Tax-Free Income
SALES KIT

In this kit:

Social media images | Discussion guide | 0% tax bracket strategy

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Intro

This sales kit is a little different than our others. This month, we want to provide information and support to help you talk to clients about taxes. Specifically, how current and future tax rates affect their retirement – and what to do to maximize the amount of money they get to keep.

This kit will help you get the conversation started. Once you have the client's interest, transition the discussion into specific tax-free strategies, like IUL.

In this kit, we've got:

- Sharable social media images in 3 sizes – perfect for Facebook, Twitter, LinkedIn, and Instagram – **now with vertical images sized for Facebook and Instagram stories**
- Discussion starters and conversation guide – **updated for 2021**
- Resources for more information and statistics (great tidbits for social sharing!) – **updated for 2021**
- Sample emails for clients and prospects on tax-free retirement income and the 0% tax bracket
- Advisor strategy: How to get clients into the 0% tax bracket in retirement – **updated with figures for 2021**
- 2-part consumer guide: Wealth Strategies – The Financial Tool Used by the Top 25%

Let's get the word out about smart retirement planning with tax-free income.

Need help digging into the specifics of tax-free strategies, like IUL?

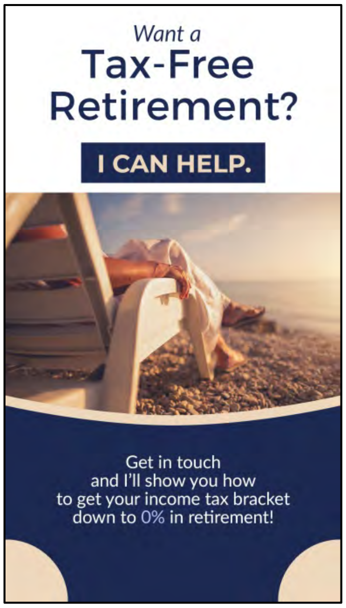
Call us! We're happy to help with ideas, illustrations, and more.
Call 800-823-4852 and ask to speak to a brokerage manager.

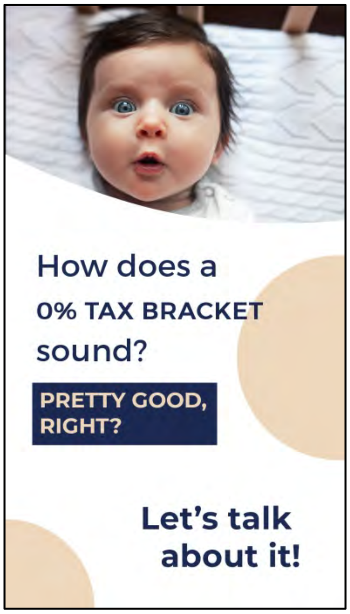
This kit provides general information regarding the subject matter covered. It is not intended to serve as legal, tax, or other financial advice. Because each individual's legal, tax, and financial situation is different, specific advice should be tailored to a client's particular circumstances. Please advise clients to consult with their attorney and/or CPA regarding their specific situation.

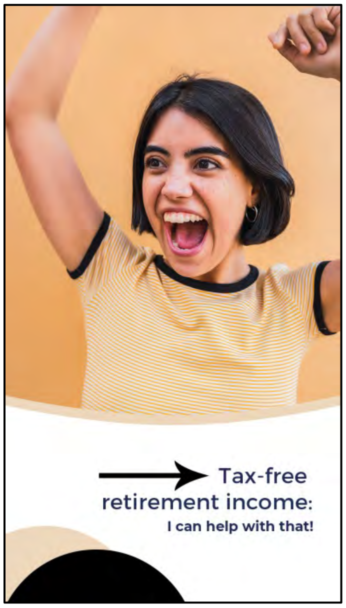
Social Media Images

Vertical Images: 1080x1920 pixels – perfect for stories on Instagram or Facebook.

Click any image to view in a browser, then right-click and save to your computer.





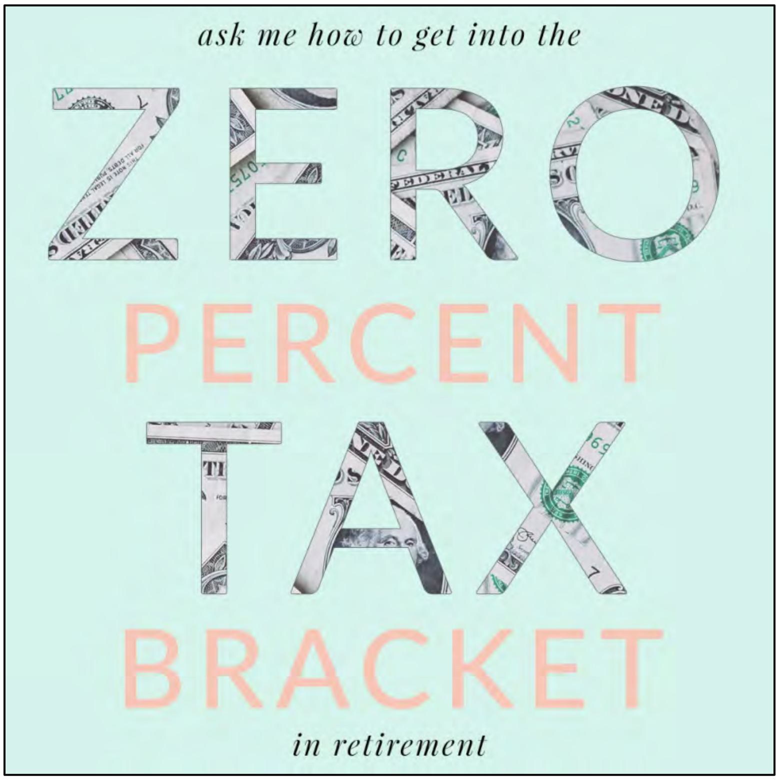


Social Media Images

Square Images: 1080x1080 pixels – perfect for Instagram or Facebook.

Click any image to view in a browser, then right-click and save to your computer.


