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By Tony Martinez & Saen Higgins

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Special Bonus Report

Is There Any
Serious Competition
for Your Investment Dollars?

By:
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Founding Partners

U.S. Tax Lien Association

Most people who attend our seminars, buy our books and CDs, go on Tax Lien Certificate (TLC) educational tours and invest in TLCs are successful and sophisticated. They have many options when it comes to investing their hard-earned money. They could invest in stocks, bonds, mutual funds, municipal bonds or a variety of other investments. With this being the case, why are more smart investors investing larger sums of money into TLCs each year? What do they know that other investors don't? What kind of research have they done that has convinced them that TLCs are *far superior* to most other investment options?

Before going into the details of investment comparisons, I'd like to state that I have *nothing* against stocks, bonds, mutual funds, corporate bonds, or municipal (muni) bonds. Each of these can be a fine investment for certain types of individuals. The problem is that many investors have **too much** of one asset type in their portfolio. For example, some people have invested almost all of their money into the stock market. These individuals will be very vulnerable the next time the stock market has one of its "corrections." Other people have too much of their money in bonds and could be at risk when interest rates rise.

As I said before, I have nothing against stocks, bonds, mutual funds or other investments. In fact, *I used to be a stockbroker!* As you will see from reading this report, I know much more about the stock market than most stock market investors. It was my in-depth knowledge of the stock market that led me to move a considerable portion of my money from the stock market and into a safer, higher-yielding investment – TLCs.

Like most financial experts, I am not suggesting that you take *all* of your money out of stocks, bonds, mutual funds or other investments and place it in TLCs. What I am *strongly* suggesting is that you have a balanced portfolio, meaning, you have some money in stocks, some in bonds, some in TLCs, some in real estate and some in other investments. After reading this report and learning more about stocks, bonds and other investments, I am *convinced* you will want to place a larger percentage of your money into super-safe, high-yielding TLCs. However, let me present the facts so that you can learn what the true experts are saying, then you can make up your own mind from a truly educated and informed perspective.

**The Number One Competitor
for Your Investment Dollars:
The Stock Market**

Since the 1990s, Americans have been in love with the stock market. Americans invest billions into the stock market through retirement plans and personal trading accounts. Hundreds of thousands of people who have never before invested in the stock market were forced to start trading in it when the retirement industry turned from defined pensions to 401(k)s and other self-directed pensions. Anywhere you go, you will meet cab drivers, elevator operators, store clerks, gardeners, grandmothers and people in many different positions who will tell you how and where to invest your money in the stock market, giving you free advice on their latest “hot” stock pick.

Throughout 2009, after one of the most severe bear markets in U.S. history, stocks rallied more than 60%. Why has so much money been flowing into the stock market? Many investors feel they have no other option because the credit crisis and recession forced interest rates so low that income investments offer very little. Investors are discovering that leaving their money in the bank is a great way to “go broke safely.” They know Certificates of Deposits (CDs) often have a zero percent rate of return or a negative rate of return after factoring in inflation and taxes.

After the bear market of 2001, many investors turned to real estate just to find out that they can lose as quickly in real estate as they can in stocks. They also found out the dangerous relationship of real estate and leverage. Many investors want to get rich doing nothing except picking a stock and *betting* that it will go up. Because many millions of people are forced to place these bets each month, billions of dollars of additional capital are flowing back into the stock and mutual funds markets, driving prices even higher.

Many stock investors have been told that stocks increase an average of about 10% or 11% per year. This clearly beats out CDs, Treasury bills, corporate bonds, municipal bonds, etc. Of course, TLCs have a much higher rate of return, but few stock market investors have ever heard of TLCs. After all, stockbrokers would go broke if they told their clients they could *safely* earn 24% or more per year with TLCs.

From being a stockbroker and from trading stocks day in and day out for several years, I’ve learned that stock market investing is very difficult. There are many challenges and risks associated with investing in the stock market. Doing your due diligence on a stock should involve reading all of a company’s recent annual and quarterly reports, examining Securities and Exchange Commission filings, visiting the company, studying how much stock company insiders have bought

and sold recently, studying how the company is doing compared to competitors in its industry, studying earning reports, etc. Stock investing done right is much more than pressing a button and contrary to what TV commercials say, no one is born a stock investor.

Needless to say, average investors don't have the time or interest to engage in this kind of research. On the other hand, they don't want to just blindly throw their money into the market. What do they do? They rely on "professional" advice from stockbrokers, mutual fund salesmen, mutual fund managers and portfolio managers or on information and claims they read in newspaper and magazine ads for stocks and mutual funds. *Just how accurate is this advice?* How many stockbrokers, mutual fund managers and financial planners are able to *outperform* the stock market? How many of them are able to just *match* the performance of the stock market? How many of these financial advisors actually do *worse* than the stock market average?

Evaluating Stock Market Advice

You will probably be shocked to learn how poorly most stock market advisors do when compared to general market benchmark averages like the S&P 500. This is important to know because if the stock market on average returns 11% per year, but “professional advisors” don’t do that well, then chances are you won’t either.

A commonly stated stock market statistic is that 80% of mutual funds underperform the S&P 500. In his book *Stocks for the Long Run*, author Jeremy J. Siegel found that from the years between the 1970s and to early 2000s, the S&P 500 could outperform anywhere from 10% to 85% of all funds. This isn’t including fees charged by mutual funds, which greatly skews the number in favor of the benchmark indexes. Between 1982 and 2003, only three times did 50% of mutual funds outperform the S&P 500. Again, when adjusted for fund fees and commissions, this number is drastically reduced. According to the Standard & Poor’s 2007 Active Funds Scorecard, 70.8% of actively traded funds underperformed for the previous year, over three years 65.7% underperformed and five years 72.2% missed the mark. From these numbers, we can see that picking mutual funds can be as tough as picking stocks. After paying fees and commissions, it’s even harder to beat the market.

Many investors and financial planners turn to mutual fund ratings of the popular *Morningstar* publication to evaluate mutual funds. Russel Kinnel, a Morningstar editor, wrote in December of 2008 that the famed rating system did well as far as funds rated with five stars outperformed funds with four stars and four stars outperformed those with three stars and so on. However, he admitted that only 54% of the five star-rated funds met their benchmark performance, which isn’t much better than a coin flip. One of the most reliable fund-ranking systems struggles to identify funds that will outperform the markets.

