

The following are scripts for our marketing videos, this information *WILL NOT* appear in text copy to the client.

Circle Talk Script

Imagine this circle represents all the money you'll ever have. Your circle is bigger than some, and others are bigger than yours. But there's one thing we all have in common when it comes to our circle of wealth and that is—we want it to grow.

Your circle of wealth consists of three types of money: accumulated money, lifestyle money, and transferred money. Accumulated money represents the dollars you already have saved and those you are currently saving. To increase accumulated money the focus is usually on finding better investments that pay a higher return—often requiring you to assume more risk in the process.

Lifestyle money is what you spend to maintain your standard of living. In order to increase your wealth through lifestyle money, one naturally assumes that they will have to cut back and give up some of the luxuries they currently enjoy—and nobody wants that. Unfortunately the thought of having to give up today to have tomorrow can keep people from taking action but there is another alternative...

This brings us to the third type of money we call Transferred money. Transferred money consists of money you may be transferring from your Circle of Wealth *unknowingly* and *unnecessarily* through taxes, interest, and non-deductible debt.

By far the most common strategy used to increase ones circle of wealth is to go on a financial diet and find investments with higher returns. Our focus is to help you avoid the wealth transfers without you having to change your present lifestyle.

To use a golf analogy, this is the equivalent of buying new clubs in hopes of improving your game. While it is important to have good clubs the greatest impact on your game will come from perfecting your "swing". The reality is—it's not the club—it's the swing!

Suppose we were going to send you to play in the Masters golf tournament, golf's most prestigious event. We have two things we can give you, you can choose one. You can have the clubs of any player who has ever played a round of golf or you can have their ability, which would you choose. Sure, you would want the "swing". What is it that the financial institutions deliver? Clubs or Swings? They have products which we are going to call the clubs. You have to have a club to play but having the correct swing is of more value. Having the correct swing financially means you have avoided any unnecessary wealth transfers making your money perform at it maximum potential doing all it can do.

Consider a family who makes one hundred thousand dollars a year and is able to save five thousand of that. Let's assume by selecting investments with higher risks they are able to increase their rate of return by two percent—which would be one hundred dollars in a year. In today's world, that's barely enough to buy a tank of gas.

On the other hand, if they can reduce their expenses by two percent by identifying money they are transferring *unknowingly* and *unnecessarily*, they would save an additional one thousand, nine-hundred

dollars in a year. That's the equivalent of increasing their rate of return on their savings by an incredible thirty-eight percent—ABSOLUTELY RISK FREE!

You see, focusing on increasing wealth through making more money or getting a higher return on investment is the equivalent of trying to fill a bucket with holes in it by pouring more water in—but would you ever do that? Of course not! Plug the holes first and the bucket will fill up even if the flow is just a trickle. So how do you plug the holes in your financial bucket? The best place to start is by eliminating unnecessary wealth transfers!

To do that, you must understand the strategies of the game just as you had to learn the strategies of tic-tac-toe before you started winning. Unfortunately, most people rely on the financial institutions to teach them the strategies necessary to win the financial game. This is like asking a fox to mind the henhouse. They cleverly tell you the objective of the game while hiding the winning strategies. The sad truth is that by the time one learns the strategies necessary to win they possibly have transferred away hundreds of thousands of dollars, unknowingly and unnecessarily.

We focus on helping you win the financial game. In fact, we are experts at it. Your winning strategy begins by working with someone who is qualified at finding the holes in your financial bucket, plugging them, and increasing the flow into your bucket—all without assuming unnecessary risks or reducing your current standard of living.

Call for an appointment today. You'll be glad you did!

We are of the opinion that everyone should have their home paid off and paid off as fast as possible—but choosing the right loan to accomplish that can be confusing. That's because people ultimately make decisions based on what they *believe* to be true, not necessarily what *is* true.

This video will help you separate fact from fiction—so that you can learn how to pay off your home in the fastest, safest manner possible. By the end of the video, you will learn a few things about mortgages that could change how you look at your money for the rest of your life.

To begin, let's take a little quiz.

True or False?

1. A large down payment will save you more money on your mortgage over time than a small down payment.
2. A 15-year mortgage will save more money over time than a 30-year mortgage.
3. Making extra principal payments saves you money.
4. The interest rate is the main factor in determining the cost of a mortgage.
5. You are more secure having your home paid off than financed one hundred percent.

If you answered “true” to any of these questions—you will want to watch the rest of this video.

Many mortgage decisions are commonly made by looking at “payment amount” and “interest rate”. While these factors are important, there are several other factors that also must be considered. To help understand how these factors might ultimately impact you, we will introduce you to three fictitious couples.

Each couple has the same goal: having their home paid off. They each believe their method is best. The first couple is the **Free-n-Clears**. They have paid off their mortgage. So, they do not have to make any monthly mortgage payments.

The second couple is the **Owe-it-Alls**. They could have paid cash for their home like the Free-n-clears—but decided to keep their money and invest it in a “safe account” so they could access it in case they ever needed to. Although they “owe it all” on their mortgage—they have no other debt.

The third couple is the **Pay-Extras**. They make extra principal payments every month in hopes of paying their mortgage off as soon as possible.

So which of these couples do you think is in the best position? Let's explore several mortgage aspects to find out how they impact our couples:

Inflation

One area people often forget to consider when financing is inflation. If you have a fixed payment today of \$2,000 a month, what will that same \$2,000 buy in 10, 20 or 30 years?

Assuming an inflation rate of 3%, \$2,000 will only buy \$823.97 of goods in 30 years.

Let's apply what this means to you and your mortgage. Making a fixed mortgage payment of \$2,000 today feels like \$2,000—but in 30 years, it will only feel like you are paying \$823. So, the mortgage payments you make in the early years of your mortgage feel more painful—because they are your most valuable dollars.

So let's check-in on the couples.

The **Free-N-Clears** gave their most valuable dollars to the bank up front.

The **Pay-Extras** voluntarily give the bank their “best dollars” on top of their required mortgage payment every chance they get.

The **Owe-it-Alls** have a monthly mortgage payment that allows them to give the bank payments that are worth less and less each month—while keeping their money invested to potentially offset the impact of inflation.

Key Concept: Your home actually costs you more the faster you pay it off because you are doing so with your most valuable dollars.

Down Payments

Most people make a large down payment to reduce their monthly payments. But does their down payment *earn* them any interest? No. This loss is called “Opportunity Cost”.

Key Concept: Opportunity Cost: If you lose a dollar that you did not have to lose, you not only lose that dollar but you also lose what that dollar could have earned for you had you been able to keep it.

What would the **Free-n-Clears** down payment be worth had they been able to keep it and invest it? Let's put some math behind this concept and take a deeper look.

Assume each of the couples bought a \$300,000 home.

The **Free-n-Clears** made the biggest down payment possible—which was the entire \$300,000.

The **Pay-Extras** did not have enough up front so they accelerate the principal payments by paying extra each month.

The **Owe-it-Alls** put the least amount down—and financed as long as possible.

Assuming an investment rate of 8%—the \$300,000 that the **Owe-it-Alls** invested would grow to be worth \$3,280,719 in 30 years. If they could borrow the \$300,000 at a lower rate—they will keep the difference.

The \$300,000 down payment that the **Free-n-Clears** made, however, earns NO interest. So, if the **Free-n-Clears** can not sell their home in 30 years for \$3,280,719—they made a minor financial error.

Investment Opportunities

Rather than paying cash for their home, the **Owe-it-Alls** invested their entire \$300,000. So, they now must make monthly mortgage payments. However, the interest portion of their payment is deductible. This deduction reduces their cost of borrowing significantly.

The **Free-n-Clears**, on the other hand, paid their entire \$300,000 down—giving away the control of the money to the bank. They are now able to invest the after tax monthly amount they would have otherwise given the mortgage company. However, since they have no mortgage interest deductions—they will have to assume a higher investment risk than the **Owe-it-Alls**.

So with the understanding that money used for down payments earns NO interest, and is controlled by the bank, and reduces tax deductions—what is the ideal amount to put down when purchasing a home? Nothing! That's right. Zero! Zilch! Nada!

Key Concept: Remember if you finance you transfer interest to the lending institution for the privilege of using their money. If you pay cash—you save interest expense, but you *lose* interest income as well—because that money is not earning anything for you. The money in your home earns zero.

Your Home as an Investment

Most people today consider their home one of their largest investments. Let's see if it is a good place to put your money.

Assume that the **Free-n-Clears** home is worth \$300,000 today and that they bought it 7 years ago for \$229,000 and have put about \$25,000 into improving their property. Their rate of return would be in the neighborhood of 2.41%. Would you consider this a good return? When you add in property taxes and insurance—it looks even worse!

Appreciation

You may be thinking we forgot that your house is appreciating?

Let's assume The **Free-n-Clears**, the **Pay-Extras** and the **Owe-it-Alls** live next door to one another in identical homes with identical values. Whose house will appreciate the fastest?