WANT
TAX-FREE INCOME
FOR RETIREMENT?
I can help.


ask me how to get into the
ZERO
PERCENT
TAX
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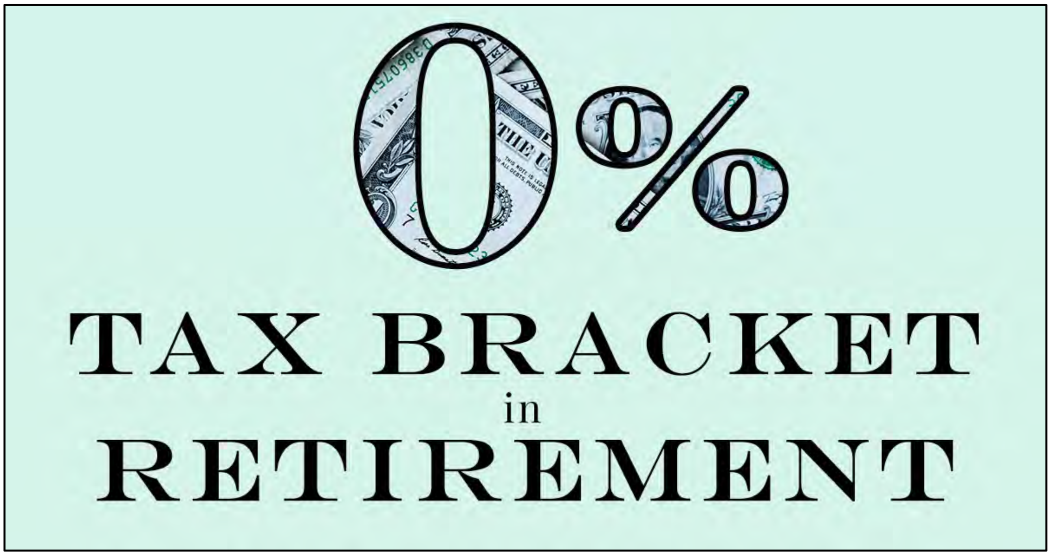
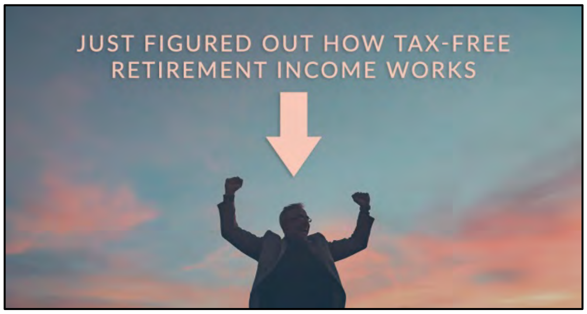
in retirement

Rectangular Images: 1200 x 628 – perfect for LinkedIn and Twitter.

Click any image to view in a browser, then right-click and save to your computer.





Discussion Guide & Conversation Starters

To use this guide, ask a few of the "getting started" questions. As you listen to your client's responses, take a few quick notes – what larger issues come up? Use the follow-up questions in the relevant sections below to steer the client into a deep-dive on their most pressing issues. Once you know what they want and what they fear, you can highlight the solutions and product features that work best for them.

Get Started

- How do you feel about your finances these days?
  - Would you say you're confident, cautious, or worried?
- Did you have a retirement plan before the pandemic? If so, has it changed?
  - If not, what are your retirement goals?
- Have you thought about making any changes to your budget or portfolio because of what we've seen in the market lately?
- What assets do you have that are tied to the market (qualified account, stocks, bonds, etc.)? What assets do you have that are independent of the market (business, home, cash reserves, etc.)?

Transition

- So we've been talking about [issue here]. You're feeling [insert client answer], and have thought about [insert client answer].

Option #1: Address the Stock Market/Portfolio Value

Now, let's get specific and talk about how the crazy stock market affects your retirement.

- Is the volatility in the stock market causing you to make changes to your spending habits?
- Is market volatility resulting in a lower standard of living for you and your family?
- What stresses you out more: losing money, or missing out on potential gains?
- What if we could look at a way to protect your portfolio from the volatility we've seen lately?
- Are you interested in looking at ways to protect part of your portfolio from the kind of volatility we've seen lately? If there were a way to protect that money, grow it, and keep part of it available in case you needed it, would you be interested in finding out how?

Option #2: Address Higher Taxes in the Future

Now, let's shift gears and talk about higher taxes – that seems to be what's on everyone's mind these days. Let's start with some of the questions my other clients have been asking:

- How do you think the government will pay for the programs that have been helping us fight COVID-19? What do you think the government will do to recoup revenue lost in employment taxes? How do you think the government will pay for the enhanced child tax credit, raised from $2,000 to $3,000 for 2021?
    - **Print more money:** That's interesting! So if the government prints more money, that usually leads to inflation, right? How would that affect your retirement savings?

      Raise taxes: That's very likely! If they raise taxes before the current tax cuts expire in 2025, how would that affect your retirement plan? Would you be worried about those higher taxes eating into your retirement income?
- If you could pay tax **now** on money in your untaxed accounts, would you rather do that if it meant saving more money in the long run?
- What if there was a way to keep more money in your account – and with your family for the next generation – instead of paying it to the IRS?

Option #3: Address Consumer Debt

Now, let's shift gears again and talk about debt. No one wants to talk about it, I know, but if we talk about it, I can help figure out how to help you balance that debt with a plan for your future and your retirement.

- Is increasing debt one of your financial issues right now?
- And what kind of insurance do you currently have – any life insurance in the mix?
    - **No:** (You know what to do!)
    - **Yes:** Great! I'm glad to hear it. Let's do a quick review to make sure that coverage is still meeting your needs.
    - **I did, but I cancelled because I couldn't afford it:** I understand – things have been tough over the last year. Let me just ask a quick question…if you can't afford the premiums for life insurance to offset your debt, how do you think your family will be able to afford it if something were to happen to you? What if we could find a more affordable way to protect them from these debts?

Option #4: Address Inflation

Now, a lot of my clients have come to me very concerned about inflation. Inflation is what happens when the government prints more money to make up a debt or shortfall. Because there's more money available, that money becomes worth a little less. Essentially, with inflation, when you take a dollar to the grocery store, you get less than you would have before.