A study by TNS Financial Services of Greenwich, Connecticut found that affluent investors with a net worth of \$1 million or more were moving away from professional money managers in droves. In 2001, 79% of these investors used professional money managers. By 2004, 70% of affluent investors employed a professional money manager. In 2008, only 60% of the nation’s most-affluent investors were using professional money managers. What are the most affluent investors learning? That no one cares more for their money than they do.

We are not sharing these facts and figures with you to discredit stock market advisors. These people are exceptionally bright and extremely hard working. Many of them put in 60 or 70 hour weeks trying to pick “hot” stocks. Do you

have that much time to play the market? We are not sharing this information with you to insult these stock market pickers, but simply to show you just how hard this job is. Even people who think they have a “system” or some way to beat the stock market averages are frequently humbled by the market. “The [stock market] giveth and the [stock market] taketh away.”

Dr. Stanley, professor and co-author of *The Millionaire Next Door: The Surprising Secrets of America's Wealthy*, found that some millionaires achieve financial security in the stock market by slowly accumulating money over a period of years by consistently saving, investing, budgeting and sacrificing. Many of these investors may have felt so much of their discipline and hard work disappeared or were greatly reduced when the markets suddenly downturn, as they have over the last decade. Those who weren't properly diversified by having too much of their portfolio in one market sector (like high technology stocks) may have had all of their gains wiped out in a very short period of time. This will never happen to you with TLCs. You NEVER have to worry about a “correction” in the TLC market that will wipe out your gains, because it will never happen.

What Are Stockbrokers Paid to Do?

Investing in stocks is undoubtedly complex and, if done properly, it takes a great deal of time and energy. Obviously, many investors simply don't want to go to the trouble to do all that work. If you ask average investors how they pick stocks and evaluate risk, they may tell you, "That is what my stockbroker is paid to do." Is this really true?

Is your stockbroker paid to find great stocks for you to invest your hard-earned money into? If your stock portfolio does well, is your stockbroker rewarded? If your stock portfolio does poorly, is your stockbroker punished? How exactly is your stockbroker paid?

Few investors realize this, but stockbrokers are not paid for their ability to pick stocks nor are they paid for their ability to make your money grow. They are only paid for their ability to sell you stocks. They are compensated for their ability to talk you into buying (and selling) stocks. That's it. Period. If stockbrokers sell a lot of stock, they are considered "good" brokers. If they don't sell very much stock, they are labeled "bad" brokers. If stockbrokers double or triple investors' money but don't sell a lot of stock, they are still "bad" brokers.

Investors are also confused about the titles that stockbrokers have. If their broker has the title of "Vice President" or "Senior Vice President", investors assume they have a "good" broker. It might shock you to learn that titles in stockbrokerage firms are given out primarily based on how much stock a person sells. For example, in one firm, a stockbroker who generates gross commissions of \$150,000 per year is called a "Senior Investment Broker." Someone who generates gross commissions of more than \$185,000 per year is called an "Associate Vice President," and brokers who generate gross commissions of more than \$200,000 per year are called "Vice Presidents." Notice that there is no criteria for how much money brokers make their clients or how profitable their clients' investments are - their performance is measured solely on how much stock they sell to their clients.

What about discount brokers that allows clients to make their own decisions? Their largest money generator tends to be assets under management that allows them to collect residual management fees from your mutual funds and particularly for money market funds. It's great for them if you are buying funds because they get fees and a commission, and if you choose to just leave it "in cash" that works for them as well because they get paid for you to leave the cash in a money market account. Because they don't have to pay an expensive full-service broker a high salary, they are happy with working with whatever level

of activity you choose.

How Good Is Stock Brokerage Research?

Stock brokerages employ full-time "analysts" who research companies that are recommended as stock investments. The question you must ask is: how unbiased is this research? The objectivity of this information is questionable because of the built-in conflict of interest that many brokerage firms have. For example, two or three brokerage firms might be in competition to underwrite a bond offering for "XYZ Corporation." The stock brokerage firms might earn \$10 million or even more by underwriting this bond offering.

Do you think their analysts want to come up with a negative research report on this company? If they did, how would the company feel about doing business with this stock brokerage firm? This and other inherent conflicts of interest seriously impact the objectivity of stock market analysts.

Stephen McClellan, a stock analyst of 32 years for Merrill Lynch and Salomon Brothers and author of *Full of Bull: Do What Wall Street Does, Not What It Says, to Make Money in the Market*, admitted that most analysts spend the majority of their time selling themselves and their research and very little time actually researching. He reported that despite the laws passed in 2003 (after the first bubble popped), analysts still suffer from a subtle pressure to work in favor of their investment-banking division. He also pointed out that it's still difficult to understand what analyst rankings mean; e.g., in the bear market of 2008, the month of April had only 5% of stocks that actually had a sell rating on them because many analysts opted for the nondescript "hold" recommendation.

Bloomberg reported in 2008 that analysts for stocks that make up the S&P 500 had their lowest level of accuracy in forecasting earnings—only 6.7% of analysts offering projections were correct. This was the lowest level since 1992. John Beshears of the National Bureau of Economic Research (NBER) and Harvard University, along with Katherine L. Milkman of Wharton School, found in their paper, "Stubborn Sell-Side Stock Analysts," that instead of admitting failure, analysts would stubbornly hang onto their incorrect opinion at the detriment of their clients. Whether analysts are getting pressured by their firms to issue certain ratings or if they are stubbornly hanging on to incorrect analysis, they appear to have their own interests in mind first.

Of course, many brokerages boast "free" research and investment tools for investors to make their own decisions. Some of this same research can be found on Yahoo! Finance and Google Finance websites. These are offered by news services such as Reuters to whatever online newspaper wants to pay for it. It's important to remember that research, like many other things in life, will

give you what you pay for.

Other tools that are commonly offered and boasted of are charting tools that would make a statistician's eyes roll to the back of his head. There are literally thousands of charting indicators and as many books about them as there are stocks to trade. Some investors will use these tools but most will likely be swamped in the muck and mire of them.