The fact is they will all appreciate exactly the same. Making larger down payments or extra monthly payments does not make your home worth any more.

Key Concept: Your home appreciates the same whether you have it paid off or financed 100%.

Interest Rate Spread

Remember that the **Owe-it-Alls** chose to borrow the entire \$300,000 for their home—so they could invest the \$300,000 they had into a “safe account”. Supposing the interest rate on their mortgage is 6%--what

rate of return would they have to earn on their investments to break even? On the surface, it looks like 6%--but it's actually only 4.2%--assuming they are in a 31% income tax bracket. Why? Because of the mortgage interest deduction. Imagine, they would only need to net around 4.2% for them to control the money rather than the bank.

Key Concept: Net cost to borrow equals your loan rate less your tax bracket. If you receive a mortgage interest deduction—it reduces the investment risk you have to earn on your money for you to be in control.

Extra Principal Payments

Unlike the **Free-n-Clears**, the **Pay-Extras** did not have enough money to pay off their home up front—so they chose a shorter loan period and make extra principal payments to pay it off early. Why did the **Pay-Extras** choose a 15 year mortgage? Survey says: The interest they *think* they will save. Key word, *think*. The perception is the shorter the loan—the lower the cost. But if that was true then paying cash would make the most sense. We already looked at paying cash and found the **Free-n-Clears** would have to sell their home in 30 years for \$3,280,719. Will that be possible?

The **Pay-Extras** may be surprised to learn that once they get their 15 year note paid off and start investing the 15 year payment amount—they will end up with the same amount they would have had had they invested the difference between the 15 and 30 year monthly mortgage payments for 30 years. This assumes the same interest rate and tax bracket.

Key Concept: There is more risk involved to earn a given rate of return over a 15 year period than a 30 year period.

Tax Deductions

Perhaps one of the most overlooked aspects affecting mortgage decisions is the mortgage interest deduction.

Let's see how that impacts our couples.

Since the **Free-n-Clears** have no mortgage—they receive no deductions. However, with no mortgage payment, they had plenty of money to maximize their contribution to a qualified retirement account at work—like a 401(k). When asked what was the main reason for their contribution to this account they said “tax deductions”. By contributing to their retirement plan, they deferred a tax to potentially pay it at a higher bracket later—but, they also gave up their known mortgage interest deduction today.

The **Pay-Extras** received some deductions but unknowingly reduced their tax advantage with every extra principal payment they made.

The **Owe-it-Alls** kept their money in a safe investment. Although their mortgage rate was 6% they only had to earn 4.2% after their tax deductions to cover their mortgage payments to the bank—giving them control of their money. They maximized both their qualified plan deductions as well as their mortgage interest deductions. They chose to make a mortgage payment knowing that if things ever got tight they could always count on access to their money.

You have heard several things that perhaps have challenged your thinking on this subject of a mortgage and as you can see there is a lot to know.

As we said earlier, we believe you should have your home paid for. That said, this does not mean that one should not have a mortgage. What it means is that you need to have and an account with more money than you owe. If you have a mortgage of \$300,000 and you have \$300,000 in a safe account—your house is “free and clear”. The big question is not should you have your house paid for, we agree you should.

The question is really who is going to control your money, you or the bank? Having your home paid for is a safe financial position—but it may not be as safe as you once thought or it could be.

There is a form you need to become familiar with called a 1003b form which is the Uniform Residential mortgage application. It is 5 pages long and is designed for the lending institutions to determine if you qualify for a mortgage loan.

Once you put your money in your home through “down payments” or “extra payments”—you now must *qualify* to get it back. How does the thought of having to qualify to access your money sound?

Disability

So what would happen in the event of a disability to our couples?

The **Free-n-clears** must complete these 5 pages if they would like to access any of their money. In the event of a disability what will the bank say? We are sorry but we will not be able to honor your request. In fact, disability is the number one reason people lose their homes in America. Tragic!

The **Pay-Extras** would also be required to complete the 1003b form for the bank. Once again, the bank will say “We are sorry but we will not be able to honor your request.”. And although they have been making extra payments in previous months, they will still be required to make their payment next month to avoid foreclosure. Does that sound like a safe position to you?

The **Owe-it-Alls**, on the other hand, have complete control and access to their money—so they will not have to *qualify* to get it back.

Unemployment

What would happen if our couples lost their jobs?

It would seem that if there was ever a time when one would need access to their money would be when they lose a job.

The **Free-n-Clears** must again fill out the form and the bank will most likely say “no”. Their response will be “When you get another job call us”.

The **Pay-Extras** want to get some of the extra money they have put in the house while they look for a new job. But, once again, the bank will most likely say “no”. What’s worse, if they move to a new line of work it may take two years before the bank will give them a decent look.

The **Owe-it-Alls** are still earning interest on their money and they have access to the account to withdraw what they need until they can get back on their feet with no questions asked.

Interest Rate Increase

What happens if mortgage interest rates increase and the couples need their money for a new car, medical emergency, or college education?

The **Free-n-Clears** may be forced to refinance at a higher rate today than the rate they could have secured earlier.

The **Pay-Extras** are in the same boat as the **Free-n-Clears**.

The **Owe-it-Alls** have complete access to their money and are not affected by rate increases.

Interest Rate Decrease

What would happen to the couples if mortgage interest rates go down?

The **Free-n-Clears** will not even notice.

The **Pay-Extras** may refinance—ending up paying more closing costs just to pay off their existing loan quicker—giving the bank even more control of their money.

The **Owe-it-Alls** may want to refinance to reduce their present payments—giving them more control and greater opportunities with even less risk.

Let's review our quiz one more time.

True or False?

1. A large down payment will save you more money on your mortgage over time than a small down payment.
2. A 15-year mortgage will save more money over time than a 30-year mortgage.
3. Making extra principal payments saves you money.
4. The interest rate is the main factor in determining the cost of a mortgage.
5. You are more secure having your home paid off than financed one hundred percent.

The answers are all false.

Why?

Because during this video we've learned that, compared to the other couples, the Owe-it-Alls:

- Are least affected by the impact of inflation
- Lose the least amount of money from Down Payments that earn zero interest
- Have more Investment Opportunities than the other couples
- Achieve the greatest return on the money they pay for their home
- Obtain the same Appreciation on their home as the other couples
- Are able to maximize Interest Rate Spread
- Experience the least amount of loss from Extra Principal Payments
- Receive the most Tax Deductions of any of the couples
- Maintain control of their money in the event of a Disability
- Can still access their money in the event of Unemployment
- May be able to benefit from Interest Rate Increases, and
- Have the most opportunity to benefit from Interest Rate Decreases

Granted, there is a lot to know about your mortgage and this video is certainly not an exhaustive overview. What you don't know may be more important than what you do know. It is possible that more money will go through your mortgage than any other area in your financial life including your retirement plan. Isn't it time you gain control of this important area of your financial life?

Club Vs Swing Script

For those of us who play, there is nothing greater than the game of golf. We watch it on TV, read about it in books and magazines, and hope to learn that new tip that can take our game to the next level.

Statistics show there are over 60 million golfers in the world today. Of those:

- less than half ever break 100,
- only 33% break 90, and
- less than 5% will ever break 80.

Unfortunately, the percent of people who are financially secure is somewhere in that same 5% range as well.

It is amazing how many similarities there are between the game of golf and our money. Let's take a look at a few.

One area of our game is great, the rest is falling apart

Whether you have been playing for a short time or all your life you understand the frustration of the fact that just when you get one part of your game working something else falls apart. You finally start hitting the driver and you can't hit an iron in the ocean from the pier. It never fails, you start draining every putt and now you can't get off the tee.

Financially speaking, just when you get a little money put away something comes along that eats it up. You finally start investing for your future and the market drops 30%. Sound familiar?

Practice: Who has time for that?

If you are like most golfers you can't wait to play. The anticipation of the next round dominates our thinking. We live such busy lives with work, kids, chores and trying to keep up that when we have any time we want to *play* not *practice*.

We may hit a few balls on the range before starting our round but seldom take the time for serious practice. We hurry to the first tee and are off for yet another mediocre round with the same bad habits we had the week before and the month before that and the year before that. Reports on Tiger's practice schedule say he hits thousands of practice balls a day. There must be something to practice.

Financially, we spend most of our time making money but little to no time learning how to master the use of it. Most golfers spend more time planning their next three day golf weekend than they do planning their financial future. Sad but true.

We know our game would improve if we spent some time at the sand trap practice facility but we want to play. When we hit in a sand trap on the course and we will, we struggle sometimes taking several shots to get out when a few hours on the practice range would have made a huge difference.

It is easy to find ourselves doing the same thing with our money. Because we have not done our homework we find ourselves making poor financial decisions, like bad shots, hoping our next shot will make up for our previous mistake. If your financial future depends on your next decision being a career shot...you had better rethink your position.

You drive for show and putt for...

