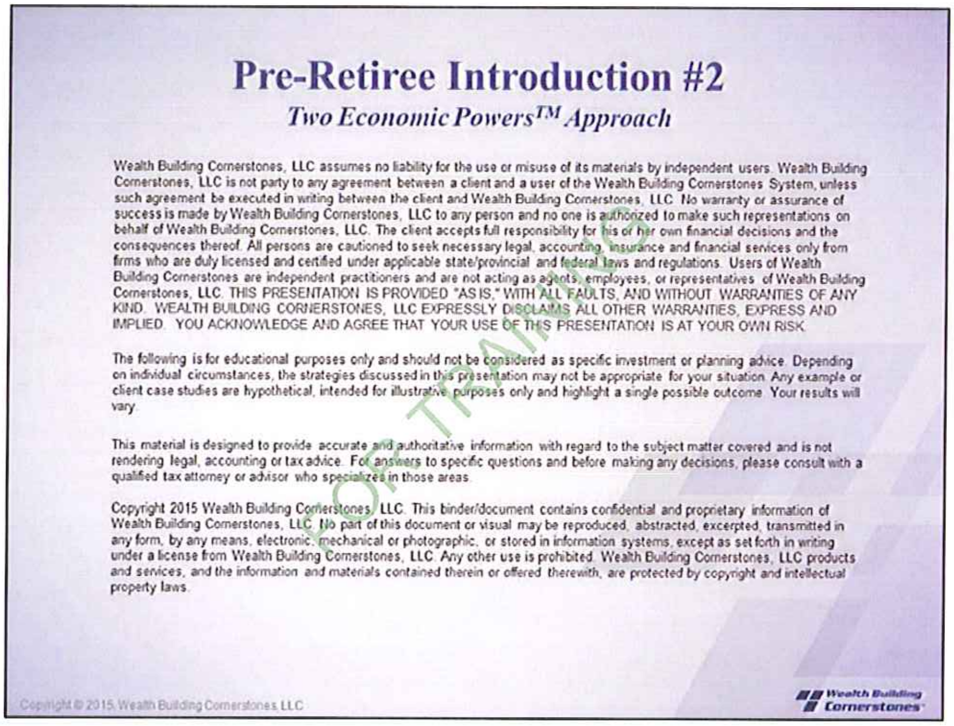
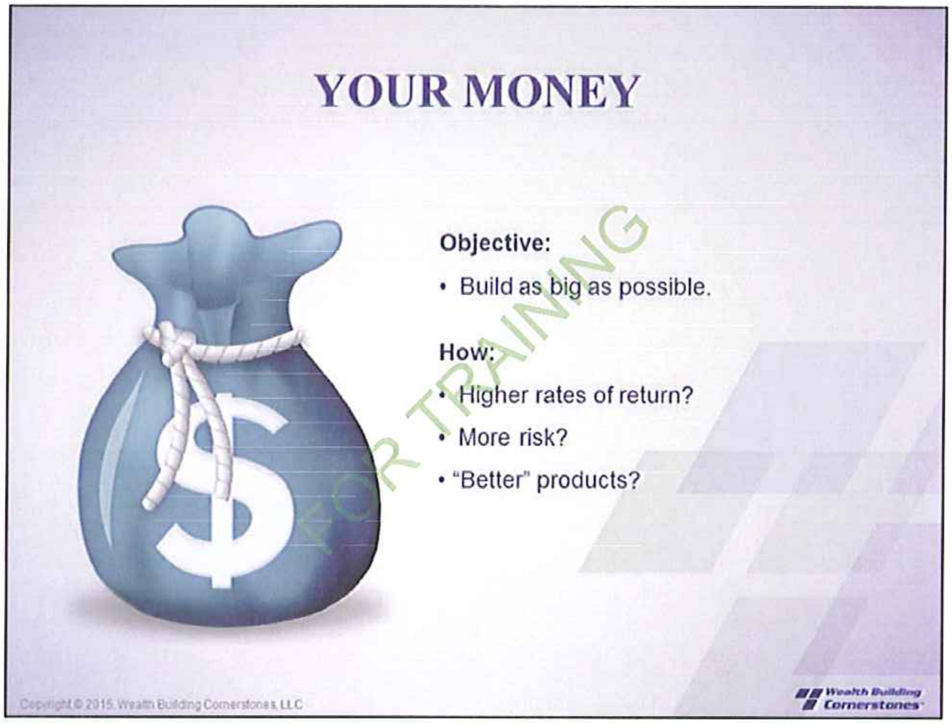


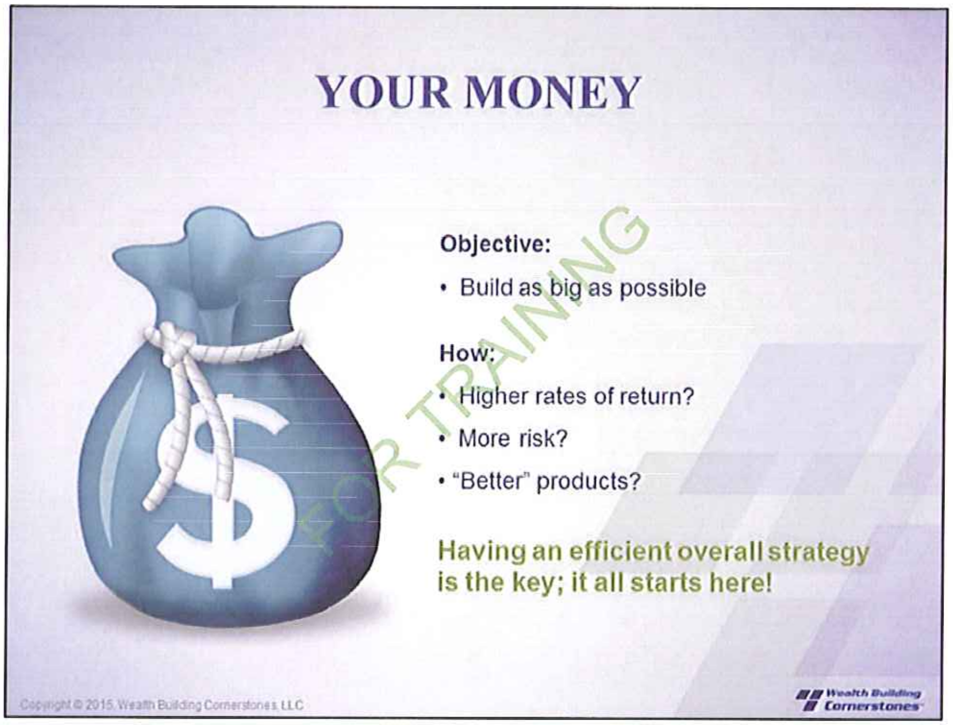
Hello and welcome to the Wealth Building Cornerstones Pre-Retiree Introduction #2.

Let's start this discussion off with a question and that question is, "why does anybody spend time thinking about their finances? Why do they spend time trying to figure out how much money they should be saving and if it's properly allocated? The answer is because everybody has wealth.

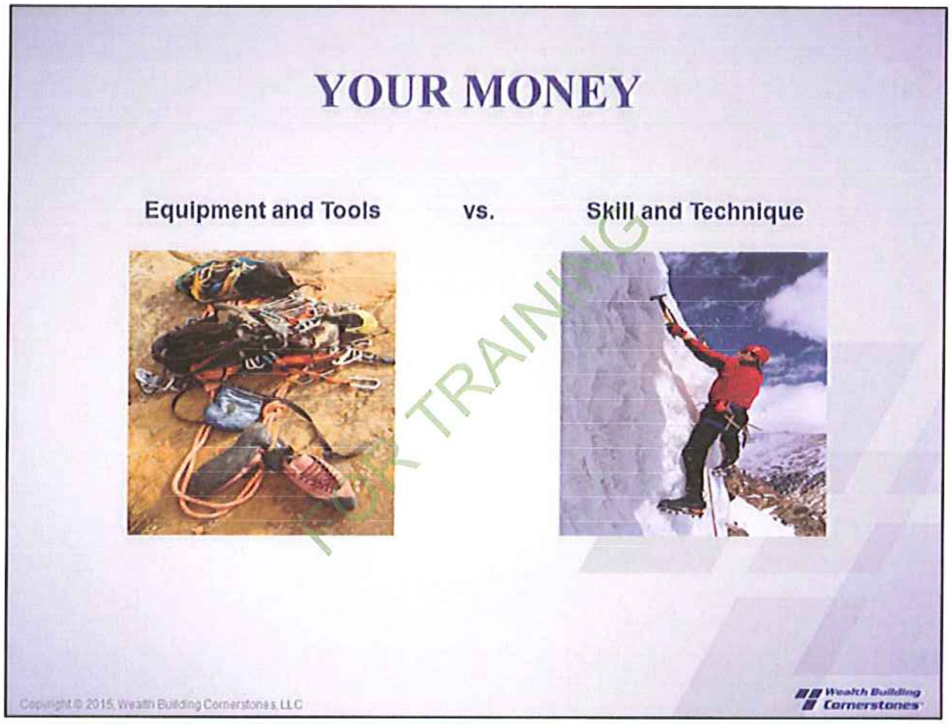
Their objective is to try to build that wealth as big as possible.



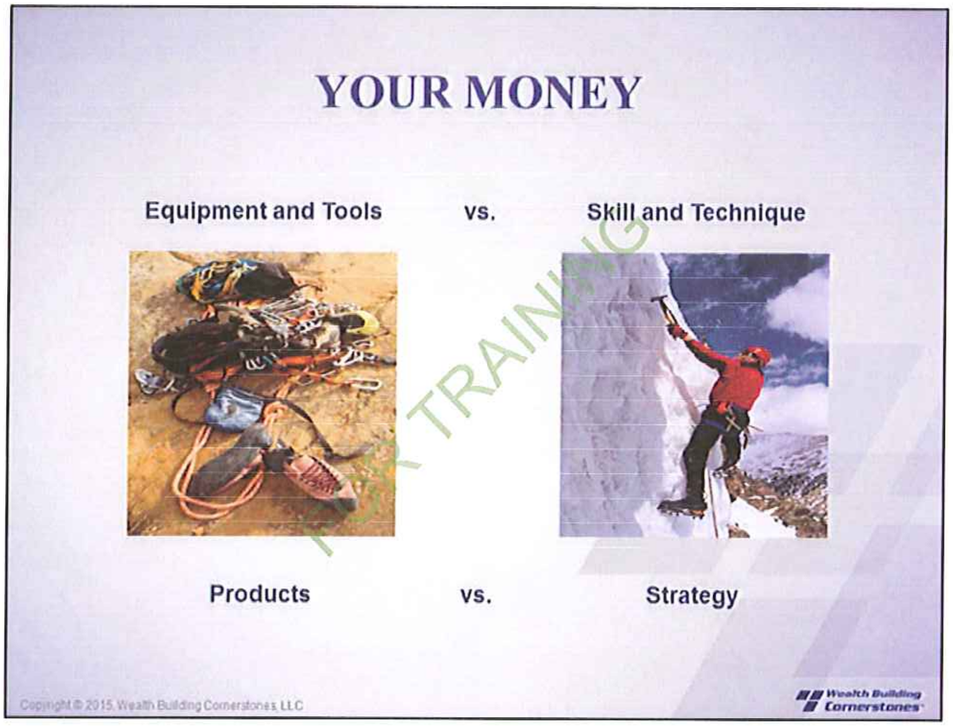
When most people think about doing this, what do they think of? Trying to get a higher rate of return? Taking more risk? Or the classic: is there a better product out there?



