

# **MAKE YOUR FIRST \$50M BEFORE YOU RETIRE**

*by: Guy R. Fleury*

This article is more of a recipe for making it than a hypothetical rendering. The intention is for you to build your retirement/investment fund to at least \$50 million before you retire. And then, do the same a few more times after you retire by following the same recipe. All because you adopted a different kind of trading strategy.

## **The very first constraint will be time.**

How much of it do you have before you retire? If you are already 60, this recipe will not get you there before age 65. But if you want to plan for when you will be 75 or 80, all this stuff could be of help. If you are 45 or younger, this should give you ideas on how to reach your goal and then some.

The planning should cover the next 20+ years. You can use all the information and investment knowledge you already have on how to make it for the next 20 years. It is all up to you. However, if you do none of it, guess what? It will not happen, and you will also be the one who made that decision.

## **The second constraint is the needed capital.**

How much of it do you have? And how much more can you get? The stock market is a money game. No money, no gains, but also no losses. If you do not participate in this game, you cannot reap its rewards.

The quest will involve investing in appreciating assets. However, investments with low rates of return might not get you there within the time constraint given by your age and the available time you can concentrate on that endeavor. With a small stake, you can only spend a little time per week to focus on your investments.

My friend asked me: How can people with less capital than the 100k you suggest do your thing? She had a good argument, and I replied: They can reach the same goals; it is just that it will take a little longer. Nevertheless, they can do it. They could also do more by being more creative in their methods.

You need something that will appreciate at higher rates of return and require little of your precious time. You will need to seek price volatility and its side effect momentum. If the price does not change, there is no profit to be made.

In **Make Your First \$50M Before You Retire**, I intend to demonstrate that you could start with a relatively small stake and build from there, with the same goal to reach that \$50 million before you retire. Those investment methods do not have to stop once you retire; they could continue for years and years.

The equation any investment has to adhere to is:  $F(t) = F_0 \cdot (1 + \bar{g})^t$ . Whatever sum you start with  $F_0$ , it will have an average growth rate  $\bar{g}$  over the time interval  $t$ . We already have limited time  $t$ , the time you have before retirement. You also have limited funds  $F_0$  for initial capital. Nevertheless, you still want to achieve your goal.

What needs to be added is a recipe to get there.

**The third constraint will be the average growth rate  $\bar{g}$  you can achieve.**

The growth rate you can achieve is unknown from the start. It is what will be covered in this article.

If your growth rate is 5% or less or even up to 10%, you should not expect to reach your goal within those 20 years. At an average 10% rate, you could only reach that goal if you started with 7.4 million. Presently, I intend to demonstrate you can achieve your goal even when starting with much less than 100k.

As an example, here is the above equation starting with 10k and giving it 20 years at 10%:  $F(t) = 10,000 \cdot (1 + 0.10)^{20} = 67,275$ . Even if you raised your growth rate to a 20% CAGR, you would only get \$383,376, which is still quite far from your initial objective. Furthermore, it would have taken 20 years to get there. Reaching the \$50M objective starting with 10k at a 20% CAGR would require 46.7 years. Whereas, at a 10% rate, it would require 89.4 years.

You need to do better than that. Yet, few financial institutions will offer you a long-term CAGR of 20%+. It requires the same level as reached by Berkshire Hathaway over the years. There are few at that level.

It is before you start that you should determine those probable outcomes, and not after, since by then, you would have lost that time, and life has only a few of those reset buttons to start all over again from scratch.

**You need to change your recipe.**

You're in luck; you already have a working recipe. It will be your choice to apply it or not. At least, you will know there was a solution.

Regardless, your first step should be to study this trading strategy, determine if it is for you, and then decide whether to apply it or not.

**It is a long-term commitment.**

*If you want to benefit from long-term averages,  
you have to stay in the game for the long term.*

The **One Percent Per Week** trading strategy can do it all for you.