How Much Does The Average Investor Make In The Stock Market?

We have all seen the figures that show that the so-called average investor can make 10% to 11% return on an investment per year by investing in the stock market. In fact, stockbrokers and financial planners use piles of fancy charts to convince investors of this point and of the stock market's "superiority" as the "best investment over time." But how accurate are these claims?

First of all, there is no such thing as an average investor. Notice that I have never made a claim about how much an average TLC investor makes. We don't want to mislead you.

If you look more closely at claims made about average stock market investors, you will see that this average person is usually described as someone who stayed in the market continuously for 10 years or more and who re-invested all dividends. This is NOT the way the average investor acts. This is a hypothetical or mythical investor. I can assure you of this based on the years I've worked as a stockbroker.

In July 2009, Mark Hulbert of the *New York Times* observed that investors made a bad situation worse in the bear market by engaging in panicked selling when the market was low and staying out due to fear when it started to rebound. The inability to time the markets resulted in larger losses compared to buy and hold strategies because investors were abandoning their investments, thus having less money in the markets when they were rising compared to when they were falling.

When stock prices inevitably "correct" or "crash," investors rush to sell. When prices are at their lowest, the so-called average investor is too afraid to buy. This is true not just of stocks, but of real estate and other investments as well. If you think about it today, there are some incredible real estate bargains in different parts of the country. No doubt, many of you have suspected this already, but like many other investors, you hesitate to invest, and that leads to no action taken.

Therefore, since "average" investors buy when prices are high and sell when prices are low, they do NOT equal the stock market averages. As you learned earlier in this report, more than 72% of professional money managers do NOT equal stock market averages. Exactly how much does an "average" investor make in the market? That is a fascinating question.

Geoffrey C. Friesen and Travis Sapp published a study in the 2007 *Journal of Banking and Finance* that found by watching cash flows in and out of an equity

mutual fund between 1991 through 2004, the timing decisions reduced their returns by 1.56% annually, causing them to underperform the fund. This means they could be underperforming a fund that is already underperforming the market index.

It's okay to not be the smartest investor in the room or even in the market. Some of the brightest minds of the 20th century have been horribly wrong when it comes to investing. In fact, in the late 1990s, one hedge fund nearly brought down the U.S. banking system, which was made up of "geniuses" and Nobel Prize winners. The book *When Genius Failed: The Rise and Fall of Long-Term Capital Management* by Roger Lowenstein outlined how these intellectual giants built up their investment company Long-Term Capital Management and had leveraged so much money through so many banks that the Federal Chairman at the time, Alan Greenspan, had to call a special meeting and many banks ended up eating huge losses. I think most people who would've seen the list of economic and mathematical geniuses would have been willing to put their money to work, only to experience large losses.

Years later, many of the largest Wall Street firms and players, along with other wealthy and famous people, placed money in a firm run by a former stockbroker, investment advisor and non-executive chairman of the NASDAQ stock market, Bernard Lawrence "Bernie" Madoff. In 2009, Bernie Madoff pleaded guilty to running the largest Ponzi scheme in history, cheating thousands of investors out of billions of dollars. The fund was heralded for years because it offered consistent returns and boasted what appeared to be one of the greatest money managers of all time. Once again, the smartest, most astute and affluent investors in the world lost huge portions, if not all, of their net worth due to faulty or fraudulent advice.

The Common Sense Test To Investing

I like to use common sense as much as possible when investing because, simply put, common sense has made me rich. I have found that when you don't understand something, it is usually best to avoid it. For example, Robert L. Citron, Treasurer of Orange County, did NOT understand fixed income derivatives. He invested taxpayers' money in derivatives and LOST more than \$1.8 BILLION, plunging Orange County, one of the richest counties in America, into bankruptcy. Is it dangerous to invest in things you do not understand? That goes without saying. Yet millions of Americans are making stock market investments into companies and industries they do not understand.

Here is the common sense approach I apply to investing. I ask myself, how many average people really make a lot of money with this investment? I know several hundred people who invest in the stock market and personally know several dozen stockbrokers who invest in the stock market, but I have NEVER met one person who got rich investing in the stock market. This investment, to me, does NOT pass the common sense test. While I have never known anyone who got rich investing in the stock market, I have known a number of people who have taken big losses from investing in it.

How about Tax Lien Certificates? I know many average people who have made a great deal of money investing in TLCs. I have made a great deal of money investing in TLCs. TLC investments pass the common sense test of investing.

When it comes to investing, you need to trust your own experience. If someone tells you that the stock market is a great investment, yet you don't know anyone who has ever made a lot of money (and kept it), be cautious. I have known people who had made money in the stock market, but unfortunately, most of them gave it all back when the stock market experienced a correction.

The stock market can be a good investment if you're good at doing research and have excellent timing. If you want to keep investing in the stock market, I wish you success. However, please do yourself and your family a favor and diversify your portfolio by investing some of your money in TLCs. This way, when the stock market does correct or finally finds a "bottom," you will have some money that is safely earning BIG interest. TLCs will protect your finances.

In my opinion, even real estate is a far-superior investment to the stock market. While I have never known anyone who has gotten rich in the stock market, I have known many people who have gotten rich by buying real estate, land, houses and apartments. Look around your family and circle of friends. Chances

are that the richest people you know own real estate, even after the recent decline. What does this tell you? Real estate passes the common sense test. Those who didn't make money in the last real estate boom failed because they didn't understand the advantage of investing in real estate with a TLC advantage. We will discuss this advantage in a later section.

The other thing I love about real estate is that you don't have to be a genius to own it and make money from it. To beat the stock market, you have to be very smart and do a lot of research and you still aren't guaranteed good returns. You have to know when to buy and when to sell. The great thing about real estate is that many average people have made a fortune from it. I know high school dropouts who have made a fortune because they bought real estate and held on to it, and I'm sure you know people like that as well.

How Often Do We Have “Bear” Markets?

As you probably know, stock market investors talk about “bear” markets and “bull” markets.” A bear market is a declining market, when prices go down week after week, month after month. A bull market is when prices go up for a considerable period of time.

