smaller home with a modest mortgage given the equity they'd built. So, in that regard, their investment paid off.

Despite eventually making better choices to improve their financial well-being, they truly needed to save hard to play catch up. At that time, Steve earned roughly $110,000 as a lawyer and Debbie earned $70,000 as a nurse. By saving 20 percent of their $180,000 in combined salaries—roughly $36,000 per year—with matching 401(k) employer contributions of about $5,400 annually, and with the benefit of generally positive investment market returns since they buckled down to save in 2002, they're now on track to boost what was a very modest $70,000 retirement nest egg at age 50 to an estimated $1.5 million by the time they turn 70.

Yes, by the time they turn 70.

How much are they projected to have by age 65, which is just three years from now? Close to $1 million in total savings. That might not sound too bad, but if you follow the rule of thumb that you can safely withdraw 4 percent of your retirement nest egg principle at retirement in order for it to have a very strong chance of lasting 30 years, that would only provide them with $40,000 in annual retirement account withdrawals. Add to that the estimated Social Security benefits of roughly $57,000 a year,[2] and the combined $97,000 would fall far shy of what they'd need to maintain their lifestyle, roughly $144,000, or 80 percent of their current gross earnings of $180,000 a year.

By working another five years, Debbie and Steve can keep adding $36,000 a year plus matching contributions, all of which will compound on top of the $1 million. Also, by delaying taking Social Security benefits from age 66 to 70, Debbie and Steve will increase their projected annual combined benefits by 32 percent, from $57,000 to about $75,000.

Et voilà! That's not just the name of the nice Belgian-French restaurant where Debbie and Steve like to dine in Washington, D.C. With those five extra years of work and delaying withdrawing benefits, they'll be able to retire in the lifestyle they're used to. They'll be able to withdraw $61,000 a year from their retirement accounts for a total annual retirement income of roughly $136,000—not quite their $144,000 target, but close. They will also have four fewer years in retirement to fund, which means less risk of outliving their money.

It helps greatly that Debbie and Steve are confident that they will still be able to work into their late 60s or beyond. Also, they each enjoy their jobs for the most part, but not everyone is that fortunate. Many pre-retirees plan on working longer, but failing health or economic realities—such as a company downsizing—can get in the way of those best-laid plans.

Compare the choices and sacrifices made by John and Sue, the early diligent savers, with those of Debbie and Steve, the couple who lived large and then, despite earning good salaries, had to save aggressively and who will have to work an extra few years.

I hope you agree that it's far better, safer, and easier to adopt the mindset of a saver early on. To paraphrase that oil filter ad, "You can save now, or save more later."

Let's look at that saver's mindset and take away a few lessons:

1. Save first. Then spend. If you "pay yourself first" and put away a certain percentage of your paycheck every pay period, you'll never see that money and you'll never be tempted to spend it. You can do this through automatic payroll deductions at work via your human resources department or payroll administrator, or you can arrange to have your bank automatically transfer money into your retirement account each month or however frequently makes sense for you. If your employer does not offer a retirement plan, you can utilize a variety of Individual Retirement Accounts (IRAs). Everyone can do this, and it's simple and painless.

2. Live below your means. This is an attitude more than anything. Adopt the attitude of not needing to keep up with the Joneses, and not needing a new luxury car every three years, or not needing to buy the biggest house you can afford. In other words, create a lifestyle in which you can save and enjoy yourself. If you earn a decent middle-class or upper middle-class salary of $80,000 or $120,000 or $160,000 per year, but spend *less than you earn*, your money will grow and you'll accumulate wealth. It's simple math. Well, actually, it's compounding math!

3. Start early. Compound interest or compound returns is one of the most powerful forces in the world. Let's assume you began saving 10 percent of your $40,000 salary at age 22, or $4,000 per year, and continued saving that percentage in a 401(k). Then, let's say you receive an employer matching contribution of 50 percent of the first 6 percent of your salary that you contribute, and your employer continues to match your contributions as your salary increases annually by 3 percent. That bonus can make an enormous difference over time. If your money earned a modest 7 percent per year on average, by the time you turn 65, you'd have $1,993,477 in savings according to the 401(k) calculator at dinkytown.net.[3]

That's it. It's not rocket science. To recap, remember three things:

- Save first.
- Live below your means.
- Start early.

By adopting these simple habits, dictated by a saver's mindset, almost anyone can create and maintain a healthy financial life before and after retirement. It's not how much you earn—it's how much you save that will lead you to a financially healthy retirement.