

WEALTH ACCUMULATION PLANNING

Our biggest asset... is our ability to earn income

Present age	Average income to age 65 (5% annual increase)				
	\$35,000	\$55,000	\$75,000	\$100,000	\$150,000
20	5,868,981	9,222,684	12,576,387	16,768,516	25,152,775
25	4,439,392	6,976,187	9,512,982	12,683,976	19,025,964
30	3,319,271	5,215,998	7,112,724	9,483,632	14,225,448
35	2,441,628	3,836,843	5,232,059	6,976,079	10,464,118
40	1,753,971	2,756,240	3,758,509	5,011,345	7,517,018
45	1,215,774	1,909,559	2,603,944	3,471,925	5,207,888
50	793,012	1,246,162	1,699,312	2,265,749	3,398,624
55	462,238	726,373	990,509	1,320,679	1,981,018
60	203,067	319,105	435,143	580,191	870,287

These dollars will provide

- Food, clothing & shelter
- Healthcare
- Transportation
- Insurance protection
- Savings
- Education funds
- Luxuries & vacations
- Retirement income

According to a recent study by the **Department of Health and Human Services**, for every **100 people starting their careers**, the following situation exists at age 65. . .

- 25** are dead
- 20** have annual incomes under \$20,000 (below poverty level)
- 51** have annual incomes between \$20,000 & \$50,000 (median income = \$30,000)
- 4** have annual incomes over \$50,000 (financially successful!)

All of these people had substantial income pass through their hands during their careers.

Why do only 4 % of Americans “make it” in the world’s richest nation?

**People don’t plan to fail . . .
they fail to plan.**

The Problem

We must learn the difference between
***earning income & building
wealth.***

Most people earn good income.
Few ever build wealth... Why?

Factors that erode wealth

- **Inflation**
- **Taxes**
- **Bad Investments**
- **Disability**
- **Lawsuit**
- **Lack of understanding of the many & various financial products**
- **Our education system is not designed to teach money/capital management**

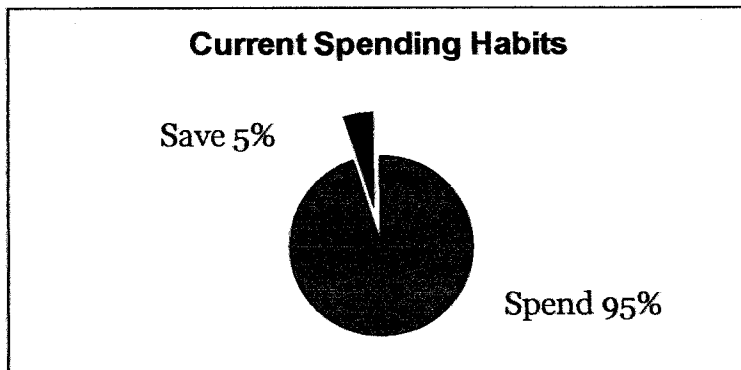
In addition, the statistics show that America is far behind most industrialized countries in average amount of money saved per person.

The Problem (continued)

Studies show the following spending habits of the "All-American Family".

After paying taxes of 25% - 50% of gross earned income (federal, state, property, sales, etc.)

Then...



Spending*

20% Transportation
30% Housing
45% Living (clothes, groceries, insurance, vacations, etc.)

(*34.5% of after-tax income pays for finance /interest charges – leases, mortgages, credit, car loans, etc. **)

Parkinson's Law

"Expenses will always rise to equal income."