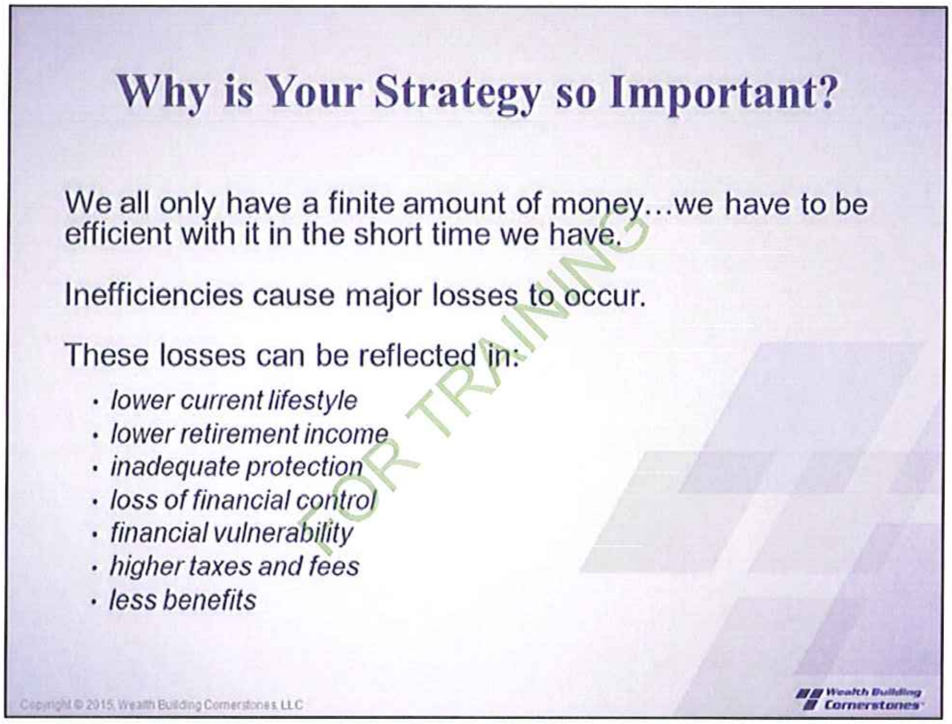
None of this matters if we don't have the right overall strategies in place to begin with.



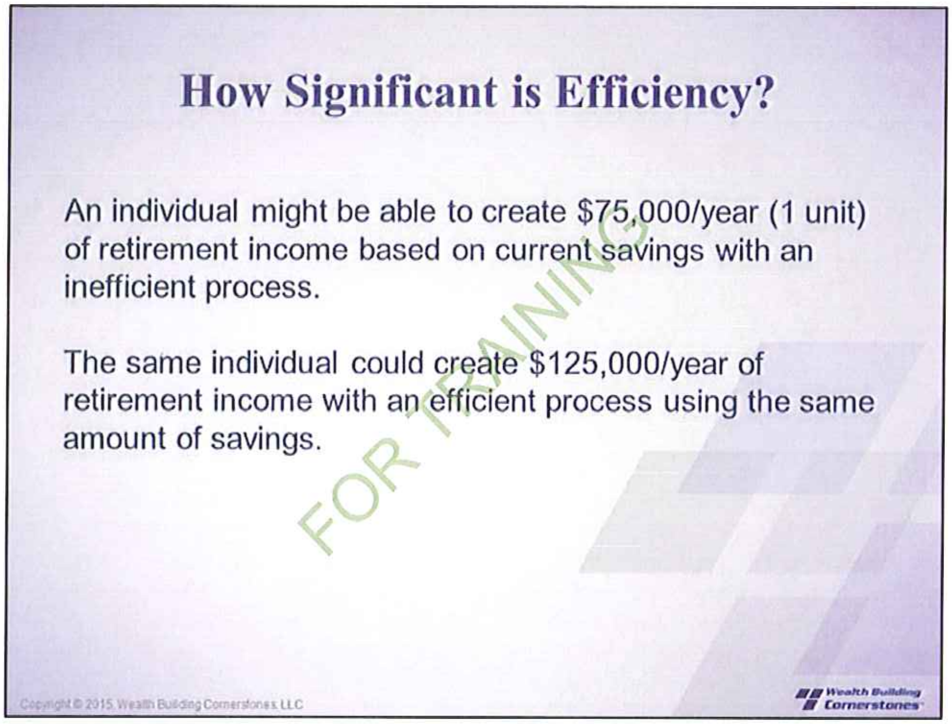
Think of it like this: Would you rather have the skill and technique of a professional mountain climber or their equipment and tools? Which one is harder to come by? It is the skill and technique, because I can get the equipment and tools pretty much anywhere.



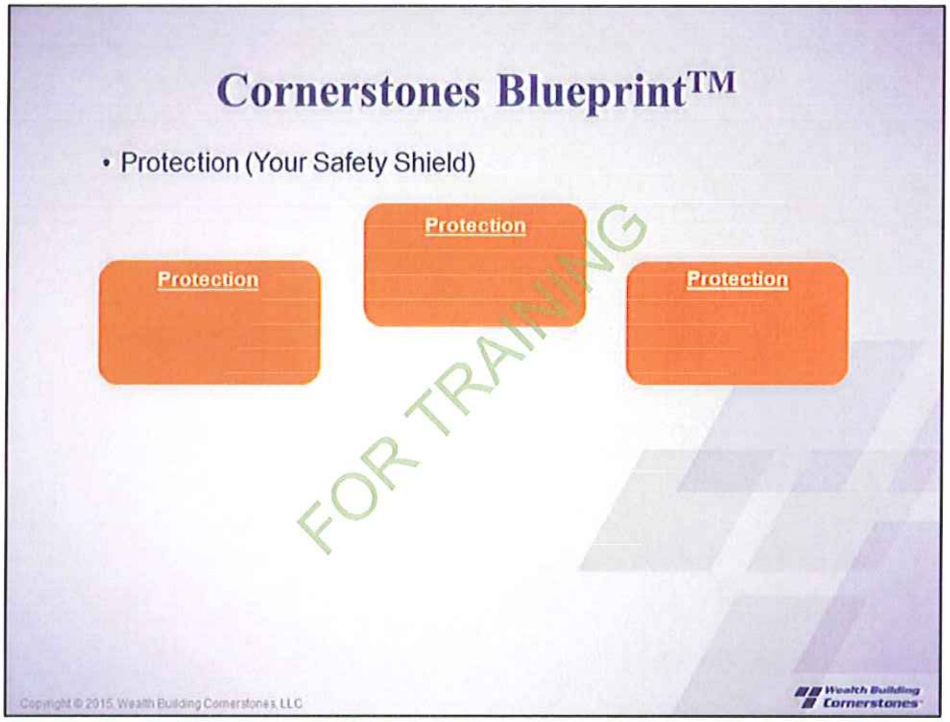
The same is true in the financial world. The products are just the equipment and tools: they all have different attributes and they all have different purposes. The key is to have the skill and technique to combine those different products or tools together to create efficiency.



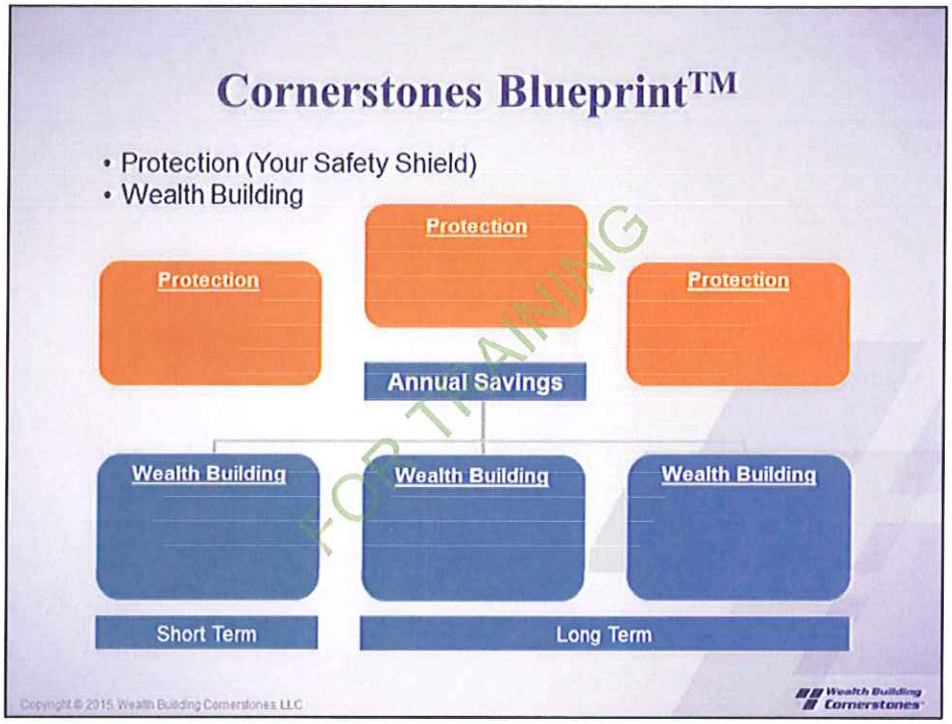
Why is our process so important? It's because we all have a finite amount of money to work with so we have to be as efficient as possible. Inefficiencies cause major losses to occur. These losses are reflected in the things we see here which include; lower current lifestyle, lower retirement income, inadequate protection, loss of financial control, financial vulnerability, higher taxes and fees, and less benefits.



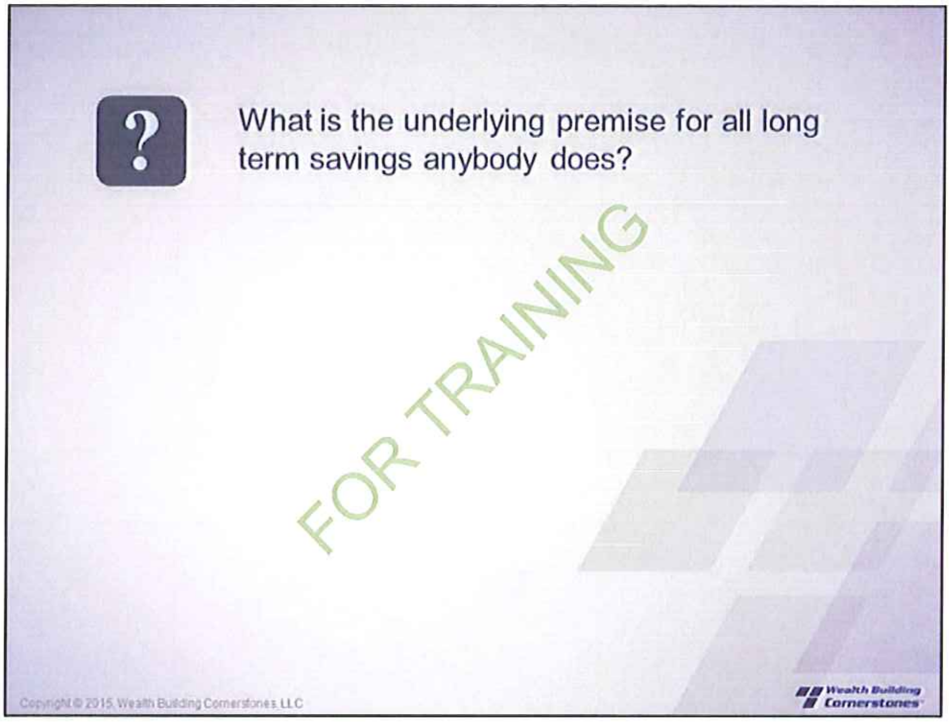
How significant is efficiency? The answer is very significant. For example, an individual might be able to create seventy-five thousand dollars a year of retirement income based on current savings with an inefficient process, while that same individual could create a hundred-twenty-five thousand dollars a year of retirement income for themselves in the future with an efficient process using the exact same amount of savings.



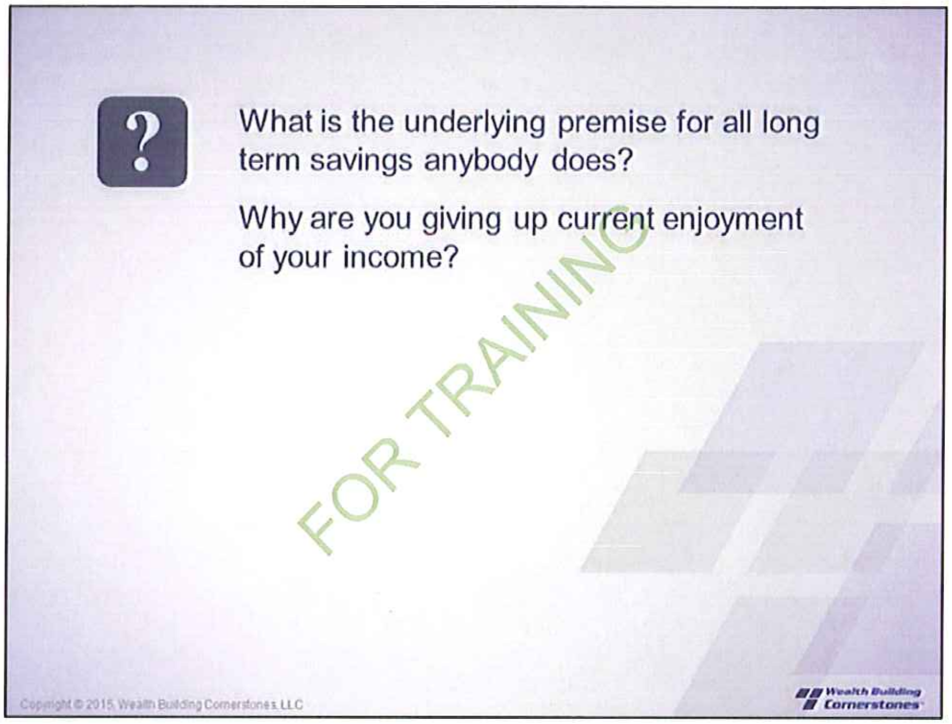
As part of an efficient financial process, we have two areas that we have to pay attention to. One is our protection, or our safety shield….



