

Common Sense & Accumulating Wealth: The Secrets To Creating A Fortune For Retirement



**In our years of working with American families,
we have found there is only one sure fire way
to accumulate wealth....**

PAY YOURSELF FIRST!

**Put yourself at the head of the bill paying line.
Start putting some of your money away on a
consistent monthly basis and then leave it there.**

Yes, it is that simple!

**All the hype about investing in stocks, bonds,
mutual funds, Roth or regular IRAs, 401k's
or any of the other investment vehicles doesn't matter.**

**It's all about starting to save RIGHT NOW
and then leaving it there to grow.**

The 10 Most Common Wealth Accumulation Mistakes



Procrastination. This is the biggest money mistake of all – putting off until tomorrow what should have been done yesterday. This is simply financial suicide on the installment plan.

Failure to Establish Definite Financial Objectives and Implement a Plan for Reaching Those Objectives. People do not plan to fail - they simply fail to plan. They fail to set specific objectives and implement a workable plan for realizing those objectives.

Ignorance of the Time Value of Money. Most people do not understand the tremendous potential of compounding money over a period of time. It amazes most people to learn that \$10,000 invested every year, earning only 9% interest, can grow to more than \$1 million in 26 years.

Failure to Recognize the Impact of Inflation. Inflation reduces the purchasing power of dollars over time. The purchasing power of \$100,000, 10 years down the road is only \$67,556 at an inflation rate of just 4 percent.

Lack of a Clear Understanding of Tax Laws. Failure to Implement Strategies to Legally Avoid Taxes. Income, estate, and gift taxes can be substantially reduced or eliminated altogether through effective tax planning. Understanding implications of tax laws can result in fewer dollars making the one-way trip to Washington.

Failure to Diversify Your Investment Portfolio. Taking Unnecessary Investment Risks. Each individual must determine his degree of risk tolerance and formulate a balanced and diversified investment portfolio.

Inadequate Protection Against Unforeseen Losses. Life, home, health, auto, disability, liability and other forms of insurance are mandatory today to protect against unforeseen and catastrophic losses.

Letting Family Spending Run Wild. Lack of discipline in spending habits can cause even the best-laid plans to fail.

Unrealistic Expectations. It takes time to build an estate. Too many people expect dramatic results too fast and become disenchanted when get-rich-quick schemes do not materialize.

Failure to Use Professional Advisors. None of us can expect to live long enough to become expert at everything – especially the intricacies of efficient financial planning. We need to surround ourselves with professionals who are specialists in their areas and rely on a qualified financial planner to coordinate the efforts of the entire financial team.

Procrastination!

The Biggest Obstacle to Accumulating Wealth...

Have you ever said; *“We can’t afford to put any money away right now. As soon as we _____, then we will start saving”*

The problem is that we always seem to have somewhere else to put our money.

There is never an ideal time to start saving, and you can always find a reason to put it off! Procrastination is the primary cause of financial failure and it will do more harm than receiving the worst investment advice or picking the worst investment vehicle. If you want to accumulate wealth and be financially independent, you need to start right now to **PAY YOURSELF FIRST**.

The Actual Costs Of Procrastination

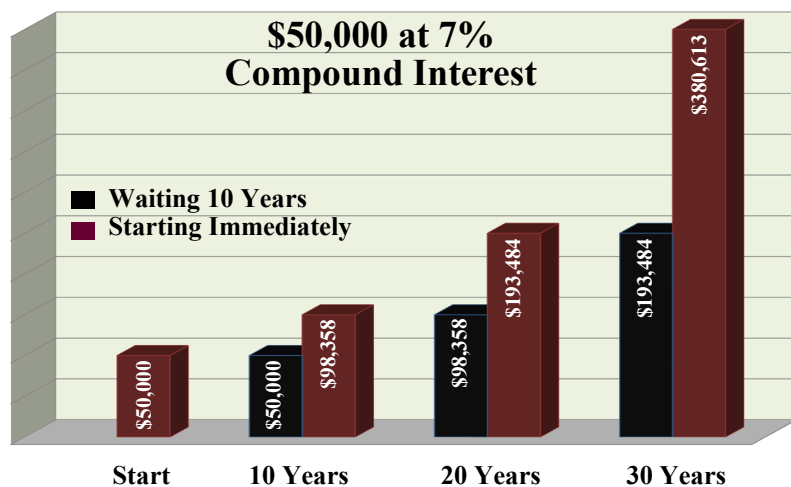
Consider, if at age 20 you decide that you want to have \$1,000,000 by age 65, you need only save \$113.44 per week in the savings bank @ 5%, but at age 50 you would need to save \$860 per week.

In case you are saying to yourself, I can do better by investing in mutual funds. Even with a 10% return, at age 50 you would need to save \$576 per week to have \$1,000,000 at age 65.

But, you may be thinking I’m plenty young, I’ll wait a few years. I’ll be making more money, and it’ll be easier for me to start. After all, what difference can a few years make?

It makes a
big difference!

Just take a look
at this chart...



Accumulating Wealth won’t just happen. You must determine your goals and then develop a plan to get there...

Setting Financial Goals

Do you have goals for retirement,
college funds for your children, a new
boat, car, or a vacation home?

Or, is it just a dream?



The car is packed, and you're ready to go on your first ever cross-country trip. From the White Mountains of New Hampshire to the rolling hills of San Francisco, you're going to see it all.

You put the car in gear and off you go. First stop, the Baseball Hall of Fame in Cooperstown, New York.

A little while into the trip you need to check the map because you've reached an intersection you're not familiar with. You panic for a moment because you realize you've forgotten your map.

But, you say the heck with it because you know where you're going. You take a right, change the radio station and keep on going. Unfortunately, you never reach your destination.

Too many of us treat financial goal setting the same way. We dream about where we want to go, but we don't have a map to get there.

What is a map? In essence, the written word.