There is no doubt that hitting your driver on the screws 300 yards down the middle of the fairway is exhilarating. We love the feel of the club head speed and the sound the driver makes as it makes contact with the ball. How much time do you spend working on your putting vs hitting your driver? On the tour the slogan is “putt for dough”. Ask any professional and they will quickly tell you that the most valuable club in their bag is their putter. A six foot putt counts just as much as your longest drive.

Like in golf when we think about our money the financial products that captivate our attention are usually the “drivers”. They are the products that promise to pay the highest rates of return. But what about the putter? The products that are valuable but not designed to hit it a long way? The putter would never come up in a conversation about distance. In financial terms, the putter would represent a product low on the return scale...but a place where your money could:

- grow tax deferred
- come out tax free
- earn a competitive rate of return with no risk
- Guarantee a return
- be safe from creditors
- have no limits on how much money you can put in
- have no restrictions on how you can use the money
- be used as collateral
- provide you with liquidity, use, and control, and
- have an account value that never goes down.

We have all lost balls using our driver (that is why golf balls come in packs of 12) but never with a putter. A lost ball on the course means a penalty. A lost ball financially can spell disaster. In golf, a putt counts just as much as the drive. Financially, avoiding losses can make all the difference in your final score.

Remember that a great putt can help you recover from a bad drive. So don't ignore the value of having a solid financial putter because the product that pays the highest returns may not be the best club in your bag.

Risk and Reward

Golf course design is a thing of beauty and the variety of holes is what keeps us wanting to play every course on the planet. There are some par 5's that are long with little trouble and are often birdied while others are almost impossible to reach in three. There are short par 4's that are reachable with a great drive but offer no consolation for a ball miss hit.

Like a downhill, dogleg left, 279 yard par 4, with a steep drop off left of the narrow fairway and nothing but bunkers on the right. You can play a 5 iron off the tee to the middle of the fairway and a wedge to the green and par it almost every time. Or, you can try to drive the green and risk going “out of bounds” and getting the dreaded “double par” 8 on a par 4 hole. Not fun.

Financially we must weigh risk and reward as well. Taking unnecessary risk can lead to disappointment which can affect future shots. Many investors would tell you that looking back they would have more money today if they could get back just their principal.

The return of your money is often more valuable than the return on your money. Taking risk that does not pay off puts even more pressure on the shots we have left to play. No one knows this better than Jean van de Velde, when at the 1999 Open he blew a three shot lead hitting an errant drive and then played a

risky shot rather than the sure thing and lost in a playoff. How many holes have you played thinking to yourself “I could have done better using a pitching wedge on every shot?”

Avoiding the Hazards

In 2005, Tiger Woods won his eleventh major, the British Open, and only used his driver once in the entire four rounds. While others were trying to capitalize on the roll they would get bombing it off the tee, Tiger was orchestrating a controlled trip around the course purposed on missing the bunkers. He knew that avoiding the hazards offered the best chance to win.

Our financial course is covered with hazards, some you can't even see from the tee box. Increasing taxes, interest on debt, credit cards, car payments, mortgage decisions, retirement plans, stock market corrections and more. It is tempting to take unnecessary risk hoping to clear the hazard only to find ourselves in the middle of a bunker, out of bounds or in the water with no chance to advance the ball. Pay attention to the financial bunkers in your path and avoid them. In golf risk takers do win on occasion but those who win consistently have learned to avoid trouble.

Cart or Caddie

There is a very unique relationship between a player and their caddie. Unfortunately the caddie for most of us non tour playing fanatics has been replaced with GPS systems that can only tell you how far you are from the pin. It can't tell you which club would be best to hit given the elevation of the green and the direction of the wind.

Have you ever noticed that not one professional on the tour carries their own bag? While the player must still hit the shot, the caddie provides a great sounding board for the decision ahead and is often the voice of reason in tense situations.

Financially trying to carry your own bag (by making your own investments) may not be the best of ideas either. The “financial caddie” brings with them a special knowledge of the course, the dangers, the layup spots, the sucker pin placements. They can help you to know when to go for it and when to lay back. They are also there to help you with the rules to avoid unnecessary penalties or disqualification.

Having a “financial caddie” to help you with the rules and encourage you along the way brings great value. You have to play the shot but the caddie is always there for verification and support. Having someone standing beside you that understands your game and knows how to help you get around the course by maximizing your strengths when you are playing the most important round of your life can be just what you need to finish on top.

Your favorite club

Every golfer has their favorite club. That one club you hit better than any other. From time to time we hit every club well but there is that one club we hit well consistently. When a golfer learns which club they hit best, it makes sense that they try to leave themselves in position to use it whenever possible.

It is much the same way with financial products as well. Some people like real estate, others mutual funds, others stocks and bonds. Regardless which club is your favorite the important thing to remember is that you need to go with the one that you feel most comfortable. Don't let someone talk you into something that may be working for them but makes you feel uncomfortable. Find what works best for you.

We have all played a round with a player who used a 3 wood on a par 3 when everyone else was using 5 irons. We missed and they are putting for birdie. Makes no difference how you get there. There is no place on the score card for which club you used.

The Club vs the Swing

Let's assume that we are going to send you to play in the Masters, every golfer's ultimate fantasy. There are two things you can choose from, you can pick only one. You can have the clubs of any player who has ever played the game of golf or you can have their ability, which would you choose?

Certainly, you would choose their ability. The swing is more valuable than the clubs. Financially, what do the financial institutions deliver? They have products that we are going to call the clubs. You have to have clubs to play the game and you want the best clubs available, custom fit and designed specifically for you, yet most golfers buy their clubs off the discount rack. How many times have we purchased a new club thinking that it will improve our game? Certainly better technology can't hurt but the fundamental issue is with our swing.

When it comes to our money the right swing means that we have learned to avoid the potential for loss, minimized our risk, and maximized our earning potential. The best clubs and a poor swing will keep you in amateur status. Fitted clubs and a great swing will fill a trophy case. You need both.

I would love to get together with you and share some ideas that could possibly improve your financial swing and who knows, it may give you more time to perfect your golf swing. Give me a call and let's schedule a tee time soon.

College Funding Script

While students are following an ever evolving curriculum from grade school, middle school and high school in preparation for the next level in their education, many parents are recognizing that they are ill-prepared for the financial commitment that most higher education pursuits will require.

Even if you began saving at the birth of child, you may find that many of the pre-paid tuition plans have fallen short of their financial promises and unfortunately some have even ceased to exist. 529 plans which offer tax free withdrawals for education costs have suffered the fate and turmoil of the investment markets and as a result often have little more available than the value of their contributions.

The timing of college does not seem to come at a convenient time for us either. The expense of college typically occurs just a few short years before we have to begin facing the end of our working career and the uncertainty in today's world of retirement. Add the fact that retirement is fast becoming an illusion rather than a reality due to recent market turndowns the economic climate has positioned many parents with two major financial objectives vying for limited and perhaps insufficient funds to achieve either objective.

Students today are following a well rounded educational path to prepare for academic and professional pursuits upon graduation, however parents have been left alone to prepare for the financial burden their child's educational pursuits will demand. When you consider the expense to even raise a child today it is no wonder than many have had little resources to put towards college expenses.

Regardless of how late or early in the game you started planning there are specific steps and approaches that should be followed in order to ensure that you maximize the opportunities available and are prepared for this major expense when your child is ready for college.

First, the entirety of the probable timeline for your child's higher education must be documented. Undergrad and perhaps graduate training. Getting them in is only the beginning, you also need to be prepared for the long road in getting them out and then into the work force.

Second, an accurate forecast of available resources for all your financial goals should be established. When you fully understand the entirety of your financial resources including your present income, savings, and borrowing capacity, you can more adequately prepare a funding plan that is going to work and provide the maximum financial opportunities available.

Third, it is important that you spend time prioritizing all of your financial goals. In addition to the future expense of college you must also cover the cost of living today as well as prepare for your retirement.

Fourth and finally, we recommend a year by year plan that incorporates all your financial goals with as many guarantees along the way as possible. The difference between planning and wishing lies in the commitment to ensure the outcome.

If you are feeling somewhat overwhelmed with the demands of being ready financially for your child's college expenses you are not alone.

Do you remember playing Tic Tac Toe as a child? Who won the first time you played? That's right, the person who showed you the game. You learned the rules as you played and lost regularly until you figured it out. The financial rules related to college planning are difficult and if you try to learn as you go you may find that you can make some pretty big financial mistakes along the way. We can help with the

rules and can potentially help you find money that is available to you and your child that you could have missed.

Give us a call and allow us to help you make sure your child is not ready for college before you.

Retirement Are You Ready? Script

When people hear the word “Retirement” it can invoke pleasant thoughts for some—but for many it can be a word that may cause apprehension. With unanswered questions like:

- How much investment risk should I take?
- Will I have enough?
- Do I have enough money to retire now—or should I work a few more years?

By far the biggest concern is “Running out of money”.

During your “working years”, the focus on money was mainly on “accumulation”. To accumulate more, you may have spent time trying to find the “best investments”—those paying the highest rate of returns or providing the greatest possibilities of appreciation.

