Dear Retirement Millionaire subscriber,

The “diaper man” is angry.

He’s collected an army of 15,000 workers, and he’s jetting around the country to build an empire.

Marc Lore is what you’d call a “serial entrepreneur.” Before he was 30 years old, he started an online marketplace for baseball cards that he later sold for $5.7 million.

He then launched Diapers.com, which he unloaded for $550 million in 2010. But despite the rich payoff, his time with Diapers.com ended bitterly. Now a rich man, he’s not working for the money. He’s out to show he can build something. And he’s got billions in capital behind him.

Lore’s no fan of Amazon (Nasdaq: AMZN). Jeff Bezos, Amazon’s boss, waged a brutal price war against Diapers.com, cutting diaper prices by one-third. Any parent knows that saving 33% on diapers is a big deal. According to Lore’s calculations, Amazon was losing $100 million per quarter on diapers alone.

Diapers.com couldn’t keep selling diapers at a loss and was forced to sell the company to Amazon.

That put Lore inside Amazon. And he didn’t like that either. After two years, he felt the business he had built wasn’t getting the attention it needed. He left to start a new venture.

He collected $80 million in funding to start a new online retailer designed to compete directly with Amazon. And he used a strategy that no one in his right mind would take... try to beat Amazon on price.

He built his website, Jet.com, as a savings club, like Costco Wholesale (COST) or Sam’s Club.

You pay a monthly fee and every bit of savings gets passed on to you, the customer. If you buy a bunch of things at once and the shipping gets cheaper, your price drops.

IN THIS MONTH’S ISSUE:

• The Innovator’s Dilemma
• There Are Plenty of Consumers to Go Around
• ‘Fake News’ Hits the Financial World
• My Most Controversial Topic Ever

In the past 12 months, subscribers have saved: $2,252.01

To see how we calculated this figure, please visit www.stansberryresearch.com. Then, click on “Your Total Savings” under Retirement Millionaire.

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If you use a debit card rather than a credit card, your price drops.

But before long, the plan changed.

That singular focus on cutting costs and passing it to consumers made Jet.com the perfect fit for Wal-Mart (NYSE: WMT), which bought the website for $3.3 billion last year.

You can still buy things on Jet.com, but Lore and his team have taken over the entire e-commerce business for Wal-Mart... And it’s going to be big.

**‘THE INNOVATOR’S DILEMMA’**

Wal-Mart fumbled its earlier attempts at online sales.

It was a classic case of the phenomenon that author Clayton Christensen called “The Innovator’s Dilemma.” Big, entrenched companies often overlook the business model that will overtake them.

To start, Wal-Mart ignored e-commerce for a long time because it simply didn’t matter. For example, Amazon booked $3.9 billion in revenue in 2002. In the same year, Wal-Mart stores brought in $217 billion in sales (55 times more than Amazon), and the company built more than 250 “Supercenters.” At that time, Wal-Mart earned $2.7 billion just on photo processing.

A CEO and management team have a finite amount of time, and building a new business takes lots of work. That’s why Wal-Mart let its online business drag.

When it eventually got around to building an Internet presence, it did it all wrong. Its website was poorly built. It spun out its website as a private venture before buying it back. The website division didn’t report directly to the CEO. It brought in executives with the wrong experience. And lots of tech talent left frustrated by the bureaucracy.

Under The Innovator’s Dilemma, old divisions hamstring innovation and growth by refusing to sacrifice customers for the good of the greater business.

In Wal-Mart’s world, folks on the in-store side wouldn’t allow the website to price items cheaper than the store. They didn’t want to lose that in-person customer to their own website. Meanwhile, Amazon had a cheaper price, and Wal-Mart lost the customer anyway.

Beyond The Innovator’s Dilemma, there just simply aren’t enough talented people to build fully functional e-commerce sites. It’s hard to do. Even multibillion-dollar enterprises have clunky sites with broken links and confusing layouts. (One of my pet peeves is how the websites for the major airlines and hotels seem to get worse year by year.)

The addition of Lore and his Jet.com team fixed all that...