What is the difference between a dream and a goal? Once again, the written word.

But, we need to do more than simply scribble down some ideas on a piece of paper. Our goals need to be complete and focused, much like a road map.

If you are serious about accumulating wealth, then you need a road map to get there...

Life consists in what a man is thinking of all day.

-Ralph Waldo Emerson

A Financial Plan, Is Your Road Map To Accumulating Wealth...



Many financial problems occur in each of our lives. How we face these problems can determine the quality of our lives, and the lives of our loved ones.

Problems In Common

Some of the financial issues which each person can expect to face during his or her lifetime are:

A. Cash Management: More than just keeping a balanced check book, cash management includes preparing (and following) a budget, using credit wisely, and keeping the income tax burden to the lowest possible.

B. Risk Management: There is risk of loss of both life and property. **Life insurance** can be used to protect a family against the risk of premature death. **Disability insurance** can protect against the loss of a person's ability to earn a living. **Property and casualty** insurance can protect our worldly goods against accidents and such perils as fire, flood, earthquake and theft.

C. Accumulation Goals: We all need to "save" money for some reason. Education for our children is one very common goal. Buying a home and building an investment portfolio for retirement are two other typical accumulation goals.

D. Financial Independence: It is important to take steps now to insure that the "golden years" are, indeed golden.

E. Estate Planning: Recognizing that death is inevitable, we all need to plan for the ultimate transfer of our assets to our heirs.

Solving The Problems In A Complex World

Solving these problems in today's world is not easy. Three basic steps are involved. The **first step** is to recognize that in our complex, ever changing world, expert help is required.

There is a need to assemble what can be called the **financial planning team**. Trained professionals such as your attorney, CPA, life insurance agent, securities broker, and financial planner are generally members of this team.

With the help of your team, the **second step** can be taken: the development of a systematic, integrated plan for dealing with each of these issues. This is called developing a financial plan.

The **third step** is finding the money to fund your financial plan...

You can choose to ignore these problems until it is too late. Or, you can begin the process to develop a financial plan. The most important step is the first one.

Funding Your Financial Plan Is Simple, Just... 'Pay Yourself First'



Does this sound familiar?

Every month we all have to sit down and pay our bills. We deposit our paychecks into our checking accounts, and then we set about paying the monthly bills. Generally we pay the mortgage first, then car payments and other loans, followed by the phone bill and utilities. We save the credit cards for last, and depending how much we have left in the checking account determines how much we will pay to each credit card company. By the time we are done, our checkbook balance is at or near zero.

We promised ourselves that we'd save some money this month, but as usual there is nothing left. In fact, we barely had enough to pay the bills themselves.

There is a remedy to this all too common problem, you must **Pay Yourself First**. Before you pay any other bills, write a check to Yourself for \$50 or \$100 or more before your checkbook runs out of money.

If you're concerned that you will run out of money, consider don't you always run out of money anyway. This way, you'll run out of money *after* you've paid Yourself. And, isn't that the point.

The best way to **'Pay Yourself First'**, is to make it automatic...

Benjamin Franklin said, "A penny saved is a penny earned."

When you understand that a portion of all you earn is yours to keep
but not to spend, great wealth won't be far behind.

Invest Automatically Through Payroll Deduction or Automatic Bank Drafts...



The automatic payroll deduction plan or automatic drafts from your savings or checking account forces you to save on a regular basis. It provides your investment program a measure of discipline. Something most of us need. You'll protect yourself from your emotions and the natural tendency to cease investing in a weak market or when your money is tight.

Investing on an automatic basis, is the best way to follow through on the “**Pay Yourself First**” strategy.

By using automatic deposits, you are also following one of the most time honored investment principles "Dollar-Cost Averaging". Your money will be invested at a lower average price and your financial plan will run on autopilot.

Dollar-cost averaging is a basic investment strategy favored by many financial experts. This approach takes advantage of Wall Street's only certainty: Bond and stock prices fluctuate. With dollar-cost averaging, you make the market's natural volatility work for you by lowering the average price you paid for your shares. All you do is invest equal amounts in an equity at regular intervals.

Because the amount you invest remains constant, you are able to buy more shares when the price is low and fewer shares at a higher price. As a result, the average cost per share - will always be lower than the average market price of the shares.

There's no magic to it - just simple arithmetic.

It's Easy To Become A Millionaire



As strange as it may seem, and contrary to the ‘nay sayers’, it is possible for everyone of us to accumulate \$1,000,000 before we reach retirement age. And, it doesn’t take luck, special knowledge, or some new fantastic investment vehicle.

What it does take is a little discipline, planning and practicing the simple concepts we discussed earlier.

Using the table below, for someone age 25, all it takes is saving \$285 per month @ 8% to have a \$1,000,000 at age 65. So, it is definitely possible.

Monthly Amount Needed To Have \$1,000,000 @ 65		
Starting @ Age	8%	10%
20	\$189	\$95
25	\$285	\$157
30	\$434	\$262
35	\$667	\$440
40	\$1,047	\$750
45	\$1,686	\$1308

But, you say **“I don’t have \$285 a month that I can save right now.”**

I understand, none of us has any extra money...

However, you must start somewhere. And, you must start today. Even if it’s only \$50 or \$100 per month right now.

Why?

**You Could Be Retired For
25 Years, 30 Years Or Longer...
And, Be In Good Health...**

PEOPLE ARE LIVING LONGER TODAY!

Average Life Span

1900.....47 Years

Today.....80 Years



Average 65 Year Old

Living to age 90:

1940.....7%

1960.....13%

1980.....25%

2025.....49%

...More Years in

Retirement

That Presents A Serious Concern...

**Will You Have Enough Money to
Enjoy Your Retirement Years?**

Inflation Is Eroding Your Future Spensible Income...