No matter how you get it, one percent per week is:  $1.01^{52} = 1.6777$ , that is an expected 67.77% growth rate per year. Even if you could do only  $\frac{3}{4}$  of 1% per week, you would still be ahead:  $1.0075^{52} = 1.4748$ , which gives a 47.48% CAGR.

It is simple, the **One Percent Per Week** trading strategy has a high growth rate, and can be executed in a few minutes a week.

I have written extensively on this trading strategy since last May. Some 17 articles in all with a free book: [Gain Your Financial Freedom](#), which include my [free program version](#) that can do the job.

The program requires only a few minutes a week, less if automated. If you want, you can do it by hand, even on your cellphone from anywhere.

The second part of your time constraint is the time you must put into such an endeavor. Taking only a few minutes a week should not interfere with your other activities, leaving you free to undertake anything you want. You cannot consider your 5 minutes a week or less a sideline job. It is less than 4.5 hours a year. Moreover, even if you do it by hand, you do not have to be precise. Taking those few minutes within an hour or so should be sufficient. Do it during your coffee break.

### **The Money Constraint**

*Your real constraint is the money since you already have the time and the program to do the job.*

Let's reduce the required capital to something more manageable, like starting with 10k instead of 100k or more.

In the above-cited book, the initial capital was \$100,000.

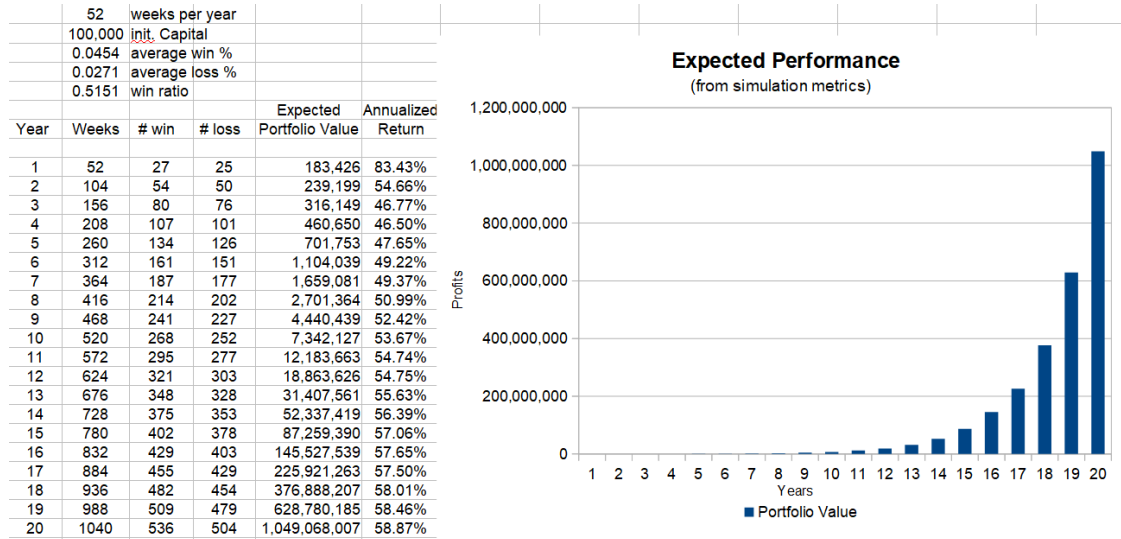
In my article: [Your Trading Rules Matter](#), we had the **One Percent Per Week** scenario as in Figure #1 below. The chart used the long-term portfolio metrics and statistics reached after 14.6 years of trading.

In Figure #1, by year 14, one would have reached the \$50M goal. And some 6 years later, hit the one billion dollar mark by executing the **One Percent Per Week** trading recipe.

If you divided the initial stake by 10, the portfolio would also be reduced by a factor of 10 since this strategy is scalable.

In doing so, you would have to wait for year 19 to reach your initial goal. You would have reached it within your 20-year time limit.

**Figure #1: TQQQ Strategy - No Leverage**



[\(Click here to enlarge\)](#)

Starting with 10k, 100k, or anything in between, or more, would keep the program the same. As said, it is scalable. All entries and exits would be at the same prices irrespective of the trade size.

