



A Simple Balancing System for Managing Life Savings

A Snapshot Book



By Greg Heiple

Teeter Totter Principle

A Simple Balancing System for
Managing Life Savings

A Snapshot Book

Greg Heiple

Edited by Marilyn Kennedy

All Rights Reserved © 2006 by Greg Heiple

www.teetertotterprinciple.net

The content presented in this book and the TTP Responsibility Calculator game as well as on www.teetertotterprinciple.net is not intended to provide direct financial or legal advice to a reader or viewer. The author recommends that individuals secure the services of a licensed financial advisor as well as estate planning and tax attorneys when creating a personal financial and/or retirement plan.

I dedicate this book to my two sons, Zachary William Heiple and Alexander William Heiple.

More Cash, Less Risk

I am going to share with you a simple risk management system that will enable you to obtain your financial goals while keeping more of your life savings in cash and placing less at risk.

The Teeter Totter Principle (TTP) [™] is a simple, revolutionary system for managing life savings that allows an investor to keep more money in fixed-rate cash and place less in risk-based investments. The TTP system teaches individual investors, financial advisors, corporations, and foundations how to generate a growing stream of income and how to grow their principal while holding more cash and taking less risk.

The Teeter Totter Principle may change the way you view investing and retirement planning. My book and game software will teach you how to use a simple balancing system to manage your life savings. How does more cash, less risk, lower fees, improved decision-making and a better sense of control sound?

By reading this free e-book and playing the free version of the TTP Responsibility Calculator game at our Web site, <http://www.teetertotterprinciple.net>, you will be provided a glimpse of how useful this simple balancing system can be. The full versions of the Teeter Totter Principle book and the TTP Responsibility Calculator game provide a complete education program that will teach you this simple balancing system for managing life savings. The TTP will help you deal with some very real questions that all investors face.

Q: How do you know when to buy and sell?

A: Most likely, you will never know the perfect moment. However, by simplifying your decision-making process, your chances of making good decisions during critical times will substantially improve. The TTP provides a visual and mathematical indicator that will call you to buy and sell actions.

Q: How can a system as simple as the TTP be useful in anyway? Aren't the best decisions made when we do our research and diligently consider all of our options?

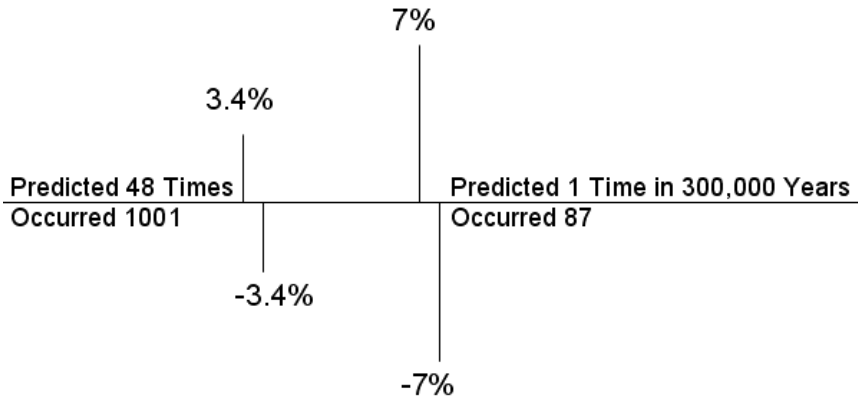
A: Well, that is what we have been trained to think. There is a huge financial industry built around this premise. Believe it or not, there are times when less information and quick, decisive actions help us get better results.

To emphasize this point, let's take a look at a problem that the Cook County Hospital in Chicago had to solve. Several years ago, this hospital was losing a lot of money by misdiagnosing heart attacks. In an attempt to stop the "bleeding," they instructed their doctors to gather less information on potential heart attack patients. Rather, they told them to focus on only a few bits of critical information like blood pressure and the ECG, while ignoring everything else (age, weight, and medical history!).

As you might imagine, convincing the doctors at Cook County to embrace this idea was very difficult. This hospital attracts the best and the brightest doctors in the country, and they were committed to the idea that more information is always better. This move towards simplicity solved the problem at Cook County. Their staff is now one of the world's best at diagnosing chest pain. (*Malcolm Gladwell, Blink: The Power of Thinking Without Thinking, Little, Brown Company Time Warner Book Group, 2005*) The moral of this story and the TTP story is that you can make very good decisions with less information.