Each year with inflation, the cost of health care, food, and almost everything else we need and want keeps getting more expensive. This is bad news for all of us and it is especially bad news for retirees who are on a fixed income and have limited cash reserves. And, someday that will be you...

Each year as everything gets more expensive, retirees will either have to cut back on their expenses and / or start taking more and more from your savings. In many cases, this means they will eventually be forced to start depleting their cash reserves, and hope that their money will last until they die.

A simple inflation rate of 4% means that in just 10 years, a retiree will need to spend almost 50% more in order to maintain their same standard of living. If they are currently living on \$50,000 of income, they will need to increase it to \$74,000. What will it mean in 20 or 30 years? Right Now Inflation is at 40 Year Highs, if it continues and the 8% or 9% it averaging now, in 10 short years you will need over double the income you have now to survive!

While we can't stop prices from rising, we can maximize our wealth accumulation now to make sure we don't run out of money during our retirement years...

Impact Of Inflation



1980 = \$7,200
2024 = \$49,741**

+625%

2064= \$281,444



1980 = \$.50
2024 = \$2.54*

+508%

2064= \$12.90



1979 = \$4.00
2024 = \$10.78*

+262%

2064 = \$27.48

**SOURCE: USA TODAY -

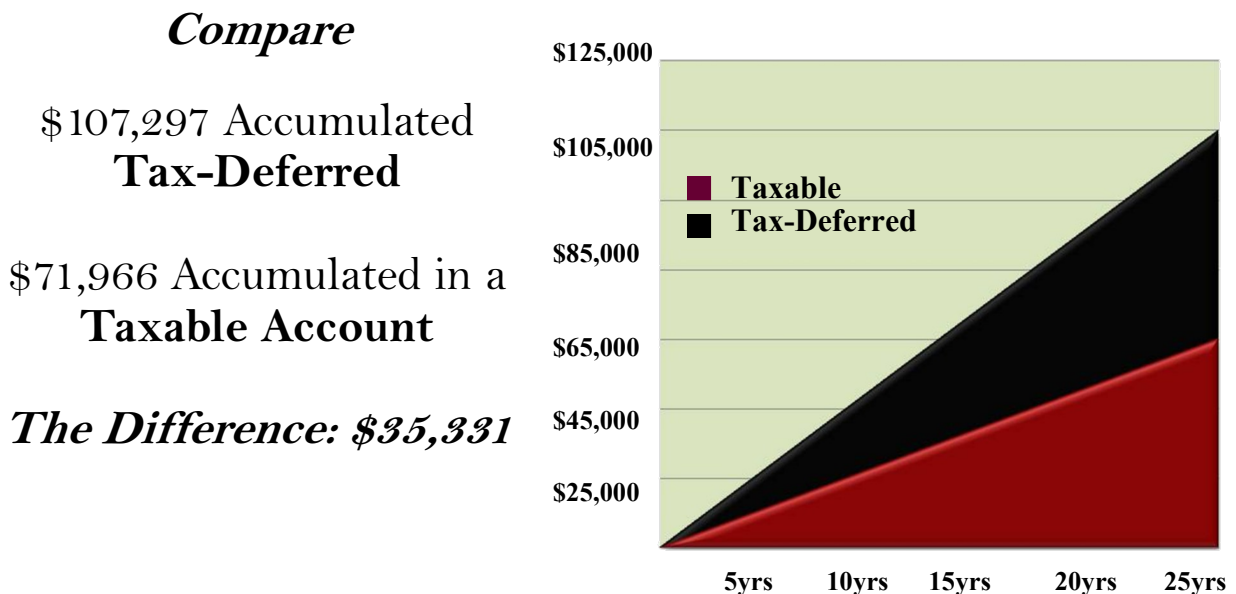
*<http://www.thepeoplehistory.com/pricebasket.html>

Tax Deferral Is The Secret To Making Your Money Grow...

Don't Pay Taxes On Your Money Until You Use It...

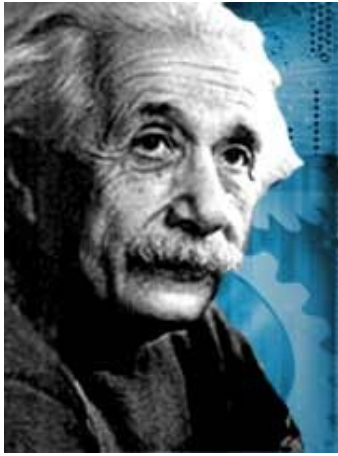
To illustrate the increased earnings capacity of tax-deferred interest, compare it to fully-taxable earnings. A \$25,000 investment at 6.0% will earn \$1,500 of interest in a year. A 28% tax bracket means that approximately \$420 of those earnings will be lost in taxes, leaving only \$1,080 to compound the next year. If these same earnings were tax-deferred, the full \$1,500 would be available to earn even more interest. The longer you can postpone taxes, the greater the gain.

Tax-Deferred vs. Fully Taxable



That's 50% more money to generate income during your retirement...

Even if you have to withdraw the entire value from your tax deferred account after the 25 years and pay all the taxes, you'd still have \$84,254.



Compounding Interest, Time, And Tax Deferral Are An Unbeatable Combination...

It is reported that Albert Einstein, on his death bed, was asked to name the greatest discovery of the 20th century. Most people expected him to refer to his theory of relativity, nuclear energy, or some other important development. His answer however was: Compound interest. Was he kidding?

Look at these figures, coupled with tax deferral, then you decide.

If you were to invest \$10,000 at 5% tax deferred interest for 20 years, your profit from the investment would be \$16,532. But if you doubled the rate of interest to 10%, how much money would you earn?

Although it would seem that doubling the rate would double the return, this is not the case. Increasing the rate by 100% increases the *return* by 369%. In other words, instead of earning \$16,532 in interest, you would earn \$57,275.

That's the power of compound interest, time and tax deferral:

Money doesn't grow linearly - it grows exponentially!