Investment professionals may have even told you that they had “the key” to your financial success, because their investment product was better than where you currently had your money. In the end, you may have also discovered that there is no such thing as the “perfect product”.

To use a golf analogy, this is the equivalent of buying new clubs in hopes of improving your golf game. While it is important to have good clubs—the greatest impact on your game will come from perfecting your “swing”. The reality is—it’s not the club—it’s the swing!

Suppose we were going to send you to play in the Senior’s golf championship. We have two things we can give you—you can choose one. You can have the clubs of any player who has ever played a round of golf—or you can have their ability. Which would you choose? Sure, you would want the “swing”. What is it that the financial institutions deliver? The club or the swing? They have products which we are going to call “the clubs”. You have to have a club to play, but having the correct swing is of more value. It becomes increasingly more important in our retirement years that we have the correct swing—meaning we may avoid unnecessary losses.

As a child, I am sure you remember playing a simple game called “Tic-Tac-Toe”. It was an easy game with a few simple rules. Do you remember who won the first time you played? It was most likely the person who showed you the game. They said “I am the X and you are the O”. You lost regularly until you learned the strategies of the game.

The same is true in the world of finance. The financial institutions have rules they play by that may be complicated and may take us a lifetime to learn. They do not teach us the rules; it is up to us to learn the rules as we play. During the learning process of our “accumulation years”, we may often transfer away wealth to the financial institutions unknowingly and unnecessarily.

“Wealth transfers” occurred most often in areas such as:

- interest on non-deductible debt,
- car payments,
- credit cards,
- mortgage payments,
- pension plans, and perhaps the largest transfer of all
- taxes.

Unnecessary losses are just part of the problem. The “opportunity cost” of the money lost is an even greater issue. If you lose a dollar—such as a dollar in taxes you paid that you could have avoided—

you not only lost the dollar—but you lost what the dollar could have earned for you had you not lost it. Opportunity cost is a concept that few factor into their financial decisions—but understanding and applying this concept may make a significant difference in your financial future.

Now that you are retired or moving towards retirement, all the rules change and you will be forced to learn a completely new set of rules to manage your “circle of wealth”. The lessons you learned during the “accumulation” of your assets will not serve you well during the “distribution and spending” of those same assets. Having someone to help you with the rules may make a huge difference in the level of retirement you enjoy.

You have to become just as savvy in the “spending” of your assets as you were in the “accumulation” of your assets to avoid unnecessary wealth transfers.

Let’s look at three types of money.

The first is your “accumulated assets”. These are the “dollars you have saved” and “investment gains you have earned” during your accumulation years.

The second type of money is “lifestyle money”—the things you spend your money on. As you move into the “distribution phase” of your life, your lifestyle will be directly proportional to the level of your accumulated assets. In addition, the lifestyle you enjoy will determine how long your accumulated assets will last. Inflation also plays a major role in how long your money will last because it will take larger withdrawals from your accumulated account each year to enjoy the same lifestyle as the year before.

The third type of money is called “transferred money”. These are dollars that you may be transferring away unknowingly and unnecessarily. During your “retirement years”, transferred money is an even greater concern than during your “working years” since during retirement there is little opportunity to add to your accumulated account. Transfers that occur during the “distribution phase” of your life will directly impact the level of lifestyle you will enjoy during retirement and reduce how long your money will last.

“Wealth transfers” at this stage of life are important for everyone. For those who have amassed large estates, they are in danger of losing dollars unnecessarily from income taxes, estate taxes, and improper ownership arrangements. Often—because they have sufficient assets—their lifestyle is not affected and they are lulled into procrastinating, which can create even larger transfers at death.

For those with insufficient resources to allow them to retire at the same income level they were making when they were working, avoiding unnecessary wealth transfers becomes extremely important. This brings us back to the number one question most people entering the “distribution phase” of their life want to know.

How long will our money last?

Give us a call today so we can:

- help you determine if you are ready for retirement,
- show you how long your assets will last, and
- help you avoid unnecessary wealth transfers that can keep you from having the retirement you desire.

We will also help you answer these financial questions:

- How can I decrease my level of investment risk?
- “Do I have enough money to retire?”
- “Will I be able to retire at the same lifestyle I enjoyed during my working years?”

We can also share with you strategies to maximize your wealth during the “distribution phase” of your life and the rules you will need to know to avoid unnecessary wealth transfers.

Strategies like:

- How to get money out of your qualified pension plan [IRA or 401(k)] without paying all the tax.
- How to get your social security check tax-free.
- How to get your social security check in a “lump sum”.
- How to maximize the wealth you leave to your children.
- How to spend the value of your home and still leave your home to the kids, and
- How to send your grandkids to college without affecting your present income.

Call for an appointment today. You’ll be glad you did!

The Most Powerful Bank in the world Script

When you think about “the most powerful bank in the world”, you probably think about a global banking institution. But that is not “the most powerful bank in the world”. Neither is a local bank like the one in your neighborhood. No.

The most powerful bank in the world is actually “Your Bank”! “Your Bank” refers more to a financial position than the brick and mortar building where you do your conventional banking. In fact, “Your Bank” is simply an account that you set up, where you have liquidity use and control of the resources deposited.

By the end of this video, how you look at banking and your money will take on a new meaning. Most people consider banking and investing to be similar. They are very different. However, the primary objective of each is to make money.

Consider for a moment how a traditional bank makes money.

They must first attract customers and persuade them to deposit their money in their bank. They do this by offering services like:

- Free checking,
- Longer teller hours,
- Online banking, and
- Direct deposits for paychecks.

They also pay interest on the money deposited in their bank. They encourage customers to leave their money in for long periods of time by:

- Paying higher interest on monies left in the bank over longer time periods,
- Offering additional benefits and services for long-time customers, and
- Imposing early withdrawals penalties for taking out money after a short time period.

In order to cover the cost of their operations and hopefully make a profit, banks charge more interest than they pay.

But how do the banks tell you to make money?

By putting your money in the bank, leaving it there, and sitting back to watch the magic of compound interest do its thing.

But that is not what they do! They keep their money moving...in order to make even more money!

Understanding how a local bank makes money will help you to apply some of their wealth accumulation principals to “Your Bank”.

Because when it comes right down to it, you will either be a customer of a bank or you will learn how to be the bank. It's your choice.

Most often when people get a loan from the bank, they already have money elsewhere...like in a retirement account or in home equity. But, since this money is inaccessible...they are forced to borrow from the bank—using their assets as collateral for the loan.

Herein lies the problem. The interest you pay to borrow money offsets the return you earn on money you have invested. That is one of the costs of borrowing money.

However, there is “hidden” cost to borrowing. If you pay a dollar in interest that you could have avoided...you not only lose that dollar but you also lose what that dollar could have earned for you had you not given it away. This is called “opportunity cost”.

Let’s take a closer look at opportunity cost. Suppose you carried a \$10,000 credit card balance at 18%. You would have to pay the bank \$1,972 in interest over the year. Doing the same thing over 40 years of your lifetime would result in you losing almost \$78,866 in interest. That’s a lot of money! But, it gets even worse!

Because you did not just lose the interest...you also lost the opportunity to invest \$1,972 each year. If you were able to invest that \$1,972 in “Your Bank” each year, you would have about \$305,135 after 40 years—assuming you averaged a 6% rate of return. If you averaged 8% you would have almost \$510,767. The bank fully understands the power of this principal...which is why banking is so profitable. You either pay interest or earn interest...there is no in between! So, would you like to be a customer of a bank or would you like to be the bank?

By now it should be clear that you’ll be far better off by learning to be the bank. So, to get started on “Your Bank”, you are first going to have to put away some money in a place that allows you to operate like a bank and also provides additional benefits.

In your search for the right account to use in getting “Your Bank” started, you will ideally want to choose an account that:

- Is safe—meaning there is no chance you will lose your money
- Grows tax deferred
- Enables you to take out the money tax free
- Offers a competitive rate of return
- Guarantees the interest you earn
- Protects the money from creditors
- Does not limit how much you can put into the account
- Does not restrict your use of the money
- Can be used as collateral
- Gives you liquidity, use, and control of the money
- Provides you access to the money in the event of disability, and
- Guarantees the value of the account will never go down

There are many accounts that will allow you to “be the bank”, however, some are more efficient than others. Some provide potential for “higher returns” but do not function well as a bank, while others offer little or no return and few benefits.

To help you determine which financial products will provide you with the most benefits to use as “Your Bank”, you will want to consult with the financial services professional who gave you this video.

Let’s look at a very common banking problem. Many people put money into qualified retirement accounts at work like 401k’s, IRA’s, SEP’s, and 403b’s—which is not a bad thing, especially if their company matches their contributions. However, since this money is not accessible, they are forced to finance their car.

The sad truth is that many people will lose more money financing the cars they drive to work than they will accumulate in their life long savings account at work.