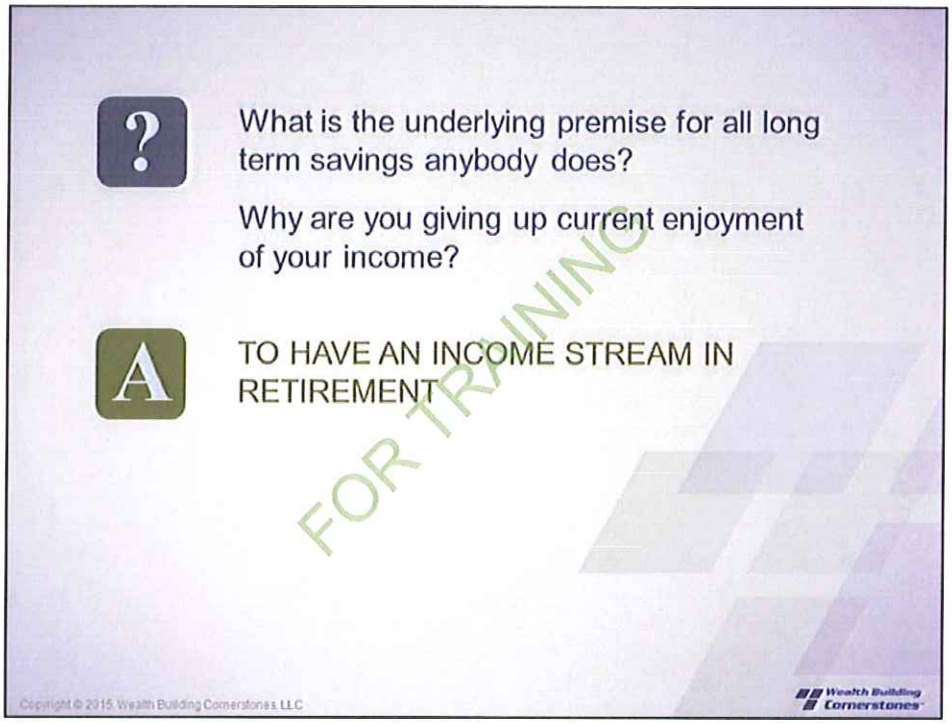
...and the second is wealth building. Both of these areas are equally important in our financial lives. And whether we are talking about financial protection or wealth building, we have to take a "begin with the purpose in mind" approach. We have to understand the purpose of why we are doing certain things, and then apply that understanding to the actions we take today. For example, if we are talking about long term wealth building, "how does somebody define economically, the two areas for efficient long term wealth building?"



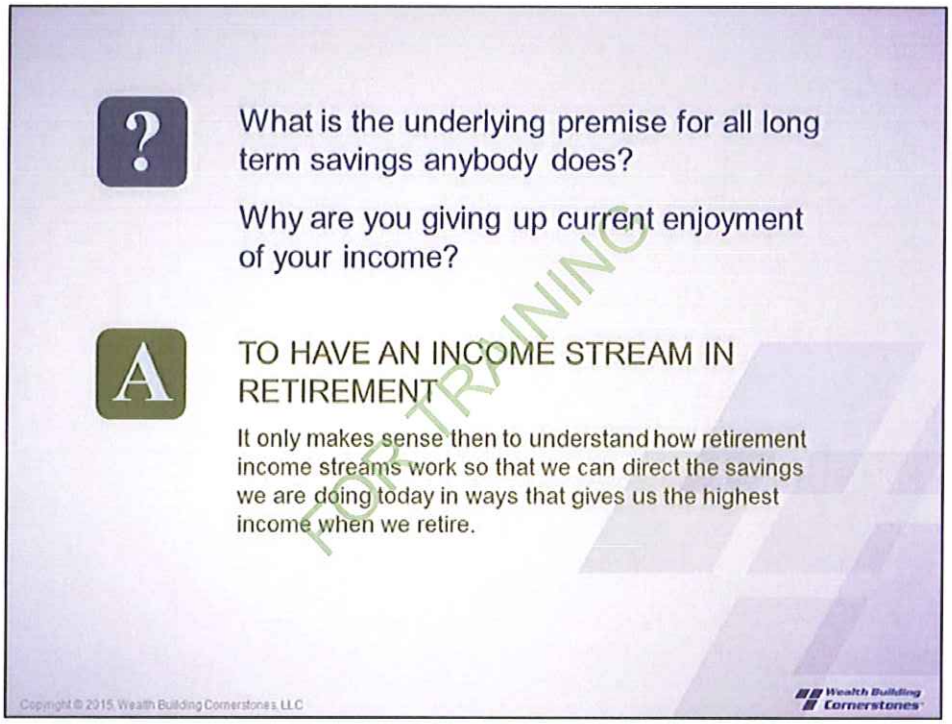
The only way somebody would know what these areas are, is if they asked themselves, "What is the underlying premise for all long term savings anybody does?"



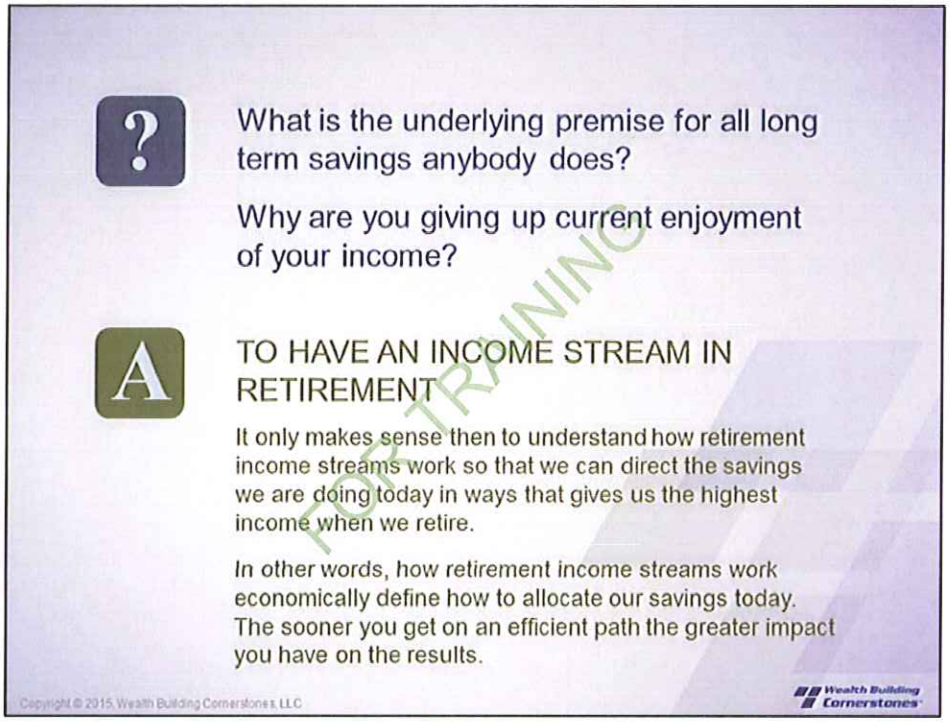
In other words: Why are you giving up current enjoyment of your income?



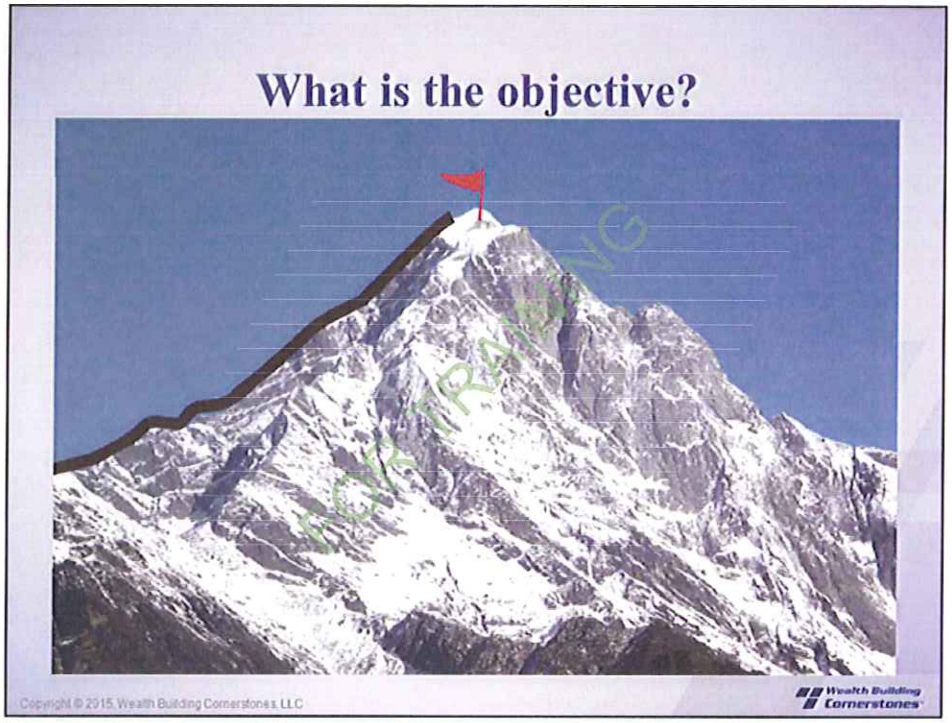
And the answer is to have an income stream in retirement.



It only makes sense then to understand how retirement incomes streams work so that we can direct the savings we are doing today in ways that gives us the highest income when we retire.

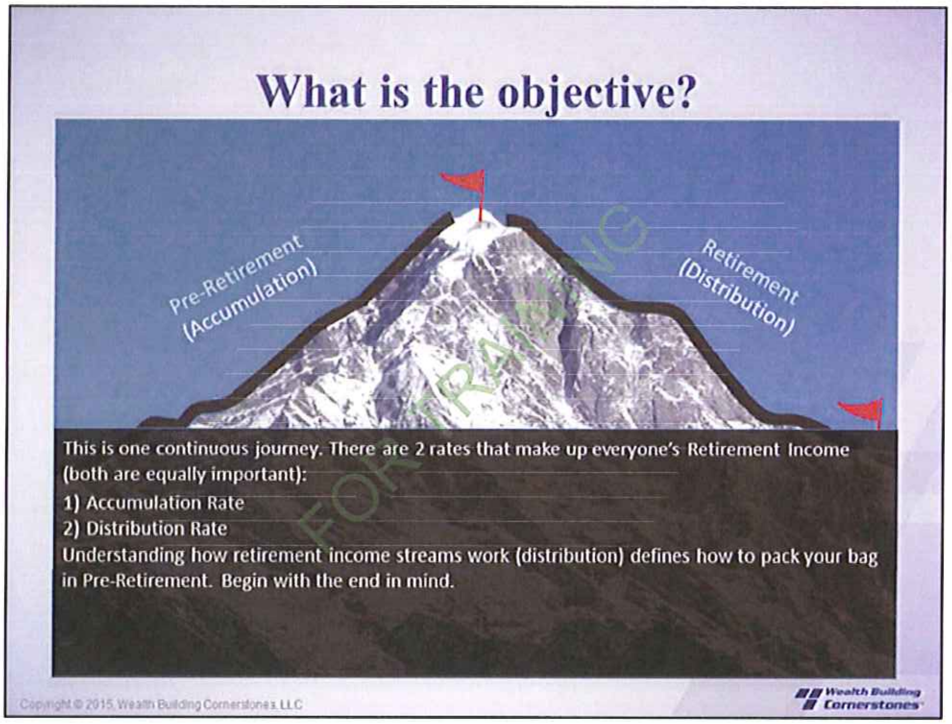


In other words, how retirement income streams work economically, define how to allocate our savings today and the sooner we get on an efficient path, the greater the impact we'll have on the results.