Most investors and, in fact, most brokers don't understand the stock market's cyclical nature. A long-term look at the stock market shows that investors who invest during long periods of sideways oscillation will rule the market prices. Ask yourself what the following time frames have in common:

- 1905 to 1925
- 1933 to 1942
- 1965 to 1982
- 2000 to Present

The answer: the Dow Jones Industrial Average started and ended each time period at the same price. This is, of course, overlooking the Great Depression in 1929, when the Dow Jones Industrial lost more than 70% of its value. To add insult to injury, the index dropped 30% to 50% three times between 1905 to 1925, from 1933 to 1942 the index rallied after a wonderful recovery just to land in the same spot, and the Dow dropped 30% to 50% five times from 1965 to 1982. In the last decade alone, the Dow has already dropped more than 50% twice.

When comparing the stock market to the real estate market, one can look at the S&P/Case-Shiller Home Price Index and see that the housing market has suffered two major bear markets in the last 130 years (the length of the index): once during the Great Depression and recently in the housing market of 2007 to 2009. When adjusted for inflation, the 1980s and the 1990s both had small housing downswings but the real value of homes maintained value except in certain areas of the country.

All of this is extremely important to keep in context when comparing TLCs to their major competitor, the stock market. There is a huge multi-billion dollar industry built on promoting stocks and promoting the stock market. It seems that every newspaper in America has big ads for stock brokerage and financial planning firms. Entire magazines such as Money and Kiplinger's Personal Finance are full of glassy ads for stock brokerage firms and mutual funds. The purpose of all of these ads is to convince you that the stock market is the best place to invest your money. Obviously, these massive ad campaigns are working

because Americans are investing billions of dollars a month into the stock market.

I have sometimes wondered what would happen if there were hundreds of millions of dollars spent to advertise and educate Americans about what great investments TLCs are and about how little risk they entail. As it is now, there is almost no advertising being done on TLCs and consequently very few Americans know about them or invest in them. If there were such an ad campaign on TLCs, I can easily see billions of dollars flowing into them and out of the stock market. This alone would drive stock prices down. As more and more Americans do learn about TLCs, hundreds of millions of dollars will undoubtedly be flowing out of risky stocks and into TLCs. Because this will bring down stock market prices, it may be best to get out of the stock market now, before larger numbers of people exit this market.

The Impact of Dividends On Stock Market Prices

Stock dividends have a profound impact on stock prices and have been an important indicator for the wisest of stock analysts. Historically speaking, when the S&P 500 dividend yield is above 6%, the stock market will be at a bottom. When the S&P 500 falls below 3%, stocks have normally hit a top. I personally had written and warned investors in 1995 about the S&P 500 dividend yield falling below this important range. Just like stock prices, dividends fluctuate. When dividends are high, it makes stocks look more attractive and more buyers come into the market. When dividends are low, stocks look less attractive and many investors want to leave the market.

By the year 2000, the dividend yield was below 2% and the market suffered one of its greatest losses ever. One may have thought that by the time the market bottomed out in 2003, yields would've been much higher but they were just above 2%. The 2008 bear market saw the yield finally move up to almost 4% and immediately investors jumped all over stocks looking for income. The 2009 rally pushed that same yield back to 2% again. When dividends are low, it should be considered a flashing red light saying, "Warning! Stock market correction ahead!"

Stocks are currently paying a dividend around 2% and have yet to reach the crucial 6% mark that signifies a bottom. The S&P 500 dividend yield appears to be telling investors that a bottom has yet to be reached, even after two enormous corrections.

In other words, history tells us that in markets like today's stock market, you are better off being OUT of the market. You would be better off just putting your money in your mattress (i.e., leaving it "in cash") than leaving it in the stock market.

What about stock valuations? What is a stock or stock index worth? Would you pay 10 times the earnings for the S&P 500 stocks? Twenty times the earnings? Thirty times the earnings? The price-to-earnings ratios (P/E ratio) measures how much the current price of stock(s) in an index are selling compared to the stocks' earnings. Over time, the average P/E ratio for the S&P 500 has been about 15. In 2000, the P/E for the index was near a whopping 45. To put his number into prospective, historically speaking, market tops tend to occur around a P/E of 20. By 2003, when the stock market bottomed, the P/E ratio was approximately 21, and even after the 2008 bear market, the P/E ratio was near 14. This is still suggesting that the S&P 500 was only near its historical average.

As dividend yields above 6% help signal a market bottom, P/E ratios below 10 also signal a market bottom. This level has yet to be reached, even after two consecutive bear markets for the previous decade. In fact, by the end of 2009, the P/E ratio for the S&P 500 was back up near 20 once again, warning investors that stocks may still be overvalued compared to history.

You might think, “Well, if I leave it in the market long enough, I will get back whatever I lose.” This is exactly what stockbrokers and financial planners tell you to get you to buy more stocks and mutual funds. However, this is NOT what history teaches us. History has shown that in markets like today’s (during a flat cycle, with dividend yields under 3% and P/E ratios near 20), you can hold stocks for one or five years or even 10 years and you will still come out worse than if you just sold your stocks and held on to cash. Do you want to fight history? Do you want to rely entirely on commission-driven stockbrokers who say there is never a bad time to buy stocks, and who are telling you, “This time it is different. This time, you can ignore history.”?

**Is It Really Different
This Time?**

A way stockbrokers, financial planners and other investment advisors get people to stay in investments when all warning signs are flashing is to convince them that, "This time, it is different." I am not saying this to criticize stockbrokers or financial planners - even real estate agents make this claim.

Back in 1988 and 1989, real estate prices hit their absolute highs in California for this time period. A small tract home in some neighborhoods would cost \$400,000, a nice home would cost more than \$600,000 and luxury homes would run \$800,000 or much more. A home that cost \$600,000 in California might be equivalent to a \$270,000 home in Texas. Real estate had been going up 20% to 25% per year in some neighborhoods in California. Houses were ridiculously over-priced, yet volume continued to go up, up, up. Remember the erroneous investment psychology: most people buy when prices are at their highest and sell when prices are at their lowest.