Recently, a member of my team remembered a unique item he had to order immediately, but it wasn’t on Amazon. A Google search sent him to Wal-Mart’s website, and he ordered the item through his phone on the spot. The mobile site worked perfectly, and the item arrived two days later.

It’s not just Lore’s team bringing the growth... Wal-Mart acquired Bonobos, an online clothing retailer; Parcel, a same-day delivery service; ShoeBuy, a footwear retailer; and Yihaodian, a Chinese online grocery business.

Most recently, Wal-Mart is using its new technology to make grocery shopping easier. Last month, it opened its 1,000th pick-up location for online grocery sales.

This service allows customers to order groceries online and pick them up at their closest Wal-Mart without leaving their cars. Wal-Mart’s making a big move in this direction to compete with Amazon and its new acquisition of Whole Foods Market.

Lore has been working with Wal-Mart for a year, and the results are already outstanding. Last quarter, online purchases grew by 60%... The quarter before that was 63%... And the quarter before that was 29%.

That is outstanding growth.

E-commerce is not the forgotten misfit at Wal-Mart anymore. It’s the center of attention. Over the last six months, Wal-Mart spent $520 million on capital expenditures to expand and build new stores. It has spent $1.7 billion on building its online business.

Of course, we also like shares of Amazon. The two companies are locked in a brutal competition. But shareholders don’t have to lose out because there are...
PLENTY OF CONSUMERS TO GO AROUND

Wal-Mart has, so far, disclosed its online growth number, but not its actual sales. Our estimates put its online sales in the range of $20 billion a year.

That’s a big business. But to Wal-Mart’s nearly $490 billion in annual sales, it’s still small potatoes. Its online efforts give Wal-Mart an opportunity to grow and stay relevant, but it’s still mainly an in-person retailer that will rise with the American consumer.

And there’s a lot to like there.

First of all, there’s a lot of consumer spending to go around, no matter what the “death of retail” news may tell you.

Yes, it’s true... Malls are dying, at least in their current form. Retailers in general have suffered because of the shift away from brick-and-mortar shopping into e-commerce.

Toys “R” Us, True Religion Apparel, hhgregg, and Gymboree are just a few retailers who filed for bankruptcy in 2017.

Everyone knows this now. And the stocks of retailers show it. Retail, as measured by the SPDR S&P Retail Fund (XRT), is down around 14% since mid-2015.

But this isn’t happening because folks stopped shopping. Total retail and food service sales are growing at around 3.2% (after accounting for inflation). That’s faster than the broader economy.

Some retailers have died due to three factors...

First, the traditional shopping-mall format has lost all appeal to shoppers.

Second, many poor-quality retailers have lived too long propped up by cheap debt. Others have been bought out by private-equity firms with mountains of leverage. Most of the headline-grabbing bankruptcies you’ve seen have been private-equity buyouts.

And third, the market is splitting between shoppers who want the cheapest price and those who demand the highest-quality products. This is killing retailers in the “middle ground” – like department stores.

Wal-Mart is a cheapest-price retailer. And “Everyday Low Prices” are still working for it.

Since the second quarter of 2015, Wal-Mart’s revenue is up 2.6%...

Wal-Mart has watched its share price rise while retail stocks in general dropped double digits.

And yes, part of that growth is being gobbled up by e-commerce... But 90% of retail sales still happen in person.

CONTINUED ON PAGE 6
November is a great time to buy small kitchen appliances. The summer wedding season has ended, and holidays aren’t quite in full swing – two of the most popular times to buy small appliances. This means you can find great deals on products like blenders and mixers. And if you need bigger appliances, the week of Black Friday is the time to find deals on things like refrigerators, dishwashers, and dryers. Keep an eye on stores like Home Depot, Best Buy, and Lowe’s for big markdowns.

Stop smearing your dishes with superbugs...

A German study recently found that the dirtiest place in your house is your kitchen sponge. The team even went so far as to say your sponge is likely dirtier than your toilet.