Investing monthly works just as well as when investing a lump-sum: If you invest \$100 a month over 20 years tax deferred, you'll have invested a total of \$24,000. At 5%, your money would earn \$17,103 in interest, but doubling the rate to 10% would once again increase your profit by 369%, just as before.



Data Shows Investors Select Funds Using Incorrect Criteria

Today, in an effort to avoid the middleman and avoid fees, many people are turning to financial magazines and the internet to select their mutual funds. Unfortunately, we believe that these people are using the wrong criteria to determine which mutual fund to invest in.

When selecting a fund, many investors are looking at past performance. Whether you use actual historical performance data or fund ratings based on historical performance data, studies show that this is an unreliable forecaster of future performance.

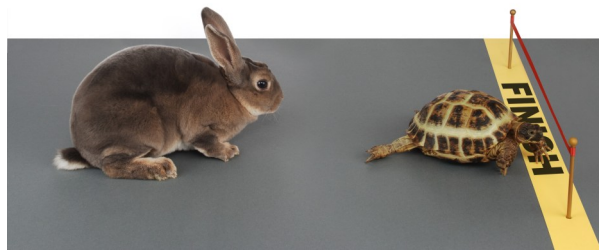
In a article by Eric Tyson, a financial columnist, summarized after studying fund performance figures over a 15-year period, "Over the subsequent 3, 5, and 10-year periods, a whopping 80% of these "star" funds performed worse than the average similar fund." A similar Morningstar study looked at 5 years of fund data and also found that past performance was a **very unreliable predictor of future performance**.

I believe the problem with using historical data is, that by the time a fund is reported as a top performer, it's performance has already peaked and has nowhere else to go but down.

So how do you pick a good mutual fund?

We believe it is important to select an investment advisor who is affiliated with one of the larger broker/dealers. The larger broker/dealers have a staff that researches which mutual funds have the potential to be the next top performers and they provide their advisors with a mutual fund recommended list.

Remember, there are over 9,000 of mutual funds to choose from. It is unlikely that any one individual can do enough research to be able to pick the best performing funds for the future? It is more likely to pick a loser than find the winner.



The Tortoise Vs. The Hare

Equity investments such as stocks or mutual funds frequently have flashes of brilliance, but occasionally fall back. Most investors would be pleased with gains in four out of every five years. But, do the great years offset those years with a poor or a negative return?

This is the question frequently asked by persons purchasing the new breed of deferred annuities, and trying to contrast the level performance with stocks, mutual funds, or variable annuities.

If you started with a \$100,000 deposit, which strategy would produce a higher cash balance in five years?

<u>Year</u>	<u>The Hare</u>	<u>The Tortoise</u>
1	20% gain	8% gain
2	21% gain	8% gain
3	10% gain	8% gain
4	(16% loss)	8% gain
5	10% gain	8% gain

The answer is that both of these strategies would produce exactly the same result of \$147,000.

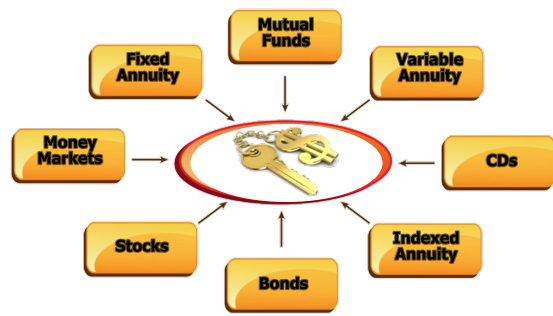
What does this tell us?

'Consistency Out Produces Flashes Of Brilliance!'

This poses an important question;

'Where is the justification for taking the much higher risk associated with equity investments?'

The Key To Successful Wealth Accumulation... “Diversification”



There is an old adage about not putting all your eggs in one basket. It's sound practical advice. Everyone should diversify their portfolio to minimize their investment risks. The truth is that it is impossible not to put your investments at risk. Even a bank account places your money at risk, if only from taxes and inflation. Every investment choice involves risk. The key is knowing which risks are appropriate.

Most people are willing to gamble small amounts of money, as shown by the popularity of lottery tickets, casinos, and football pools. All gamblers know they can't earn big money unless they're willing to take big risks. The secret is to learn how to take risks properly, by balancing your portfolio. You want to spread your assets so, that if one asset is going down another will be going up.

Say you have \$25,000 to invest for 25 years. If you choose a 5.25% CD, your account would grow to \$96,621 (ignoring taxes).