We are not saying you should not have a car. You just need a better way to pay for it.

It's easy to see that if you are saving money and earning 6% interest but you are paying 6% on borrowed money, the effect is you are not moving at all. You are in neutral. The interest you pay on borrowed money should demand at least as much attention if not more than the interest you earn...because the interest you pay is avoidable.

And, avoiding "losses" is less risky and can prove to be more valuable than trying to pick products with higher returns.

Unfortunately, many of us focus all of our attention on saving and investing...but little effort on the money we borrow. Let's assume that you have \$30,000 in the bank earning 4%. If you bought a \$30,000 car and financed it at 6% you would be losing money because you could have used your own money. A bank could not pay out 6% while only earning 4%...and neither should you! You need to look at what you are giving away in interest...instead of focusing on just the interest you are earning.

Now suppose you had already started "Your Bank". So you take out the \$30,000 from "Your Bank" and pay cash for the car. Since you are now your own bank, you could pay yourself back at the 6% interest rate the car dealer was going to charge you had you financed it. At the end of the loan period, you would not only have the \$30,000 but also all of the interest you would have given the lending institution as well!

You see, you actually finance everything you buy. You either pay interest or earn interest. Even if you pay cash for something, you are really financing it...because you must consider what the money would have earned had you kept it...which is called "opportunity cost".

Imagine being able to avoid paying interest to others...and instead redirecting all of that interest into "Your Bank"! Now you are thinking like a bank.

You may be saying to yourself "that sounds good...but where do I come up with the money to get my bank started?" Great question! Like most things of value it will take some time to get "Your Bank" started but the payoff is huge.

You may be surprised to discover that the money you need to get "Your Bank" started can often be found in areas in which you are currently losing money unknowingly and unnecessarily. In fact, you may be able to find the money without any impact on your current lifestyle at all.

Some common areas where people lose money unknowingly and unnecessarily include: mortgage payments, taxes, car payments, credit cards, and college financing...just to name a few.

Call for an appointment today so you can:

- Find money you are currently losing,
- Pay interest to yourself rather than others, and
- Start building "Your Bank", The Most Powerful Bank In The World.

10 Minute Lesson On Life Insurance Script

There is the “minimum one can pay” —for a given amount of insurance coverage for a specific age—and the “maximum one can pay”.

Who determines the minimum?

The Insurance Company.

At the other end of the spectrum is the “maximum one can pay” for a given amount of coverage—and who determines that—besides you?

The government.

The fact that the federal government limits how much money one can put in a life insurance policy says what about it?

It must be...gooooood. And it must be good in relationship to taxes.

Basically the government decided the upper limit of tax advantaged growth they would allow and the policy holder still have access to the cash value. Policies outside this allowable corridor are determined to be a “Modified Endowment Contract” or MEC—which simply means the government will treat the insurance contract like they do “Qualified Plans”—with all the rules, regulations and penalties.

After watching this video, you will probably know more about life insurance than most life insurance agents—should you ever have to talk with one again. At a minimum, you will probably know more than they are willing to tell you.

There is almost an infinite amount of premiums that can be charged between the “minimum” and “maximum”. As mentioned earlier, the insurance companies determine the “minimum”. They have actuaries that calculate the “least amount of premium” they can charge—and still make a profit. They understand “opportunity cost”—which means they have factored in the time value of the premium.

In the 1980’s the government “drew the line” that determined the “maximum” amount of contributions allowable for a given face amount of coverage. The two laws that put this limit in place were TAMRA and DEFRA. (Technical And Miscellaneous Revenue Act of 1988) (Deficit Reduction Act of 1984)

Through these legislative guidelines The government said “wait just a minute”. We cannot allow people to make unlimited contributions in a life insurance policy as is allowed currently—and have access to the money because we limit the contributions and access in Qualified Plans. Samples of these accounts include 401(k)’s, IRA’s, SEP’s and 403(b) plans—to name just a few.

What do “Qualified Plans” do? The number one response is that they “defer taxes”. If that is what you said they do—you were only half correct.

Let’s say you wanted to borrow \$10,000. You would ask two questions before you took the money.

The first question would be “How much interest do you have to pay?”

The second question would be “When do you have to pay it back?”

If the lender responded by saying, “We have enough money right now and do not need any payments from you at this time—but there will come a time when we will need the money. At that time we will know how much we need and we will be able to determine how much interest we have to charge to get the amount we need.

Would you cash that check?

Absolutely not! But this is exactly what we are doing with the government in “Qualified Accounts”.

They are not saying “You do not owe the tax”.

They are saying “You can pay the tax later”. At what bracket? That is a good question.

This is not to say Qualified Plans are bad. However, it is important that you know and understand exactly what they do.

Now, getting back to insurance.

Let’s assume you could pay \$500 for \$500,000 of insurance coverage—or you could pay \$10,000. Which would you choose? Being bargain shoppers, most of us would probably say \$500. “Less is best” when it comes to cost. Right?

Let’s say the \$500 represents the “lowest premium” one can pay for \$500,000 of coverage at a given age. The “lowest premium” is known as term insurance. It provides one benefit, death benefit. Term insurance offers protection for the least expensive *initial cost*.

The best day financially, to own term insurance is which day?

If you guessed “the day you die” —you were not even close. The best day financially to own a “term life insurance policy” is the first day. That’s right—it is the first day you buy it.

Had you purchased the policy today, received approval, signed the delivery receipt, paid the first premium and died on the way home from your agent’s office—you cannot get better than that financially.

To calculate the “rate of return” on such an event would be next to impossible. Granted—it would be hard to get people to sign up for this type of financial windfall—but you understand the point.

If the best day to own a term policy is the first day—it means that every day you own it—it becomes worth less and less—costing you more and more.

When determining the cost of “term insurance”—one must also factor in the “opportunity cost” of owning this product. Remember the cost is not just the amount you paid in premiums—but what those dollars “could have earned” had you not bought the coverage—and taken the risk yourself—which we are not suggesting you do.

Penn State University completed a study on Term Insurance policies where they discovered that:

- More than 90% of all term policies are terminated or converted—45% within the first year—and 72% within the first 3 years
- Less than 1 policy in 10 survives the period for which it is written
- After 15 to 20 years of exposure, less than 1% of all term policies are still in force, and
- Only 1% of all term insurance resulted in death claims

What does this mean? It means with “term insurance”—you will most likely pay more than you receive.

Now for an insurance company to talk you into putting \$10,000 in a policy with the same “value at your death” that you could get for \$500—they would have to come up with some serious benefits... agreed?

Let’s forget about insurance for just a minute and talk about benefits. In any vehicle one would use to accumulate money over time—a major desire would be to maximize benefits—in addition to achieving an acceptable “rate of return”.

If you could waive a magic wand—what benefits would you desire?

- Would you like the money in the account to grow “tax deferred” as opposed to “taxable”?
- Would you want the money to come out “tax-free”?
- Would you want a competitive Rate of Return?
- Would you like the interest guaranteed?
- In the event you get sued—would you want it protected from judgments?
- Would you like to contribute as much in the account as you desire—without restrictions?
- Would you like to invest in anything you choose?
- Would you like to be able to use this money as collateral?
- If possible—would you want this money exempt from estate tax?
- Would you want access to this money while you are working—as well as during your retirement?
- In the event of your disability—would you want your contributions to the account to continue even though you can no longer make them yourself?
- Would you want your contribution to this account to be tax deductible?

Of course! You would want all these benefits—if you could get them.

Which of these benefits are available in a Qualified Plan?

Tax deferred, Competitive, Creditor Proof, Deductible

There is only one product that offers the majority of the benefits on the list—and it is “permanent life insurance”. However, not just any type of contract will do. Life insurance policies that are “minimally funded” only provide minimum levels of benefits.

Remember the government “drew the line” that determined the “maximum” amount of contributions allowable for a given face amount of coverage. Contributions over this line create a Modified Endowment Contract or “MEC”. However, contributions made right up to this line create a different type of “MEC” that we call—the Maximum Efficient Contract.

“Permanent life insurance contracts” offer all the benefits listed earlier—except that the contributions to a “life insurance contract outside of a Qualified Plan” are not deductible.

What we would like you to understand is that as you move from the highest possible premium to the lowest—the value of the benefits decrease. The higher the premium—the higher the level of each benefit received—until you reach the MEC line. Up to that line—but not over—is the position that provides the greatest amount of benefits a life insurance contract has to offer—while still allowing liquidity, use and control of the money.

There are circumstances where one only needs death protection—and a low, “level premium” is desirable. In this situation, and when coverage is needed for a “short period of time”— “term coverage” may be the best immediate temporary solution.

If, however, you are looking for a place to accumulate money that provides the highest level of benefits mentioned at their maximum level, “permanent life insurance” is a great choice. Currently we know of no other financial product that offers these same benefits at the same level.

Insurance companies limit the amount of death protection one can purchase—known as the “face amount”—based on:

- present age,
- mortality costs,
- current assets, and
- income.