So why is that the case when it comes to managing money? Paying too much attention to extraneous details can, and often does, take your attention off your overall financial goals. If you want to be successful, it helps to have a simple system in place that helps you tune-out the noise and stay focused on what is truly important. You do not want to abandon the details, but you also do not want to be a slave to them. Information in moderation is essential to managing your life savings. But you have to guard against information pulling you into the minutia of one small decision derailing your journey to your long-term goals. The TTP helps you reduce your dependency on details that, when closely examined, do not matter as much as we tend to think they do.

To shed some light on this point, consider the findings from the famous mathematician, Benoit Mandelbrot. "From 1916 to 2003, according to the conventional mathematical models, there should have been only 58 times when the Dow Jones Industrial Average moved more than 3.4 percent in a single day. But in reality, there were 1,001 such exciting days. In theory, one-day swings of more than 7 percent should come only once every 300,000 years. But so far in the past 87 years, American stock investors have experienced 48 moves like that." (*Benoit Mandelbrot, Sterling Professor of Mathematical Sciences, Yale University, "The (MIS) Behavior of Markets"*)



And, of course, let us not forget the stock market crash of October, 1987. Benoit estimates that the odds of this happening in a single day to be 10 to the 50th power; odds so large they are meaningless. There are times when no matter how much research we – or the best and the brightest – do, we simply cannot explain the markets behavior. What is essential is that we react appropriately as the market unfolds. That is, making decisions that will move us to our goals.

There is a simple solution that does not overwhelm you with details and that can help you navigate through inevitable bad markets and benefit from good markets. That solution is the Teeter Totter Principle.



What is the Teeter Totter Principle? For retirees, it is a simple risk-averse system that can generate a growing stream of income while increasing your total wealth. For working people, it is a simple system that can grow wealth while taking less risk.

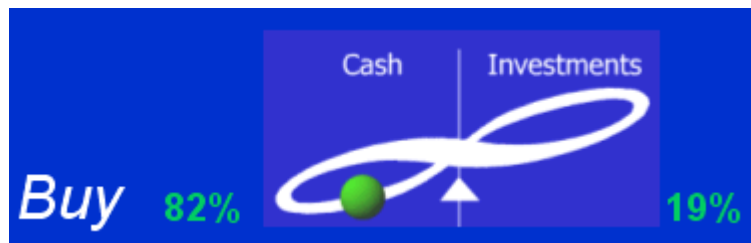
The TTP works like this: You decide on a savings TTP Balance Objective by asking yourself, “How much of my money am I willing to risk in unknown-result investments?”



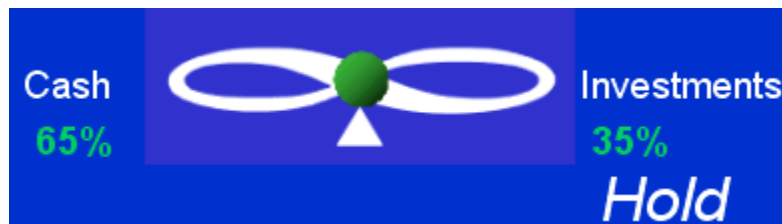
As life goes on and the market does its thing, the tilting teeter-totter and the changing percentages help you make successful decisions about your investments. "Should I sell? Should I buy? Should I hold?"



Investment Goals Attained = Sell to Rebalance



High Cash % and Low Prices = Buy to Rebalance



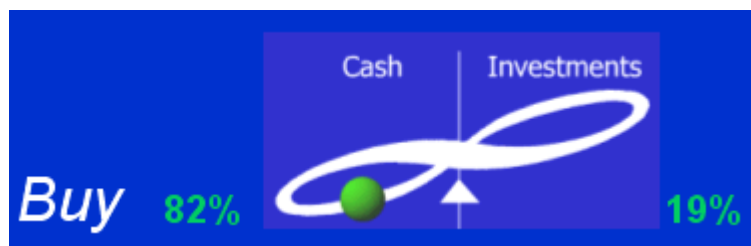
Within TTP Balance Comfort Zone = Hold

The teeter totter is a valuable visual and mathematical tool that can help you simplify your decision-making process and help you make wise investment decisions no matter how crazy the market becomes. I know that it sounds too simple to be noteworthy! But, bear with me, the results will surprise you.