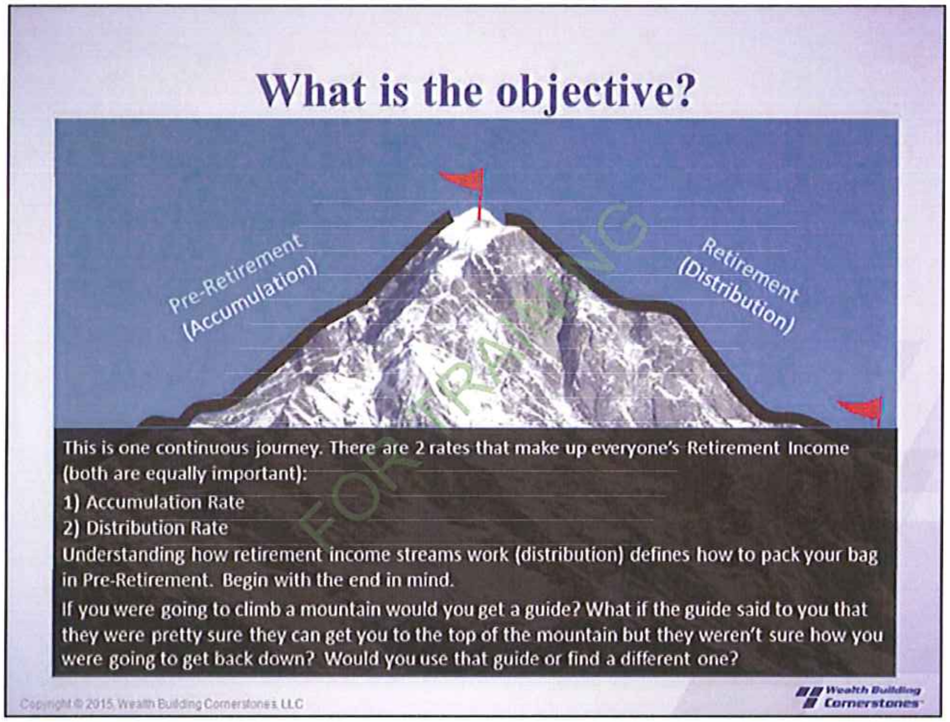


Think of it like climbing a mountain. If you're going to climb a mountain, what's the objective? Is getting to the top the objective?

Or is really getting to the top then making it back down safely the ultimate objective?



This is a metaphor for our financial lives. Getting up the mountain is our Pre-Retirement Accumulation phase and getting back down the mountain is our retirement/distribution phase.



The key is that this is one continuous journey.

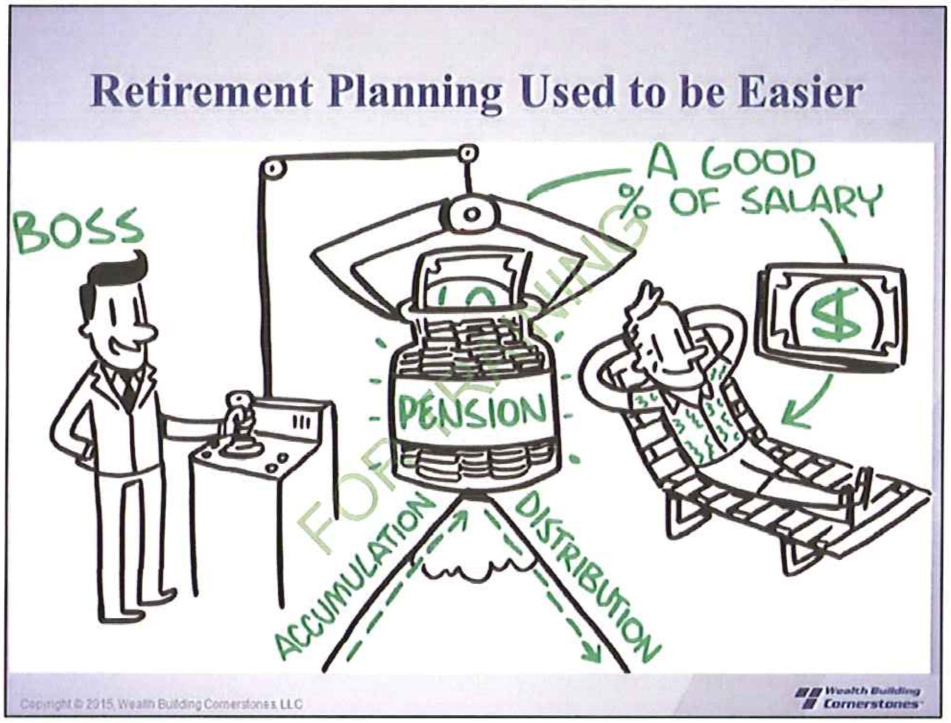
When we are talking about long-term wealth building, we have to understand how both sides of the mountain work. In other words, how retirement income streams work, getting down the mountain, economically defines how to be packing our bags in pre-retirement.

Without understanding how retirement income streams work it is very difficult to get any sense of what we should be doing with our money in pre-retirement since there are two rates that make up everybody's retirement income. Their accumulation rate: getting up the mountain and the other is the distribution rate, getting back down.

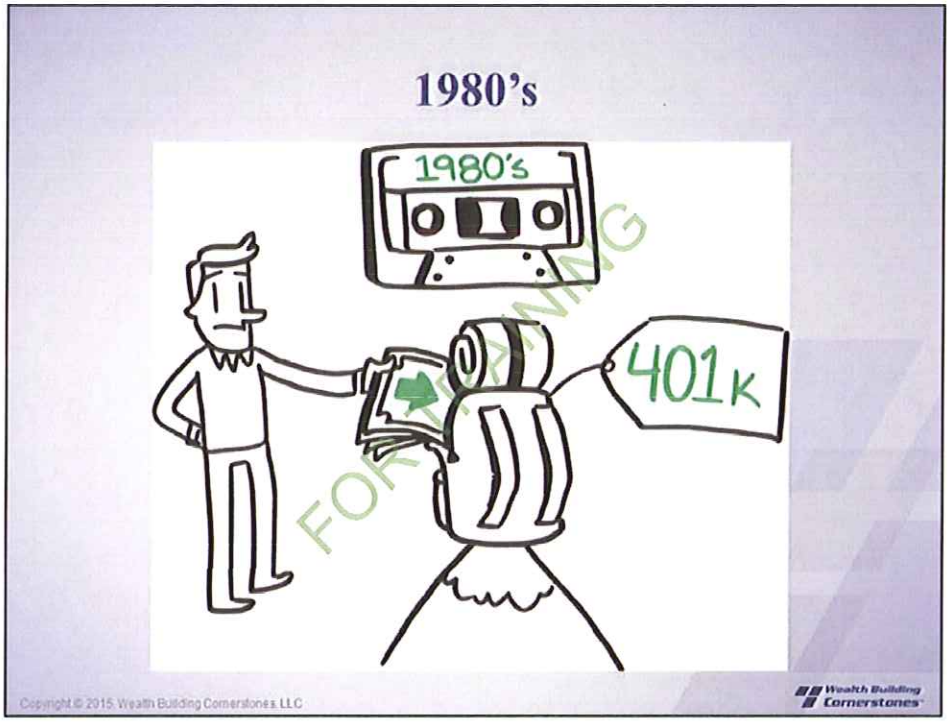
If you were going to climb a mountain would you get a guide? What if the guide said to you that they were pretty sure they can get you to the top of the mountain but they weren't sure how you were going to get back down? Would you use that guide or find a different one?

Let's say you're a retiree at the top of the mountain entering retirement. There are typically two questions that go through people's minds at this point: 1. How much money do I need to live on every year? 2. Can I draw this much from the assets I've built without running out of money?

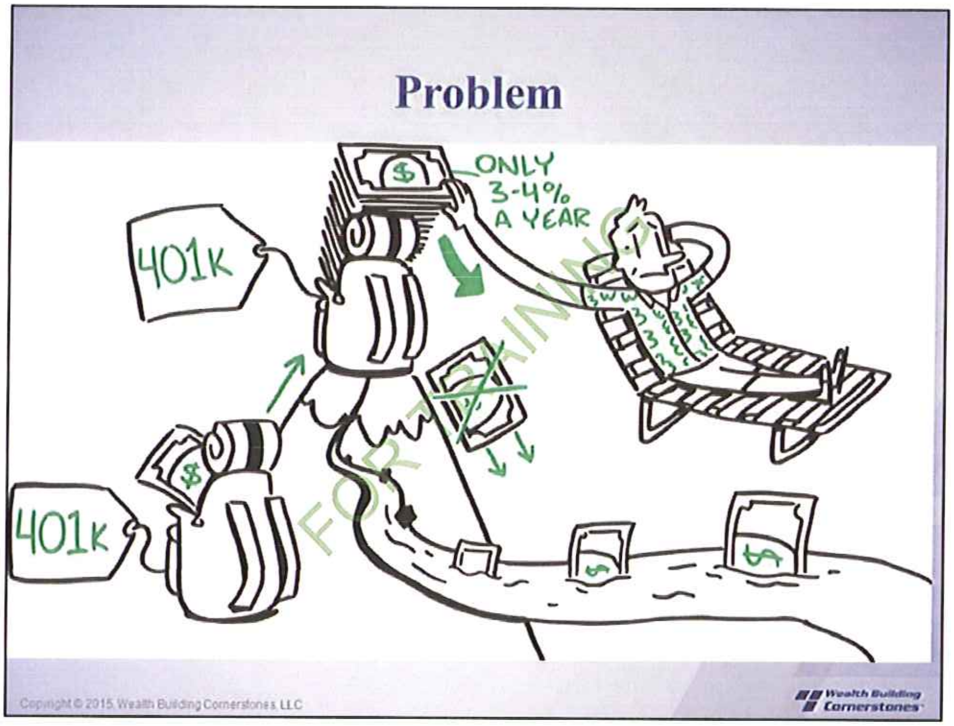
At the top of the mountain we are now each individually going to have to face these retirement income questions.



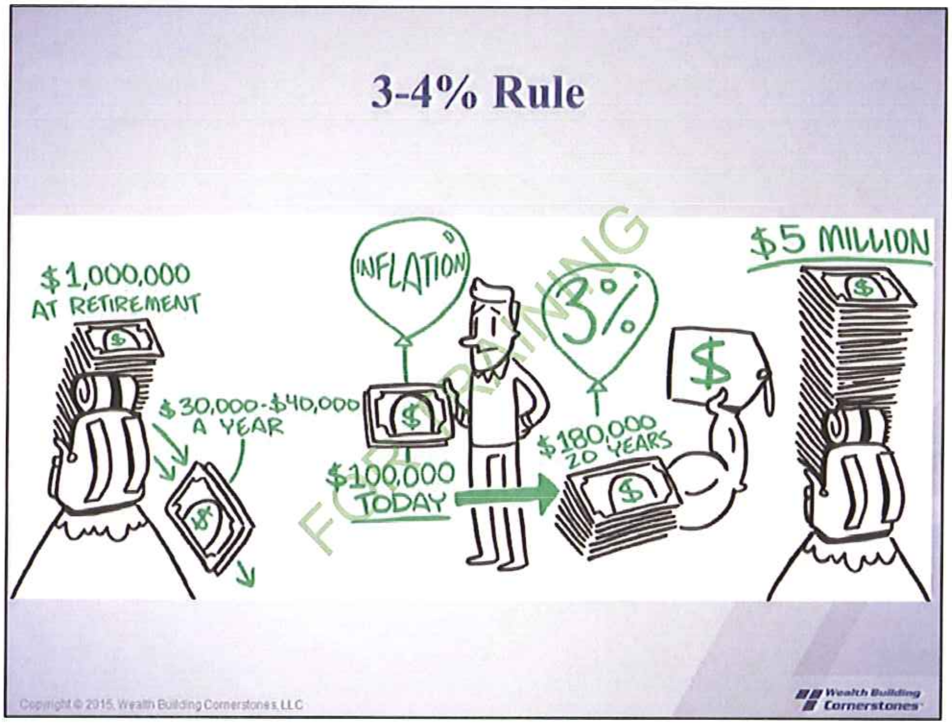
Back when pension plans were the norm, retirement planning for individuals used to be more automatic. Pension plans put the responsibility of providing you retirement income in the hands of your employer, typically your pension amount was comparable to a good percentage of your salary. Pension plans automatically took into account both the accumulation of money and the distribution of it for retirement income.