- Does the potential for inflation worry you at all?
- If the money you saved for retirement bought 70% as much then as it could today, would you still have enough to live comfortably?
- What if it didn't matter what happened with the inflation rate because you had a way to keep your income growing at or above that rate?

Option #5: Address Longevity

There's one more issue I want to bring up while you're here…and it's one a lot of people don't think about until it's too late. Now, this issue is longevity. What that means, essentially, is outliving your money. If you plan for a 20-year retirement, for example, what happens if you live 25 more years? Or 30 years? This is especially common for women, who frequently outlive their spouses but don't have a plan to pay for those extra years.

- Do you have a target retirement age? How long do you expect that retirement to last?
- Is there a backup plan for what happens if that money runs out?
- Would you like to hear about options that can help turn money you already have into a guaranteed income stream you can't outlive?

Need help digging into the specifics of tax-free strategies, like IUL?

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Call 800-823-4852 and ask to speak to a brokerage manager.

Resources

Because anything you don't have to Google saves you time.

Stats, Government Sites & General Use

U.S. Debt Clock: https://www.usdebtclock.org/

TruthInAccounting.org: https://www.truthinaccounting.org/

Social Security: https://www.ssa.gov/

Congressional Budget Office: https://www.cbo.gov/

IRS.gov, 1040 Instructions and Tax Table: https://www.irs.gov/forms-instructions

IRS.gov, Capital Gains and Losses: https://www.irs.gov/taxtopics/tc409

Good Resources for Tax Talk

Our archive of Van Mueller newsletters: https://pinneyinsurance.com/blog/?tag=van-mueller

Professor Laurence Kotlikoff of Boston University: https://kotlikoff.net/
This site includes an easy-to-navigate compendium of his columns, articles, and books on the left sidebar. Super useful.

Ed Slott's resources page: https://www.irahelp.com/iraResources.php
His specialty is IRAs, but this resources page has a ton of helpful links to retirement planning resources, including his monthly advisor newsletter.

From our archives:

Industry Update: Washington State's Long-Term Care Act

Women and Money: Covid's Effect on Jobs, Retirement & More

Selling in the COVID-19 Economy: 6 Problems and 3 Opportunities

5 Ways to Support Clients During a Crisis

How to Use Life Insurance Instead of a Stretch IRA to Transfer Wealth

Sample Email Text: Worried about Taxes Increasing?

Subject line: Worried about taxes increasing?

Hi Mrs. Client,

In the past, we've talked about [topic].

But now I want to ask you a question about taxes. Do you think taxes are likely to be higher or lower in the future?

If you said higher, you're right. The national debt is increasing faster than normal, thanks to the coronavirus. And the government's best chance of getting that money back is to raise taxes on its citizens.

This is going to cause big problems for people who are depending on pre-tax retirement accounts like 401(k)s and traditional IRAs. If tax rates go up, how much of that money can you actually keep?

If you don't like the idea of paying more tax, you're not alone. In fact, it raises a good question: if you could pay taxes now, while they're lower, would you do it? That's what a lot of my clients have been asking me lately.

And yes, there is a way to make sure you're not paying more hard-earned money to the IRS than is absolutely necessary.

Did you know I can help you:

- Reduce or eliminate tax rate risk from your retirement
- Make sure what's left of your money goes to your kids, not the government
- Give you a way to hedge against the need for long-term care
- And also give you a way to hedge against the expenses caused by a major illness

I don't want the "tax train" to catch you unaware. If we could reduce or eliminate your tax liability in retirement, would you be interested? Do you have a few minutes to talk this week?

Sample Email Text: The Zero Percent Tax Bracket

Subject line: Did you know it's possible to retire in the zero percent tax bracket?

Dear Mr. Client,

Have you seen any of the videos or stories online about the zero percent tax bracket?

If so, you might be thinking it's too good to be true.

But as long as you know how to put your money into different "buckets," you could retire and pay **no** income tax on your 401(k) distribution, your Social Security payments, and several other available streams of income.

Here's an overview of how it works:

- **401(k):** Only withdraw as much money per year as the tax year's standard deduction (about $25,100 for a married couple in 2021)
- **Social Security:** Keep taxable income under the threshold for Social Security taxation
- **Roth IRA:** Distributions aren't taxes because you funded the account with after-tax money.
- **Life insurance:** Sock away money in a cash value policy now, and withdraw tax-free income later.

The great thing about this strategy?

You never have to stress about future tax increases.

Even if the tax rate doubles, zero times two is still zero.

If I could show you how to apply this strategy to your current retirement portfolio, would you be interested?

Call me or email me and let's talk about ways to get you into that zero percent tax bracket.

How to Talk to Clients about the 0% Tax Bracket

IF YOUR CLIENTS HAVE BEEN ASKING ABOUT RISING TAXES, YOU'RE NOT ALONE. THEY WANT ADVICE ON HOW TO PLAN FOR THIS – AND HOW TO TAKE ADVANTAGE OF OUR CURRENT LOW TAX RATE.

There are several strategies we can use to keep as much of your clients' retirement income tax-free as possible. For some, they'll even be able to get into that 0% tax bracket. But let's back up a bit first and explain the trouble with relying on traditional retirement accounts and Social Security.

The Problem with Traditional Retirement Accounts

How many of your clients think they're set for retirement because they max out their yearly contributions to a 401(k) or IRA? The selling point for these traditional accounts is the tax break you get *right now*. You fund your account pre-tax and let both the principal and the gains grow tax-free.

Essentially, the government is giving your clients a tax break *now*, during a time when taxes are low. In return, your clients will pay tax *later*, when taxes will likely be higher.

THAT FUTURE TAX RATE IS EXACTLY WHAT'S WORRYING MANY CLIENTS THESE DAYS.

What's the point in growing a tax-free account if the government can take it all back in the future with higher taxes? While it's highly unlikely the government will take *all* of it back, we don't know exactly what they *will* take back.

We know they have a massive funding shortfall. And we know higher taxes are an easy way to start making up that difference. But that's not all.

