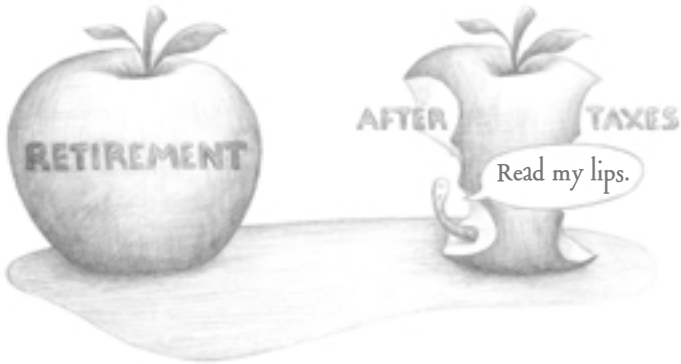


Chapter #1

Fig. 1.1

IS POSTPONING TAX REALLY THE BEST IDEA?



Your IRA, pension, and 401(k) benefits will be taxable at retirement, probably at a higher rate.

- Did you know there is a means to avoid paying tax on up to 85 percent of your Social Security benefits at retirement?
- Did you know there is a means by which you can draw out your retirement income tax free?

Are you interested in a strategy that could accomplish this?

Chapter #1

Fig. 1.2

WHAT COMPRISES "TRUE WEALTH"?

ASSETS

HUMAN (People)

- Family
- Values
- Relationships
- Health
- Ethics
- Morals
- Character
- Heritage
- Unique Abilities
- Future
- Habits
- Well-Being

INTELLECTUAL (Wisdom)

- Knowledge
- Experiences (good & bad)
- Education - formal
- Reputation
- Systems
- Alliances
- Skills
- Methods
- Ideas
- Traditions

FINANCIAL (Things)

- House
- Cash
- Stocks
- Bonds
- Insurance
- Real Estate

(Your financial and material possessions)

Chapter #2

Fig. 2.1

FEDERAL TAX RATES

YEARS	2000	2001 - 2002	2003 - 2010*
1st Bracket	10%	10%	10%
2nd Bracket	15%	15%	15%
3rd Bracket	28%	27%	25%
4th Bracket	31%	30%	28%
5th Bracket	36%	35%	33%
6th Bracket	39.6%	38.6%	35%

**After 2010 tax rates are scheduled to revert back to the levels that applied before the Economic Growth and Tax Relief Reconciliation Act of 2001.*

2004 FEDERAL INCOME TAX THRESHOLDS Taxable Income Endpoints

FILING STATUS	10%	15%	25%	28%	33%
Single	\$7,150	\$29,050	\$70,350	\$146,750	\$319,100*
Married Filing Jointly	\$14,300	\$58,100	\$117,250	\$178,650	\$319,100*

**Income in excess of these amounts is taxed at 35.0%*

Chapter #2

Fig. 2.2

A DOLLAR DOUBLING EVERY PERIOD FOR 20 PERIODS TAX FREE VERSUS A DOLLAR DOUBLING EVERY PERIOD FOR 20 PERIODS TAXED AS EARNED*

Periods	Tax Free	Taxed as Earned
	\$1	\$1.00
1	\$2	\$1.75
2	\$4	\$3.06
3	\$8	\$5.35
4	\$16	\$9.36
5	\$32	\$16.38
6	\$64	\$28.66
7	\$128	\$50.15
8	\$256	\$87.76
9	\$512	\$153.58
10	\$1,024	\$268.76
11	\$2,048	\$470.33
12	\$4,096	\$823.08
13	\$8,192	\$1,440.39
14	\$16,384	\$2,520.68
15	\$32,768	\$4,411.19
16	\$65,536	\$7,719.58
17	\$131,072	\$13,509.26
18	\$262,144	\$23,641.20
19	\$524,288	\$41,372.10
20	\$1,048,576	\$72,401.17

*assuming a 25 percent tax bracket

**IN WHICH ENVIRONMENT WOULD YOU
PREFER TO ACCUMULATE YOUR WEALTH?**

Chapter #3

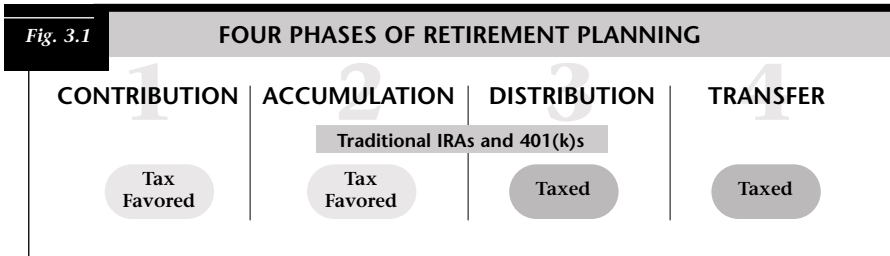


Fig. 3.2 **WHY DIDN'T SOMEONE TELL ME "THE REST OF THE STORY"?**

Annual IRA/401(k) Contribution = \$6,000 X 35 Years = \$210,000 Total Contributions
 Tax Bracket = 33.33%

