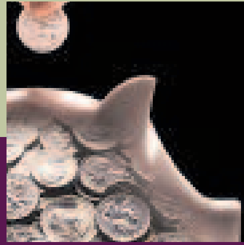
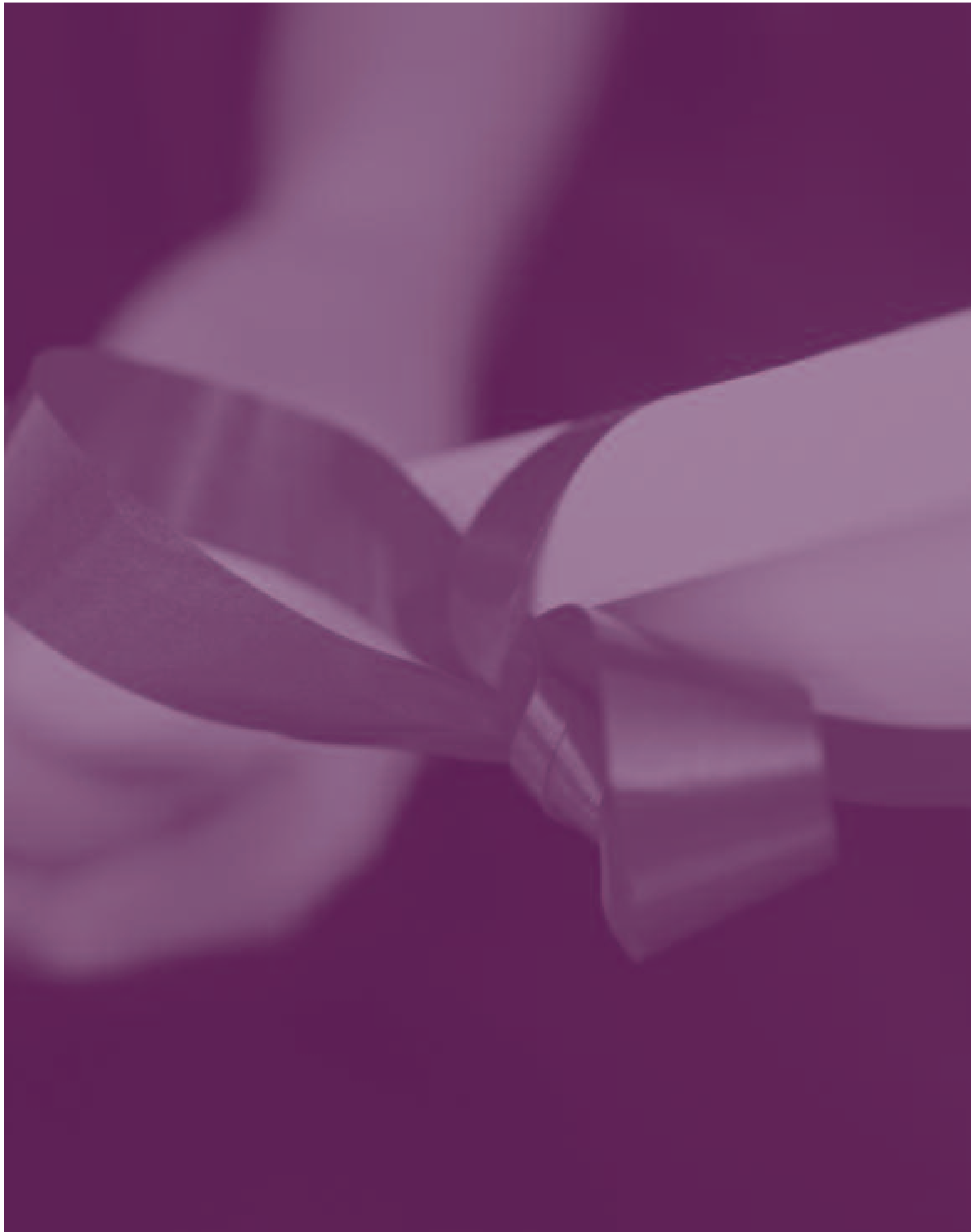
Wealth Accumulation





Life's Priorities

Accumulating wealth for financial security is a goal that requires planning and discipline.