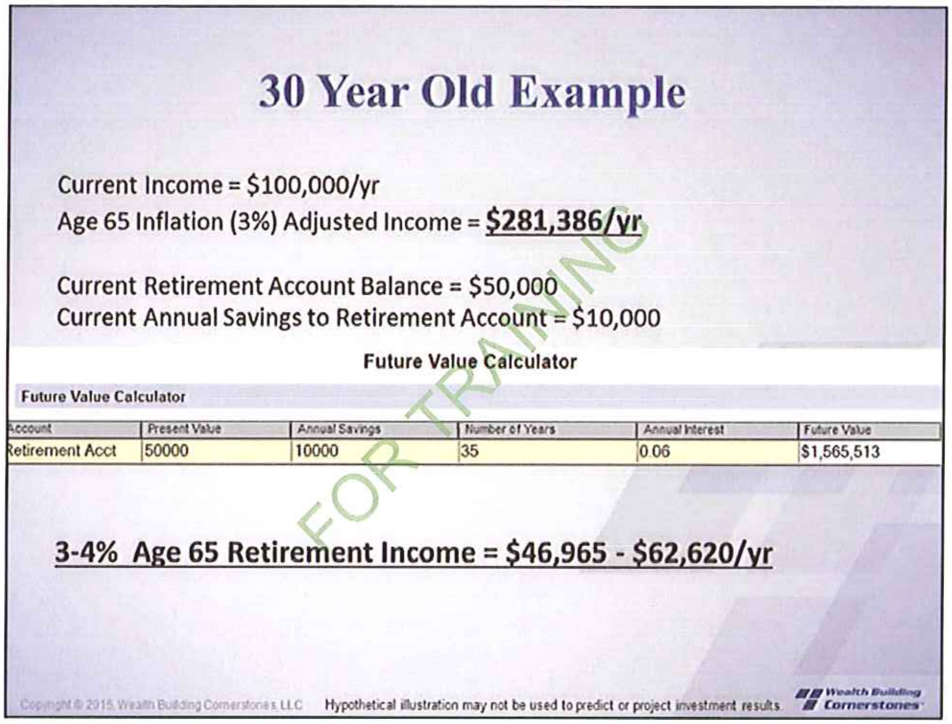
Around the 1980's, things started to change significantly. As retirement plans (like 401k's) were introduced, they started to become the norm. These types of plans meant employees became more responsible for providing retirement income for themselves.



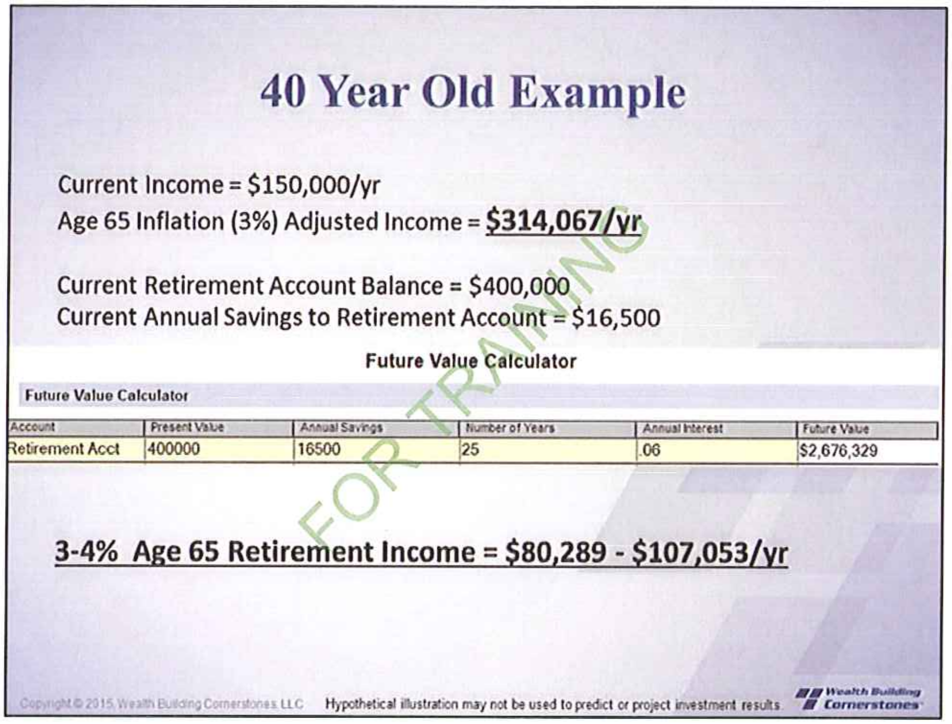
401k type plans focus mainly on accumulation of money and not on distribution. When used alone they may be very inefficient for creating retirement income streams later. For example, to avoid potentially running out of money in retirement, financial research recommends withdrawing only 3-4% from these types of invested Retirement Assets every year to live on.



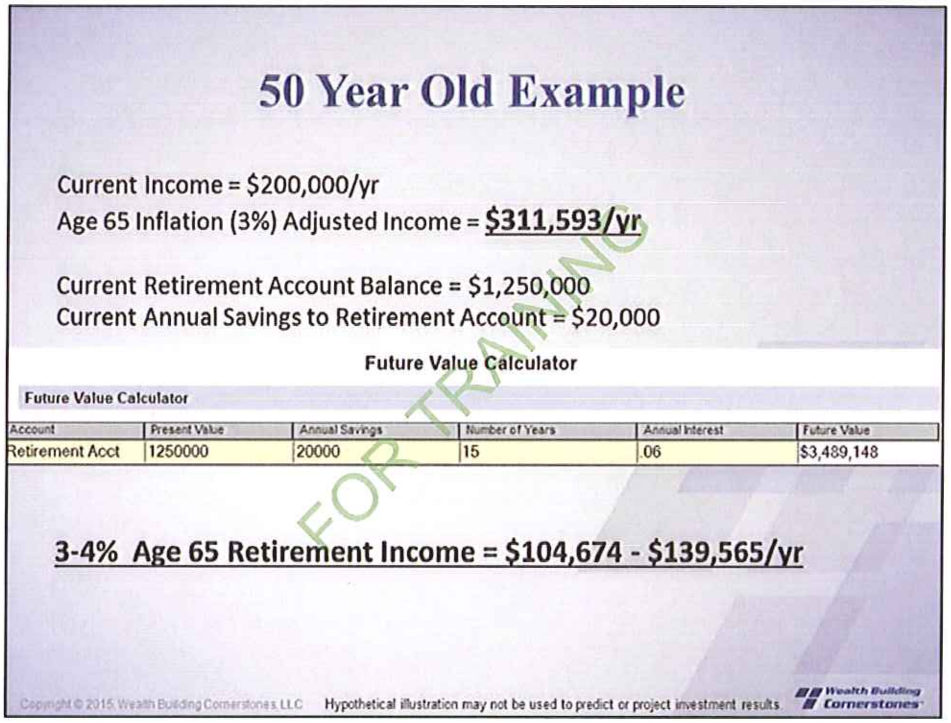
These relatively low distribution rates can be problematic. Think about it, you'd need $1,000,000 at retirement to create just $30-40,000/yr of retirement income. What about adding inflation to your current income? $100,000 of income today needs to be $180,000 in 20 years at 3% inflation to maintain spending power. This would require the accumulation of approximately $5 million by retirement time. How feasible does this path sound running your own numbers? Is this the path you would want to stay on if you had a choice?



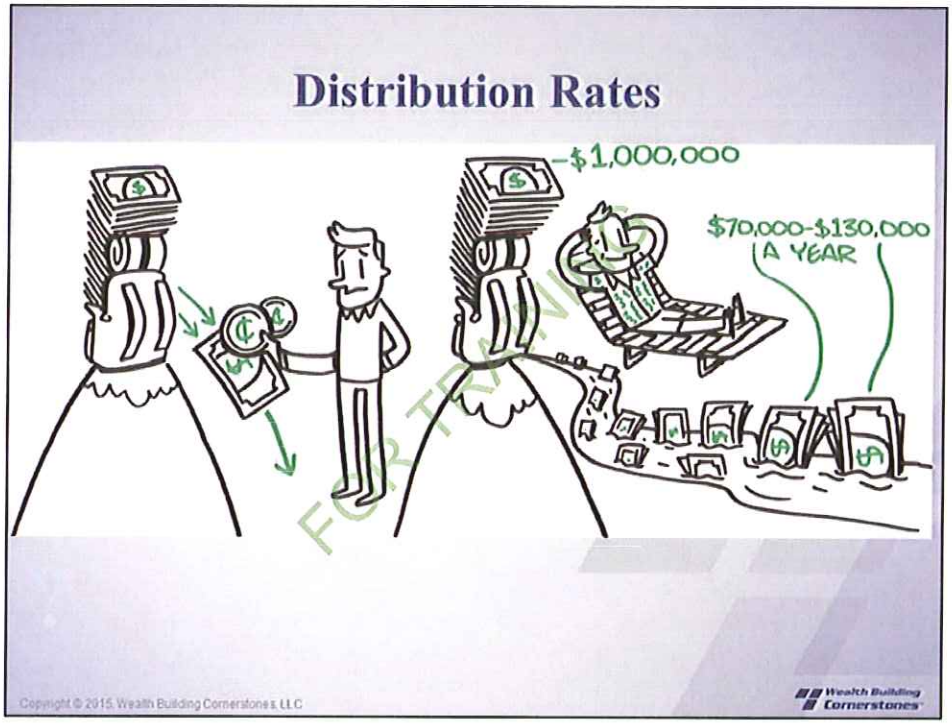
Let's look at a hypothetical example of a 30 year old scenario with current income of $100,000/yr. With inflation of 3% over 35 years the inflation adjusted income in the future would need to be around $281,386/yr. Assuming a current retirement account balance of $50,000 with $10,000/yr savings growing at 6% gives a balance at age 65 of $1,565,513. Multiplying the balance by a 3-4% income rate produces a retirement income between $46,965 - $62,620/yr. How feasible does this path sound?



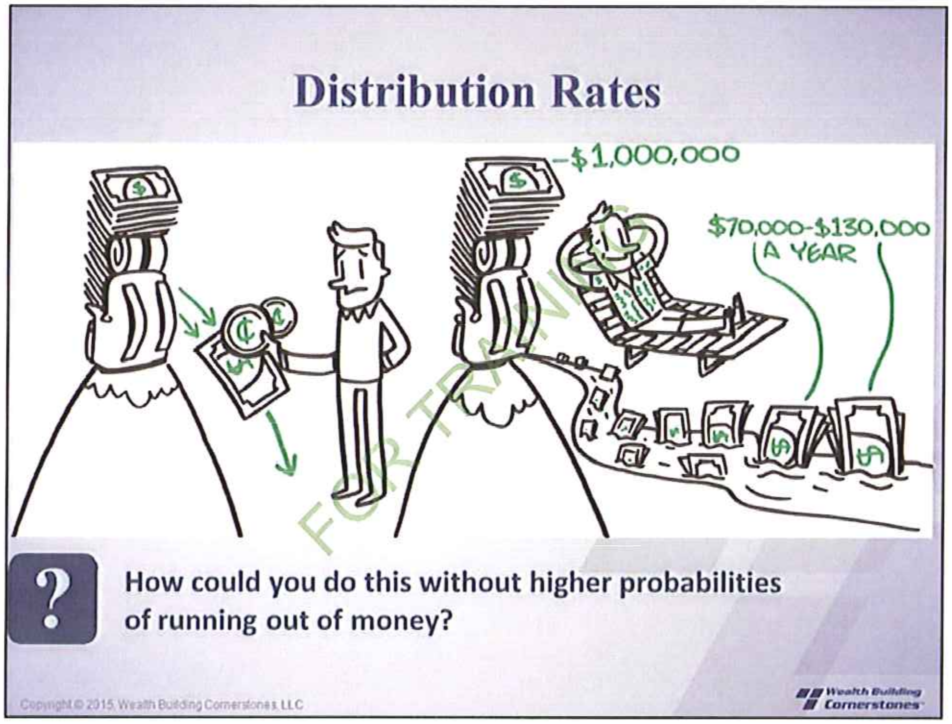
Let's look at a hypothetical example of a 40 year old scenario with current income of $150,000/yr. With inflation of 3% over 25 years the inflation adjusted income in the future would need to be around $314,067/yr. Assuming a current retirement account balance of $400,000 with $16,500/yr savings growing at 6% gives a balance at age 65 of $2,676,329. Multiplying the balance by a 3-4% income rate produces a retirement income between $80,289-107,053/yr. How feasible does this path sound?