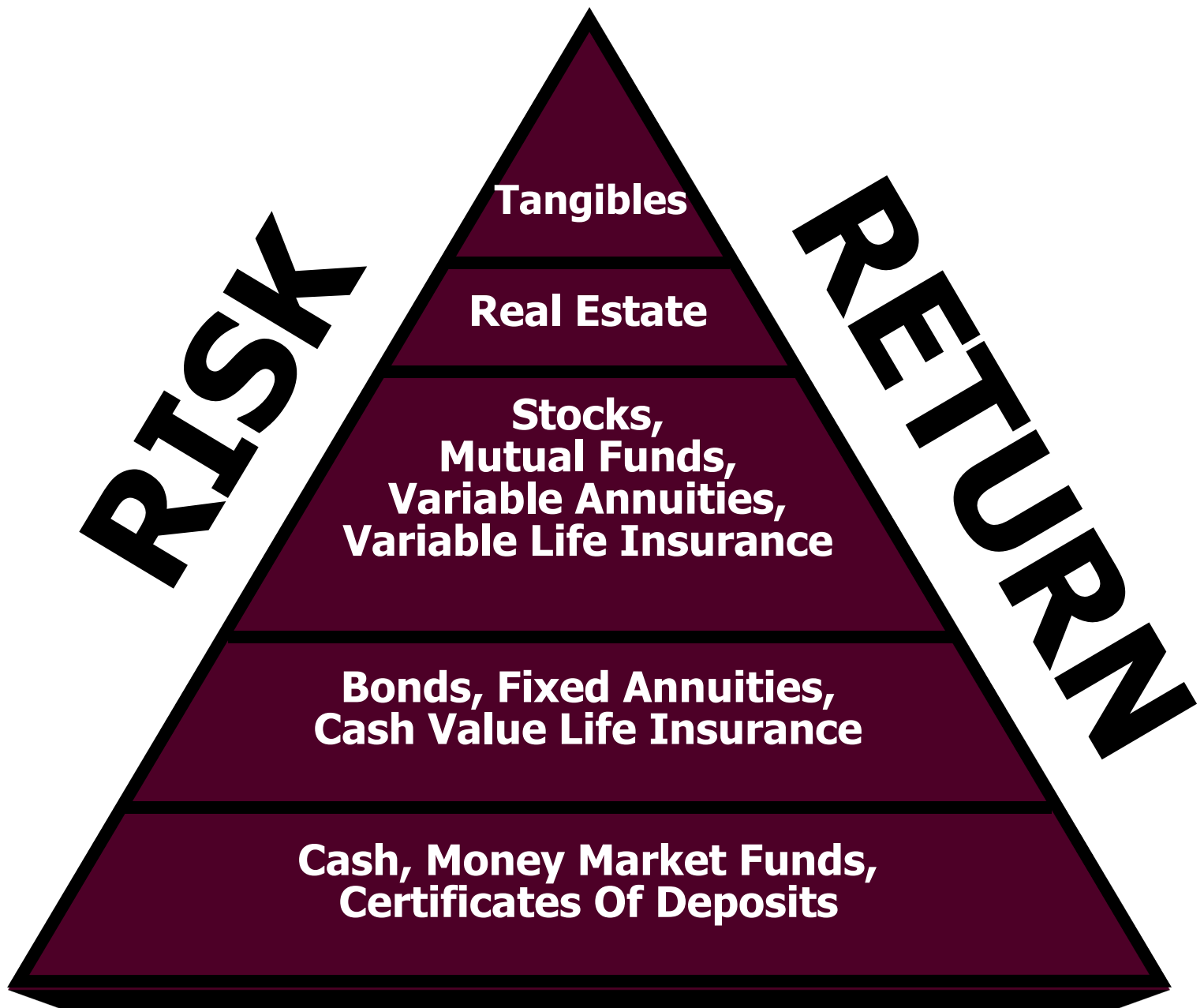
On the other hand, let's say you split your \$25,000 evenly into five piles as follows:

- With the first pile, **you buy 5,000 lottery tickets**, and like almost everyone else who plays the lottery, you lose it all. Thus, after 25 years, the ending value of this \$5,000 is zero.
- With the second pile, **you bury it all under your mattress**. Thus, by earning no interest for 25 years, this \$5,000 remains \$5,000.
- With the third pile, **you open a bank savings account** at 2% interest, where it grows to \$8,240 over the next 25 years.
- With the fourth pile, **you buy a bond** earning 7%. This pile grows to \$28,627.
- And with the fifth pile, **you invest in the stock market**, earning 12% per year. At that rate, your \$5,000 will grow to \$98,942.

In total, you have \$140,809 - \$44,188 *more* than if you had invested the entire amount in a CD - even though you lost *all* of the first pile, earned *nothing* on the second, invested in bank accounts with the third, super-safe government bonds with the fourth, and "gambled" in the stock market only with the last fifth. How can this be?

This result is possible, thanks to ***diversification and portfolio balancing***. These simple principles recognize that the maximum loss of any investment is limited to the amount you invest, but the maximum gain is unlimited.

Thus, the profits from earning 12% on the fifth pile more than compensates for the losses incurred in the first pile. Even though part of your money might go down in value and other parts may earn less than acceptable returns, only one small part of your money needs to earn above-average returns to make your overall return far higher than if all your money had been placed into just one mediocre (but safe!) investment.



Financial Pyramid

Why Insurance?



It's about old fashioned family values. It's protecting the people you love and who are dependent upon you. It's the best way to create a safety net to preserve your family and your lifestyle, dreams and aspirations in the event of death, disability or illness.

Survey after survey shows that the reason people put off important financial decisions, such as insurance purchases, is their lack of knowledge. What's needed is better education about life's unexpected events and a better understanding of the benefits insurance provides for us and the people we care about.

We all know that we are going to live forever, and we are never going to get sick or injured, right? So why do we need insurance? The Facts:

- at age 25, out of 100 people, 29 will not make it to age 65. Out of 1000 people, 2 will not make it to next year.



- At age 35, you have approximately a 41% chance of suffering a long term (90 days or longer) disability prior to age 65. The average duration of a disability that has lasted at least 90 days is 5.1 years.



- The national average cost of care for just 1 year in a nursing home is approximately \$60,000; in major cities like Boston, New York City, etc. long term care can be as high as \$70,000 to \$100,000 annually.

- 45% of people who reach age 65 will need long term care at some point in their lifetime, with around 60% staying an average of 3.1 years. LTCtree.com Staff Research May 2007



Life Insurance

Welcome to the greatest responsibility of your life. It's only natural you'd want to protect your family every way you can. Life insurance is the foundation of any sound financial plan. It provides financial security for your family by protecting your financial resources against the uncertainties of life.

Life insurance provides cash to your family after your death. The money your family will receive can help pay the mortgage, run the household, send your kids to college, or ensure that your dependents are not burdened with debt. The proceeds from a life insurance policy could mean that they won't have to sell assets to pay outstanding bills or taxes. What's more, there is no federal income tax on life insurance benefits.

Why Most People Need Life Insurance?

Many people believe, as they get older and their kids are gone, they won't need to worry about life insurance. So, they can buy term insurance now.