You would be doing the exact same things. Only the position size would change, and the size of each bet would change as you go along. The strategy's formula is the same as in [Gain Your Financial Freedom](#). Here it is again:

$$F(t) = \prod_{i=1}^N b_{i-1} \cdot (1 \pm r_i) \quad (1)$$

where  $b_{i-1}$  is the bet size based on the previous Friday's close and  $\pm r_i$  is the return for the week  $i$  on position  $i$ . The bet size will increase when the portfolio increases and decrease when its value decreases. A slight protection for when prices go down. This strategy is not doubling down or buying on the way down. Also, it will sell on the way up or be closed on Friday at the close.

It is where we could appreciate the impact of starting with a higher initial capital.

Even though by year 20, you would have reached 100 million instead of one billion, it should emphasize the added effort to find more capital before you start this financial adventure. It might look like nothing initially, but it will make quite a difference over the years. As said before, you will be playing a compounding return game.

The above formula does not care what your bet size is, nor does it request the market to behave differently. It plays long-term averages. All the numbers in the above chart are based on the portfolio metrics reached after 14.6 years of trading. They are not

hypothetical numbers or wishes but actual numbers taken from the simulation that followed all the provided and simple trading rules.

## Pseudocode

Here are the trading rules. Before starting, determine the initial capital and whether you will use leverage. The link to the Wealth-Lab 8 program code was provided above and with my free book [Gain Your Financial Freedom](#).

- *At Monday's open take your position in TQQQ.*
  - *If Monday was down, set the sell limit order at the opening price.*
  - *Else, if Monday was positive, set the profit target to 7%.*
  - *If the price went up, raise the sell limit price target another 1%.*
  - *If not sold by Friday's close, liquidate, whether positive or negative.*
- The next Monday, repeat the procedure.

## How about changing the rules of engagement?

The program does not necessarily need to change in this iteration. We can start by changing the money management side of things first.

Instead of putting 100k on the table and executing Figure #1 as is, we could start with 10k and add 10k every year over those 20 years. It would be like making contributions to our pension or retirement plan.

What would the impact of doing so be? First, it could be easier for many to cope with. Anyone with over 100k a year could do the 10k-per-year thing. Its equation would look somewhat like this:

$$F(t) = ((10k(1 + r_1)^{t_1} + c_1) \cdot ((1 + r_2)^{t_2} + c_2)) \cdot ((1 + r_3)^{t_3} + c_3)) \cdots \quad (2)$$

where you add your contribution to the trading account at the end of each year, which will start compounding from there at those future rates of return.

You could also view the problem as:

$$F(t) = \prod_{i=1}^N [(b_{i-1}) \cdot (1 \pm r_i) + c_i] \quad (3)$$

At  $i = 1$ , we would have:  $b_0 \cdot (1 \pm r_1) + c_1$ , and where  $c_i$  is the contribution you put in each year. From there, we can cascade forward as in the other equation above.

You might not know the future rates of return  $\pm r_i$ , nor the actual future bet size  $b_{i-1}$ . But, you can simulate such scenarios based on past market data, just as was performed in the above simulation in Figure #1.

The yearly returns would cascade, and  $c_i = 10k$  added each year. As in the above equation, the first 10k would grow at  $r_1$  for year one, to which would be added 10k at the end of the year for the following year. The outcome of the first year would now compound at rate  $\pm r_2$  over the next year and receive 10k at the end of the year, ready for the next year at  $\pm r_3$  and so on.

Within 10 years, you would have contributed 100k. Over the next 10 years, another 100k would be added to your account. Catching up to the 100k initial capital scenario by year 23.

We could use the **One Percent Per Week** 14.6-year portfolio return metric to make estimates of the contribution scenario to see how it evolves with time. It would be an estimated average of how the portfolio might evolve and provide the ability to appraise possible outcomes.