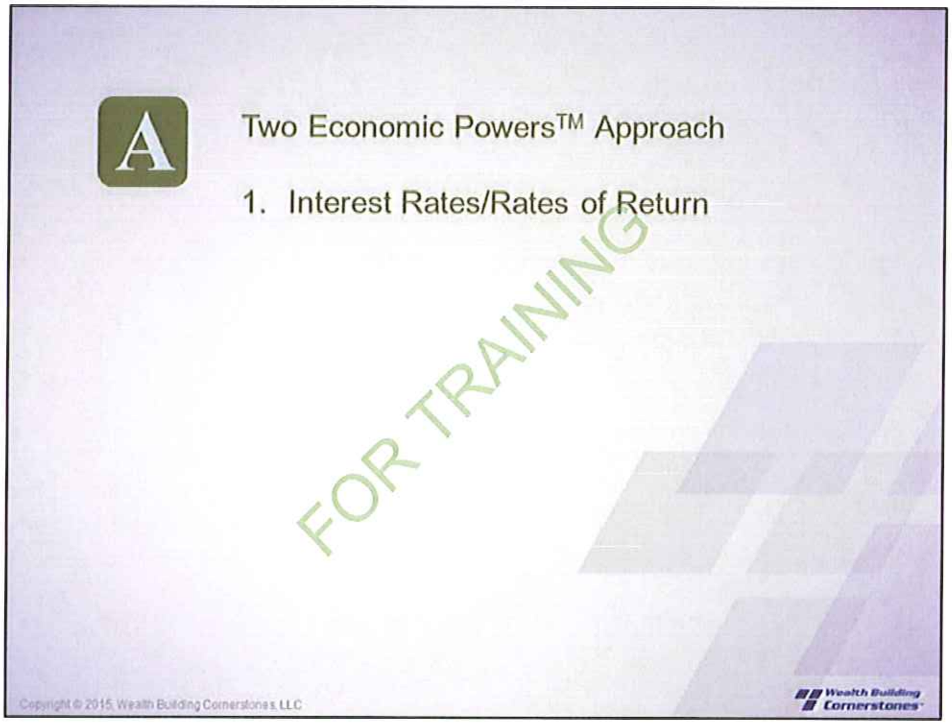
Let's look at a hypothetical example of a 50 year old scenario with current income of $200,000/yr. With inflation of 3% over 15 years the inflation adjusted income in the future would need to be around $311,593/yr. Assuming a current retirement account balance of $1,250,000 with $20,000/yr savings growing at 6% gives a balance at age 65 of $3,489,148. Multiplying the balance by a 3-4% income rate produces a retirement income between $104,674-$139,565/yr. How feasible does this path sound?



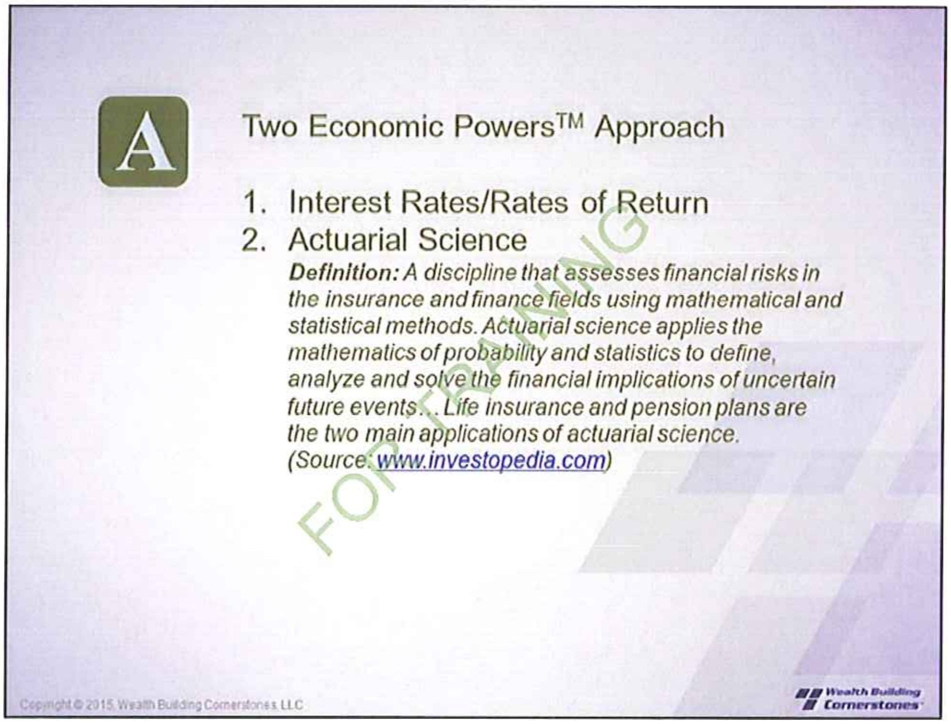
See, the problem in many cases isn't the accumulation of money in retirement plans, but rather the low distribution rate we could be on track for if that's all we do. What if today you could put yourself on a path that provides higher distribution rates from the retirement assets you're accumulating?



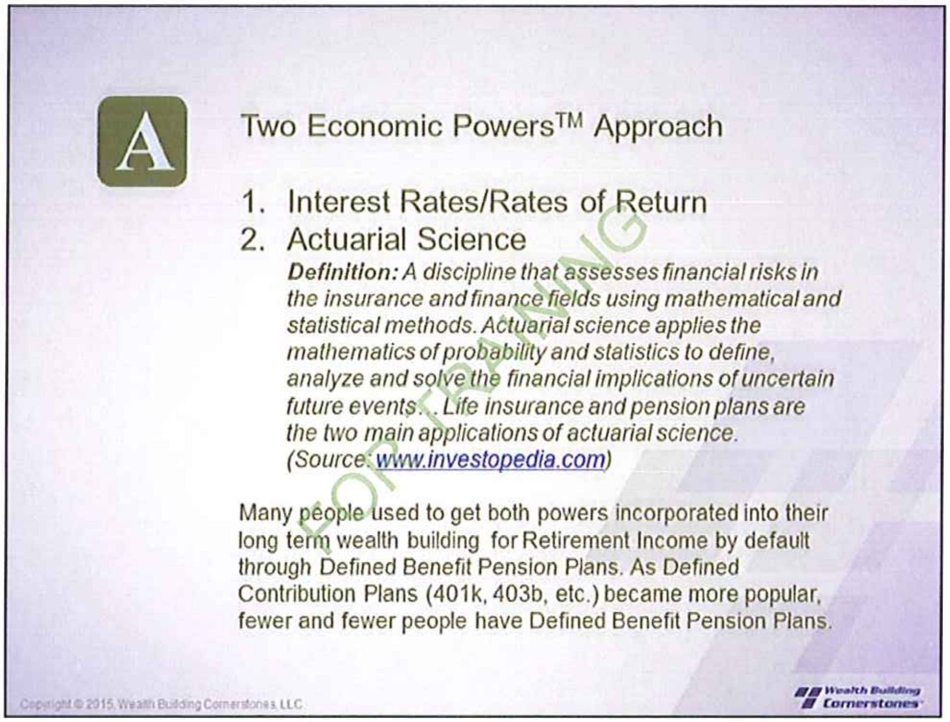
How could you do this without higher probabilities of running out of money?



The Two Economic Powers™ Approach can enable us to do this. See, the first economic power we all have to work with is the Interest Rates/Rates of Return power which can be a good accumulator of money.



The second economic power is Actuarial Science which can be a good distribution power. These powers were meant to work together in proper balance.