But, most older people do need at least some life insurance. While in many cases, our relative need for insurance decreases as we get older, our absolute need may actually increase due to inflation. A person who earned \$10,000 in the 1960s might have carried a \$100,000 life insurance policy--10 times their annual salary. But that same person might retire today on \$50,000 a year. Now that \$100,000 policy is only twice their annual salary.

If no one is financially dependent on you, and all potential liabilities are covered in the event of your death, such as funeral expenses, or mortgage payments until the house is sold, then you may not need life insurance. However, there are other needs for life insurance:

Final Expenses - Dying is not free. On top of funeral expenses there are generally many other costs associated with a death. i.e. Medical Expenses, Probate, Deed Transfers, Unpaid Income Taxes, etc.

Lifestyle Support - Most people want to maintain their lifestyle should one spouse die. Accordingly, you'll need to replace the loss of the spouses income. And, if you are retired, you may also need to replace Social Security and/or a pension.

Adjustment Costs - When someone dies, there is an adjustment period for a surviving spouse. It's very common for the survivor to take time off from work, spend a lot of money shopping or going on an expensive vacation. People who are self-employed or who work in a profession that demands a high degree of concentration may suffer a loss of income, in the aftermath of a death.

Pension Maximization - Most workers who have a company pension plan will have to take a reduced pension, to provide an income for their spouse, if they die. (reduction of 20-25%) Under the pension maximization approach, the retiring worker chooses the maximum benefit for the life of the pensioner and then buys life insurance to provide an income for the spouse if the pensioner dies.

Other Needs - Paying off credit cards, home mortgages, car loans, or maybe funding a college education for children (or grandchildren).

Retirement Funds - One of the advantages of permanent cash value life insurance is that it grows tax deferred. You can build up a fairly significant cash value by retirement, which can be turned into an annuity or drawn on (potentially tax free) when you need it, especially in the later years when inflation has eroded the buying power of your pension benefits.

Estate Taxes - The more assets you have in your estate, the greater the potential there is that you will be paying estate taxes. Life insurance, in an irrevocable life insurance trust, to keep it out of the estate, can provide the funds to pay for any estate-taxes. Remember, your estate includes everything you own.

If you don't have enough life insurance or it's term instead of whole life...

Consider shifting funds out of conservative assets, such as certificates of deposit or mutual funds, to buy fixed-income life insurance.

To the critics who argue that people are better off leaving their money in mutual funds, we believe any financial base needs to be conservative. You need adequate savings and insurance before you take investment risks. Life insurance provides part of that base.



A letter from Carol

Dear Raul Ramirez: I am a 48-year-old widow with four children. My husband died suddenly of a heart attack last year. Needless to say, this has been a very difficult time, but thanks to my husband's loving foresight, our family is doing well. Throughout all the years of our marriage, in spite of tight budgets and financial difficulties, he maintained substantial life insurance policies on both his life and mine. Even with my full-time job, I would not have been able to manage had it not been for his insurance money. At least our children's grief over the death of their father was not compounded by the loss of their home and friends.

I am shocked by the number of women who have told me in confidence that they are concerned because their husbands have little or no life insurance. They have two cars, a boat and costly vacations. They give their children music lessons, dancing lessons and orthodontic braces, but they ignore the possibility of what their children would do if the principal breadwinner were to die or become disabled.

Many people have small insurance coverage through their work and believe it is enough. They need to wake up, Ann. It cost me \$15,000 just to bury my husband. I'd hate to think of where I would be now if that dear man hadn't loved us enough to make sure we were provided for after his death. — Carol in Martinez, Calif.

Dear Carol: If ever there was a wake-up call, your letter is it. Thank you for a letter that could make a big difference in the lives of my readers.

"Is Traditional Cash Value Life Insurance A Good Retirement Planning Option?"

"What About Variable life?"

Answer: I think that most people will agree that we have a major problem in this country. Many people are not saving for their future. In fact, according to recent articles and TV reports, saving in the US is at an all time low at over a negative 1%. So, it would appear that any program that gets (or forces) people to save on a regular basis would be a viable investment option. Most families need some life insurance protection. If you need life insurance, and it can double as a savings tool, all the better.

Most financial services professionals agree that people need to be saving at least 10% of their incomes, all their working lives, if they want financial freedom at retirement. Example; If a family is making \$50,000, they need to be saving at least \$5,000 annually. However, many of us are not able to save in our early working years. So, we need to make up for it in our later years. Which means we have to save much more than the recommended 10%. Ira's have a maximum contribution of \$11,000 per year, per married couple (under age 50). There is a phase out of IRA contributions at higher incomes and there is also a cap on total pension plan contributions. Many people need to be putting away more than what they can contribute to their retirement plans annually. They need to find other places to invest for their future. Again, if you need life insurance protection, cash value life insurance can be a viable investment option.

Variable life insurance can be a good retirement plan option, if used properly. It takes around a 12% return in a variable life policy, for it to outpace the returns in a good participating whole life policy or a good indexed universal life policy. In my opinion, if you are going to use variable life, you need to be very aggressive in your choice of separate accounts, to make it a viable option. If you are a conservative investor, you are better off using the traditional cash value life insurance products.

Consider also, that very few mutual funds (separate accounts) have averaged a 12% return during the past 30 years, and this is one of the best time in history for mutual funds????

I'm a firm believer in investment diversification. I also believe that most people need a solid conservative financial foundation. Traditional cash value life insurance can be a very fine tool for that purpose.

Supplemental Life Insurance for Retirement Planning (SLIRP)

Have you ever considered life insurance a potential source of additional funding for your retirement? That's right — life insurance. Life insurance usually is not the first vehicle that comes to mind when you explore the different avenues available for retirement funding. Supplemental Life Insurance for Retirement Planning, otherwise known as SLIRP, is a strategy that uses a life insurance policy structured to generate a tax-free cash flow during retirement.