No matter what, it will all have to comply with the equations presented above. You might not have the actual growth rate that will be applied, but you have similar return rates achieved by others over the years or by your trading strategy. Your trading strategy is telling you how, on average, it intends to behave.

**Table #1: Twenty-Year Estimates Based On Achievable Growth Rates**

Description	Initial Capital	Growth Rate	Yearly Contributions	20-year $\hat{F}(t)$ (\$ Estimate)	Using
Base Scenario	100,000	50%	0	33,252,567	TQQQ <sup>1</sup>
Base Scenario + Contrib.	100,000	50%	10,000	399,010,808	TQQQ <sup>2</sup>
10k Scenario + Contrib.	10,000	50%	10,000	99,737,702	TQQQ <sup>3</sup>
Average Market Funds	10,000	10%	10,000	640,025	SPY <sup>4</sup>
Berkshire Hathaway	10,000	20%	10,000	2,250,256	BRK.A <sup>5</sup>
Medallion Fund	100,000	39% <sup>7</sup>	n/a	72,492,989	Internal <sup>6</sup>

<sup>1</sup> Underestimating Figure #1 20-year outcome of 58.87% CAGR.

<sup>2</sup> Provides a ballpark figure on the value of the contributions.

<sup>3</sup> Starting with a lower stake can also get you there with the contributions.

<sup>4</sup> Traditional methods, such as using SPY, will not get you there.

<sup>5</sup> BRK.A, or equivalents won't get you there either.

<sup>6</sup> Medallion Fund is an internal Renaissance fund for senior management only.

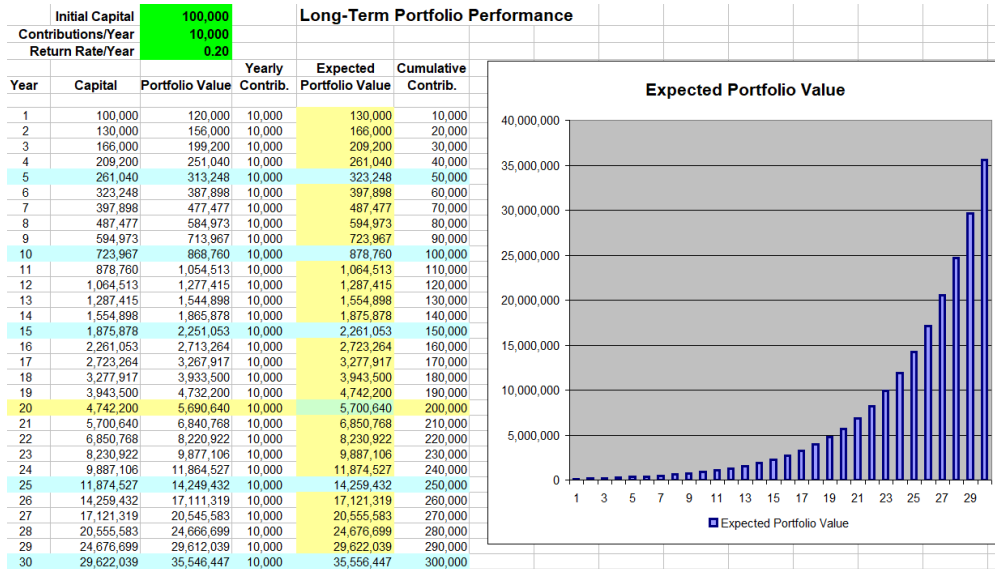
<sup>7</sup> Net of fees (~4/44).

We can use something like Figure #1 and set a fixed growth rate (20%) for the period and study the evolution of this portfolio with and without contributions.

The chart below provides an example of a long-term portfolio starting with 100k with an average 20% CAGR and yearly contributions of 10k. After 20 years, the portfolio would stand at around 5.7 million. Not bad, but you can do better.

Here are two extracts from my Excel file. Both start with 100k, with 10k contributions per year, and at growth rates of 20% and 50%, respectively.