The average person could not afford to buy a home in California. To do so would require the average person to spend more than 50% of his or her disposable income on housing, which is simply not tenable. History told us that whenever the average person cannot afford to buy a home, housing prices always fall. However, real estate agents and homebuyers all said, "This time it is different. This time, we will prove history wrong. They aren't making more land, you know." Does this sound familiar to anything you heard from your neighbors or friends after the stock market crash of 2001?

Due to this kind of thinking, new and inexperienced buyers rushed into the market.

When you asked them why it was different this time, you may have heard such explanations as "Well, this little \$500,000 bungalow may seem expensive, but it would cost more than \$1.5 million in Japan! Prices can still go up!"

Well, history wasn't wrong. This time was not different. When the California real estate crash occurred, it was very vicious. Tens of thousands of people lost their life savings. Many were forced into bankruptcy. Some of the biggest savings and loans companies in California lost billions of dollars because property foreclosures were taken over by the government's Resolution Trust Corporation.

The same arguments and same rhetoric was heard in the mid-2000s. Money fled out of the stock markets and moved into the real estate markets. This time was supposed to be different too; this time history was supposed to be wrong

again. Just like in the '80s, they weren't making any more land.

In 1989, buyers in some parts of California competed to pay \$600,000 for a tract home in a nice neighborhood. It seemed that everyone wanted that home. By 1995, you could have bought that same home for perhaps \$320,000, yet few people want to buy it. Remember that most people buy when prices are high and sell when prices are low. This is why the same people who bought stock at all-time high stock prices in 2000 were running in to buy real estate by 2007. The hottest real estate markets in California, Florida, Nevada and Arizona in the early part of the millennium became the biggest losers by 2009.

Many stock and real estate investors think that if prices are high today, they will be even higher tomorrow. This is called the "Greater Fool Theory," which states that, while I may be a fool for paying such a high price today (for a stock, real estate, etc.), there will be a greater fool than me tomorrow who will pay even more for it. Alas, as with any speculative bubble, there comes a time when it is impossible to find a greater fool. Those who bought at the market peak find out they are the greatest fools of all and end up, unfortunately, taking the biggest losses.

It is NEVER different "this time," according to the books *Extraordinary Popular Delusions and the Madness of Crowds* by Charles Mackay and *Irrational Exuberance* by Yale Professor Robert Shiller. All periods of rampant speculation come to an end, whether you are looking at the Holland Tulip bubble of the 1600s, the South Sea Company of the 1700s, the Florida land boom of the early 1900s, the Copper and Oil bubble of the early 1980s, the California Real Estate bubble of the late 1980s, the Dotcom Bubble of the 1990s or the global real estate bubble of the 2000s. Prices can never continue to go up, up, up. In the late-1990s, the Japanese Nikkei stock index rose steadily year after year. Japanese investors invested hundreds of billions of dollars into their stock market and in real estate, while Americans invested billions more. The market seemed overvalued but people believed it was different this time. If you try hard enough, you can always find a way to convince yourself that this saying is true.

How different was the Japanese market? During the last few years of the '90s, it lost more than 50% of its value! Some individual stocks lost more than 80% of their value! The country ended up suffering one of the longest recessions for any developed nation, lasting for more than a decade.

It is not just foreign markets or risky, small company stocks that can crash.

Remember that the Dow Jones Industrial Average is made up of so-called “blue chip” or bellwether stocks. These stocks are what brokers call “safe money” or long-term investments, i.e., stocks like GE, Alcoa, Microsoft, 3M, Boeing, IBM, Johnson & Johnson, Kraft Foods and even Wal-Mart to name a few. These aren’t high-flying tech stocks or highly speculative biotech companies that have been falling 50% in value; these are “safe” stocks. Your broker might describe these as the stocks he or she told their mother or grandmother to invest in.

Many investors believe they can avoid risk by investing in professionally managed mutual funds rather than individual stocks. We have already closely looked at the performance of these funds and their money managers; therefore, consider making an investment rule to carefully look at how well these funds are actually doing. Remember statistics can be presented in deceiving or difficult-to-understand ways.

When Stocks Are A Great Investment

When the stock market is well-priced, I believe stocks are a great place to invest your money. In the early 1980s, when the stock market was half its current levels, I was a great advocate of the stock market. When the stock market is selling at prices that are reasonable, I will buy some stock. When the stock market is selling at levels that history tells us are a good time to buy, then I buy.

However, I will not buy when prices are ridiculously high, as they were in 2000 or 2007. I will NOT buy stocks when dividends are at their lowest levels. I will not buy when price-to-earnings ratios are at historical highs. I will NOT buy stocks when the market cycles are bearish.

Markets mature in particular phases whether they are stocks, real estate, commodities or even currencies. At first investors who are the most astute will realize and recognize an untapped and undervalued opportunity. These first arrivals tend to be patient and willing to do the work few others are willing to do. They will invest by gathering up assets and eventually the profits will come in. As more and more profits are made, the opportunity will attract attention and more investors will follow. Eventually, enough attention will bring in the “public” investor and the opportunity will become more prominent and more profitable. The greater visibility to the opportunity, the greater the returns and the greater likelihood that more investors will come into the market.

Eventually, the time will come when the “average Joe” will appear and quickly become an “expert” in stocks, real estate, commodities or whatever the investment may be, without doing any research or having any experience. Those savvy investors who first recognized the opportunity now realized that when investors, who in their view have no business being in the market or an investment they don’t understand, start acting like experts, it’s time to exit their positions.

This is what some see as a feeding frenzy of investors, but smart investors see this as the best time to unload their positions on the ignorant and unsuspecting. The best stock investors know how to recognize when the market is at its best and we’ve identified a few indicators that they use and currently the criteria has yet to be met.

If after reading all of this and learning about these facts (which your stockbroker will NEVER tell you), you want to keep on speculating in the stock market, I can only wish you luck. Also, for your own sake and for the sake of your family, please invest a little bit of your serious money into TLCs; it will always be there

to take care of you when you need it. Also TLCs are one of those opportunities that savvy and astute investors are now accumulating.

You see, in all the years I have been studying and investing in the TLC market, it has acted differently than those situations that I've described above because I have never seen it crash or correct. It just keeps returning that high rate of safe, secured interest, year after year, without interruption. If this is the kind of worry-free return you want, then I advise you to allocate a significant part of your portfolio to TLCs.