If we have learned anything from history, it is that we cannot predict the future. Crazy and unexplainable things happen, and upheaval shows up when we least expect it. If we know that upheaval is a natural part of our world, why would we dare place most of our life savings into investments that have unknown outcomes? Yes, it is true that over the long term markets tend to "average out". However, average markets do not cause ruin. Dramatic and sudden shifts in the markets are what cause us to panic and make bad decisions during critical times. Retirees dependent on invested funds to generate income are particularly vulnerable in shifting markets and when negative returns are posted over several months or years.

Market ups and downs and the reactions of fear and greed are never going to go away. But you can change how you react to the ups and downs by using the Teeter Totter Principle. You can react with wise buy and sell actions based on your TTP Balance Objective not on the emotions of fear and greed. By keeping your cash and your risk-based investments separated, you will have clear expectations for your investments. You expect your risk-based investments to fluctuate, and you can start responding to those fluctuations in an appropriate manner.

I have created a market simulation TTP learning tool, the TTP Responsibility Calculator, to help you learn the TTP decision process. The more you play with the TTP Responsibility Calculator game, the better you will become at responding appropriately to market ups and downs. The reason is that this simulation game enables you to **"FEEL"** what it is like to hold part of your life savings in cash and place part in the market and **"SEE"** the impact of your sell, hold and buy decisions. You will get a real financial education by repeatedly playing the game as it takes you through different market scenarios. You should learn to respond to a market downturn by "buying low". The TTP Balance Objective you set as you begin a game (i.e., 70% Cash – 30% Investments) will be your benchmark. If the TTP Investment % is down (below 30%), the TTP Cash % will be up (above 70%) and you will have the cash to make a buy.



As you explore different "TTP Investment Risk %'s", you will intuitively develop your true tolerance towards risk. You can play many "What If Scenarios" and decide what percentage of your real life savings you are actually willing to risk. You will be amazed at the percentage of fixed-rate cash you can retain on the left side of the teeter totter while generating profits for a growing income and capital on the right side. The more you play the better you will understand that while you are living off the cash side of the teeter totter, the investment side has defined return goals that serve to replenishment cash as you periodically rebalance to your TTP Balance Objective.



The tilting teeter totter and the cash to investment ratio percents call you to action. The Teeter Totter Principle is a strategy that has clear investment entrance and exit

indicators and can help you navigate any market conditions. You can weather a calamity because you will have plenty of cash and will not be forced to sell declined shares of an investment. You can hold for the recovery then replenish cash.

Are you wondering, “What percentage of my life savings should I risk in the market?” The TTP Responsibility Calculator market simulation game can help you decide. Plus it will teach you a “Buy – Hold – Sell” process that will help you respond appropriately as the market unfolds. Play it and you will learn that you can hold more of your savings in cash and risk less.

A free version of the TTP Responsibility Calculator market simulation game is on our Web site, www.teetertotterprinciple.net. The play capital is \$500,000 and you respond to 30 years of market activity. If the game gives you average returns (*i.e.*, 10%), you should be able to withdraw an inflation-adjusted income each year and have around \$1,000,000 in capital at the end of the 30 years.

Once you play the free game, you will probably want to put your own values into the expanded version. Information about the TTP Responsibility Calculator – Investor Version can be found at the end of this snapshot book and on the Web site’s Resource Page.

CHAPTER 2

Simplify

There had to be a better way.

The TTP system teaches individuals and professionals that the details do not have to matter as much as they think they do. It is important to select what products and services are appropriate for your long-term goals. Once this has been accomplished, you can use the visual cues from your tilting teeter totter and the mathematical percentages to help you identify wise times to:

- Buy
- Sell
- Hold

Let me tell you how I played a game. I entered my TTP Balance Objective for 70% Cash and 30% Investments. The 70/30 split is just one example; you have to determine what balance is comfortable for you. Playing with lots of combinations adds to the learning experience. Each time I doubled an investment I took 80% to 90% of the “profits” and placed the profits into my cash on the left side of the teeter

totter. If my investment(s) fell in price, I took a small portion of my cash and added it to my depressed investment(s) bringing my teeter totter back to balance.

This is not a complicated financial theory.

As I was formulating the Teeter Totter Principle, I began to realize that I had developed a new tool that could be used with any product, vendor or strategy. What really mattered was my behavior. As simple and obvious as this is, buying low even though I was frustrated with a down market and selling high following an upturn when I felt confident and profitable made a substantial difference in my results. I had less risk and could support a growing income draw and appreciate total wealth. Once I formulated this system, I knew it was a much better way to manage investments, especially retirement plans.