The 0% Tax Bracket

The Problem with Social Security

Social Security benefits are taxable at the federal level based on your clients' income. Depending on that taxable income, up to 85% of their benefits can be taxed.

- **If you are single and your income exceeds $25,000,** up to 50% of your Social Security could be taxable.
- **If you are single and your income exceeds $34,000,** up to 85% of your Social Security could be taxable.
- **If you are married filing jointly and your income exceeds $32,000,** up to 50% of your Social Security could be taxable.
- **If you are married filing jointly and your income exceeds $44,000,** up to 85% of your Social Security could be taxable.

In this situation, that income is calculated as **modified adjusted gross income + 50% of Social Security benefits + any of the common streams of income listed below**.

- **Rental income:** yes
- **Interest:** yes
- **Dividends:** yes
- **Pensions:** yes
- **Tax-exempt muni bond interest:** yes
- **Traditional IRA distributions:** yes
- **Capital gains:** it depends (we'll get to that in a sec)

If you asked right now, how many of your clients' retirement plans are based on two or more of the above income streams? Now you see the problem we're leading up to.

THE MORE YOUR CLIENTS HAVE IN THEIR 401(K) OR IRA, THE MORE THEY'LL LOSE TO TAX. AND THE MORE MONEY THEY RECEIVE FROM THEIR 401(K) OR IRA, THE MORE OF THE SOCIAL SECURITY THEY'LL LOSE TO TAX.

The Solution: Reduce Taxable Income

If too much tax is the problem, there's one clear solution: reduce the amount of taxable income.

So what *doesn't* count as taxable income?

- Roth IRA distributions (assuming you are over age 59.5 and had the account for at least 5 years)
- Life insurance policy loans (which do incur a bit of interest)
- Immediate annuity payments (up to the initial investment amount)
- Some capital gains, depending on length of time held and taxable income

You want your clients to have as much money as possible in these tax-free vehicles. And you only want them to withdraw as much money from taxable vehicles as enables them to stay in the 0% tax bracket. This keeps their Social Security 100% tax-free. Combining all these strategies, it's possible to have a 0% tax bracket in retirement.

Summary

- **Rely heavily on tax-free sources of income.**
    - **Life insurance**
        - Policy loans are not taxable. They may, however, incur a small interest fee. This works best if you grow that cash value for 10+ years. The longer the money grows, the more you benefit from compounding interest!
        - Think of cash value policies as a replacement for bonds in your clients' portfolios, since bond returns are nowhere near the percentage typically projected (5-7%).
    - **Roth 401(k) or IRA**
        - All withdrawals, including interest, are 100% tax-free since they were funded with after-tax dollars.
        - Calculate the cost of a traditional-to-Roth 401(k) or IRA conversion. Your clients will pay tax now, but have tax-free withdrawals later. A possible silver lining? If the value of their IRA is lower thanks to a general market drop, that also helps lessen the tax burden.

The 0% Tax Bracket

- **Keep taxable income below the standard deduction.**
  - Have to take an RMD? Set it so that it doesn't exceed the standard deduction. That deduction essentially wipes out the same amount in taxable income.
    - **Tax year 2021, single:** $12,550
    - **Tax year 2021, married:** $25,100
- **Factor in Social Security.**
  - The average person collects about $15,000/year. Taking Social Security earlier can result in smaller payments, which may actually help in terms of reducing taxable income, depending on your clients' needs.
- **Remember the 0% capital gains tax rate.**
  - The IRS taxes long-term capital gains (those held for at least a year) at 0%, 15% or 20%. The 0% rate applies to long-term capital gains as long as your 2020 taxable income doesn't exceed $40,400 (for single filers) and $80,800 (married, filing jointly).
  - Capital gains are taxed differently than ordinary income. If your client's income is $10,000 under the 22% tax bracket and they have a $20,000 long-term capital gain, they pay 0% tax on first $10,000 of the gain. The second $10,000, which bumps them into the 22% bracket, will be taxed at 15% - but their ordinary income remains in the 12% bracket.

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CONSUMER GUIDE: PART 1

WEALTH STRATEGIES

THE FINANCIAL TOOL USED BY THE TOP 25%

...and how you can use it, too!

Contents

A Message from Your Financial Advisor

Thank you for taking the time to read this guide on proven strategies to help you grow and protect your wealth. I hope it brings you and your family one step closer to a prosperous future!

I've been in the financial industry for years. Along the way, I've observed how my wealthiest clients make decisions about their finances. I've seen the tools they use and the strategies they employ to position themselves for financial success. In this guide, I'm going to share those strategies with you.

How to Use This Guide

Some of the strategies I go over in this guide may seem new and a little strange, but trust me - there's a good reason for that. These strategies are intended for the top 25% of earners in the country. The top 25% *aren't* the people targeted by the mainstream media. When you see news clips, magazine stories, or blog posts with advice on retirement strategies, the media is advising the *other* 75%. That's why they rarely - if ever - talk about the strategies I'm about to share with you.

These strategies do work - and I'll provide examples so you can see them in action.

There's only one catch.

After you read this guide, it will be up to you to take action.

It's easy to delete a PDF and never look at it again. It's also easy to print it out, leave it on the kitchen counter for a week, and then put it away when something more pressing comes up.

That's not what I want you to do with this information.

Instead, I want you to take action.

I want you to dare to take control of your future and use the strategies the wealthy have been using successfully for years.

What We'll Cover

In this guide, I'll walk you through everything you need to know about these proven wealth strategies. First, I'll explain who the wealthy are - yes, there's an actual definition we'll be using, with numbers to back it up.

Next, I'll share the wealth accumulation strategy used by the richest people in our country. We'll focus on this group so you can see what makes them so successful. If you're skeptical, I understand. But this group doesn't just include people who inherited wealth from their parents or grandparents. It also includes small business owners, executives, entrepreneurs, teachers, and so many more.

It could include you, too.

Next, we'll cover the number one financial problem wealthy individuals face - and how they solve it.