How Bonds Compare To Tax Lien Certificates

As I've stated repeatedly, the most serious competition for your investment dollar comes from stocks and mutual funds. Due to the never-ending cold calls made by tens of thousands of hungry stockbrokers and the tens of millions of dollars spent on advertising and promoting stocks and mutual funds, investors have been convinced to pour hundreds of billions of dollars into these investments in the past few years.

However, there are other investments competing for your hard-earned dollars. Bonds have greatly increased in popularity compared to stocks and mutual funds over the past decade because they're relatively safe and they produce rising returns due to falling interest rates.

There are three major types of bonds: **U.S. Treasuries**, **corporate** and **municipal** (muni). Let's first examine corporate bonds. Many of the same companies that issue stock also sell bonds to raise money to run their businesses. Basically, a bond is a corporate "I owe you." The corporation that issues the bond promises to pay a certain percent of interest on the money borrowed and then, at the end of 10, 20 or 30 years, the company will also pay back your principle, which isn't something a stock offers.

Bond prices rise and fall the opposite of interest rates and are highly subject to the Federal Reserve's (Fed) actions and desires. If the Fed chooses to raise rates, it will push the price and value of bonds down. The bond markets have been excellent the last 10 years because the Fed has been pushing rates lower and lower, pushing bond prices higher.

As you probably know, in 2009 the Fed lowered the federal funds rate to zero and adopted a policy of low rates in hopes to stimulate economic growth. Unfortunately, for bond investors, rates have no place to go but up. If rates are rising, then bond prices will fall and your bond portfolio will suffer.

How do corporate bonds compare to TLCs? Not very well. First of all, their interest rates are almost all quite low compared to TLC standards. Some corporate bonds do pay higher yields, but currently rates are so low, due to the Fed Reserve's reduction, it's hard to find a good yield without locking in your money for 20 to 30 years. However, why settle for these riskier low-yielding bonds when you can easily earn much more with TLCs? Do you see why TLC investors don't get very excited about corporate bonds?

Corporate bonds have one other very serious problem. As I hinted above, many

of them are *very* long-term investments. Many of them are 20 or 30 years in duration because the longer you are willing to hold or lend your money to the company, the more they are willing to pay. However, who wants to wait that long? While it is true that you can try to re-sell your bonds before then, you may have to take a substantial loss to unload them, especially in an environment of rising interest rates.

TLC investors love the fact that in many areas of the country, they can count on getting their money back in a year or less. I have bought high interest rate TLCs that have paid off in just a few months. I have never heard of a TLC that took longer than five years to pay off. In many cases, you can count on getting all of your money in one to two years, plus that big, fat interest. *Why settle for half or even less than the interest of a TLC? Why wait 10, 20 or 30 years when you can get a much higher interest rate in a shorter time period?* For all these reasons, most TLC investors consider corporate bonds to be a second- or third-rate choice for their investment capital.

A final weakness of corporate bonds is their *limited* security. Corporate bonds are backed by the full faith and security of the company that issued the bonds. You **MUST** ask yourself the following questions, “How strong is this company? Exactly how strong will it be in 10, 20 or 30 years?” Now you are back to the same type of analysis that stock investors are doing, examining financial statements and analyst estimates.

Why are corporate bonds considered safer investments than stock shares? If a company goes under, the bond investor is higher on the totem pole of payoffs but lower than expenses, bills, payroll and accounts payable. That’s it. The stock could still drop, causing the company to lose value and likely its credit rating. If a company’s credit rating changes, the bond price could still decrease in value, even if interest rates drop. You still carry some of the same risks and fears that stockholders have with the only consolation that if the company goes under, it has to pay you first, that is, if there is any money left to do so. Do you think bondholders for WorldCom and Enron Corp. found much comfort in knowing they were higher on the list for payoff?

What backs up TLCs? The value of the underlying property. Remember that in many cases, property taxes are for 1% to 3% of the value of the underlying property. So what happens if the property owner defaults? You then have an opportunity to pay pennies on the dollar to acquire valuable real estate. Sure, the high interest rate on TLCs can make you rich, but acquiring the real estate

itself can make you even richer! You're actually standing on top of the totem pole!

As a corporate bondholder, you have almost zero chance of ever acquiring the company that issued the bonds. Your only hope is that something bad does not happen to that company in the next 20 or 30 years. You must count on this company somehow continuing to pay you the relatively low interest rate it promised.

With all these strikes against corporate bonds, I don't see how any serious, well-informed investor would invest money into corporate bonds instead of TLCs. In fact, good bond analysts would likely encourage bond investors to stick with the even lower miniscule yields of the 3-5 year maturities if interest rates are expected to rise. If you have some money in corporate bonds, you may want to consider reallocating it to TLCs. Even if you have to sell your corporate bonds at a loss, it may be worthwhile to do so. However, for many who have been investing in bonds, this could be a great time to lock in some profits. Because interest rates have nowhere to go but up, you'll probably start experiencing losses in the next year and very few things hurt more in the world of investing than giving back profits to the markets. Put your money into TLCs and after just one or two years, you should have made enough money to recoup any losses from bonds and to put you deep into profits.

U.S. Treasuries are backed by the full faith and credit of the U.S. government. In business colleges, they are considered to be "risk free." The low or no-risk rating on the securities will not usually justify much of a return, so many investors turn to higher-rated corporate bonds. However, an interesting twist threatened U.S. Treasuries in January 2010. Moody's, an independent bond-rating corporation, threatened to reduce the U.S.'s AAA rating due to its high government spending and loose money policies. Even what many considered to be "risk free" ended up scaring investors.

How about **municipal** (muni) bonds? In the past years, municipal bonds were considered an investment for "widows and orphans." In other words, they were considered an appropriate investment for people who could not take risks. However, munis have *never* made anyone rich. No one would ever tell you that munis made someone wealthy; at best they are for those who are already rich and don't want to pay taxes. Muni bonds are a very low interest rate investment. In fact, it is difficult to imagine any true investment that pays a lower interest rate than munis. They pay a low interest because they are normally free from

Federal taxation and, in many cases, free from state taxes as well. However, you need to check with your tax advisor to ensure you qualify for this benefit.