Tax Savings: \$6,000 X 33.33% = \$2,000 X 35 Years = \$70,000 Total Tax Savings

\$6,000 Per Year at 7.5% for 35 Years, 1 month = \$1,000,000+

\$1,000,000	
X 7.5%	
\$75,000	Interest Income
X 33.3%	Tax Bracket
\$25,000	Annual Tax

Therefore:	\$75,000	Supplemental Retirement Income
Creates:	[25,000]	Potential Annual Tax
RESULTS:	\$50,000	Net Spendable Income

Chapter #4

Fig. 4.1

\$150,000 OF CUMULATIVE GROSS INCOME ALLOCATED TO LONG-TERM SAVINGS

OPTION 1:

**Invest After-Tax Dollars (66.66 Cents in a 33.33% Tax Bracket)
in Financial Instruments Earning 7.2% that are Taxed as Earned**

Gross: \$150,000
 - [\$50,000] Less: 33.3% Tax
 \$100,000 Net to Invest

Year	Gross Interest Earned [1]	Tax Liability at 33.33% [2]	Net Interest Earned [3]	Year End Balance [4]
1	\$7,200	\$2,400	\$4,800	\$104,800
2	\$7,546	\$2,515	\$5,031	\$109,831
3	\$7,908	\$2,636	\$5,272	\$115,103
4	\$8,287	\$2,762	\$5,525	\$120,628
5	\$8,685	\$2,895	\$5,790	\$126,418
6	\$9,102	\$3,034	\$6,068	\$132,486
7	\$9,540	\$3,180	\$6,360	\$138,846
8	\$9,997	\$3,332	\$6,665	\$145,511
9	\$10,477	\$3,492	\$6,985	\$152,496
10	\$10,980	\$3,660	\$7,320	\$159,816

Convert to Annual Income:

\$159,816	10 Year Total Account Value
<u>x 7.2%</u>	Annual Interest Income
\$11,507	Annual Taxable Income
<u>[\$3,835]</u>	Less: Annual Tax Liability at 33.3%
\$7,672	Net Spendable Annual Income

Chapter #4

Fig. 4.2

\$150,000 OF CUMULATIVE GROSS INCOME ALLOCATED TO LONG-TERM SAVINGS

OPTION 2:

**Invest After-Tax Dollars (66.66 Cents in a 33.33% Tax Bracket)
in Financial Instruments that are Tax Deferred**

Gross: \$150,000	
- [\$50,000]	Less: 33.33% Tax
\$100,000	Net to Invest

\$100,000 Growing at 7.2% for 10 Years = \$200,000

Capital Gain Example:

\$200,000	10 Year Total Account Value
[\$15,000]	Less: Capital Gain Tax of 15%
\$185,000	Net Balance to Re-Invest
x 7.2%	Annual Interest Income
\$13,320	Annual Taxable Income
- [\$4,440]	Less: Annual Tax Liability at 33.3%
\$8,880	Net Spendable Annual Income

Non-Qualified Annuity Example:

\$200,000	10 Year Total Account Value
x 7.2%	Annual Interest Income
\$14,400	Annual Taxable Income
- [\$4,800]	Less: Annual Tax Liability at 33.3%
\$9,600	Net Spendable Annual Income

Chapter #4

Fig. 4.3

\$150,000 OF CUMULATIVE GROSS INCOME ALLOCATED TO LONG-TERM SAVINGS

OPTION 3:

**Invest After-Tax Dollars (66.66 Cents in a 33.33% Tax Bracket)
in Financial Instruments that are Tax Free and Remain Tax Free
When You Withdraw the Money Including the Gain**

Gross:	\$150,000	
	<u>- [\$50,000]</u>	Less: 33.33% Tax
	\$100,000	Net to Invest

\$100,000 Growing at 7.2% for 10 Years = \$200,000

\$200,000	10 Year Total Account Value (tax free)
<u>x 7.2%</u>	Annual Interest Income
\$14,400	Net Spendable Annual Income

Chapter #4

Fig. 4.4

\$150,000 OF CUMULATIVE GROSS INCOME ALLOCATED TO LONG-TERM SAVINGS

OPTION 4:

Invest Pre-Tax or Tax-Deductible Dollars in Financial Instruments that are Tax-Deferred and then Later are Fully Taxable

Gross: \$150,000

 [\$0] No Tax
 \$150,000 Net to Invest

\$150,000 Growing at 7.2% for 10 Years = \$300,000

Lump Sum Distribution Example:

\$300,000 10 Year Total Account Value
- [100,000] Less: Tax of 33.33%
\$200,000 **Net After-Tax Value**

Interest Only Example:

\$300,000 10 Year Total Account Value
x 7.2% Annual Interest Income

 21,600 Annual Taxable Income
- [7,200] Less: Annual Tax Liability at 33.33%
\$14,400 **Net Spendable Annual Income**