Finally, I'll explain how you can implement these strategies starting today. Not a year from now. Not once your retirement account hits a certain benchmark. Right now. *Today*. Because there's no better time to set yourself up for financial success.

I hope this information is helpful to you and your family. If you have a question or want more detail, don't hesitate to contact me. I'm here to help!

Who Are the Wealthy?

As I mentioned on the previous page, we're going to focus on the top 25% of earners in the United States. Do you think you're already in that group? The answer may surprise you.

The Top 25%

Let's talk about the top 1% for just a minute. How much money do you think you'd have to make per year to find yourself among the top 1% of American earners?

$1,000,000?

$2,000,000?

Surprise!

You'd only need to make $465,626, including a spouse's income.

If you already make more than $465,626, you're in the top 1% of earners in the nation. Consider yourself among the elite!

But let's get back to our original discussion - the top 25%. How much do you think you'd need to make per year to find yourself in this group?

Are you ready for another surprise?

If you make $77,714 or more per year, you're already there. Compared to the general population, you already make far more money than average.

Here are the IRS statistics to prove it:

Income Category	Adjusted Gross Income
Top 1%	$465,626
Top 5%	$188,996
Top 10%	$133,445
Top 25%	$77,714
Median AGI	$38,171

Source: Internal Revenue Service Tax Stats at a Glance and Individual Income Tax Rates and Shares Data Snapshots

Why are we spending so much time talking about your annual income? Because that's how the government decides how much tax you pay.

The majority of taxes - a whopping 84% - come from the top 25% of wage earners.

Keep this in mind as we go through the rest of this guide.

The Three Types of Money

When we talk about wealth-building, there are three different types of money you should be aware of.

Let's call these types "buckets." Each bucket is taxed in a different way. Your three buckets are:

- Taxable = pay tax **now**
- Tax-deferred = pay tax **later**
- Tax-free = pay tax **never**

1. The Taxable Bucket

This "bucket" includes earnings you're taxed on during the current tax year. For the purposes of growing wealth, this includes CDs, capital gains, stock dividends, and interest earned on a savings account.

The benefit of this bucket is that the funds are immediately available to you. You pay tax right now, rather than waiting and dealing with a potentially higher tax rate in the future.

The drawback of this bucket is that earnings on investments like CDs and savings accounts are low. You're also missing the opportunity to grow that money tax-deferred or tax-free.

2. The Tax-Deferred Bucket

This "bucket" includes money you're saving in IRS-authorized retirement accounts that let you accumulate funds now, and pay tax later. This includes 401(k)s, IRAs, and other qualified retirement accounts.

Money in this bucket grows faster than money in a taxable bucket because you're not taxed on your gains. More money in the bucket means you have more cash earning interest. More cash earning interest means faster growth.

Later, however, when you begin to withdraw that money during retirement, you have to pay tax as if it were regular income.

The benefit of this bucket is growing your wealth faster through compound interest.

The drawback of this bucket is having to pay tax during retirement, when you don't know what the tax rate will be. There are usually penalties for withdrawing this money before retirement, too.

The Three Types of Money

3. The Tax-Free Bucket

This "bucket" includes money you put into financial products that don't incur a tax penalty, ever. This includes Roth IRAs, municipal bonds, and certain types of life insurance.

Keep in mind that you still have to pay tax on earnings you make through these investments, but your principal is 100% tax-free.

The benefit of this bucket is not paying tax!

The drawback of this bucket is that some types (such as municipal bonds) count as provisional income, which may increase the tax you have to pay on Social Security. Also, there are strict yearly limits on contributions to a Roth IRA. For example, if you're filing taxes as a single person and make more than $189,000 per year, you cannot contribute to an IRA. If you make less than $189,000, you're only allowed to contribute $5,500 per year.

Which "Bucket" Is Best?

When it comes to growing wealth, the amount of tax you pay has an enormous impact on what you're able to achieve.

The wealthiest individuals have learned how to use all three buckets to protect and grow their wealth.

Because each bucket offers different benefits and drawbacks, they know they need more than one to create a secure financial future.

But there's one bucket in particular that the wealthiest people in the world use more than others - and it's the one that can have the biggest impact on your financial peace of mind.

Income Tax Rates & Why They Matter

Now that you know about the three "buckets," you can see how they're each affected by taxes. That's all you need to know, right? Not quite...

It may surprise you to learn that tax rates change dramatically over time. Let's take a quick look at how and why they change. Understanding this change is the key to selecting the right bucket to grow your wealth.

What Causes Tax Rate Increases?

The single biggest driver of tax rate changes is the government's need for money. Historically, tax rates increase dramatically when the government needs to fund something expensive, like a war.

As an example, let's look at what happened during World War II. This may seem like old news, but it's **crucial** for understanding how the goverment sets our tax rates.

To pay for World War II, the government raised the top marginal tax rate to an all-time high: a whopping 94%! That means, in the years 1944 and 1945, everyone in the top marginal tax rate who made an extra $100 would then have to pay $94 to the government.

Since the Cold War, however, our tax rates have been declining. As of the 2017 tax year, the top marginal tax rate is 39.6%.

But there are signs that the tax rate is VERY likely to climb.

Let's look at the evidence:

- **The war on terror** increased the government's financial commitments, but our taxes haven't been dramatically increased...yet.
- **The financial bailouts of 2008 and 2009** created even more government spending, but our taxes haven't been dramatically increased...yet.
- **As Baby Boomers age,** programs like Medicare and Social Security increase spending, but our taxes haven't been dramatically increased...yet.

What do all these expenses create?

Debt.

How will the government pay for this debt?

By increasing your taxes in the future.

You can see the evidence for yourself. Check out the U.S. Debt Clock website, which tallies the growing national debt second by second. It also calculates the average amount of debt per taxpayer.

Higher Debt = Higher Taxes

What's going to happen when the government can no longer make minimum payments on that debt? What's going to happen when the government can no longer borrow money from foreign countries or print more money to artificially satisfy its creditors?

It will have to raise taxes on its citizens.

But not just *any* citizens...the wealthiest citizens.

After all, a family living on the poverty line has nothing additional to contribute. Even middle-class families can't contribute enough to make a dent in the amount of money our government owes.