The government set the MEC guideline to limit the amount of contributions allowable in the form of premium payments that still give the policy holder access to the cash value on a tax favored basis.

How much insurance should you have?

Most of us assume this is a needs discussion. It is really a “wants” decision because life insurance is the only product that can provide the resources should you not live long enough to accumulate them. There is no-one wise enough to determine what one needs—since the very thought of “need” represents the least amount necessary. It would be hard to find anyone, who has been successful at anything, who began by calculating the least they would have to do to make it.

Life insurance is a “want” product. You decide how much it will take to accomplish what you “want” in the event of death and then it can be determined how much coverage it will take to accomplish what you want. Life insurance is the only product that can provide the immediate funds to guarantee that what you want to happen—will happen.

Make sure the policy you own will ensure that what you want to happen—WILL happen!

10 Minute Lesson On Life Insurance (Without QP) Script

There is the “minimum one can pay” —for a given amount of insurance coverage for a specific age—and the “maximum one can pay”.

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What we would like you to understand is that as you move from the highest possible premium to the lowest—the value of the benefits decrease. The higher the premium—the higher the level of each benefit received—until you reach the MEC line. Up to that line—but not over—is the position that provides the greatest amount of benefits a life insurance contract has to offer—while still allowing liquidity, use and control of the money.

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Make sure the policy you own will ensure that what you want to happen—WILL happen!

The “Personal Economic Cash Flow” Model Script

The “Personal Economic Cash Flow Model” will give you a visual picture of how money flows. This video you are about to see is designed to view your money from perhaps a different perspective than you have ever seen it before. What you learn may help you to increase the overall efficiency of how you manage a very important part of your financial life called cash flow. Let’s begin by looking at a picture that will help you visualize the process.

Lifetime wealth and income potential

This tank represents the potential income that will pass through your hands during your working years. For most of us, the major source of cash flow usually comes from earnings through our occupation. Some of us may be fortunate enough to receive an inheritance.

Your lifetime income potential represents an estimate of the amount of money that will flow through your hands during your earning years. It is just an estimate designed for you to see that it is quite a large amount of money.

Suppose:

- You are 42,
- You want to retire at 65,
- You are making \$102,000 a year today
- There is a 3% inflation rate
- You already have \$88,000 saved, and
- You think you can average 6%.

Your income potential would be \$3,310,194. Your wealth potential represents the amount you would have if you could invest every dollar you earned until your retirement, which obviously you can’t do.

If you were given a check equal to your income potential on the first day you started working and were told this is all you will ever receive...you would no doubt look at your money differently than you do your smaller weekly check.

It is important to understand that over your lifetime a great deal of money will pass through your hands. There is a limit to the amount you will earn and it is a finite amount.

How you handle your monthly cash flow deserves just as serious attention as would your lifetime income in a lump sum.

Income/Cash Flow

Let’s move on the Cash Flow. Most of the money we receive comes from our employer or occupation and usually comes to us on a weekly or monthly basis paid hourly or through a negotiated salary. No matter how we get paid we usually settle into regular spending habits called “lifestyle” and at the end of the month there is usually little to nothing left over.

Not all income flowing into this tube will be yours. Some is going to be lost in taxes to the federal government and state income taxes. Before you get to spend it, it must pass the Lifestyle Regulator which you control that determines how much of this money should be pumped into these two tanks called “Savings” and “Investments” before passing through to be consumed. Notice we used the word *pumped*

into your savings and investment tanks which means it takes effort and energy. The natural flow is to flow past the Lifestyle Regulator and into your lifestyle and gone forever.

The Lifestyle Regulator

All income must flow past this valve which is under your control. It regulates how much of your income is funneled into your savings and investment tanks or is allowed to pass through to be consumed. Any dollar that is not pumped into savings or investments flows directly into lifestyle and is lost forever with the exception of the principal payments on your mortgage. Those dollars are only recoverable if the property does not depreciate and is sold at a profit.

Through a calculator called “Retirement: Ready or Not”, I can give you insight into the minimum amount of money that should be pumped into your savings and investment tanks for you to live the lifestyle you desire during retirement.

When we reach retirement, for most of us the cash flow coming in will cease and we will depend solely on the money we have put away in the savings and investment tanks for our retirement income.

If you are serious about your financial future, you should know the answers to these questions today as you move toward retirement.

- a. What return would I have to earn on my savings and investments for my current plan to work?
- b. What is the minimum amount of money I need to be putting away each year to enjoy my present lifestyle during retirement?
- c. How long would I have to work before I can retire and be able to enjoy my present standard of living until my life expectancy?
- d. How much will I have to reduce my present standard of living to make my money last to my life expectancy?

Savings and Investment tanks

These tanks are long-term accounts and will be responsible for providing the dollars you will need when the cash flow from your occupation ceases. Keep in mind that our present cash flow could end prematurely through death, disability, sickness, or economic change and you should give serious consideration to securing the protection you *need* to protect what you *have* as well as what you *want* in the future.

The fundamental feature of the Savings tank is that it is safe...meaning that the money put in this position can't be lost unless you move it to the investment tank or you drain the savings tank to fund a lifestyle expense which is then lost forever.

In addition to providing retirement dollars, the savings tank should also provide the opportunity to help you finance major capital purchases such as cars, education and weddings during your accumulation years.

The investment tank offers the potential for higher returns but also brings risk into the picture.

There are both saving and investment opportunities that provide the ability to postpone taxes on your contributions today and pay the taxes at the time of withdrawal. At what bracket? Now that's a good

question. If you are in a high bracket today and postpone the taxes to the future at a lower bracket you come out ahead. If you are in a low bracket today and have to pay taxes at a higher bracket at the time of withdrawal you may want to discuss other options.

Diverter valve

The **Diverter Valve** is used to designate the flow you desire into which tank...and you should probably have at least some money in each tank. In deciding the split between how much should go to which tank...it is important to remember the character of the tanks. Every dollar deposited into the Savings account is safe...meaning this money would never have the potential for loss unless moved to the investment tank or if the tank is drained to be consumed.

The investment tank potentially offers higher return opportunities, however, it also comes with risk. Your money levels can fluctuate up and down over time in this tank. Notice there is no top on this tank...which represents the potential for loss.

Prudence would suggest that at different stages of your life the diverter valve will be set to different flow rates. Perhaps getting started you might consider the lion share going into the Savings tank to build a solid base before you consider putting money at risk. As your capital base strengthens, you may wish to increase the flow into your investment tank. While money can be deposited directly into your investment tank from income...keep in mind that money can flow from your Savings into the investment tank and back again for safe keeping.

A good rule of thumb would be to have enough money in your Savings that could cover any major purchase. A major purchase is anything you wish to buy that you can't cover the cost in full with monthly cash flow. As we near retirement you may wish to shift more from the investment tank to the Savings tank for safety. We would recommend that you seek professional financial council as to the flow rates that make the most sense for you at your present position.

Distribution Valves

These valves will be used to drain the tanks at a future date to provide the cash flow you desire for your retirement. Should your cash flow from your employment cease...your retirement will be provided solely from funds in you have in your Savings and Investment tanks.

All funds coming out of the tanks must again pass through the Lifestyle Regulator.

By managing the flow from these two tanks in unison...one can potentially increase the efficiency of the flow required, especially if taxes are due at the time of withdrawal.

While it is possible to withdraw money from these long term accounts during your accumulation years...doing so without putting the money back (and putting it back at interest) can have a devastating impact on the money you may have available for future withdrawals during retirement.

Lifestyle tube

Any money passing through the Lifestyle regulator that is not diverted into your savings or investment tanks it is lost forever (with the exception of your mortgage principal payments) and is only recoverable if the property does not depreciate and is sold at a profit.

Let's look at the things in this tube. Sales taxes, **education costs**, food, clothing, phone, **cars**, gas to run your vehicles, vacations, maintenance, major medical insurance, property taxes, auto insurance, home owners insurance, life insurance, **weddings**, cable tv, giving, etc.

Some of these items are major capital purchases...meaning the cost can't be covered in full with your monthly cash flow and you are forced to make other arrangements. These large expenses are a normal part of living...yet they can create enormous financial stress. The three most common options to pay for these expenses include:

Option 1: If you have no savings or investment dollars the choice is made for you. You must borrow...which is effectively dipping into your future income potential and borrowing money today against future earnings. Not only do you have to pay the price for what you bought, you must also pay interest. This creates additional pressure on your future earnings.

This option is a trap that should be avoided at all cost. Few recover from supporting a lifestyle today by borrowing against their future.

The temptation is great to fund your lifestyle today with the hope you can recover later, it's a gamble and involves risk. The lending institutions are willing to gamble that you will pay them and your future earnings potential will last until they can recover their money and make a sizable profit. It is a high stakes game for both players. Remember this, the Vegas strip was not built from winners but losers.