Financial security means different things to different people. What does it mean to you?

- Enough money to pursue your dreams
- Helping your children afford college
- Paying for a wedding, family trip, or vacation house
- Early retirement
- Being able to leave a legacy to your heirs or favorite charity.

Whatever financial security means to you, it begins with a plan for accumulating wealth.

Unfortunately, Americans have one of the lowest savings rates in the industrialized world. Couple this unwillingness or inability to save with spiraling college costs and the current uncertainty about Social Security, and many of us are going to face a serious cash shortfall when it may be needed the most.

Take a second to think about what's holding you back...

Maybe you're hesitant because of market conditions?

Given the current investment arena, this is a very natural reaction. Depending on your investment goals, however, it may also be something that you should re-evaluate. Consider the following:

- Market volatility is normal, and somewhat necessary. Without periodic fluctuations, the equity markets would essentially be closed to the average investor. For example, if stock prices only went up, soon only the very wealthy could afford to invest.
- Long-term investing requires a long-term mindset. Stay the course with your investment strategy and try to avoid changing midstream because of market conditions. Those who continue a steady investment program, particularly when the markets are down, actually have the opportunity to purchase high quality investments, only at a much lower cost.

Or, do you just think that you have plenty of time "down the road" to begin saving? Think again. The longer you wait, the harder it will be to find the money you'll need to set aside to meet your accumulation goals – and the cost of waiting can be steep.

WEALTH ACCUMULATION
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What about saving for college?

According to the College Board and the Department of Labor, costs for higher education – already expensive – are rising. Will you be able to help your children through college without jeopardizing your current lifestyle or postponing your retirement plans? Consider the average cost of just one year at a public or private college during the 2010-2011 school year.

Average Annual College Costs – *One year only: 2010-2011*

Public colleges (4-year in-state schools)		Private colleges (4-year schools)	
Tuition and fees	$7,605	Tuition and fees	$27,293
Room and board	$8,535	Room and board	$9,700
Total fixed charges	$16,140	Total fixed charges	$36,993
Increase from prior year:	6.1%	Increase from prior year:	4.30%

Source: College Board Trends in Pricing, 2010.

Add inflation to your projection.

Assuming college costs continue to increase at the current rate, the amount you and your family will have to pay, over time, is staggering. Consider the annual cost in 2010 of some of the country's top schools, and the projected 4-year cost in 2020 assuming an increase of only 5% per year.

College Costs On the Rise

	Annual Cost 2010-2011	Total 4-Year Cost in 2020*
Duke University	$53,905	$378,454
Harvard University	$50,724	$356,120
Michigan State	$18,923	$132,854
Stanford	$50,576	$355,081
Yale University	$52,700	$369,994

*At an assumed inflation rate of 5%. Actual rates will vary.
All figures assume in-state tuition, including room and board – does not include books, supplies and personal expenses.

The earlier you start, the easier it will be.

As the following chart shows, the Earlys started saving for college when their daughter was an infant, while the Lates waited until their son was 8 years old. The difference? The Earlys put away $50 a week. To reach the same funding goal 10 years later, the Lates had to save about $180 a week.

A systematic savings plan started today may make a difference down the road – perhaps, just when you need it the most.

Earlys vs. Lates

Earlies		Lates
$56,160	Out-of-Pocket Savings	$78,774
$44,985	Investment Earnings	$22,375
$101,145	Total Accumulation	$101,149

Assumes a 6% interest rate. The above is provided for illustrative purpose only and is not meant to represent any particular investment vehicle or be a representation of past or future performance. Actual results will vary.

As most people think about accumulating wealth, they also think about when and how they'd like to retire.

The typical 45-year old married couple in the United States will have only a portion of what they'll need at retirement to maintain their existing lifestyle. Where will the rest of the money come from?