The average kitchen sponge in the study contained about 10 different types of bacteria. That’s not surprising since bacteria are everywhere, and most are harmless. But five of the 10 strains were in a higher risk group, meaning they could cause illness.

And if you think just microwaving your sponge to sanitize it works, think again. Folks in the study who did this had sponges with the same level of bacteria as the unclean ones. Worse – and far more worrisome – the nuked sponges had more resistant bacteria as a result.

Do what I do... Rinse your sponge thoroughly after using and stand it vertically to facilitate drying. I also alternate my sponges so that they dry out between uses, making it hard for bacteria to survive as well. I also replace them every few weeks and clean them once a week in a 50/50 lemon juice and vinegar bath in the microwave. The acid in the lemon and vinegar help to kill most any bug the radiation doesn’t.

Keep germs at bay while doing your holiday shopping...

I’ve warned you before about the bacteria lingering in reusable grocery bags.

But while shopping, cut down on other germy places as well. For instance, use a plastic bag to wrap any meat. Even though most are sealed, they can easily leak and spill a bloody, bacteria-filled mess on you (as happened to my researcher recently).

And according to one study by the journal *Food Protection Trends*, *E. coli* bacteria cover about 50% of all grocery-cart handles. Use a wipe before you start, or do what I do and wash your hands thoroughly once you get home.

“Fake news” hits the financial world...

Recently, the U.S. Securities and Exchange Commission (SEC) filed civil fraud charges against 27 different companies and individuals. The reason? These folks posted news articles featuring “stock-promotion schemes.”

Essentially, these third-party writers received money from companies and then wrote articles promoting their stocks. The features ran on popular sites like Seeking Alpha and Wall Street Cheat Sheet.

The problem? The articles contained lines saying the author had not received compensation from the advertised company, which was a blatant lie.

This is why I always urge you to “trust but verify.” You need to vet any stock tips in articles like these before you follow through. I also recommend investigating the writer. Check out any financial planner through the website BrokerCheck, available through FINRA or CFP.net. Registered advisers are available at adviserinfo.sec.gov.

If you check up on your adviser, why not your surgeon?
The right doctor can mean the difference between life and death. Surgical complications affect about 2% to 4% of most common surgeries.

But according to Stanford University, the worst 1% of surgeons are responsible for nearly a third of all malpractice claims.

As I’ve advised before, ask your surgeon for a printout of his statistics. He should keep them on a computer. If not, run out of the office. In addition, check his status with the American Board of Medical Specialties. He should be up to date on his exams and certified in surgery. You can find that right here.

You can also search by state for criminal convictions and malpractice claims for your surgeon. Go here to get started.

Should you pay your spouse’s credit-card bill?

Say you and your spouse each keep separate credit-card accounts. If your spouse dies, you may not be fully responsible.

In states with community-property laws like Arizona, Nevada, or Washington, each spouse shares responsibility for the debt, regardless of which spouse made the charges.

If you’re not in a community-property state, your spouse’s estate would have to take care of any outstanding debts. So effectively, you’ll be “paying” because your share of the estate would be lower. The important takeaway is to make sure you understand each other’s accounts and set up your estate planning accordingly.

Drink coffee for cleaner blood...

A new study out of the Netherlands saw that folks who drink three or more cups of coffee a day had significantly less stiffness in their livers.

Livers can grow scars that cause them to stiffen over time. This condition, called cirrhosis, comes from drinking too much alcohol, hepatitis, and fatty-liver disease. The latter develops from problems like diabetes and obesity.

Too much stiffness means your liver can’t work properly. It can’t break down nutrients or filter out toxins in your blood.

While the authors said there’s no cause and effect in this study, it only adds to evidence we’ve already seen – the study from the U.K. demonstrating a 20% reduction in cirrhosis for coffee drinkers and the World Cancer Research Fund adding coffee to its list of ways to prevent liver cancer. So do what I do and enjoy a few cups in the morning for great antioxidants and liver health.

The Centers for Disease Control and Prevention just issued a warning about a looming “public health” crisis that no one is talking about – senior financial abuse.