A
Two Economic Powers™ Approach
1. Interest Rates/Rates of Return
2. Actuarial Science
Definition: A discipline that assesses financial risks in the insurance and finance fields using mathematical and statistical methods. Actuarial science applies the mathematics of probability and statistics to define, analyze and solve the financial implications of uncertain future events... Life insurance and pension plans are the two main applications of actuarial science. (Source: www.investopedia.com)
Many people used to get both powers incorporated into their long term wealth building for Retirement Income by default through Defined Benefit Pension Plans. As Defined Contribution Plans (401k, 403b, etc.) became more popular, fewer and fewer people have Defined Benefit Pension Plans.
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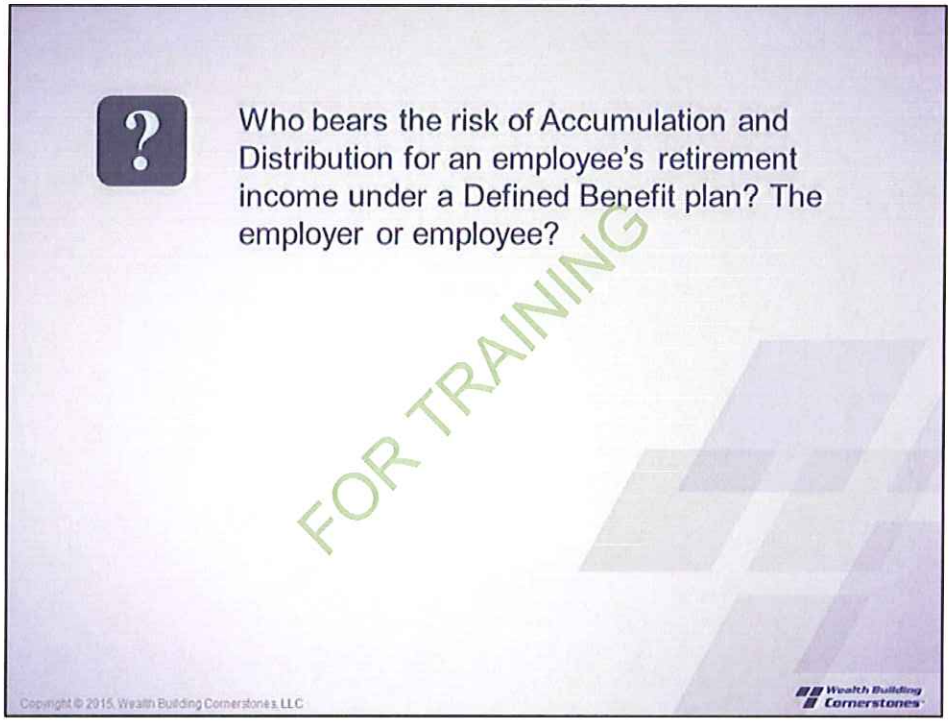
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Who bears the risk of Accumulation and Distribution for an employee's retirement income under a Defined Benefit plan? The employer or employee?
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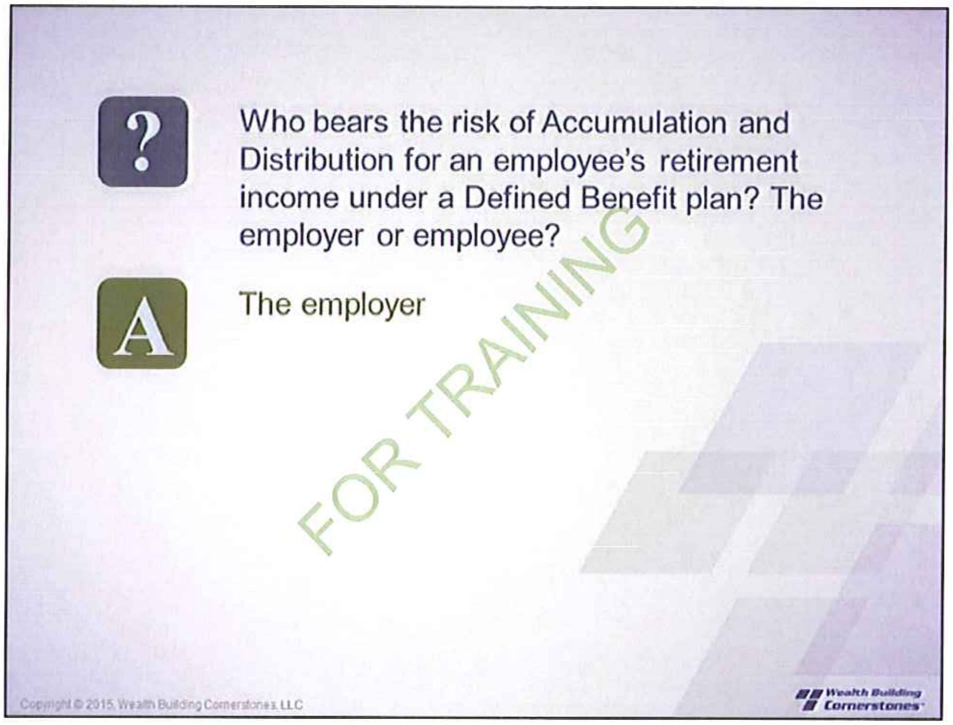
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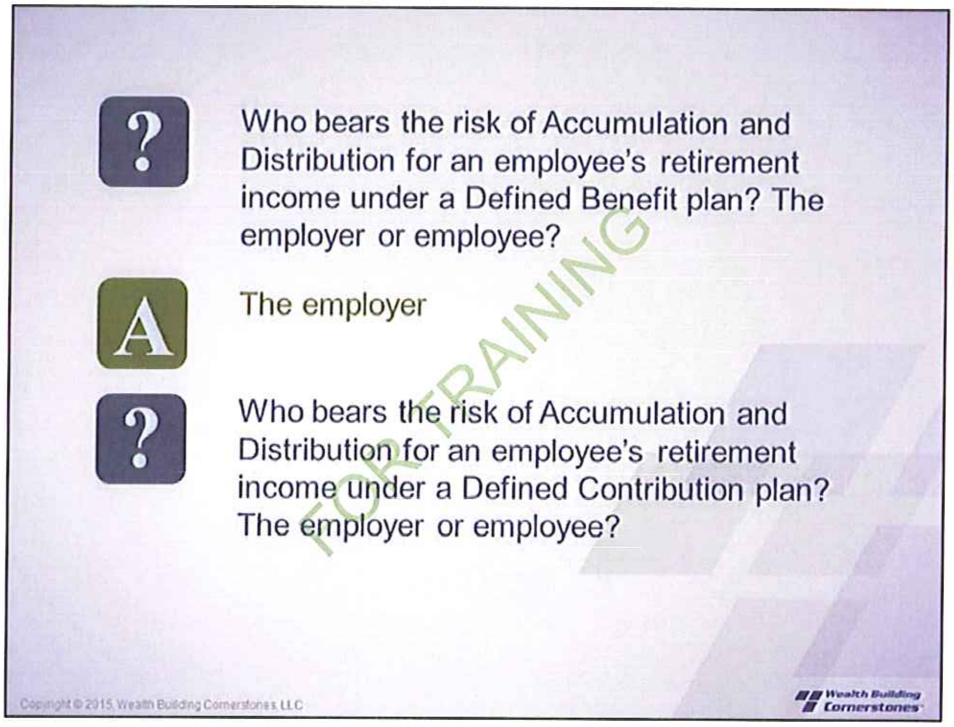
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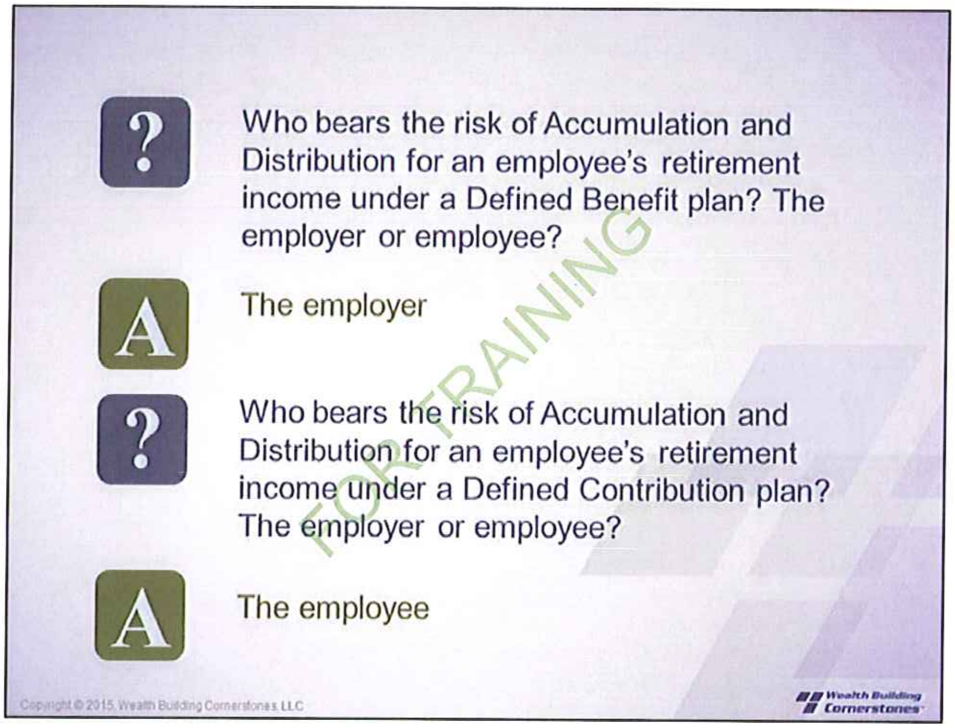
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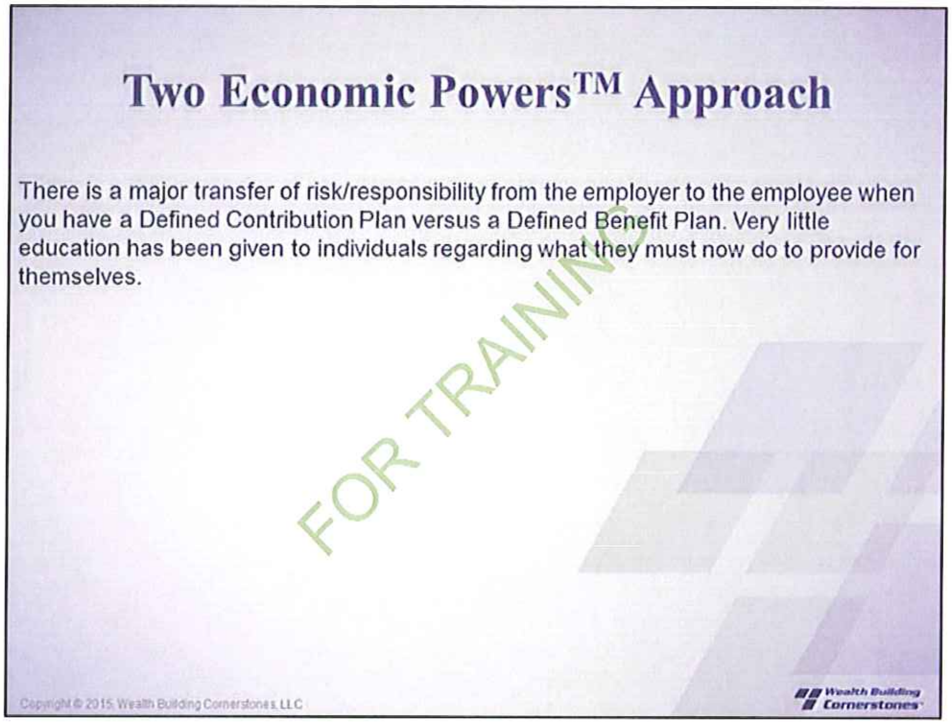
Two Economic Powers™ Approach
There is a major transfer of risk/responsibility from the employer to the employee when you have a Defined Contribution Plan versus a Defined Benefit Plan. Very little education has been given to individuals regarding what they must now do to provide for themselves.
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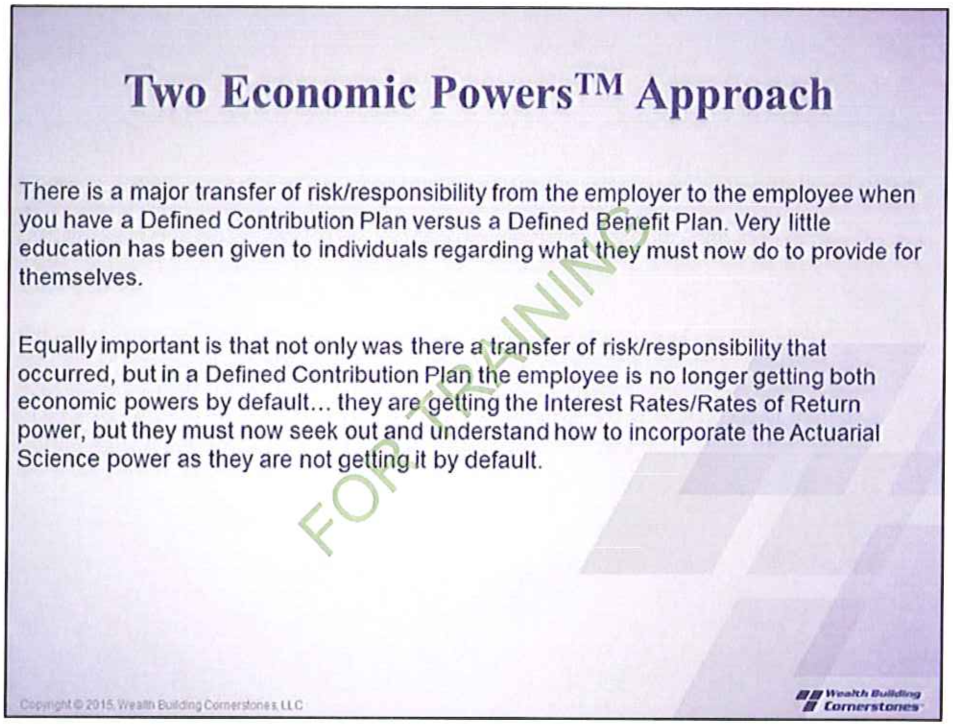
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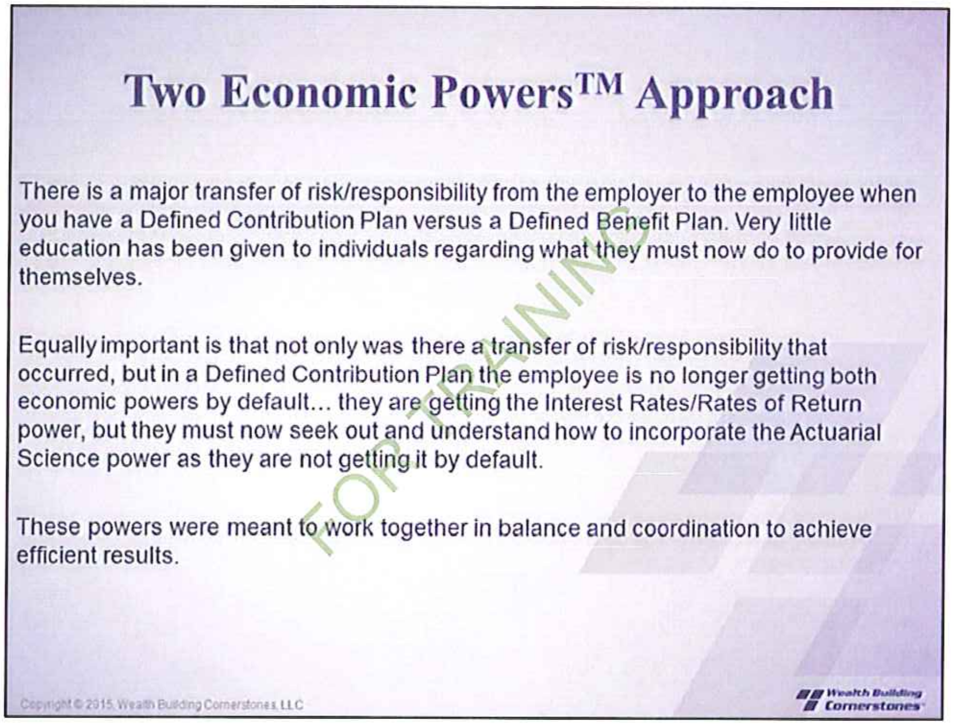
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Two Economic Powers™ Approach
When we reach retirement there are 2 global options for generating retirement income streams from the assets we've built:
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1. Exchange/Trade your money. Basically in this option you would be taking money you have at retirement time and exchanging it with an insurance company for a guaranteed income stream. One example of this would be taking your lump sum at retirement time and giving it to an insurance company in exchange for an income annuity that provides lifetime income to you.

If we choose not to exchange/trade our money at retirement time then the other global option is to invest our money to try to generate retirement income.