Do you think Social Security will be the answer?

If the experts are right, you better think again. Assuming Social Security is still solvent when you retire, it will pay only a small percentage of your pre-retirement income. For example, if your 2011 income is $200,000, your annual Social Security benefit would be about $29,400. Could you live on this amount?

Source: 2011 Social Security Administration Quick Calculator. Assumes individual is currently age 50; retires at 66 and 8 months; and no future increases in prices or earnings.

Wealth Accumulation Strategies

There are many ways to begin a wealth accumulation strategy, but there are two fundamental principles for any successful program:

- Save money regularly and consistently.
- Develop a sound strategy and stick to it over the long term.

Most experts say you should save at least 10% of your earnings, consistently and throughout your earning years.

- Do you save money consistently? How much are you saving?
- Where are you saving it?

To develop a sound investment strategy and stick with it, start by taking these steps:

- Define your long-term goals. Where do you want to be 10, 20, or even 30 years from now?
- Know your time horizon. How much time does your money have to grow before you will need it?
- Know your risk tolerance. Are you willing to ride out fluctuations in the value of your investments in order to potentially achieve higher long-term goals or do you need to see regular and steady growth?
- Diversify. Spread your investments out over several classes of financial vehicles to help protect against the normal fluctuations in each class (also called Asset Allocation).

  There is no assurance that a diversified portfolio will achieve a better return than a non-diversified portfolio.

Financial Vehicles to Help Achieve Asset Allocation

- **Annuities** – Grow tax-deferred. Fixed annuities offer a guaranteed rate of return.
- **Mutual Funds** – Pooled funds that are professionally managed, allowing low initial investments and a wide range of growth objectives.
- **Stocks and Bonds** – A range of investment objectives can be met purchasing the stock of various companies, and by purchasing bonds issued by the government, municipalities, or some U.S. corporations.
- **Cash Value Life Insurance** – Cash values can be borrowed against tax-free to help fund your child's education or supplement retirement income. Plus, cash values generally are not included as an asset for the purposes of calculating financial aid for college.*
- **Coverdell IRAs (formerly known as Educational IRAs)** – Eligible parents, grandparents, and others may make annual non-deductible contributions to Coverdell IRAs for a child under 18, subject to certain maximum limits.
- **529 Programs** – Based on the Internal Revenue Code section that created qualified tuition programs, were designed to help meet increasing cost of education. Generally permits larger annual contributions then the Coverdell IRA. However, certain limits still apply.

* Certain limitations may apply to loans or withdrawals. Policy loans and withdrawals will reduce the death benefit and cash values, and may be taxable under certain circumstances.

WEALTH ACCUMULATION

Can't find that extra money in the budget? Here are some ideas:

1. **Examine your spending.** Write down every dollar you spend for one month. Are there places you could cut back?

2. **Reduce your debt.** You may be able to save hundreds, even thousands of dollars in interest every year by consolidating debt and paying off high-interest debt as soon as you can.

3. **Pay credit card balances every month.** Ignore the minimum payment and pay as much as you can. Why keep paying high finance charges?

4. **Pay yourself first.** Save or invest at least 10% of your earnings each month. Use payroll deduction or automatic transfers directly from your checking account. Reinvest the earnings or dividends.

5. **Take advantage of tax-deferred saving.** Your assets will accumulate faster if a portion of the gain does not have to be paid out in taxes. Some examples of tax-deferred investments are:

   - IRAs
   - Fixed and Variable Annuities
   - Universal Life Insurance and Variable Universal Life Insurance
   - Tax-Qualified Retirement Plans – 401(k) Plans, etc.

   * Variable annuities and variable universal life insurance are subject to market fluctuations and may lose value.

6. **Take advantage of dollar cost averaging.** While dollar cost averaging does not assume a profit or protect against a loss, it can help you reduce the risk of market fluctuations by investing systematically over time. Instead of trying to invest only at the "right time," make a commitment to invest a set amount of money every month and stick to your plan – regardless of what the markets are doing.