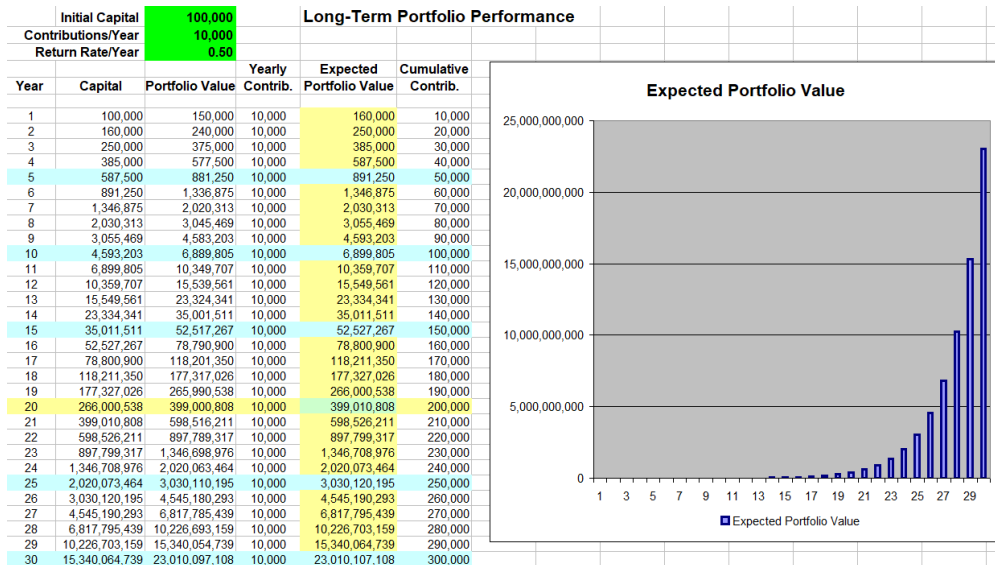
**Figure #2: Simulated 100k Scenario, 10k/year Contributions, 20% CAGR**



[\(Click here to enlarge\)](#)

We have already demonstrated in [Gain Your Financial Freedom](#), that the growth rate could exceed a 50% CAGR, even go higher than 60%. You could push for more depending on the trade aggressiveness you would like to apply to the **One Percent Per Week** trading strategy.

**Figure #3: 100k Simulation, 10k/year Contributions, 50% CAGR**



[\(Click here to enlarge\)](#)

It always remains a question of choice: How far do you want to go? This trading strategy can help you do wonders.

Nevertheless, I would add more downside protection before turning on the heat. This program could do even better with some minor changes to its procedures. There is always a better trading strategy out there.

The above scenario in Figure #3 underestimates the CAGR results of Figure #1. Nonetheless, we still end up after 20 years with close to 400 million. The result is based on achieving the slower long-term 50% average growth rate when the TQQQ strategy estimate in Figure #1 came in at 58.87% after 20 years.

You can easily make such scenarios. Download the following Excel file: [Estimated Portfolio Performance](#), and make any changes you want (change the numbers in the green cells). It should give you a reasonable idea of what all those different scenarios could look like.

Your main task will be selecting which feasible scenario might suit you best. Use the TQQQ trading strategy. Paper trade it for a few months. Start with as much capital as you can get or can afford, and add yearly contributions. You can study the impact of any such move using the provided Excel file and see how it evolves in time. You could also use it for other purposes with slight modifications to its logic.

At a minimum, it should help you realize that starting small can be compensated by a higher growth rate and that the TQQQ scenario can help you reach those higher return levels and make it all OK. Other trading strategies can do about the same, if not better.

### Why It All Works

The TQQQ strategy has only a few moving parts. As the pseudocode above suggests, there are few options to get in or out of a trade. Here is a breakdown by type of trade outcomes.