The safety of munis came into question after California's Orange County bankruptcy. As I mentioned before, Orange County is one of the richest counties in America. It is the home of Newport Beach, the "Gold Coast" of America, and some of the richest people in the nation call it home. If Orange County can go bankrupt, *any* county in America can go bankrupt.

What happened to all of those thousands of people who were sold "super-safe" Orange County municipal bonds? When Orange County went bankrupt, those people were up the proverbial creek without a paddle. The interest that they had come to depend on *no longer existed*. The interest that bondholders used to pay their rent or mortgage or to buy their food disappeared. The county went bankrupt and STOPPED paying interest on its municipal bonds.

What would you do if you held those bonds? Would you sell them at a huge loss? Would you hold on to them and hope, hope, hope that somehow someone or something would bailout Orange County? It is a very difficult choice that thousands of people had to make. How long could you hold on? How would you pay your rent? How would you pay your utility bills? How would you pay your mortgage or car payments, if you had to come to depend on those bond payments?

You are probably asking, "Why are we talking about something that happened over 20 years ago? What has that to do with today?" In January 2010, the State of California was on the brink of bankruptcy, similar to Orange County in the 1990s. California boasts a domestic gross product (GDP) greater than many countries in the world and it was teetering on the brink of bankruptcy. Perhaps you would believe that the Federal U.S. government would step in to "bailout" California. However, you may remember that the U.S. was also suffering from a threat to its credit rating.

It's easy to believe that government will always be able to pay its bills because it will receive tax money, and your broker may have used this as a selling point when soliciting you. However, the über-wealthy Middle East Kingdom of Dubai struggled with insolvency in 2009 and had to turn to its creditors for help. Of course, one might say that Dubai is small and an isolated incident until the rising of the PIIGS later that same year, when they were forced to do the same. The PIIGS are made up of Portugal, Ireland, Italy, Greece and Spain. These are

hardly small players in the global economy, yet all were at the brink of bankruptcy. Defaults can happen abroad, as well as in the U.S.

Which county or country will be next to default? Why worry about it? Invest in TLCs and sleep like a baby at night. Even if a county gets into trouble, your investment will still be **100% secured** by valuable real estate. If a property owner does not pay up, you will get the property for pennies on the dollar, which is the *real* pathway to wealth. If the property owner does pay up, you earn a huge amount of interest. Either way, you win. If the property owner pays up, **you will probably get about a 400% to 600% better return from TLCs than from municipal bonds** (which, in February of 2010, the 20-year yields in all states were averaging a yield of only 4.7% per year).

Very few TLC investors get excited about munis. However, I occasionally have someone at a seminar approach me and say he or she likes to invest in muni bonds because it helps the local county. TLCs also help the local county, as well as local homeowners. In fact, TLCs may help the county more than muni bonds because you aid in the collection of taxes. Many munis go to specialized projects, such as an art center or sewer system. If you buy such a muni, you help *one* project, but the good may not be spread all over the county. When you buy a TLC, the money often goes into the county's general fund. It is available to help fund *many different projects* in the county, and it will probably go to the most deserving projects at that time! Therefore, if you really want to help the county, I suggest investing in TLCs.

Munis are an appropriate investment for some people some of the time. However, I think that most investors would be much better off investing in TLCs because they offer great security and are much more liquid. Most TLCs pay off between six months and two years. Like corporate bonds, many munis don't mature for 10 to 30 years! During this time, if interest rates go up, your muni bonds will go DOWN in value. Do you want to take that risk? Why not have more liquidity and a higher interest rate investment like TLCs?

A final reason some people invest in munis is that they are "tax free." My feeling is that I would much rather earn 24% that is taxed than 4% that is not taxed. Let's say you are in the 33% tax bracket. After paying 33% taxes on your TLCs, you will still have 16% interest, free and clear, in your pocket! That equals four years of muni interest! TLCs provide all of that in one year!

If you had invested \$100,000 in muni bonds, you would have \$4,000 after taxes

at the end of the year. If you had invested that \$100,000 in 24% TLCs and paid taxes at the 33% rate, you'd have \$16,000 in your pocket after taxes at the end of the year. What would you rather have? \$4,000 or \$16,000?

If you are in a lower tax bracket, your return on TLCs will be even higher and will look even better in comparison to muni bonds. However, what if you don't want to pay any current taxes on TLCs? You don't have to! Simply put your TLCs in your IRA or pension program. Let all that huge interest build up totally free of current taxation. This is the fastest, most certain way to riches that I know of.

Commodities And Options

Recently, many investors have found commodities (material goods) and options (the ability to buy at the current price at some point in the future) to be great investments. The weak U.S. dollar and thriving economic growth in countries like China, India and Brazil have caused commodity prices to rise dramatically in the last decade. However, 2008 showed these investors that commodities are also a quick and easy way to lose money and erode their profits. While gold may have been able to maintain much of its value compared to oil or even the stock market, most commodities were big losers. Also, neither commodities nor options pay interest or dividends (in fact, dividends can hurt an options trade). Commodities do have a backing of some kind of raw material, but have you ever had to buy and store 42,000 U.S. gallons of oil or 15,000 lbs. of orange juice? The fact is for the vast majority of these types of commodities and options, investors are just speculators. They often believe if they look at a few squiggly lines on a chart they can discover the future movement of the underlying commodity or stock.

Perhaps the most damaging evidence against commodities and options is that approximately 85% to 95% of all people who speculate in these investments lose their money. I don't see how you can even call something an investment if 85% to 95% of all people who invest money into it lose. To me, that is a form of robbery or theft - not an investment.

Maybe you are more of a gambler than I am, and you think that you will be in that lucky 5% to 15% minority of people who actually make money investing in commodities or options. I am not that much of a gambler, and I don't like the odds of investing in commodities or options. I like the odds of TLC investing. As far as I can tell, about 99% or more of people who invest in TLCs make money. Many of them make big money - more money than they have ever made in any other investment.