The Power of Tax-Deferred Growth

If your total tax bracket is:	15%	25%	35%
And the annuity pays:	*Here's what you would have to earn in a taxable account to equal the annuity interest at left:*		
4%	4.7%	5.3%	6.2%
5%	5.9%	6.7%	7.7%
6%	7.1%	8.0%	9.2%
7%	8.2%	9.3%	10.8%
8%	9.4%	10.7%	12.3%

The above is provided to illustrate the equivalent yield of a taxable investment. This does not consider the tax impact of withdrawals.

Benefits of Dollar Cost Averaging

Regular Monthly Investment	Unit Value	Units Bought
$1,000	$5.00	200
$1,000	$15.00	67
$1,000	$10.00	100
$1,000	$15.00	67
$1,000	$25.00	40
$1,000	$8.00	125
Total Investment	**Average Price Per Unit**	**Your Average Cost**
$6,000	**$13.00**	**$10.02**

This hypothetical example is provided to illustrate the mechanics of dollar cost averaging and is not meant to be a representative of any particular product or a projection of past or future performance. Actual results will vary.

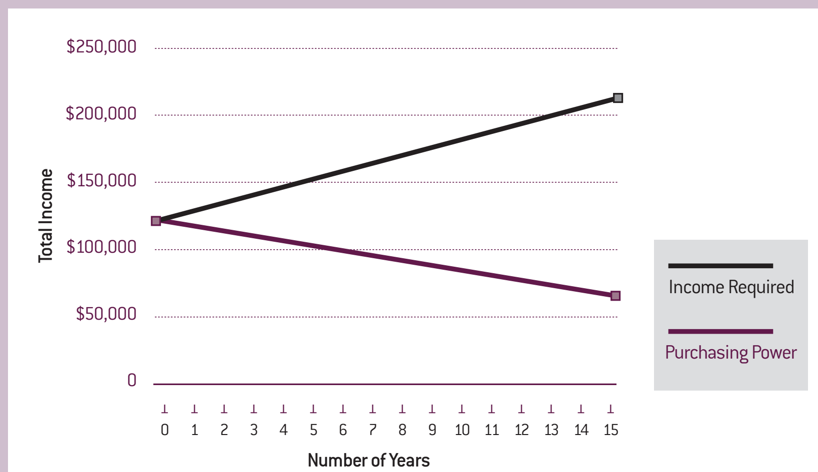
Finally, consider inflation...

Over time, your income must increase to provide the same purchasing power. For example, assuming a 4% inflation rate, an annual income of $115,000 would have to increase to just under $208,000 in 15 years in order to retain the same purchasing power it has today.

Conversely, if that $115,000 income remained level over those 15 years (again assuming 4% inflation), it would be worth only $64,000.

Every dollar you save today can help to bring you that much closer to tomorrow's goals.

Impact of Inflation



Assuming a hypothetical inflation rate of 4%. This should not be considered a projection or prediction of future inflation, which may be more or less, and is provided purely for illustrative purposes. Actual results will vary.

Life's Priorities

A sound plan can add more to your net worth than a lifetime of work.

	Michelle Invested $300 a month beginning at age 25, for 10 years only.	Joe Invested $300 a month beginning at age 35, for 30 years.
Total amount invested	$36,000	$108,000
Total amount accumulated at age 65 (assuming an 8% return)	$600,195	$447,108

The above is provided for illustrative purposes only and is not meant to represent any specific investment vehicle nor is it a representation of past or future performance. Actual results will vary.