**Table #4: TQQQ Strategy Trade Statistics**

Trade Outcome	Trading Rule	# Trades	≈ Percent Of Total	Reason Position Sold	Average # Trades/Year
Positive	$\geq 7\%$	132	≈ 17.12%	Target Reached	8.9
Positive	$> 0 < 7\%$	267	≈ 34.63%	Target Not Reached <sup>1</sup>	18.0
Undetermined	$= 0$	219	≈ 28.40%	Sold At Breakeven <sup>2</sup>	14.7
Negative	$< 0$	153	≈ 19.84%	Losing Positions <sup>3</sup>	10.3
	Total Trades	771			



<sup>1</sup> Trades remained positive without reaching the 7%+ profit target.

<sup>2</sup> After seeing some red, strategy chickens out and seeks to exit at breakeven.

<sup>3</sup> The trades had a close below the opening price and did not bounce back to breakeven.

The TQQQ trading strategy had sufficient trades (771 for this compilation) to make the above statistics relevant.

For the **One Percent Per Week** trading strategy, there was only one way to enter a trade and three ways to exit.

The entry was like playing heads on a coin flip every Monday, betting that QQQ would rise over the coming week. And consequently, TQQQ would also increase since it is continuously tracking QQQ.

You can get out of a position if it reaches its profit targets (either the 7% or the 8.1%) at any time during the week. You will also accept the trade with a profit between 0 and 7%, but only on Friday's closing price. All trades closed above zero are positive and will increase the portfolio's value.

The trades closing at breakeven are trades that one day closed below the opening price but bounced back to the entry price before Friday's close. These trades have no impact on the portfolio value since you exited the trade at the same price you got in.

Only 19.84% of trades turned out to be negative, all liquidated on Friday's closing price.

Using TQQQ, we are playing a 3x-leveraged QQQ, as if putting it on steroids. My latest simulation using QQQ as a benchmark came in with an 18.58% CAGR for QQQ over its current 14.9-year simulation. A 3x-leveraged QQQ scenario using TQQQ should reach near 55.74% based on QQQ long-term CAGR. The simulation came in at 56.49% for TQQQ, almost as should be expected. We should remember that TQQQ is reset daily to minimize long-term return degradation.

The trading procedures created an imbalance in a randomly evolving price series. None of the stuff the TQQQ strategy is doing could be apperanted to forecasting weekly prices. The strategy is dark on that one. It does not know the future and is not even attempting to guess the outcome of its next trade.

However, it makes the basic bet that the market, in general, will rise over the years and that there will be more up weeks than down weeks, even if it is by a slight margin.

Nonetheless, its trading procedures did create this trade imbalance. Instead of having some 50% of its trades negative, it only has about 20% of those trades having a loss. This breakeven feature is a plus for this trading strategy. It might not make

any money on it, but it does help in preserving what is there.

The second imbalance is in using the double price targets (the 7% and 8.1%). If Monday's close is above its open, the price target rises to 7%. However, if the price has risen close to halfway to the 7% profit target, it is raised by another 1% ( $1.07 \times (1.01) = 1.0807$ ). This 1% bump to the profit target is small, but it will nonetheless impact the overall outcome since it will happen on about 17% of the trades. If not executed, those trades could have often pulled back and finished the week below the profit target.

In a game where it should have been expected to have something close to a 50/50 proposition in the sense that you could have 50 wins and 50 losses per 100 trades, you get 51.75% winning trades and only 19.84% losing trades. Your trading procedures and nothing else create this imbalance.

You are playing on TQQQ's variance. You know its price will swing 3 times more than QQQ's, and this is by design.

You are taking advantage of TQQQ's price excursions. If it hits your profit target, you are out, and with a profit.

An 8.1% profit for the week can happen about 9 times per year ( $1.081^9 = 201.57\%$ ) (see Table #4).

All the other trades are there to take it down a notch or two. But still leaving you with a 50%+ CAGR.

All because you adopted a different kind of trading strategy.

**Related Papers and Articles:**

**[Your Trading Rules Matter](#)**

**[Gain Your Financial Freedom](#)      **Free book.****

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**The One Percent a Week Stock Trading Program: [Part VII](#), and [Part VIII](#)**

**The One Percent a Week Stock Trading Program: [Part V](#), and [Part VI](#)**

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