CHAPTER 3

The Unrealistic Scenario

One night while playing the game, I created a very unrealistic scenario. I wanted to see just how far I could push my theory.

I placed 70% of my capital in cash accounts that paid me nothing – 0% for 30 years. I then placed the other 30% in risk-based investments but designed a rule that would not allow the average rate of return to exceed 11% over the 30 years.

If someone presented you with an investment program that guaranteed you 0% on 70% of your life savings then assured you that you would not earn more than 11% on the other 30%, you would think, “I’ll go broke in no time!” That was my mindset when I started this off-the-chart scenario. I thought to myself, if I could survive these conditions, then maybe there is some real merit to this system.

By playing the game under these conditions, I was able to support a 5% withdraw rate increased yearly by 3% for inflation, and I doubled my original investment!

I started with \$1 million, and at the end of the game, my principal balance was over \$2 million! The 30-year income draw was over \$2.1 million. Even more amazing to me was that I only traded 7 times over the 30 years.

While the final outcome may surprise you, it is not that wonderful from a traditional rate of return perspective. What is so fascinating about this scenario is that it survived under these conditions. Instead of making several assumptions, and paying attention to a bunch of details, I merely reacted to the imbalance of my Teeter Totter.

The math in the cash to investment ratio and investment objective values helped me decide when to balance and by what amount. All that I focused on were my buy and sell decisions. This was my first "Light Bulb Experience". I realized that I had a choice: I could decide to simplify my investment process and live with less risk, or stay with the complicated models that had more risk.

Secrets to the TTP Responsibility Calculator

Trade less, have realistic expectations, and choose simplicity.

Secret 1

With this system, you will need to trade (rebalance your teeter totter) about 3 to 5 times every ten years – sometimes less and sometimes more. Generally, the rules are:

The less you trade, the better your results should be.

Buy, hold and set a number then sell.

Make careful income draw decisions. I suggest 4% or 5% of the original capital adjusted yearly by a 2% or 3% inflation rate.

The TTP Responsibility Calculator is life-like and uses real historic stock market rates of return. I promise you, there will be times when you will be surprised. So at first when you start to play the game, remember to always keep a healthy amount of cash on hand. You never know when the market will decide to have a prolonged decline. There will be some great returns like Americans saw in the 1990's and some horrible returns like 1987 and the early 2000's. The more you play, the better you will become at making buy and sell decisions to drive the Teeter Totter Principle system to generate a growing income and capital.

Secret 2

This tool helps in establishing realistic expectations. For professionals, it is a great way to convey what it is that you can and cannot do for your clients. For individuals, it helps you "**FEEL**" what placing some of your life savings into the market will be like and lets you practice the TTP decision process. The Teeter Totter Principle can help anyone take responsibility for his or her life savings.

Secret 3

Make a decision. Decide to simplify your investment or retirement plan and play it safe with more fixed-rate cash, or choose to stay with the complicated models that have more risk.

The market will always be complicated and chocked full of details. This will never change. However, you can choose to simplify your investment decision-making process and control how you are going to respond to the market. When your life savings are on the line, my recommendation is to choose simplicity and safety.

CHAPTER 5

Taking Responsibility

Help your state of mind and wellbeing by taking responsibility for your financial decisions and establishing realistic investment expectations. As a financial advisor, I am convinced that we must all stop this perpetual illusion that having more information will enable us to predict the future. I propose a risk-averse, take-control system that guides you to make appropriate decisions in response to what happens in the market.

If you want to be a good investor, you must simplify your process. It also helps if you stop looking for answers from outside influences – the media – and start developing your own personal code of conduct. You must determine how you are going to behave and interact with your investments. The Teeter Totter Principle can guide you through a simple process that helps you interact wisely with your investments.

Take responsibility and choose simplicity.

CONCLUSION

In the final analysis, the details do not matter as much as we would like to think they do. People spend a lot of time trying to be right. Being "right" is extremely important to most people. This is especially true when we are dealing with our life savings. We hate to be wrong.