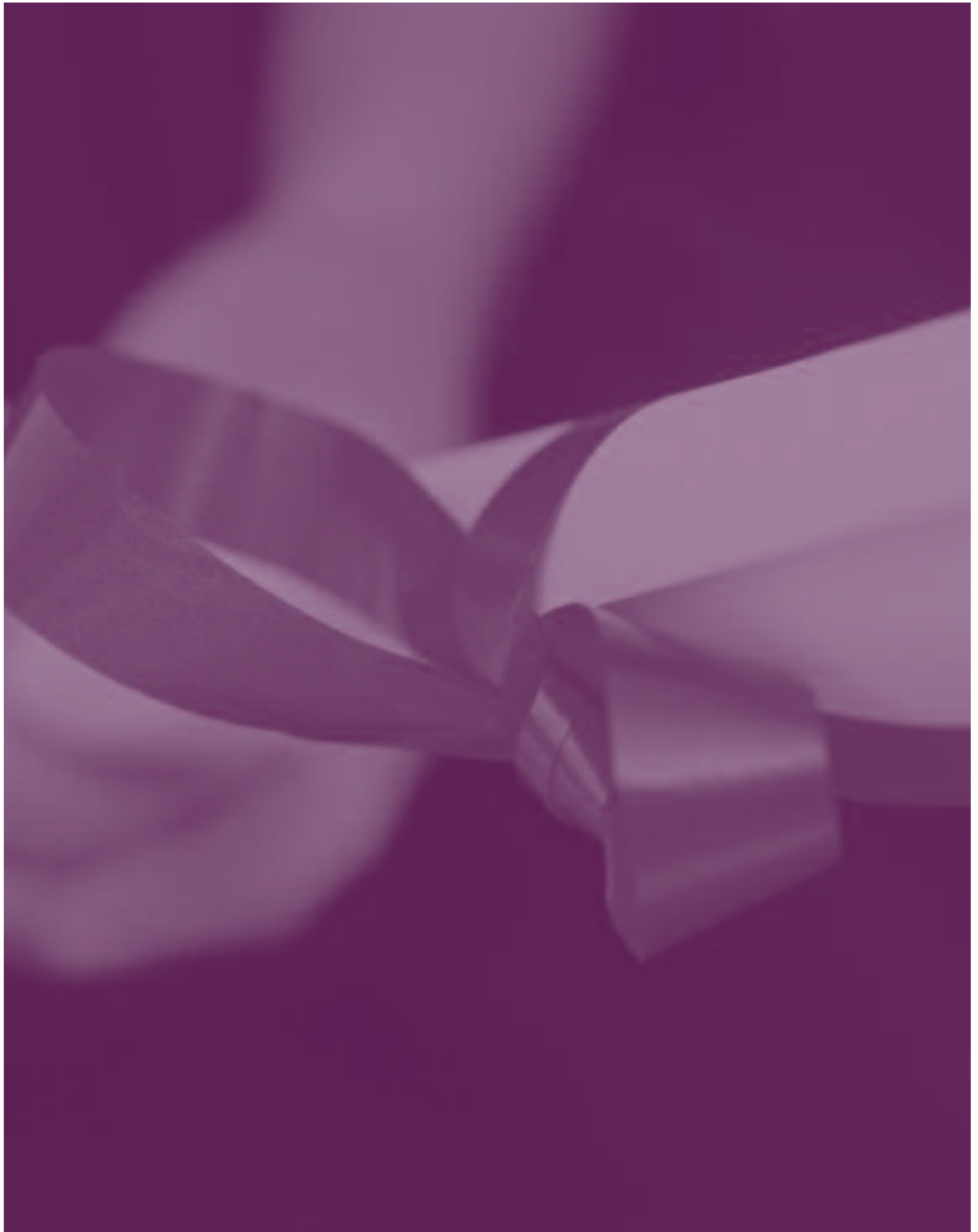
A secure financial future doesn't happen by accident.

It requires:

- Examining your current circumstances
- Identifying your goals and objectives
- Developing a plan to achieve those goals and objectives
- Taking action to implement your plan
- Periodically reviewing your plan.

The tool that really helps us gather the appropriate information to begin this planning process is referred to as a fact finder – a series of questions specific to your unique situation. You can rest assured that all the information that you provide will remain strictly confidential.

Is it time you began saving for your future?



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