Two Economic Powers™ Approach
When we reach retirement there are 2 global options for generating retirement income streams from the assets we've built:
1. Exchange/Trade your money
2. Invest your money
If we don't incorporate Actuarial Science we can be relegating/defaulting ourselves to the 3-4% income rate problem. When we incorporate Actuarial Science along the way we put ourselves on a path that can potentially provide higher retirement income rates from the assets we've built. The balancing between these economic powers (Cornerstones) is the key… Having too much of either can make you less efficient.
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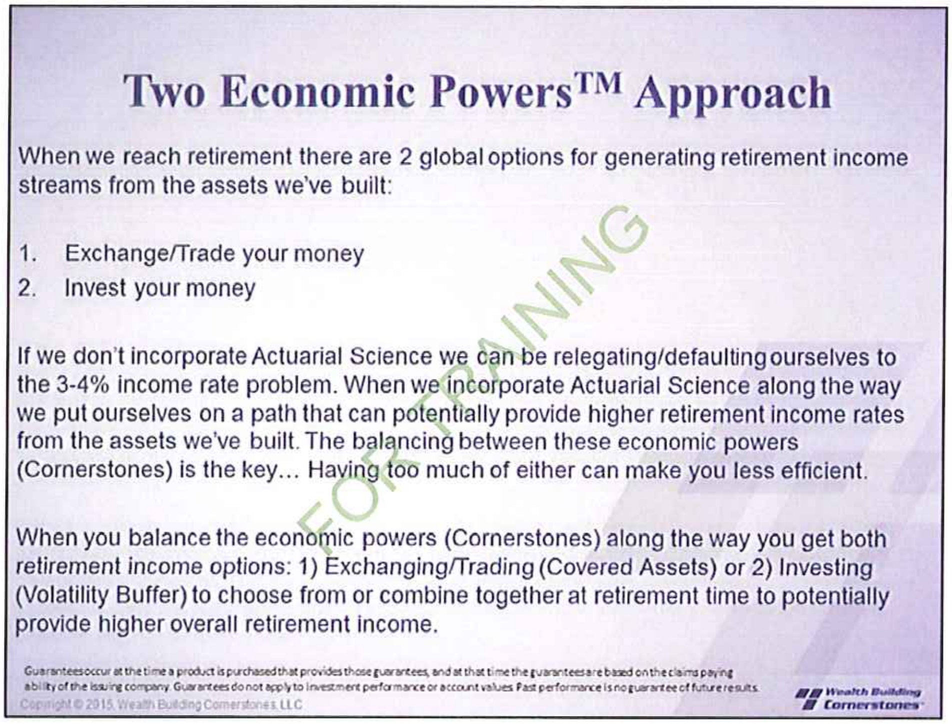
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When you balance the economic powers (Cornerstones) along the way you get both retirement income options: 1) Exchanging/Trading (Covered Assets) or 2) Investing (Volatility Buffer) to choose from or combine together at retirement time to potentially provide higher overall retirement income.
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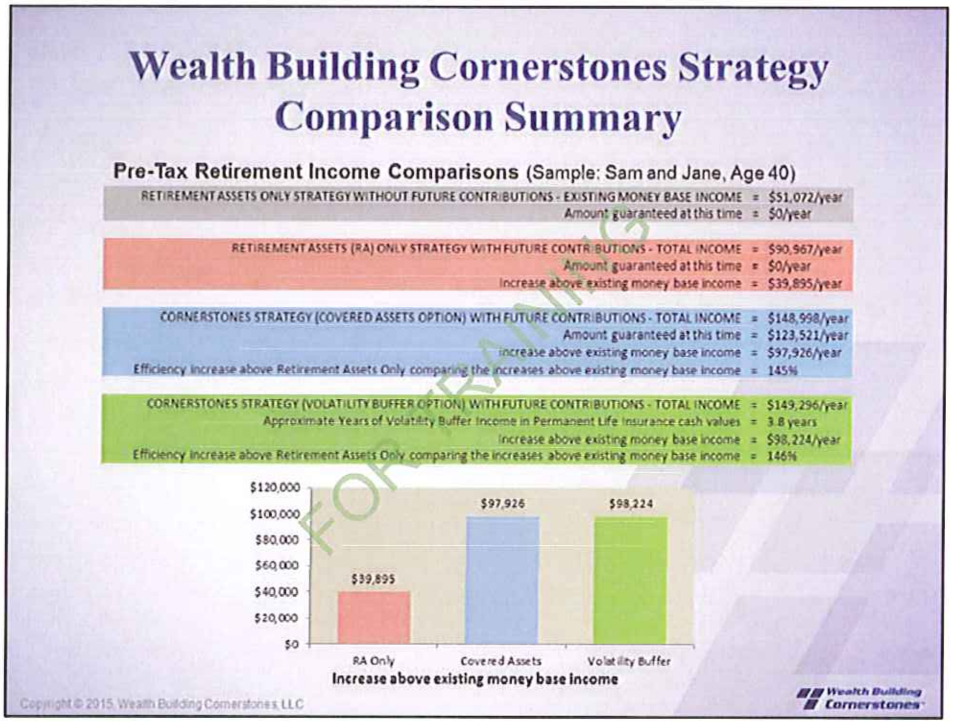
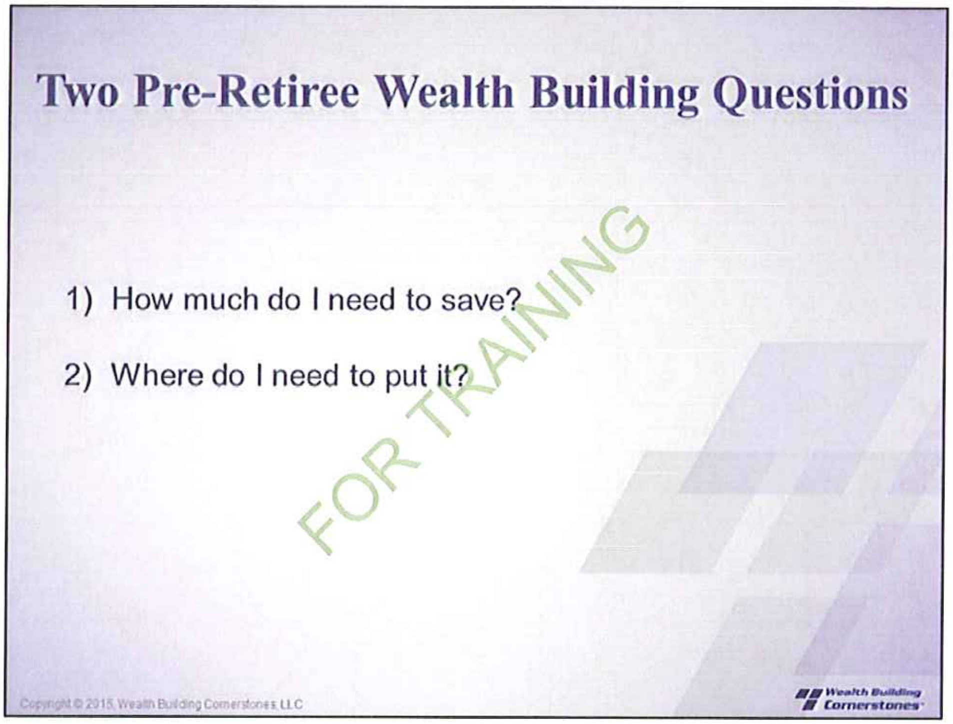
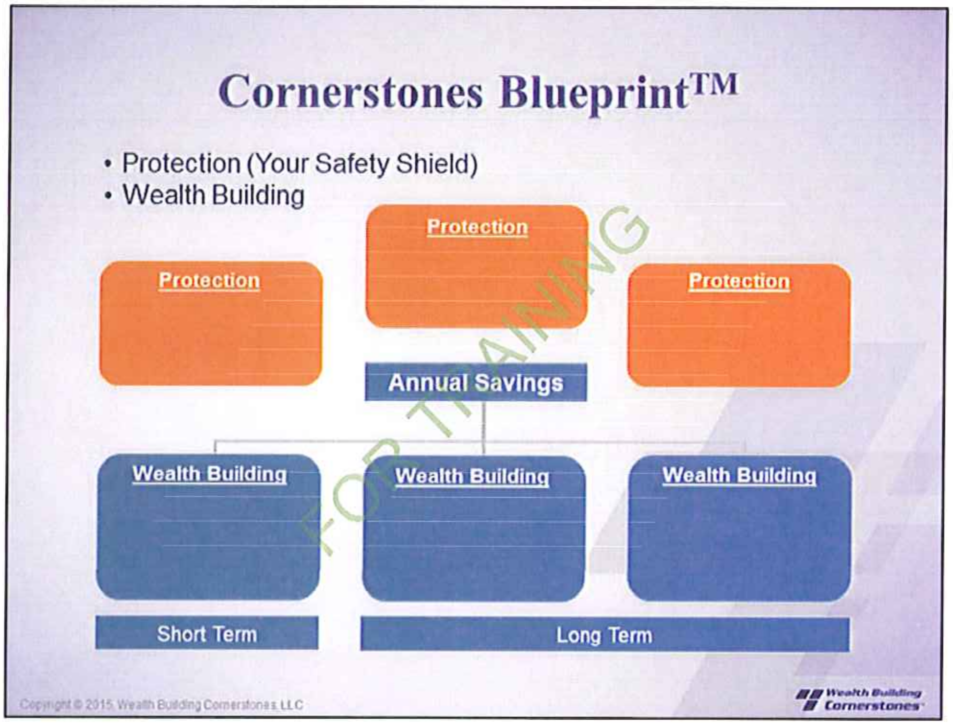


So what we do is go through how retirement income streams work with you and then run your own retirement income calculations so you can see how your actions today can impact your retirement income options later. What you see in front of you is an example output summary of retirement income calculations for a 40 year old couple with an assumed retirement age of 65. It is comparing the default path strategy of using 1 economic power (the salmon color) that produces $90,967/yr of retirement income versus using the Two Economic Power Approach™ that gives you the choice between the blue and the green options later at $148,998/yr and $149,296/yr of retirement income. When running these calculations we hold variables such as annual savings, interest rates, tax rates, etc. constant between your current age and retirement age so we can compare the hypothetical results of the different strategies based on how we allocate your annual savings between the economic powers along the way. The comparative differences can be significant. This helps you answer the two questions many pre-retirees have for wealth building, which are....



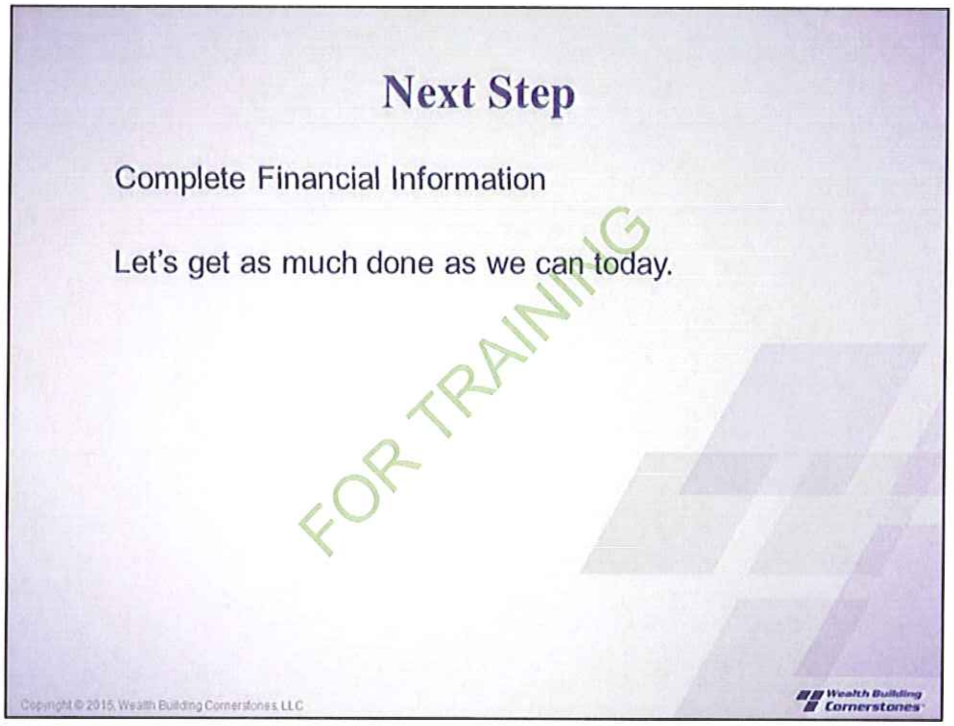
How much do I need to save? and Where do I need to put it? Without having a frame of reference for how retirement income streams work it can be very hard to economically answer those questions.



So, as part of this process, we take a look at both your protection and wealth building to make sure they are working properly together, taking that "begin with the purpose in mind" approach when we are discussing both pieces.

I am compensated in two ways. One is by helping you implement the products necessary to complete your process. All I ask is that, as I take you through this process, if you decide to implement products that I handle, that you put those products through me. Does that sound fair?

And the second way is through personal introductions. I wouldn't expect this if you didn't find a lot of value in this process and I would hope that at the end of this I could ask you for your help in sitting down with me and I can take you through our very professional way of meeting new clientele through personal introductions. Does that sound good to you? Do you have any questions for me?



So the next step is to complete some financial information, and I think we can probably get a lot of this done today, and then we can send you home and if we are missing something, we will know exactly what we need you to get for our next meeting. This concludes the pre-retiree introduction presentation. Thank you.