The funding vehicle for the SLIRP strategy is generally a participating whole life insurance policy issued by an insurance company. This type of policy provides tax-deferred cash value accumulation, tax-free withdrawals contingent upon certain stipulations, and a tax-free death benefit to your beneficiary.

Traditional Sources of Retirement Funding and Their Pitfalls

There are several conventional vehicles most individuals turn to for their retirement income: Social Security, company or government pension plans, and personal investments, such as IRAs and 401Ks. But, as you begin estimating how much income you will need to live securely in retirement, consider these facts:

Social Security may not meet all of your retirement income needs. In fact, the amount of Social Security benefits you will receive is limited to a percentage of your current earnings. Here's an idea of what you can expect from Social Security: if annual earnings are \$25,000, \$40,000, or \$60,000, Social Security can provide about 50%, 27%, or 23% of your annual income, respectively, at normal retirement age.

If you plan to work during retirement, there are limits on the amount of wages a retiree can earn without a reduction in Social Security benefits. The figure for retirees who reach full retirement age in 2016 is \$41,880.

Social Security may also be reduced if you begin collecting benefits before your full retirement age. There are limitations on the amount of compensation that can be considered in pension plan benefit formulas. Most pension plans will replace only 40% to 60% of pre-retirement earnings. Pension plan benefits are also often integrated with (i.e., reduced by) Social Security benefits.

There are also limitations on the amount you can contribute to qualified plans, such as IRAs and 401Ks. Example, individuals can only contribute the lesser of 100% of salary or \$5,500 a year if you are under age 50, if you are over age 50 you are able to contribute \$6,500 to a traditional IRA for 2016.

These pitfalls may force you to depend heavily on your personal assets and other investments to fill your retirement gap.

Whole Life Insurance and SLIRP

In its plain vanilla form, whole life insurance is a tool to protect your loved ones. In return for paying a guaranteed level premium, a whole life policy provides death benefit protection and the ability to accumulate cash value.

Whole life insurance generates cash value on a tax-deferred basis as long as the policy remains in force. A portion of the premiums build cash value each year, providing a safe and convenient way to set aside funds for future needs in addition to providing protection. Over the long term, cash value accumulation can be considerable, especially since taxes on the cash value's accumulation are deferred. The cash value is available through policy loans to help meet financial needs. A participating whole life policy is also eligible to receive dividends, if and when declared by the insurance company issuing your policy. Dividends represent a partial return of premium.

How Does SLIRP Work?

In essence, the SLIRP strategy relies on a whole life policy's cash value and dividends. (Dividends are not

guaranteed nor are current dividends an estimate of future performance.) Here's how it works:

Dividend values, if available, are withdrawn from the policy up to an amount equal to your cost basis. In the case of a life insurance policy, your cost basis generally means the total amount of premiums paid. As long as withdrawals do not exceed your cost basis, there is no taxable distribution. After you reach your cost basis, loans can be made against the policy's cash value and are generally received tax free. Interest will be at current rates, but the loan does not need to be repaid. The interest can simply be added to the amount of the loan. Keep in mind that neither the loan nor the interest needs to be repaid. (The Internal Revenue Code requires that taxes be paid on all gains if you surrender the policy or the policy lapses for nonpayment of premium. Policy loans that exceed your cost basis are treated as gains, if the policy goes out of force prior to death. Your policy, therefore, should be kept in force until death.) The amount of your unpaid loan plus any interest accrued will be deducted from the policy's death benefit before payment to your beneficiary.

The result is a cash flow that can supplement your retirement income.

Additional Advantages of using Whole Life and SLIRP

The 'tax free' income from the life insurance is not reportable on your income tax return. Which means the income is not used in determining whether your Social Security Income is taxed at the 50% or 85% level.

Life insurance proceeds generally bypass probate. Reduces total probate fees.

Life insurance proceeds are generally not income taxable at death. Most other tax deferred savings vehicles are income taxable to your heirs. i.e.: annuities, traditional IRAs, 401Ks etc.

Life insurance is generally not attachable by creditors.

Life insurance, with disability waiver of premiums, is the only self completing investment vehicle available today.

Take the Steps Needed to Supplement Your Retirement

No matter what your retirement dreams are, it's important that you take the time to prepare yourself for a future that's free from financial worry. The responsibility of retirement security and comfort falls squarely on your shoulders. And with Americans living longer, healthier lives, the more sources you can turn to for income in retirement, the more likely you will be able to lead the lifestyle you deserve and expect.

Is Supplemental Life Insurance for Retirement Planning right for you? That depends on your individual retirement objectives. Contact us today for more information on this strategy.

If You Want To Accumulate Wealth... Adjust Your Spending Habits & Your Priorities...



Have you ever withdrawn \$60 from the bank, to asked yourself a few days later where it all went?

Let's take a look at an average working couple.

Everyday on their way to work, they stop and each buys a newspaper (\$.50), a cup of coffee (\$1.25), and a Bagel (\$1.50). Later, they buy their lunch (\$5.00) and for their mid-afternoon break, they buy a candy bar (\$.75). Everyday they are each spending \$9.00. With an average of 22 working days per month, they are spending a total of \$396 per month, or \$4,752 per year. Is it any wonder that they can't seem to save any money?

Are you doing roughly the same thing?

Are you letting your hard earned money trickle away?

Where is all your money going?

How many TVs do you have in your home? Cell Phones? How much do you spend on dry cleaning each month? How many times do you go out to dinner each week or how often do you stop to have drink with your co-workers? It all adds up and fast.

If you want to accumulate real wealth and be financially independent, isn't it time to adjust your priorities and make some changes in your spending habits?