Option 2: Pay cash by draining your saving or investment tank. Paying cash is not a bad strategy but it does have a cost many never see. If you pay cash you still have payments. You have payments back to the account from which you took the money to return to the same position you were in before the withdrawal. There is inefficiency in paying cash for major capital purchases because it resets the compounding of interest on those dollars spent...reducing the interest you could earned each time you do it. Every time you drain the tank you are limiting the power of compound interest...which works best over time and without interruption.

Option 3: Reduce your savings or investment dollars. You can open the Lifestyle Regulator valve to provide the increased cash flow needed to cover the amount of the purchase which again negatively impacts your financial future. Remember any money removed from the tanks which is not put back is lost forever as well as the interest it could have earned had you left it in the tank.

All three of these options put additional pressure on your savings and investment tanks to provide retirement dollars in the future. While the options discussed provide a way to finance the cost, none seem to be very efficient.

What if there was a strategy that would allow you to not only save for your retirement but also provide access to capital along the way for you to be able make the major purchases you will face without having to drain the tank?

If there were a more efficient cash flow model than what you are using today that could help you make major capital purchases without going into debt, without resetting compound interest on your money, reduce your risk, reduce your tax liability, give you more control of your money and help you minimize or avoid future losses...would you want to know about it?

In this video we have given you a solid way to approach your personal cash flow. In addition to answering the questions you may have about what you need to be doing...we would like to introduce you to the

Private Reserve Strategy to give you insight into how to do what you need to do to maximize your cash flow.

It is not product you buy...but rather a way of doing what you are already doing more efficiently. Call us to schedule an opportunity so we can share the **Private Reserve Strategy** with you.

Private Reserve Strategy Script

Albert Einstein once said that compound interest was the eighth wonder of the world and it could be the one thing that has the most to do with your financial success or failure.

A fundamental premise of compound interest is that it works best over time and without interruption.

The Private Reserve Strategy will give you insight into how to maximize the power of compound interest not only in the money you are saving and investing for your retirement but how you spend money as well.

What is the Private Reserve Strategy?

It is a concept, an idea, a way to look at how money works. It is a strategy designed to help you develop or improve your financial position by avoiding or minimizing unnecessary wealth transfers where possible, and accumulate an increasing pool of capital you can access and you control.

Some transfers are avoidable. Others you can only minimize.

An example: For most of us, owning a car is an unavoidable expense. How we pay for the car can help to minimize the expense...meaning that some methods of paying for the car could be better than others.

You finance everything you buy. You either earn interest, or you pay interest.

You might be saying to yourself "I don't finance, I pay cash". The reality is you, too, are also financing because you must make payments to yourself to get back to the same financial position you were in before you made the purchase.

A key point to understand is that every dollar we do not save is consumed and lost forever. You may be able to put the money back you spent from future cash flow but the money you spent is gone and can't be recaptured.

Let's take a look at the cost to buy a car. When you buy it...you lose the money you pay for the car. You also lose the interest you pay on the loan and you lose what the interest could have earned you had you been able to invest the interest you paid. This is called opportunity cost.

Remember if you paid cash you no longer have the money you spent for the car and you lost the interest the money could have earned had you been able to keep it.

So let's say you bought a \$30,000 car at 6% for 60 months. Your payments would be \$579.98 a month for a total of \$34,799 and you would have also paid \$4,799 in interest.

Let's say you can earn 6% on your money, and that you are trading cars every two years and have 40 car-buying years left.

As you can see you will be financing 20 cars over the period and had you been able to invest the interest you paid you would have had \$463,203 assuming a 6% return. We are not saying you should not buy a car but rather that you understand the cost.

No matter how you look at the price of owning cars it is quite expensive. The Private Reserve Strategy can give you a method to minimize the loss and maximize your purchasing power.

The point we are trying to make is that before you make any purchase you must not only consider the cost but the opportunity cost as well.

It's not just what you buy; it's how you buy it.

There are three ways to make major capital purchases like automobiles.

The Debtors have no savings; they are not earning any interest, so they are forced to pay interest.

The Savers save. They earn interest on their savings dollars and they pay cash.

There is another option which we call the Wealth Creators.

They save, they earn compound interest, and they collateralize their major capital purchases.

Collateralization simply means they pledge a portion of their money as security for an amortizing loan against their cash position. Their money is still earning interest while they are paying interest.

Let's look at an example of all three positions.

This is the Zero line. It signifies a financial position where one has nothing and owes nothing. Zero

Let's look first at the Debtors.

They have no money so they are forced to borrow against their future and go below Zero. They make payments of both principal and interest working their way back to Zero. Unfortunately it is easy to find oneself trapped in this position.

The next position are the Savers.

They postpone gratification and put money away to be able to pay cash for their purchases in the future. Then the day comes that they must drain their account to make the purchase and they find themselves uncomfortably close to the Zero line so they begin saving again to ease that tension.

Finally, let's look at the wealth creators.

They have been saving like the saver, however, when it comes time to make a major capital purchase they collateralize the purchase meaning they borrow against their capital and pay off the lender while they continue to compound interest on their money.

As you will notice over time, they like our other two examples made the same purchase, paid off their loans, and continued receiving the benefits of compound interest along the way.

We all understand that debt is a problem. What is debt? Debt is borrowing money to purchase something that you can't pay for in full with your monthly cash flow.

A debtor is someone who has the intention to repay but does not have the ability to pay-in-full at the time of the purchase.

The problem with debt is:

- You have a future obligation against your earnings which you may or may not fulfill.
- You lost the money you spent plus the interest you had to pay to get it.
- You are now a debtor to the creditor, and you have no control over the money you are spending.

Debt is not an efficient purchasing strategy.

OK. If you are not going to go into debt to buy things, what strategy will you have to use?

Pay Cash right? What is the problem with paying cash?

This seems like a silly question at first. If paying cash for your car is the answer to avoiding going into debt, where is the problem?

The problem has to do with compounding interest or the lack of compounding.

To pay cash one must first save. Once they have sufficient funds to make their purchase they must now deplete their savings or drain the tank.

Remember...while the money was in the tank...it was compounding interest.

By paying cash they do not owe interest, however, they are no longer earning interest on the amount they withdrew. They have reset compounding on that amount of money.

To get back to where they were before they must put back what they withdrew from the tank plus the interest they lost that they would have earned as well had they left the money in the tank.

What makes filling the tank even harder to do is that any interest you earn on the money you have in the tank is usually taxed as it is earned or on withdrawal.

Don't forget compound interest works best over time without interruption.

Paying cash is not bad but it is not the most efficient purchasing strategy. It is a defensive strategy.

Back to the real problem...which is that when you drain the tank you are resetting compounding on that amount of money.

When we pay cash we do save interest but we should also consider the amount of interest we are losing by doing so.

Let me give you an illustration.

Suppose you have \$50,000 in your tank. You are earning 5% interest and you are going to look at the results over 30 years. You are going to drain the tank at the beginning of the period and you are going to put the \$50,000 back over 4 years.

Had you not drained the tank it would have grown to \$216,097. Draining the tank one time and putting it back in four years and allowing it to compound the remainder of the period (26 years) will only grow to \$177,784.

To drain the tank once costs \$38,313. You did save interest but you also lost interest. How many times do you want to reset the compounding cycle?

Let me introduce you to the Private Reserve Strategy

Remember the Private Reserve Strategy is not something you buy but a concept you employ. It is a strategy that gives you a way to solve your need for capital while you are saving for your future .

How does it work?

You have money in an account which we are going to call your Private Reserve. It can be any account of your choosing.

You want to make a major capital purchase. Let's assume you want to buy a car.

Rather than draining your tank to do it, you secure a loan from a financial institution against the money you have in your private reserve account. The institution gives you a check for the amount you have borrowed and you make your purchase. You now have an amortizing loan with the institution and they have a collateral position against your private reserve account.

You will pay the institution interest which is declining while the money you have in your private reserve account is earning interest that is compounding.

The goal of the private reserve strategy is to increase long-term efficiency by leveraging the differences between amortized payments and compounding interest.

Let's look at an illustration using a \$30,000 car purchase. Let's assume you had to pay 5% interest on the loan over 5 years. Your monthly payments would be \$566. At the end of the 5 years you would have paid \$3,968 in interest.

If you had \$30,000 in an account earning 5% for 5 years you would have earned \$8,501 in interest while you were paying \$3,968.

Do you see what Albert Einstein saw?

To be correct you must also calculate the interest you are losing on the amortized payments as you go. Any interest paid is interest lost. The faster you pay the loan, the quicker you reduce the lien on your private reserve account increasing your efficiency.

Let me introduce you to a new term called Collateral Capacity. It is simply the amount of money you have accumulated that you can collateralize.

Three things affect your collateral capacity.

1. contributions into your tank
2. interest growth on the money you have in your tank, and
3. as you pay off an existing lien your collateral capacity is increased

The greater your collateral capacity...the more money you can access to make major capital purchases and larger investment opportunities that may come along.

The Private Reserve Account can be any account you want to use. While you will want to find an account that gives you the greatest number of benefits...the one benefit that the account you choose must have is that your money must be available through collateralization.