The people it will turn to are its wealthiest citizens - the ones paying the highest top marginal income tax rate.

This is why it's crucial to take advantage of the financial "bucket" that gives you the most protection from a future increase in taxes.

How to Become a Wealth Builder

Wealth builders make the same decisions you and I make right now. They buy cars, start businesses, and put their kids through college. But they use different financial tools to achieve their goals.

Why do they need different tools to do the same things ordinary people do?

Because they know how tax rates affect their wealth.

They know that the government is likely to raise taxes in the future, so they're careful to spread their wealth among the three "buckets," including the tax-free bucket that gives them the most bang for their buck.

Remember, most information you find online about saving for retirement or paying off a loan is geared toward the mass market - the bottom 75% of earners. The people in the top 25% look elsewhere for their financial advice, and as a result, they learn about these different tools and strategies that aren't familiar to the average consumer.

Let's take a closer look at how wealth builders achieve their goals. Specifically, let's look at how they make a major purchase.

Purchasing Power

We all have three ways to make a purchase:

- **Method 1:** Borrow money and take on debt
- **Method 2:** Save until you can afford to pay cash
- **Method 3:** Use your accumulated wealth as collateral and take out a loan with favorable terms

Wealth builders choose the last option whenever possible.

Why?

Let's see how each scenario plays out, and then the advantages of this third method will be crystal clear.

Method 1: Borrow

If you take out a loan to make a major purchase, that loan must be paid back with interest. You have to work for the money to pay back the loan plus interest. When the loan is paid off, your balance is zero. Unless you've earned a substantial raise or made other investments in the meantime, you have to start all over again the next time you want to make a major purchase.

Method 2: Save

If you save up until you can afford a major purchase, your savings are probably earning a bit of interest along the way, which is good. However, as soon as you make that purchase, all your capital is gone and you have nothing left to earn interest for you. You're now in the same position as the borrower. You have nothing left after completing your purchase, and have to start the cycle all over again.

Method 3: Use Collateral

The best option - and the one used by the top 25% - is to leverage your accumulated wealth and collateral to secure a loan with favorable terms. How do you know the terms are favorable? The interest rate on your loan is **less** than the percentage you're earning from your investments. This means you're always generating a positive cashflow, even when you're borrowing money.

Your accumulated wealth remains untouched. It earns more interest and grows without interruption.

Thanks to this strategy, called "uninterrupted compound interest," the top 25% can make big-ticket purchases while protecting and growing their wealth - unlike the saver or the borrower.

The Power of Leveraging

Now you know that leveraging is the way to build true wealth. But knowing it and doing it are two different things. How do you actually make it happen?

The trick is to become your own bank. As you'll see, banks already use leverage to grow their capital, earn new business, and invest in new ventures.

Let's take a quick look at how they do it.

Say you deposit $25,000 into a savings account at your bank. To reward you for being a good customer (and to keep you from moving to another bank), you'll receive a set percentage of interest on your money. For this example, we'll use 1%.

What does the bank do with that $25,000?

They loan it out to other customers who apply for a mortgage or a car loan or a line of credit. In return for the loan, the second customer agrees to pay the bank a set amount of interest.

Let's say customer #2 gets a 5% rate for the life of that loan.

The bank has just made a favorable loan for itself, based on the rates of interest it's receiving and paying:

- The bank pays you 1% interest
- The bank receives 5% interest
- **Net gain: 4% interest**

In financial terms, that 4% is called "positive arbitrage." All that means is the bank took a particular amount of money and received more interest than they paid out. It's also possible to have negative arbitrage, something the wealthy have figured out how to avoid.

Your Next Steps: Take Advantage of This Information

Now you have all the background information you need to understand how the top 25% grow and protect their wealth:

- The three "buckets" of money: taxable, tax-deferred, and tax-free
- Why taxes matter when it comes to saving and growing wealth
- Why it's important to become your own bank and grow your wealth instead of depleting it to make major purchases

There is **one** financial vehicle that encompasses all these strategies. It's a staple in the portfolios of the wealthiest 25% of Americans. This financial vehicle is available to everyone, although most people never hear about it. It allows you to take advantage of the third bucket, the **tax-free** bucket. It gives you the freedom to save money, earn interest, leverage funds through loans, and more.

If you're interested, I can tell you exactly what this vehicle is and how you can use it to enrich your family's financial future.

Here's a hint: it's a form of life insurance.

Ready to learn more? Call or email me today!

CONSUMER GUIDE: PART 2

WEALTH STRATEGIES

THE FINANCIAL TOOL USED BY THE TOP 25%

...and how you can use it, too!

Contents

A Message from Your Financial Advisor

Thanks for taking the time to read this guide on proven strategies to help you grow and protect your wealth with life insurance! I hope it helps you and your family create a prosperous financial future.

If you're reading this guide, chances are you've already talked to me at least once.

You've probably also read part one of this guide, which talked about the strategies the top 25% use to protect and grow their wealth.

If that's the case, you're in the right place!

If not, please call or email me so I can send you that first guide and get you caught up.

In that guide, I went over the strategies used by the top 25% of earners in the United States. These strategies help them preserve and grow their wealth.

Moving forward, it will be important to keep those goals in mind.

Don't worry - we'll do a quick recap on the next page before I explain how life insurance helps you achieve all these goals.

What We'll Cover

In this guide, we'll go over the type of life insurance the wealthiest 25% of Americans use to grow their wealth.

Next, I'll talk about the biggest risks to your retirement, and how life insurance can protect you from them.

Finally, I'll explain the unique benefits of one particular type of life insurance - and how it helps you become your own bank, just like we talked about in the first guide.

I hope this information is helpful to you and your family. If you have a question or want more detail, don't hesitate to contact me. I'm here to help!

What We've Learned So Far

As promised, here's a quick review of what we covered in the first guide:

- **Who are the wealthy?** If you make $67,280 or more per year, you're already among the top 25% of earners in the United States! Unfortunately, the majority of taxes - a whopping 84% - come from the top 25% of wage earners. With a little smart financial planning, however, these high-earning individuals can reduce their tax burden and keep as much of their wealth intact as possible.

