Pre-Retiree Introduction Presentation

SLIDE 1: 06sec
Hello and welcome to the wealth building cornerstones Pre-Retiree introduction presentation

SLIDE 2: 16sec
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.

SLIDE 3: 05sec
Their objective is to try to build that wealth as big as possible.

SLIDE 4: 09sec
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?

SLIDE 5: 07sec
None of this matters if we don't have the right overall strategies in place to begin with.

SLIDE 6: 14sec
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.

SLIDE 7: 17sec
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 having the right process, or the right skill and technique, to combine those different products or tools together to create maximum efficiency.

SLIDE 8: 25SEC
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.

SLIDE 9: 23SEC
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.

SLIDE 10: 09SEC
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….

SLIDE 11: 33SEC
…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 end 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?"

SLIDE 12: 11SEC
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?"

SLIDE 13: 04SEC
In other words: Why are you giving up current enjoyment of your income?

SLIDE 14: 04SEC
And the answer is to have an income stream in retirement.

SLIDE 15: 09SEC
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.

SLIDE 16: 10SEC
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.

SLIDE 17: 07SEC
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?

SLIDE 18: 05SEC
Or is really getting to the top then making it back down safely the ultimate objective?

SLIDE 19: 10 SEC
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.

SLIDE 20: 2min 12sec
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?

We're going to go through a short exercise and transport you to the top of the mountain. You're a retiree 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? 2. How much can I withdraw without running out of money?
At the top of the mountain, it is critical to observe some rule changes that exist. In pre-retirement we were putting money into our assets and in retirement we are now pulling money out of our assets, so we're changing the dynamics of our money one-hundred and eighty degrees. This causes a problem which is…

SLIDE 21: 12SEC
How retirement assets react to fluctuating interest rates when money is being withdrawn for income. Let's take a look at an example.

SLIDE 22: 52SEC
What we have here is a person entering retirement with a million dollars, wanting to pull one hundred thousand dollars per year of retirement income to live on, which is ten percent of the initial value. The way they might justify being able to do this is by thinking they could earn a return on average, equal to

or greater than, the ten percent they are pulling out which in this case is fourteen point eight four percent. And if they earn this fourteen point eight four percent constantly every single year, you can see their account grows even as they pull income out, to the point where it is close to fifteen million dollars thirty years into retirement. But, are we going to be able to earn that average yield constantly, every single year or are we going to get all of the ups and downs along the way? We're going to get all of the ups and downs. So, where does this 14.84% come from?

SLIDE 23: 35 SEC

It comes from the history of the market, and in this case the history of S & P five hundred from 1970 through 1999. So we see each year, all the annual positive and negative yields during that thirty year period. We add them all up and divide by thirty and we get the average yield of fourteen point eight four percent. So what we are going to do now is take the fluctuating positive and negative annual yields we see here and put them into the same table we were just looking at, paying attention to what happens to our account value as we do this.

SLIDE 24: 47 SEC

Now when we put the annual fluctuating returns into our table, we still have the same average yield over thirty years. But now instead of having close to fifteen million dollars at the end of thirty years, we are down to zero dollars between years thirteen and fourteen. "Why does this happen,"? It's because of the rule change at the top of the mountain, which states that any year you earn less than you pulled out, you just killed off the dollars that are supposed to be earning the returns for you. For example, a great return year is this thirty seven percent in year six, but the issue is that you're not earning this on that million dollars you started with, you're earning that on the account value at that time, which is substantially less.

SLIDE 25: 32SEC

This is the problem people relegate themselves to if they don't begin preparing properly today. We showed you this example because it is an easy example to understand, when we are talking about long term wealth building. We wanted to give you a glimpse of the "begin with the end in mind" approach that we take. We have to understand how retirement income streams work to effectively plan for long term wealth building. Sometimes to understand how things work later on, we first have to understand how they don't work.

SLIDE 26: 19SEC

As part of your financial process, time is of the essence. It's imperative to implement efficient wealth building strategies as soon as possible. The longer you wait, the more the opportunity for wealth building comes off the back end of the curve and this is when the majority of wealth is created.

SLIDE 27: 14SEC

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

SLIDE 28: 16SEC

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?

SLIDE 29: 20SEC

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?

SLIDE 30: 18SEC

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.