When looking for a vehicle to serve as your private reserve account, you're going to want to look for an account that has characteristics and benefits that meet your needs. Well, let's talk about some of those.

- One of the things you're really going to want is tax-deferred growth on your money. Compounding interest in a taxable account is not going to serve you very well.
- Tax free distribution would be awesome- to be able to get the money out without paying taxes.
- You would like to get a competitive rate of return during the accumulation phase (when you're putting the money in the tank.)
- You would like to put in as much as you want - thus having high contribution limits.
- Deductible contributions would be preferred.
- Collateralization opportunities is key. Remember, if the account you're thinking about will not allow you to collateralize, thus forcing you to drain the tank, that account will not function well as your private reserve.
- A safe harbor - you want the money in an account that's safe.
- You would prefer no loss provisions - meaning you can't lose this money.
- You would also want guaranteed loan options. If you're going to collateralize loans from time to time, you're going to want to be able to do it at your discretion with guaranteed access.
- Unstructured loan payments would be preferred - meaning you do want to pay the money back, but you're not under any obligation to do so on a set and rigid schedule, thus eliminating the pressure of forced payments.
- You would want liquidity, use and control of the money at all times.
- And then finally additional benefits like "creditor-proof" meaning your account is protected in the event of a law suit.

While many accounts will work as a private reserve, there are some that will work better than others.

In addition to the ability to collateralize...the Private Reserve Account must also be safe...meaning the money you put in this account cannot be lost.

The Private Reserve Account would not necessarily be an account to replace your investment accounts (although it can also help you be more efficient in that area as well) but rather an accumulation account in addition to your investment holdings.

Let's recap:

We finance everything we buy, we want our money to earn compound interest without interruption meaning we never want to drain the tank and collateralizing our major purchases is a more efficient purchasing strategy than going into debt or paying cash.

To learn how you can employ the Private Reserve Strategy and have your money compounding interest while you still have access to it, give us a call and schedule an appointment today.

Qualified Plans Script

Qualified Plans are tax deferred savings accounts sanctioned by the federal government—which is what makes them Qualified. Qualified Plans provide a tax deduction at the time of deposit. Non-Qualified accounts are accounts that do not receive tax deductions at the time of the contribution but may provide tax favored treatment at the time of withdrawal. This discussion will focus on Qualified Plans such as your 401(k), IRA, SEP, and SIMPLE retirement accounts.

Do people pay more taxes than they have to? The obvious answer is yes, but not because they want to. Most people would prefer to avoid taxes today at almost any cost. Hence, one of the most common recommendations of where to place your money to grow for the future is in Qualified Retirement Accounts. The most common of these being the 401(k).

What do qualified plans do? The number one response is that they defer taxes. If that is what you said they do you were only half correct. The part you missed is more important to your future than you may realize.

So what do qualified plans really do? They do two things.

- Number 1: They do defer taxes, which is the part we are most interested in at the time of our contribution.
- Number 2: They also defer the tax calculation. Let this run past your brain for a few minutes.

Your tax bracket plays a very important role in this discussion. Many Americans focus on the tax bracket they are in today, not the one they will be in when they take the money. The truth is they are both important but most focus their attention only on the contribution.

What Tax bracket will you be in when you take this money out? This question should receive more attention than it is getting from most.

Let's assume you are investing money in one of these accounts. You probably thought doing so would save you taxes. You may have even received information from tax professionals that you will "save" taxes. The truth is these accounts are not tax savings accounts at all but tax deferred savings accounts. That means that you will pay the tax eventually.

The pressing question is at what bracket?

If you take the money out in a lower tax bracket than when you put it in—you win. You did save taxes but you cannot know that today.

If you have to take it out and you are in a higher tax bracket—you lose.

An interesting thought: At the time of withdrawal the IRS is not going to ask you what tax bracket you were in at the time of your contribution, their only concern is what bracket you are in at the time of withdrawal.

What tax bracket will you be in during retirement? Higher, lower or the same?

Let's say you wanted to borrow \$10,000. You would ask two questions before you took the money.

- The first question would be how much interest do you have to pay?
- The second question would be when do you have to pay it back?

If the lender responded by saying, "We have enough money right now and do not need any payments from you at this time but there will come a time when we will need the money and when we know how much we need we will be able to determine how much interest we have to charge to get the amount we need.

Would you cash that check?

Absolutely not, but this is exactly what we are doing with the government in qualified accounts.

They are not saying you do not owe the tax.

They are saying you can pay the tax later. At what bracket? That is a good question.

Knowing this information means that it is impossible for anyone to tell you how much money you will “save” by making a contribution today to a qualified plan. It is impossible because they do not know the withdrawal tax bracket. Assume you are in a 30% tax bracket and you wish to make a contribution of \$10,000 to your qualified plan. The best one could and should say is that the “apparent tax benefit” of making a \$10,000 contribution today would be \$3,000.

What many miss is the fact that the \$3,000 you “saved” in taxes today will be due at interest in the future. You wrote the check for \$10,000 to the plan but you only have \$7,000 in the plan. The government has their share (\$3,000) in the plan as well. Had you claimed the \$10,000 in income you would have paid your tax of \$3,000 and received the balance of \$7,000.

The government is allowing you to defer the tax. You did not save any tax. You did not get a check back in the mail, you simply did not have to pay it today. The money you think you are saving is actually in your qualified account. They understand opportunity cost as well. They will want their \$3,000 back one day at interest. Your share earned interest and so did theirs. Should they decide they want more and taxes go up when you start taking the money out, your share goes down.

If the account value grew to \$1,000,000 your share would be \$700,000 and the governments share would be \$300,000 assuming a 30% tax bracket.

If you listen to the wisdom of many advisors you will hear that deferring your taxes is a good thing because when you retire you will be in a lower tax bracket. They are not necessarily wrong because most people do retire in a lower tax bracket. The reason is not that taxes are less during their retirement years but rather most Americans are broke. Most can not afford to retire at the same level of income they were making while working. Sad but true.

The government reports that you can get by on 60% to 70% of your present income at retirement. There are few people who will be able to retire on two thirds of what they have a hard time living on while they are working.

The other problem with the myth “you will need less in retirement” is the fact that many things may cost more in the future. Many believe this factor will not be that large a burden because they plan to have their home paid off by the time they retire.

Let’s assume your home is paid off by the time you retire. Will it be a problem during your retirement if your medical costs are more than your current mortgage payment? Will your property taxes be less during retirement? These are things that few advisors may take into consideration in planning for your future but may have an impact on your lifestyle during your retirement.

While most people do retire in a lower bracket remember that you are not “most” people. You do not have to be one of the “most”.

Do not misunderstand what we are saying. We are not saying these plans are bad. We are simply helping you understand what they do.

These accounts can be a great source for retirement savings and most people who have access to such accounts should consider using them, especially if you are getting a company match.

If you are not getting a match what are you getting? Tax deferral. It is better than trying to accumulate money in a taxable environment but do not forget you will pay the tax.

Unfortunately the money in these accounts is not accessible during your accumulation years. Since you do not have access to the money you may be forced, like other Americans to finance major purchases like your car.

Lack of accessibility can indirectly have a negative impact on your qualified plan.

Assume you are earning 8% return in your qualified investment account but you are also financing the car you drive to work at 8% interest. Can you see what is happening? The interest you are earning in your left pocket in your retirement account is being transferred away in your right pocket. The interest you are earning in your qualified plan at work is being lost on the way to and from work.

When you add credit card interest and personal loans on top of the cost to finance your cars you could find yourself in "neutral" meaning you are losing as much as you are saving. Unfortunately many will find that their financial future is actually in reverse.

The sad truth is that many Americans will transfer more wealth financing the cars they drive to work than they will have accumulated in their lifelong savings accounts.

There are rules that you need to know about access to this money. You can not get in the line to access the money until you are 59½ without penalties. You must get in the line and start taking the required minimum distribution at age 70½ to avoid a 50% penalty on the amount you should have taken but did not take. Who is helping you with the rules?

Do you remember playing Tic-Tac-Toe as a child? Who won the first time you played? It was probably the person who taught you the game. They told you the rules were simply to get three in a row. You may have lost regularly until you learned the strategies of the game.

The government has rules that apply to accumulating money in qualified accounts. Few people understand all the rules before they begin playing. Not knowing the rules may result in losing hundreds of thousands of dollars. The rules all change when you start withdrawing the money and if you are not getting the right information you may lose much of what you worked so hard to achieve.

You should understand that you are not saving taxes. You are simply deferring them and you will have to pay them at some future tax bracket yet to be determined. Your tax bracket could be higher or lower at that time.

If there were opportunities to avoid paying some of the taxes that you deferred would you want to know how to do that?

We hope this video has challenged you to realize that there is possibly more you need to know about these types of retirement accounts.

What you don't know about them could be more important than what you know.

Call today and let us help you with the rules so that you may play more efficiently.