However, in real life, humans make wrong decisions all of the time. If we choose to acknowledge that there are times when we are suddenly surprised or just plain wrong, then we can learn to change our behavior and begin to alter how we are going to respond to those moments when the market surprises us. The TTP system creates an environment in which the individual investor, the advisor and the industry

can establish realistic expectations and take responsibility. It is in everyone's best interest to stop what I call the self-inflicted wounds – buying high and selling low.

I think the hardest thing to accept about the Teeter Totter Principle is that it is not a traditional financial plan or a set of standard assumptions. The TTP is a commitment on your part to choose simplicity. It allows you to keep more in cash and place less at risk while helping you make healthy financial decisions during critical times. As I like to say, no assumptions, just decisions.

I hope you see that the Teeter Totter Principle as a gift that keeps on giving. It is a simple idea that can have a tremendous impact on a person's life. Please go to the www.teetertotterprinciple.net site and read the snapshot book and play the free TTP game. Then expand your knowledge with the Teeter Totter Principle book and TTP Responsibility Calculator – Investor Version market simulation game. When you see how this simple idea can help you manage your savings, get copies for your children and other family members. It really is the gift that can keep on giving for a lifetime.

LEARN MORE WITH TTP RESOURCES

Teeter Totter Principle Package

Available at: www.teetertotterprinciple.net on the TTP Resources page.

Book: Teeter Totter Principle – Investor Version

This book includes a detailed explanation and illustration of the Teeter Totter Principle solution. The following lists a few of the 30-year TTP plan examples that are included:

- Retirement Plan with Good Market Returns
- Retirement Plan with Poor Market Returns
- Working Investor Plan
- 0% Fixed-Rate Proof

Software: TTP Responsibility Calculator – A Learning Game for Investors

This market simulation game is an expanded version of the free game you can play on the www.teetertotterprinciple.net site. In the expanded version, you will be able to plug in your own cash and investment values in two categories of stock. In addition, you can make adjustments to your income draw. It personalizes the TTP Responsibility Calculator to your situation. Once you establish your TTP Balance Objective, the game applies yearly rates of returns to

your cash and investments. You respond by making buy, hold and sell decisions over a 30-year period. The tilting teeter totter visual and the mathematical ratio of cash to investments clearly indicates when a sell or buy is wise. The TTP Responsibility Calculator is a valuable learning experience that will teach you how to establish and direct an investment/retirement plan that will hold more fixed-rate cash, take less risk, pay lower fees, follow a simple decision-making routine and make you feel in control.

MEET THE PEOPLE AT THE TTP COMPANY

Greg Heiple



The author, Greg Heiple and his family are long time members of the Norman, Oklahoma, Community. Sheryl (the original editor), is the Executive Director of the non-profit agency, Cleveland County CASA. Greg and Sheryl have two wonderful boys, and are actively involved in several community activities and affairs.

Greg has been a financial advisor since 1987 and established his own practice in Norman in 1993. Greg is the creator and founder of the Teeter-Totter Principle, and the TTP Responsibility Calculator/ Learning Game. He is focused on developing investment strategies that are based on simplicity. Greg believes that by making investing simple, investors have a better chance of obtaining their financial goals.

Greg is an avid bicycle rider. He loves coaching and playing soccer, and someday hopes to start playing his guitar again. He is also a cancer survivor. Having to deal with cancer has taught Greg that his time is his wealth, not his money.

Marilyn Kennedy



Marilyn and her husband, Larry, raised a terrific son who, with his wife, is busy raising three little boys. Every day with the grandsons is terrific. She has a passion for cooking great meals for which her entire family is grateful.

Marilyn is the instructional designer and Web content specialist who created an engaging way to explain the Teeter Totter Principle. She helped design the Web site and is the editor of the Teeter Totter Principle book. Both the Web site and the book are packed with information. She designed the TTP Responsibility Calculator game to challenge people to apply the Teeter Totter Principle in a simulated market and let them have fun while they learn. Creative design talents influence Marilyn's work and spill over to her art quilts. To balance her life and add a little extra challenge, she plays golf!

Kevin Fitzgerald



Kevin's family roots support the credo, "Work hard; play hard." His background in radio and television has culminated into a multi-faceted career that ranges from music, to multimedia design to information-technology project management. Kevin's contribution to the Teeter Totter Principle is the Web site and the development of the "game". Other entrepreneurial endeavors include the opening of a recording studio for local art. Kevin is an avid musician and plays lead guitar in his band, Soaked. He is a lifelong Oklahoman and is now rooted in the Norman community with his wife, Delinda and son Jake.