- **What are the three types of money?** We talked about the three "buckets" of money - taxable, tax-deferred, and tax-free. The wealthy have figured out a way to use each of these to their advantage, particularly the tax-free bucket.

- **What's the number one challenge wealthy individuals face?** Protecting their income from taxes. Specifically, from the tax increases that are very likely to occur by the time they're ready to retire. Tax increases are a seeming inevitability, based on the growing national debt. The bulk of that increase will fall upon the people most able to pay - the wealthy.

- **What strategies do they use to protect and grow their wealth?** Instead of borrowing or saving to make a purchase, the wealthy have found a way to leverage their own money. In essence, they turn themselves into their own banker, using their wealth as collateral for new loans at favorable rates.

- **How does this strategy help them grow their wealth?** By employing a system of positive arbitrage, the wealthy ensure there is always more money coming in than there is going out. If they pay interest on a loan, for example, they ensure that interest rate is lower than the percentage of return they're earning on their accumulated wealth.

- **How can you implement these strategies today?** The financial vehicle the top 25% rely on to protect and grow their wealth is life insurance. But not just any form of life insurance - only a particular kind offers the tax-free benefits sought after by the wealthy.

Are you ready to find out how life insurance can help you protect and grow your wealth? Let's get started!

Growing Wealth: Challenges & Risks

Before we dive into the specific type of life insurance that the wealthiest 25% use to protect their wealth, let's look at the risks they face in growing that wealth.

These are the same risks we all face when it comes to our own financial endeavors, from starting a business to saving for retirement. Some of them will probably be familiar to you, but others may not have occurred to you in your own financial planning.

The Four Main Challenges & Risks

Here are the main challenges and risks we face when preserving and growing wealth:

- **Tax Rates.** Many people don't realize they actually have a choice about how much tax they pay. It all depends on how you answer this question: do you think taxes are likely to be higher *now* or *later*? The way you answer this question will affect which financial vehicles you use to store and protect your money. The wealthy believe taxes are likely to be lower *now*, which is what makes IUL so attractive to them.

- **Longevity.** In the past, people only lived an average of 10-15 years after retirement. Today, people are living 10, 20, and even 30 years after retirement thanks to improvements in medical care. Your challenge is to ensure your retirement funds could last that long.

- **Inflation.** Every time the average cost of goods and services increases, your retirement funds have less buying power. The longer you live, the more you'll be affected by inflation. Knowing what we do about longevity, you're more likely than previous generations to have your retirement severely impacted by inflation.

- **Stock Market Volatility.** If your portfolio is heavily invested in stocks, you're vulnerable. On the other hand, maybe you fear a market crash and avoid the stock market. If so, you'll miss out on upswings in the market. Either way, the stock market represents both an opportunity and a risk to your retirement security.

How Permanent Life Insurance Protects You

Now that you know what the main challenges and risks are to growing your wealth, let's get to the good stuff - the tool that helps you guard against these risks.

As you learned in my previous guide, you have access to the same financial tool that the wealthiest 25% of Americans use to protect and grow their wealth: life insurance.

But not just *any* kind of life insurance. The wealthiest Americans prefer IUL, or **indexed universal life insurance**.

IUL is a type of permanent life insurance, which is different than the coverage types you're probably more familiar with.

If you've seen TV commercials for final expense or term life insurance, for example, those *aren't* the types we're talking about. They don't offer the same benefits as IUL - the *exact* benefits the wealthy depend on to provide benefits like guarantees, protection, leverage, liquidity, and more.

Before we dive into IUL, let me explain what makes permanent life insurance different from the more common kinds you'll see advertised on TV.

An Introduction to Permanent Life Insurance

Permanent life insurance covers you for your entire life, as suggested by the name. This makes it different from term life insurance, which covers you for a specified term such as 10 years, 20 years, or 30 years. While term policies are less expensive, they lack the specific wealth-protection benefits the top 25% are looking for.

Permanent policies also include a cash value account attached to your policy. In the early years of the policy, your premium payments help fund the cash in this account. Your cash value grows based on a rate of return specified in your policy documents. As we'll see in just a few minutes, this is a key feature that can help you achieve a number of financial goals.

There are several different kinds of permanent life insurance. On the next page, I'll tell you about the most important type.

No matter which type of permanent life insurance you choose, your cash value grows until you need it. For most folks, that's when they retire and realize they need a bit more money to maintain their standard of living.

Here are some of the specific benefits of a cash value account:

- **Tax-free death benefit for your beneficiaries.** As with all life insurance policies, your beneficiaries get a cash payout that is not taxable.
- **Tax-deferred cash accumulation.** While your cash value accumulates, you don't pay tax on that accumulation.
- **Tax-free supplemental retirement income.** You can withdraw money from your cash value account or take a loan against it.
- **No penalties for early distribution.** Unlike IRAs, you can take a distribution from from your cash value account before age 59 1/2 without a penalty. Plus, you don't have to take a distribution at age 70 1/2.
- **Loan repayment built-in.** When you pass away, your policy's death benefits will first go toward paying off any policy loans you have outstanding. The rest will go to your beneficiaries tax-free.

If you like the idea of having extra money available to you during your retirement, permanent life insurance may be your answer. You can protect your family during your lifetime, supplement your existing retirement fund, and transfer wealth to your heirs after your death...all with one financial product.

IUL's Unique Benefits

As I mentioned on the previous page, I'm recommending a specific type of permanent life insurance called IUL.

This isn't the only type of permanent policy; however, it's the one that offers the benefits preferred by the wealthy when it comes to growing and protecting their wealth. They understand and appreciate its safety, flexibility, performance, and efficiency.

The two most powerful features of IUL are:

1. The ability to capture the gains of the stock market without experiencing any loss due to a downturn

2. The ability to use your cash value as collateral and leverage for other financial ventures (i.e., "collateralization" and "arbitrage")

I'll go over both of these in more detail below.

1. Capture Gains with No Downside Losses

When you pay into an IUL policy, a percentage of that payment goes toward the death benefit and account maintenance fees. The remainder is your cash value.