The S&P 500 Index Has Consistently Out Performed 95.9% Of The Stock Mutual Funds*

Startling Facts:

- As of the 1st quarter of 1999, there were over 3000 stock mutual funds for investors to choose from. Out of those 3000+ funds, only 414 of those funds had a performance history of 15 years or longer. And, only 17 (or 4%) of the 414 stock funds that had a 15-year performance history beat the market S&P 500 Index by at least 1%. **And, that was during one of the best times in history for the stock market and mutual funds.**
- Your broker (who is a sales person) will probably tell you that each year approximately 15% of actively-managed stock funds out perform their respective indices. Unfortunately, what your broker isn't telling you is that the 15% of funds which beat the S&P 500 Index last year, aren't necessarily the same 15% that beat the S&P 500 Index in prior years. While there may be a couple of index-beating funds every year, the chance that those funds will remain among that 15% for an extended period is **astronomically low**. This inconsistency is what makes it so hard to select a good fund -- last year's biggest winner may well be this year's biggest dog.
- The top 10% of funds in any 12 month period since 1988 dropped to the 48th percentile the following year. During the same period, only about 40% of the past performers had better than average performance the following year.
- “39.4% of 614 aggressive growth funds crashed between 1962 & 1995” - “if you had chosen your funds from among each year's stars, you would have bought lots of funds that expired.” Jason Zweig - Money Magazine / August 1997

* William Sharp - www.efmoody.com/investments/pastperformance.html

Historical S&P 500 Index, with annual % change

(S&P 500 Returns base on Yahoo Finance, S&P 500 table, Starting Jan 1, Ending Dec 31 each year.)

<u>End of Year</u>	<u>Index</u>	<u>% of Change</u>	<u>End of Year</u>	<u>Index</u>	<u>% of Change</u>
1979	107.94	+12.31	2002	879.82	(23.36)
1980	135.76	+25.77	2003	1111.92	+26.38
1981	122.55	(9.73)	2004	1211.92	+8.99
1982	140.64	+14.76	2005	1248.29	+3.00
1983	164.93	+17.27	2006	1418.30	+13.61
1984	167.24	+1.40	2007	1486.36	+3.53
1985	211.28	+26.33	2008	903.25	(38.49)
1986	242.17	+14.62	2009	1115.10	+23.45
1987	247.08	+2.03	2010	1257.64	+12.78
1988	277.72	+12.40	2011	1257.60	(0.00)
1989	353.40	+27.25	2012	1426.19	+13.41
1990	330.22	(6.56)	2013	1848.36	+29.60
1991	435.71	+4.46	2014	2058.90	+11.39
1992	417.09	+26.31	2015	2043.94	(0.73)
1993	466.45	+7.06	2016	2238.83	+9.54
1994	459.27	(1.54)	2017	2743.15	+22.52
1995	615.93	+34.11	2018	2510.03	(8.50)
1996	740.74	+20.26	2019	3230.78	+28.71
1997	970.43	+31.01	2020	3756.07	+16.26
1998	1229.23	+26.67	2021	4766.18	+26.89
1999	1469.25	+19.52	2022	3824.14	(19.77)
2000	1320.28	(10.14)	2023	4769.83	+24.73
2001	1148.09	(13.04)	2024	5881.63	+23.31

If Your Investment Portfolio Had Been Linked To The
S&P 500 Index Over The Past 10 years (2015-2024)
You Would Have 2x Your Money!

The S&P 500 is an unmanaged index which cannot be invested in directly.
Past performance is no guarantee of future results.

“Why Do I Need A Financial Professional?”

“I've met many people who have become successful retirement investors without hiring a professional.”

Answer - There are some people who have become successful retirement investors. However, because they are not working with a financial services professional, many of these same people have neglected many of the other important aspects of preparing for retirement.

There is more to be concerned about during retirement, than having made a lot of money in the stock market, with mutual funds or any other way of accumulating assets.

When you retire, in most cases, it is ‘**not**’ about how much money you have accumulated, it's about how much SPENDABLE INCOME you are going to have during your entire retirement years.

Accordingly, how do you set up your investments to minimize income taxes, estate taxes, etc.? How do you protect your social security from the hidden income taxes?

Which retirement saving vehicles are available and best for your situation; 401K, Sep, Simple IRA, TSA, Roth IRA, traditional IRA, 457 plans, deferred compensation, split dollar, annuities, cash value life insurance, etc..

How about make-up provisions in these retirement vehicles? Are there things you can do to maximize your company pension?

Do you need Long Term Care, Life Insurance or Disability Income and how much? How will divorces and former spouses, affect your retirement income?

If you do a real good job of accumulating assets, how much of what you have accumulated do you want to pass on to your heirs? How do you avoid probate or minimize wealth transfer costs? Should you have a trust, living will, durable power of attorney, etc.? What about charitable giving and more?

These are just a few of the areas that a good financial services professional will address in your financial plan. Everyone needs a good experienced financial advisor. There is just too much information out there that most people aren't aware of, to try to do it all themselves. And, the rules are constantly changing.

The costs of hiring a pro are minimal, compared to the savings and benefits you'll experience long term. **I’m applying for the job...**

So, What's The Next Step?

Let me ask you, is it worth 40 minutes or so of your time to see if you can position your assets to:

- **Reduce or completely eliminate all consumer debt.**
- **Set up a savings plan that will provide significant additional wealth for you in retirement - tax free.**
- **Grow your retirement savings by participating in the up-side of the stock market, without the risk of the down-side, and both your principal and interest are 100% guaranteed!**
- **Protect your assets from law-suits, predators and opportunists.**
- **Legally avoid being taxed on your hard-earned savings!**

Remember, there is no risk, no fees and no obligation.

You have nothing to lose and everything to gain.

Call us today...

Seriously, do it. It could be the single best and most important decision you'll make this year.

Let's Continue the Conversation.

*Have questions about what you've just read?
I'd welcome the opportunity to discuss them with you.*

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AND BOOK A CONVERSATION
WITH RAUL RAMIREZ.