C. Northcote Parkinson, British Economist
(commenting on the human problem in creating wealth)

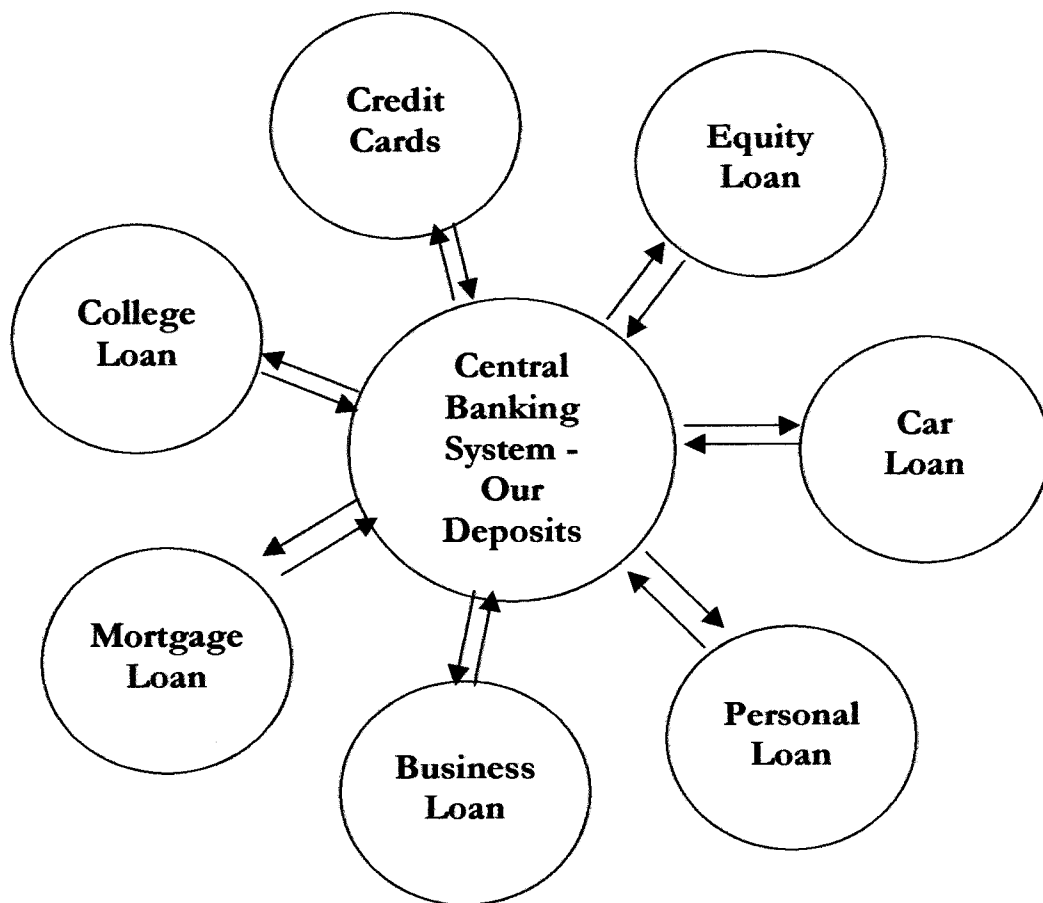
Most people spend first and try to save and invest what little is left.

(**Becoming Your Own Banker, 2000, R. Nelson Nash)

The Solution

Learn the “game” rules or learn from what banks and corporations do.

Understand the dynamics of Financial Institutions.



The Solution (continued)

It is our responsibility
to learn & implement the four
basic rules
& then we can
“win the game.”

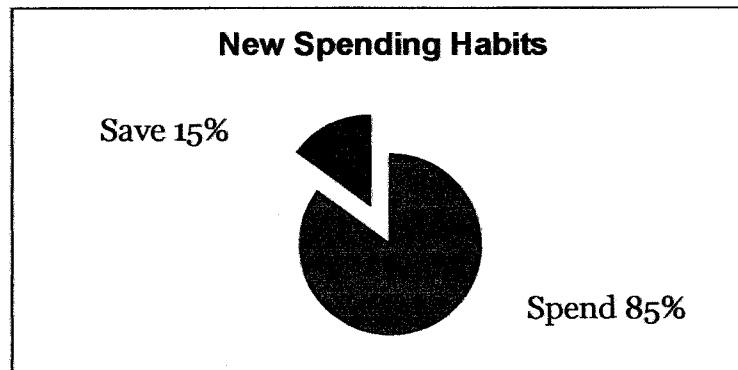
“The legal right of a taxpayer to decrease the amount of what otherwise would be his taxes, or altogether avoid them, by means which the law permits, cannot be doubted.”