Over time, that cash value grows as it earns interest.

However, IUL offers unique ways to grow that interest faster than you would by leaving that money in a savings account or CD, for example. These accumulation methods are all tied to the performance of a market index such as the S&P 500.

Your cash value account contains one or more subaccounts. You can choose the way each subaccount earns interest.

Essentially, all these accumulation methods are based on the same concept. When the market goes up, your subaccount earns more interest. When the market goes down, you don't lose any money; instead, your interest rate is what decreases. This is how IUL offers the ability to capitalize on market gains (earn more interest!) with complete downside protection (you lose nothing because your money isn't actually invested in the market).

There are three different interest crediting methods:

- **Cap rate.** This means your subaccount is credited with interest up to a stated rated, or cap. For example, if your cap rate is 10% and the S&P 500 experiences a 13% gain, your subaccount will be credited with 10%.

- **Participation rate.** This means your subaccount is credited with a percentage of the total market gain, also expressed as a percentage. For example, if your participation rate is 75% and the S&P 500 experiences a 13% gain, your subaccount will be credited with 75% of 13% of your cash value total (i.e., 9.75%).

- **Spread.** This means your subaccount is credited with the percentage of growth experienced by an index minus a stated spread. For example, if your spread is 3% and the S&P experiences a 13% gain, your subaccount will be credited with 10%.

No matter which crediting method you choose, you will never lose money.

That's why the wealthy continue to use IUL to grow their wealth - they know it will never decrease. It will only increase over time.

But what happens if there's another market crash? Does that mean your subaccounts lose money? No - not at all. You are completely protected from market drops.

Your crediting options also come with a "floor." If the index's gains drop below this floor, you lose nothing. You may not earn any interest, but you won't lose a dime.

For example, let's say your floor is 0%. If the market experiences a 0% gain, you earn 0% interest. If the market experiences a -20% loss, you earn 0% interest.

How is this possible? It's because the insurance company is just using that index as a benchmark for crediting. They put most of their money into highly rated investment-grade bonds, protecting their clients' money and allowing them to credit those accounts with interest even in a down market.

IUL's Unique Benefits

2. Collateral & Leverage

In my previous guide, I talked about how the wealthy prefer to leverage existing money rather than borrow or save to make major purchases.

Here's a quick recap:

Borrowers have to pay back that money with interest. Unless they've been making other money or investments in the interim, they have to start all over again the next time they want to make a major purchase.

Savers earn a bit of interest along the way. However, as soon as they make a purchase, all their capital is gone.

That's why you want to do what the wealthy do, and leverage existing funds as collateral and take out a loan with favorable terms.

How IUL Helps You Leverage Your Wealth

Your IUL policy includes the total amount of premium payments you've made, **plus** any interest you've been credited.

Let's say this totals $100,000.

In the coming year, let's also say your policy credits you with 8% interest.

Your new total policy value is $108,000.

What happens if you now want to make a purchase for $20,000?

If you can borrow from your $108,000 policy at a lower interest rate (5%, for example) than what you're earning within the policy (8%), you have a +3% positive cashflow (called "arbitrage").

You have just become your own bank! You didn't take on any additional debt, and your money continued to grow during the repayment process.

How IUL Helps You Grow Your Wealth

If you've ever gotten a quote for life insurance (or you already own a policy), you're familiar with the policy's monthly premium. It's the amount you pay every month to keep your policy active. But did you know that premium only reflects the *minimum* amount of money required to keep your account open?

The wealthy understand this - and they use that knowledge to do something a little different than most. They buy an IUL policy and pay *more* than the stated premium.

Why on earth would anyone pay *more* than they have to?

Because IUL offers a number of specific benefits for doing so - benefits you can't get anywhere else.

- **Tax-deferred growth** on the cash accumulation within your policy
- **Tax-free distributions** that can supplement your existing retirement funding sources - use this money for college funding, to start a business, to pay off debt, to take a vacation, etc.
- **The traditional life insurance death benefit**, paid to your beneficiaries when you pass away

The government has set a rule for the maximum amount that you can pay into an insurance policy. That alone should tell you there are fantastic reasons to do so.

It's in the government's best interest to maximize the amount of tax you pay. It's also in their best interest to limit the methods you have for creating more tax-free wealth.

By taking advantage of this limit and paying the *maximum* amount into your policy, you can reduce your tax liability to the full extent the government allows via life insurance.

This is why permanent life insurance is such a powerful tool for the wealthiest 25% of Americans.

Next Steps

Now that you know how the wealthy use a form of life insurance called IUL to protect and grow their wealth, what can you do about it?

Your first step is to evaluate where your assets are currently placed. Are they concentrated in one "bucket," as I mentioned in the beginning of this guide?

Ideally, you want to place as much money as you can within the tax-free bucket, while keeping a healthy balance of tax diversification in the other two buckets.

Is your current financial advisor steering you in this direction? If not, why? It might be because they aren't aware of the benefits of IUL - or how to take full advantage of them.

Now that you have the information in this guide, you know how important IUL is for creating a place for your money to grow in a tax-free "bucket."

My Advice: Act Now

It's important to consider how IUL can affect your financial future. First, we already know how it affects your tax liability. We explored this issue in the first guide I sent you. This quote pretty much sums it up:

"We are heading to a future where we'll have to double federal taxes or cut federal spending by 60%."
- David Walker,
U.S. Former Comptroller General

In short, due to the government's financial commitments, it's extremely likely that the tax rate will be higher in the future. Taking action now will almost certainly save you money.

You can take control of your financial future now. In the future, options like IUL might not be available to you.

There's another good reason to act soon.

Because IUL is a form of life insurance, there is a medical exam involved, just like with term life insurance. If you wait too long, your health may change, affecting the cost of of your policy for the worse. The healthier you are, the less your policy will cost. If you're healthy today, do something about it - get started now. If you wait and your doctor diagnoses a problem in a month or a year or in five years, you'll pay more.

I can help you get started.

Call me for a free quote, and we can talk about how IUL fits into your financial "buckets." If it's right for you, we can get started on your application.

Call me or email me today!

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