In 2016, nonprofit group Investor Protection Trust reported that around 7 million seniors reported exploitation. That’s about one person in five over the age of 65. Financial abuse costs older Americans billions of dollars every year. Although the government can’t protect you, my goal here at Retirement Millionaire is to empower you to protect yourself.

While I’m not the CDC’s biggest fan, senior financial abuse is a serious and growing problem. A variety of factors – like greater wealth and lower technological literacy – often make the elderly attractive targets for scammers.

Maintaining an active social network is the best way to prevent financial abuse. Those who are less isolated, with family and friends helping them keep a sharp mind, are less likely to fall prey to a scam. Do what I do and stay active and connected.

Keep the air clear as the days grow colder...

As the weather cools, we wind up spending more time indoors. Unfortunately for those of us with indoor allergies, that can stuff up our noses and make us miserable.

Although you might remember to clean the filter on your air purifier and air conditioner, what about the other filters in your home?

Clean out and replace filters on your central heating and cooling system as well as your gas furnace. Dirty filters reduce airflow, which puts a strain on your system.

In the kitchen, be sure to clean the filters on your range hood and microwave fans. Not all models contain filters. But if they do, take them out and clean off all the grease and debris. That way, the fan won’t blow out all the germs and grit next time you run it.
But Wal-Mart shares have plenty of room to run. And it’s the perfect stock for both global growth and if you’re worried about the state of the economy.

**WAL-MART WON’T FALL VICTIM TO THE ‘DEATH OF RETAIL’**

You see, Wal-Mart is one of the closest things we have in the market to a “recession proof” stock.

In times of economic downturn, folks with less money turn to Wal-Mart because of its low prices. When times are good, folks with rising incomes spend more at Wal-Mart on items they want.

That’s reflected in the stability of the stock price. Over the last eight market corrections (declines of 10% or more in the S&P 500 Index), the average drawdown of the S&P 500 was 24%. This includes two of the worst market crashes of all time, the dot-com bust and the financial recession. Meanwhile, Wal-Mart’s share price only dipped during those periods by 3% on average.

Wal-Mart also thrives when the market is up. Over the last 10 years, Wal-Mart outgained the broad market by 12%.

Wal-Mart is in position to succeed, and even flourish, under any market condition.

With the growing economy that we have today, we want to make sure our investments are participating in the rally. If you can’t grow sales under these conditions, you’ve got problems.

That’s why same-store sales are so important. The metric tells us if more people are shopping at Wal-Mart, while factoring out the effects of store opening, closings, and acquisitions. In the latest quarter, same-store sales climbed 1.7%, making it the 12th-consecutive quarter that Wal-Mart’s same-store sales grew in U.S. after a 2014 lull.

Wal-Mart has always been a company with thin profit margins. On every dollar of sales, it only earns about 2.6 cents in profit.

But like its competitor Amazon, that’s because it spends a lot of money on expansion, logistics, and building its digital presence. Wal-Mart spent more than $10 billion on capital expenditures in the last year.

You should consider, though, that those investments lead to productive assets that will produce profits in the future.

One way to measure those profits is through a metric called return on invested capital (ROIC). Return on invested capital takes net income after tax divided by total equity and long-term debt. We’d consider an ROIC above 10% as healthy.

The ROIC for Wal-Mart is 12.6% – putting it in the top third of all companies in the S&P 500. Wal-Mart is not only willing to shell out the money to develop, but turns that capital into profits.

Even though we’ve talked about lots of big numbers, Wal-Mart’s got low levels of debt and $6.5 billion of cash sitting on its balance sheet.

Wal-Mart’s also a company that focuses on rewarding shareholders.

Wal-Mart is in an elite group of stocks called the “Dividend Aristocrats” – companies in the S&P 500 that increased their dividend payment for 25 consecutive years or more. (By the way, these are my favorite companies to go shopping for stock ideas.)

We can expect the dividend to keep increasing. By buying Wal-Mart today, you’ll start out with a 2.6% dividend yield. Along with the dividend, it bought back $9.4 billion worth of shares in the last 12 months.

That brings us to the main reason Wal-Mart is a great buy today... its low price.