If you truly want to invest in commodities or options, there is nothing I can say to dissuade you, but I do strongly suggest you invest some of your money into TLCs. I hope you will be one of the few people who make money in commodities or options. However, if you lose everything you invest in pork bellies or orange juice futures, you will be very grateful that part of your nest egg is super-safe, high-yielding TLCs.

Real Estate

Recently, many investors learned that even real estate can be a losing proposition. This is because people are paying full retail prices when they invest. Real estate can be a truly outstanding investment - I know because I have profited hundreds of thousands of dollars by investing in real estate. However, as many people learned in the last decade, it is very difficult to make money in real estate if you pay full retail. Successful real estate investors find a way to make more money upfront when purchasing a property by paying less than market value. TLCs are an excellent way to get instant equity in a home from the very beginning.

The smart way to make money in real estate today is to buy it very cheap. Some will have success purchasing homes in short-sells and auctions. If you buy it cheap enough, you can almost immediately re-sell it and book a handsome profit, which is what I like to do. Having this instant equity will hedge your position even if housing prices fall. This way you can purchase a property at a lower price and still profit.

Personally, I don't like to hold on to real estate for a long period of time and hope that it slowly increases in value. I am just not that patient. I'd rather book my profits quickly and then move on to the next deal (whether it is real estate or TLCs). However, if you like to own rental properties, you can achieve a higher cash flow by purchasing the property for pennies on the dollar using TLCs. A below-market mortgage with today's market rent provides an excellent cash flow.

According to the National Association of Realtors, real estate appreciates 1.7% above inflation per year on average. This means those who buy and hold will likely still find success despite the dropping prices in 2007 to 2009. Like most any asset, the return on investment will eventually revert to the mean, which is statistical jargon for "go back to normal". In fact, one might look at the current down-years as outliers and feel more comfortable that now is a good time to purchase compared to two or three years ago because the "froth" has been blown off the top of the market. If you want to buy and own real estate, the smartest ways to do it is through tax lien sales and/or direct acquisition of land at below-wholesale prices.

US Tax Lien Association is occasionally fortunate enough to be able to buy huge subdivisions of land, such as premier subdivisions in top locations, at rock bottom prices. We hold on to many of these lots and parcels ourselves and we make some of them available to people like you, who are part of our educational

and investor network. We make this real estate available to you at incredibly low prices. We are able to do this because we buy in bulk and because we pay for the properties in cash.

We don't always have these opportunities available, and sometimes they are sold out. If you would like to learn more about how we invest in real estate, call our toll-free number to speak with one of our specialists. There is absolutely no obligation. I think you will be amazed at what you learn. You may actually learn how to buy a beautiful home in a premier development on a golf course or near a lake, for less than the down payment on a property near you! Plus, you will own this property free and clear, with absolutely no mortgage! Call us today or at your convenience to learn how we at US Tax Lien Association invest in real estate.

The combination of simultaneously investing in TLCs and deep-discounted real estate is the most powerful financial planning strategy I have ever learned. The combination of these two investment strategies is the quickest and most secure route I have ever found to investment riches.

TLCs Compared To Other Investments

As I mentioned at the beginning of this report, stocks and mutual funds are TLCs' top competitors for an investor's dollars. Therefore, we made the most detailed comparisons between TLCs and stock and mutual fund markets. Corporate and municipal bonds are not considered serious investment alternatives by most TLC investors. In previous sections, we have shown how TLCs are far superior to certificates of deposit, which usually do not even keep up with inflation and taxes.

You may have some other investment that you would like to compare against TLCs. If you think you truly have an investment superior to TLCs, I would love to learn about it. I have spent the past 25 years looking for the perfect investment, and TLCs come closer to perfection than any other investment I have ever found. If you can locate a better investment than TLCs with a higher rate of return that contains equal or greater safety, please let me know. I may be one of the first people to invest in it.

I don't want to discourage you, but I honestly do not think you will find a better all-around investment than TLCs. Please do not send me any information on ostrich farms, cattle breeding operations, drilling oil wells, investing in fine art or art prints, buying old cars, buying wind mills, buying rail road box cars or other such investments. I've looked at all of these and in my opinion, none of them compare to TLCs.

In the meantime, don't waste time looking for that hypothetical investment that is better than TLCs. You could spend the rest of your life looking for it and never find it. The most important thing is that you TAKE ACTION now and begin directly investing in TLCs. The sooner you begin, the sooner you will start earning up to 50% interest, with a very high degree of safety and be on your way to building your own personal net worth, allowing you to be financially independent.

The real reason I wrote this report was to help people achieve total financial independence. I am wishing you great success!

Tony Martinez & Saen Higgins, Founding Partners

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Investment Comparison Chart

Investment	Years for Investment to Double				Return on \$5,000 Investment			
	Highest Paying	National Average	Highest Paying	National Average	5 Years	10 Years	20 Years	30 Years
Interest Checking	0.75	0.57	96	131	5,203	5,415	5,864	6,350
Taxable Money Market Fund	1.05	0.89	71.4	84.2	5,281	5,578	6,223	6,942
Tax Exempt Money Market Fund	0.47	0.16	159.6	468.75	5,126	5,256	5,524	5,807
Gov't Issue Money Market Fund	0.10	0.06	750	1250	5,025	5,050	5,101	5,152
Short-Term Bond Fund	6.96	N/A	10.7	N/A	7,013	9,836	19,348	38,061
Tax Exempt Short-Term Bond Fund	4.71	N/A	15.9	N/A	6,291	7,915	12,529	19,832
Six-Month C.D.	1.32	0.99	56.81	75.75	5334	5,689	6,474	7,366
One-Year C.D.	1.63	1.43	46	52.4	5,413	5,860	6,868	8,050
Six-Month T-Bill	0.16	N/A	468.75	N/A	5,050	5,101	5,204	5,309
One-Year T-Bill	0.33	N/A	227.27	N/A	5,075	5,152	5,309	5,470
Arizona TLC	16%	N/A	4.50	N/A	10,501.71	22,057.18	97,303.80	429,249.38
New Jersey TLC	18%	N/A	4.00	N/A	11,438.79	26,169.18	136,965.17	716,853.19
Texas TLC	25%	N/A	2.88	N/A	15,258.79	46,566.18	433,680.87	4038967.84