**Gregory vs. Helvering
293 US Tax Court 495
55 Supreme Court Reporter 266**

1935

Rule #1 – Pay Yourself First

Systematically set aside a set amount each month before you spend. We suggest:



Each individual must take responsibility to discipline him/herself to build a capital base to work from.

Golden rule in Corporate America-
***“Those who have the gold
make the rules.”***

A well-capitalized company or individual is the greatest competitive advantage.

(We can help you prepare a family budget.)

Rule # 2 – Prioritize Goals

True wealth must be built on a ***foundation*** that first ***protects*** against life's risks and then intelligently directs your income towards ***savings*** and ***growth***.

The ***risks of life*** such as death or disability can create ***financial disaster*** at any moment. Leading investment firms recommend planning for ***protection*** first.

We recommend you prioritize your goals as follows:

- 1) Protection
 - Life
 - Disability
- 2) Short Term Objectives
- 3) Long Term Objectives
- 4) Retirement

Rule #3 – Distinguish Between Short Term & Long Term Savings/Growth

Short Term Savings (Put & Take)

- 1. Emergency Fund**
- 2. Deposit on car**
- 3. Unplanned expenses**

Long Term Growth (Put & Keep)

- 1. Builds wealth & capital through regular deposits & time.**

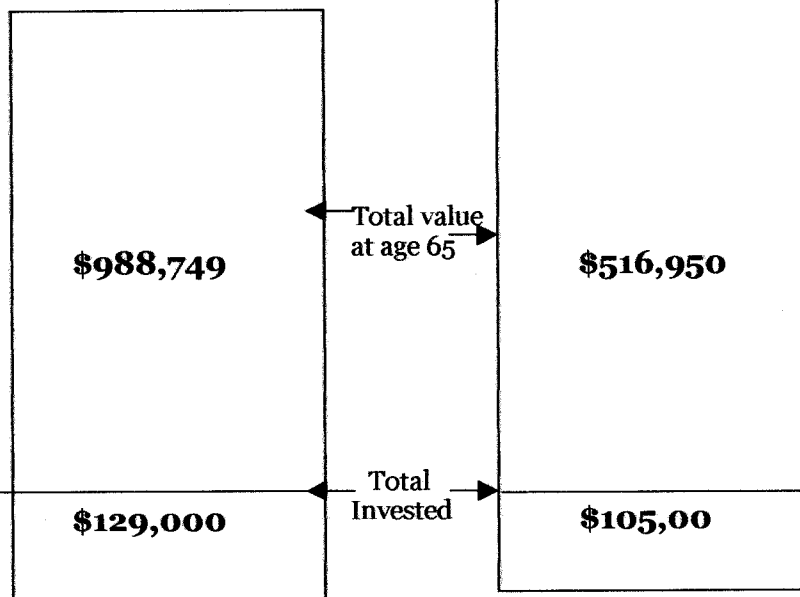
Out of each dollar you designate to savings, we suggest:

\$0.60 - \$0.70 for Short Term savings
\$0.30 - \$0.40 for Long Term savings

Rule #4 – Get an Early Start

Investor A
Starts plan at Age 22
Saves \$3,000
for 43 years at 8%

Investor B
Starts plan at Age 30
Saves \$3,000
for 35 years at 8%



**It is never too early to put
money to work for you**

**Tax-free or Tax Deferred Investments can
maximize your money's output**

- Tax-Free Municipal Bonds
- Life Insurance
- Annuities
- Real Estate

The Advantage of Tax Deferred Investing

Prepared for Prospect

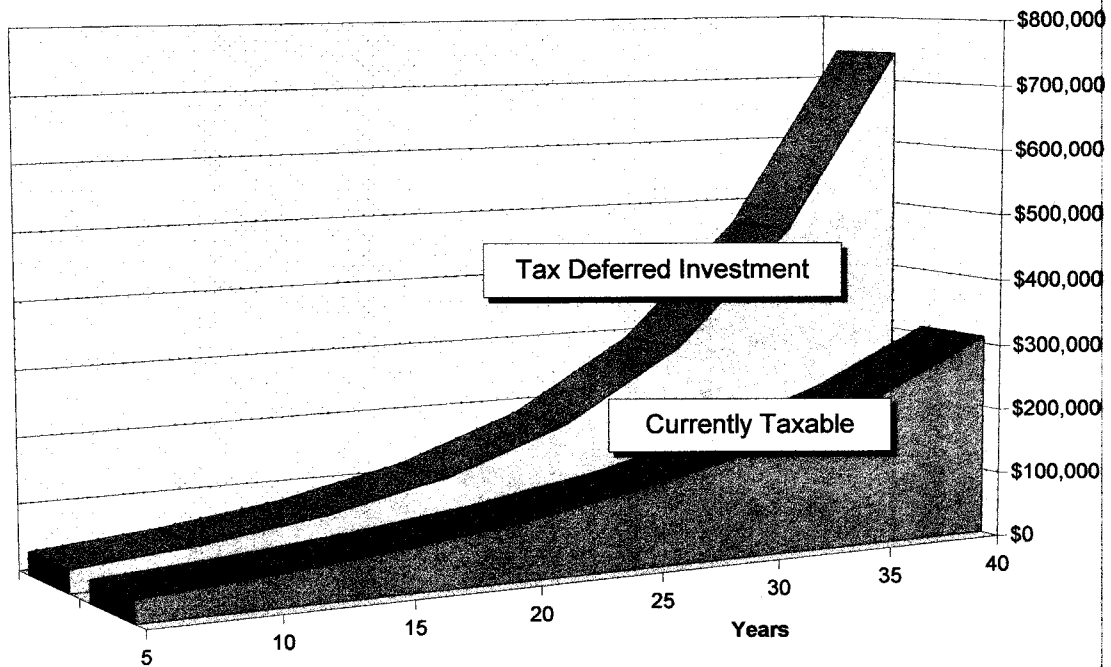
How does a Tax Deferred Investment Compare to a Taxable Investment?

A Tax Deferred Investment allows your capital to grow at a faster rate than a Currently Taxable Investment. While the tax is eventually paid (see After Tax column below), a Tax Deferred Investment can generate much more value for you.

\$25,000 invested at 10% in a 35% tax bracket			
Years	Currently Taxable (6.50% Net A/T)	**** Tax Deferred Investment **** Pre-Tax	**** After-Tax
5	\$34,252	\$40,263	\$34,921
10	46,928	64,844	50,898
15	64,296	104,431	76,630
20	88,091	168,187	118,072
25	120,692	270,868	184,814
30	165,359	436,235	292,303
35	226,556	702,561	465,415
40	310,402	1,131,481	744,213

After 40 years, the Tax Deferred Investment of \$25,000 has grown to a value of \$744,213, while the Currently Taxable Investment has grown to a value of only \$310,402.

Tax Deferred Growth Can Provide Larger Account Balances



Are you interested in Tax Deferred Growth?

Investment Comparisons

Using Life Paid Up @ 65

Age	Annual Deposit/ (Withdrawal)	Cumulative Net Deposit/ (Withdrawal)	Muni Bond 5%		Taxble Mutual Fund 7%		Whole Life Insurance	
			Death Benefit	Cash Balance	Death Benefit	Cash Balance*	Death Benefit	Cash Value
25	3,000	3,000	3,150	3,150	3,147	3,147	291,079	-
30	3,000	18,000	21,426	21,426	21,352	21,352	292,400	10,985
35	3,000	33,000	44,751	44,751	44,476	44,476	304,659	30,305
40	3,000	48,000	74,521	74,521	73,848	73,848	333,976	58,926
45	3,000	63,000	112,516	112,516	111,158	111,158	387,748	102,217
50	3,000	78,000	161,007	161,007	158,549	158,549	469,262	165,326
55	3,000	93,000	222,896	222,896	218,746	218,746	583,298	257,666
60	3,000	108,000	301,884	301,884	295,209	295,209	737,487	390,282
65	(45,403)	74,597	351,872	351,872	341,558	341,558	940,826	578,298
70	(45,403)	(152,418)	185,664	185,664	112,584	112,584	834,379	531,146
75	(45,403)	(379,433)	-	-	-	-	733,129	440,741
79	(45,403)	(561,045)	-	-	-	-	590,051	317,680

The above calculations assume investing \$3,000 per year for 40 years with an annual withdrawal of \$45,403 for 15 years.