As longtime subscribers know, I love when companies produce cash. While Wal-Mart’s got tight profit margins, it still manages to produce $17 billion in free cash flow (FCF) per year.
And when looking at valuation metrics for a company the size of Wal-Mart, I always like to compare its price with its FCF. (That is, comparing its market cap to operating cash flow minus expenditures.)

Unlike a standard price-to-earnings ratio where accounting can skew the numbers a bit — you can’t fake FCF.

That makes Wal-Mart a bargain today.

Most people know Wal-Mart’s business. Telling your friends that you bought Wal-Mart won’t make you the hit of the party. People might even laugh at you... I understand there’s nothing flashy about it. Let someone who claims they found the next hot tech stock steal the spotlight. That’s fine.

If we can make a 70% gain in the next two to three years on one of the safest stocks in the market, we know we’re really the smartest guy at the cocktail party.

And you don’t come across many chances to buy companies like Wal-Mart at a discount.

In an interview with Businessweek early in his Jet.com days, Lore said, “If someone is unhappy here and doesn’t see an opportunity for growth, OK, good luck, go to Wal-Mart.”

Apparently, he figured out the wisdom of that advice... After all, that’s where the money is.

Currently, Wal-Mart shares trade for 14 times its FCF. Other world-dominating companies like Coca Cola (KO) and McDonald’s (MCD) trade for 30 and 32 times FCF, respectively.

ACTION TO TAKE

Buy Wal-Mart (NYSE: WMT) up to $90 per share. Please use a 25% hard stop to protect your capital. And follow our position-size rule of limiting individual stock holdings to 4%-5% of your investing portfolio.

THIS COMPANY’S ADVANTAGES KEEP GETTING BIGGER AND BIGGER

When we recommended shares of Alphabet (Nasdaq: GOOGL) (formerly known as Google) last year, we wrote:

You may think it’s a search company or an advertising company. But Google’s real focus is “machine learning.”

Google, more than the other tech companies, knows how to process data and turn it in to real, useful information.

This month, Google held an event to announce new hardware like phones and speakers... But all the exciting developments were in the machine-learning advances the hardware contains.

For one, Google is offering a set of earbuds that can translate spoken language into your ear in real-time.
My Most Controversial Topic Yet

I'm a contrarian at heart.

Over the years, I railed against the medical industry and Big Pharma for their bad science and greedy pill pushing.

You might also remember me calling out doctors when the H1N1 “swine flu” hysteria was all the rage in 2009... warned you of the overblown Zika hype... and battled back when the World Health Organization tried to take our bacon away.

Those were unpopular stances at the time. (Except for my bacon battle... after all, who doesn’t love bacon?)

One of my most unpopular views was my strong opposition to flu shots.

I’ve argued for years that they were unsafe and unnecessary. I never got one because I was always in great health with a robust immune system.

But lately I’ve started to rethink my position. And you should, too...

My medical background allows me to be a scientist first. That means I don’t waste time on political divides or arguments... I want to see the data and base my decisions off them. Sometimes, new evidence changes my opinions.

That’s what happened with flu shots. There’s new evidence about the vaccine providing heart protection that convinced me, but I’ll get to that later. Let’s start with a little background...

Each year, the flu kills on average about 23,000 Americans. At its lowest death toll in recent history, during the 1986 to 1987 flu season, only 3,349 people died. But at the highest, during the 2003 to 2004 season, it killed 48,614.

Scientists isolated influenza, a viral infection, in 1933, which led to the first vaccine. It was a live, attenuated vaccine, meaning the virus was still active, but altered so it was not as infectious.

In the 1940s, doctors discovered more strains of influenza, so they created a vaccine containing two strains, a so-called “bivalent” vaccine. Today, we know of dozens of strains of the virus. The ones responsible for serious illness and death are Influenzas A and B. These days, we can get up to four strains of influenza in one shot – called a “quadrivalent” vaccine. It usually contains two strains of an A virus and two from the B family.

The problem with influenza is that it’s able to evolve quickly and easily. Over the course of one flu season, the stronger strains of the virus last longer. In fact, any versions of the virus that contain mutations can slip past antibodies and survive longer. That helps the virus evolve into stronger strains that can better infect and spread.

That’s why we need new vaccines each year.

Every year, scientists gather all the known data from folks who had the flu the previous season. They try to predict which strains are likely to show up in the next flu season.

Sometimes the virus changes quickly after scientists formulate that year’s vaccine. It’s why the flu shot is only about 60% effective in healthy adults.

Still, it lowers the risk of contracting the flu as well as dying from any complications of the flu. And older folks...
So triggering this receptor reduces inflammation and seemingly protects heart tissue.

Researchers are now studying different types of flu vaccines to develop a possible heart-disease vaccine. This is really exciting. Regular readers and friends know I’ve long thought that most diseases we face are infectious. I’ve been laughed at because of my thoughts about the connection between infection and diseases like heart disease and age-related macular degeneration.

Remember, infections lead to chronic inflammation, which damages our body’s systems. That leads to heart disease, diabetes, Alzheimer’s, strokes, and many more illnesses in my opinion. Stemming widespread inflammation is key to getting these diseases in check.

Heart protection was enough to sway me, but what about the other arguments... including those so-called “dangerous” side effects?

WHAT ABOUT SIDE EFFECTS?

Some folks raise concerns about side effects from the flu shot. The most common side effects are soreness at the injection site, headache, nausea, and fever. The most reported is soreness, which about 64% of people experience.

But fever, the most serious, is only in about 1% of vaccinated folks. That’s the same rate for side effects from Viagra like nausea and changes in blood pressure.

As for preservatives, they won’t cause any problems unless you’re allergic. Thimerosal breaks down into a type of mercury that’s too large to cause problems. We pass it out of our bodies within a week. And as for the other preservative, formaldehyde, we ingest more when we eat foods like pears and mushrooms than what’s in a vaccine.

Another popular argument is Guillain-Barré syndrome. This is a disease where your immune system begins attacking your nerve cells. Recovery usually takes a few weeks.

Only about 3,000 to 6,000 people in the U.S. get Guillain-Barré each year. The most common cause is a previous infection, usually from the bacteria *Campylobacter jejuni*. This is the main culprit in most food-poisoning cases. Viruses like cytomegalovirus or influenza also trigger the condition. The flu vaccine...
rarely causes the condition, with estimates somewhere in the one in one million range. In fact, getting the flu increases your chance far more... making vaccination a more reasonable option.

Taking control of your health starts with prevention. That’s why this year, I’m getting my first flu shot.

Here’s a bonus idea, too... Recent studies show better effectiveness if you get it while you’re in a good mood. Sounds like I’ll need to listen to some Gilbert and Sullivan on my way to get vaccinated. I encourage you – particularly those over 50 – to join me in protecting your heart and your health this season.

Here’s to our health, wealth, and a great retirement,

Dr. David Eifrig, MD, MBA

Buffalo, New York
October 11, 2017

OUR CASH PAYOUTS COULD BE COMING SOON...

The Trump administration has released a framework for its tax plan... and the early word is good for our repatriation investments...

Keep in mind, we don’t have the full plan yet, just a framework. And even then, it will change as politicians jockey for support and special concessions. But it includes clear plans for a repatriation holiday.

We still see few objections in Washington to a repatriation holiday. The idea is popular among both Democrats and Republicans.

The only opponents of repatriation argue that companies won’t use the tax holiday to expand or hire workers. Rather, they’ll use it on dividends and buybacks that enrich shareholders. Fine by us... We already put ourselves in place to grab some of those profits.

We released a report outlining the 10 stocks we felt could make the biggest gains from a repatriation windfall called, “Get In, Get Paid: The 10 Best One-Day Cash Event Stocks.”

When the money comes back from overseas, we think these companies will pay out special dividends.

But even leading up to that, these stocks have been rising in value on the various twists and turns of tax reform. The average stock is up 5.7% since we published in July, compared with 4.8% for the S&P 500.

We’ll keep our eye on the developments in Washington.