*. The mutual fund investment assumes an annual 30% tax on investment earnings.

We recommend that you start building your wealth with a plan containing dividend-paying life insurance. The following components will be included in the package we build for you.

- Cash for family's future if you die prematurely
- Self-completing if you are disabled
- Tax-deferred growth
- Automatic deposits to pay yourself first
- Loan provisions
- Unilateral contract – you are the owner and have all the rights.
- Flexibility to increase or decrease
- Cash cushion for emergencies
- Cash for education
- Cash to pay off personal obligations
- Cash to fund business obligations
- Cash bequest for your community or charity
- Peace of mind
- Lawsuit protection
- Tax-free income during a disability (optional)

TAX FACTS OF PERMANENT LIFE INSURANCE

TAX-DEFERRED GROWTH

In a case involving a cash-basis taxpayer, the Tax Court has held that the cash values were not constructively received by the taxpayer where he could not access them without surrendering the life insurance policy. The necessity of surrendering the life insurance policy constituted a substantial limitation or restriction on receipt of the cash values. Theodore H. Cohen, 39 TC 1055 (1963), acq. 1964-1 CB4.

FIFO TAXATION OF WITHDRAWALS

Living proceeds received under life insurance contracts which satisfy the conditions of the seven-pay test of IRC Sec. 7702(b) (i.e., not modified endowment contracts) are taxed according to the FIFO method of accounting. They are taxed under the "cost recovery rule" no matter when the contract was entered into or when the premiums were paid. In other words, such amounts are included in gross income only to the extent they exceed the investment in the contract. IRC Sec 72.

POLICY LOANS ARE INCOME TAX FREE

Policy loans under life insurance policies are not treated as distributions, assuming the policy qualifies as life insurance under IRC Sec. 7702 and is not considered a modified endowment contract. Upon lapse or surrender, the outstanding loan balance is automatically repaid from policy values held as collateral. However, such a lapse or surrender may cause the recognition of taxable income to the extent of any gain in the policy. IRC Sec. 72.

TAX-FREE DEATH BENEFIT

As a general rule, life insurance death proceeds are excludable from the beneficiary's gross income. IRC Sec. 101(a)(1). Generally, death proceeds from single premium, periodic premium or flexible premium life insurance policies are received income tax free by the beneficiary regardless of whether the beneficiary is an individual, a partnership, a trustee or the insured's estate. Reg. 1.101-1. Death benefits received by a corporation are income tax free, per Reg. 1.101-1, but can be subject to the Alternative Minimum Tax (AMT).

DEATH BENEFITS REPAY POLICY LOANS

If a policy is outstanding at the time of death, the distribution of the life insurance policy death benefit will be reduced by the amount of the outstanding policy loan. This use of death benefit to repay a loan does not cause the recognition of taxable income. Tax facts 1993 Q. 146.

BONUS OF THE EXECUTIVE IS A DEDUCTIBLE BUSINESS EXPENSE

Within certain limits, the bonus amount required to pay the life insurance premium contribution to the plan will be treated as compensation to the employee, and as a deductible ordinary and necessary business expense to the employer, assuming that the total yearly compensation to that employee taken as a whole is reasonable. Compensation found to be excessive or unreasonable is not deductible by the corporation. Reg. 1.162-7(b).

The above information should not be construed as tax or legal advice applicable to your specific situation. Individuals, employers or corporations should consult with their own attorneys or tax advisors for detailed counsel. For full disclosure of life insurance policy assumptions, see summary page on policy illustration.

How much savings would you be comfortable with setting aside on a monthly basis to pay yourself first? These are our suggested amounts.

Wealth Starter Program –

(Between \$35,000 & \$50,000 Income)

Save \$150 to 200 per month

Wealth Builder Program –

(Between \$50,000 & \$75,000 Income)

Save \$200 to \$325 per month

Wealth Creation Program –

(Between \$75,000 & \$100,000 Income)

Save \$325 to \$450 per month

Estate Builder Program –

(Between \$100,000 to \$150,000 Income)

Save \$450 to \$650 per month

Determine your risk category in order to see which plan you qualify for.