Chapter #4

Fig. 4.5

\$150,000 OF CUMULATIVE GROSS INCOME ALLOCATED TO LONG-TERM SAVINGS

OPTION 5:

**Invest 100-Cent Dollars Because of Indirect Tax Deductions in
Financial Instruments that Accumulate Tax Free and Remain
Tax Free When You Withdraw the Money, Including the Gain**

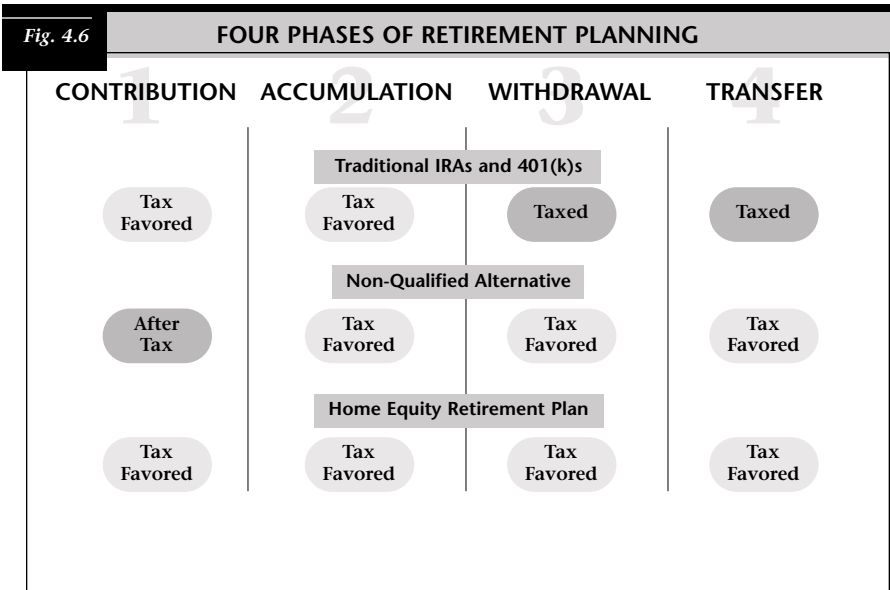
Gross:	\$150,000	
	- [\$50,000]	Less: 33.33% Tax
	<u>\$100,000</u>	Adjusted Net
	+ \$50,000	Plus Tax Savings as a Result of Indirect Deductions
	<u>\$150,000</u>	Net to Invest

\$150,000 Growing at 7.2% for 10 Years = \$300,000

Equity Management Example:

\$300,000	10 Year Total Account Value / Tax Free
x 7.2%	Annual Interest Income
<u>\$21,600</u>	Net Spendable Annual Income

Chapter #4



Chapter #4

Fig. 4.7

\$80,000 GROWING AT VARIOUS INTEREST RATES OVER 35 YEARS

End of Year	6.50% Compounding	7.50% Compounding	8.00% Compounding	8.50% Compounding
1	\$85,200	\$86,000	\$86,400	\$86,800
5	\$109,607	\$114,850	\$117,546	\$120,293
10	\$150,171	\$164,883	\$172,714	\$180,879
15	\$205,747	\$236,710	\$253,774	\$271,979
20	\$281,892	\$339,828	\$372,877	\$408,964
25	\$386,216	\$487,867	\$547,878	\$614,941
30	\$529,149	\$700,396	\$805,013	\$924,660
35	\$724,980	\$1,005,510	\$1,182,828	\$1,390,371

Chapter #5

Fig. 5.1

MINIMUM DISTRIBUTION CALCULATOR

[1] AGE	[2] DATE	[3] DIVISOR	[1] AGE	[2] DATE	[3] DIVISOR
71 ¹ / ₂	Apr. 2005	25.3	82	Dec. 2015	16.0
72	Dec. 2005	24.4	83	Dec. 2016	15.3
73	Dec. 2006	23.5	84	Dec. 2017	14.5
74	Dec. 2007	22.7	85	Dec. 2018	13.8
75	Dec. 2008	21.8	86	Dec. 2019	13.1
76	Dec. 2009	20.9	87	Dec. 2020	12.4
77	Dec. 2010	20.1	88	Dec. 2021	11.8
78	Dec. 2011	19.2	89	Dec. 2022	11.1
79	Dec. 2012	18.4	90	Dec. 2023	10.5
80	Dec. 2013	17.6	91	Dec. 2024	9.9
81	Dec. 2014	16.8			

Chapter #5

Fig. 5.2

THE ESTATE AND GIFT TAX RATES UNIFIED CREDIT EXEMPTION AMOUNT FOR ESTATE TAX PURPOSES*

Calendar Year (January 1)	Estate & GST Tax Deathtime Transfer Exemption	Highest Estate and Gift Tax Rates
2000	\$675,000	55% + 5% Surtax
2001	\$675,000	55% + 5% Surtax
2002	\$1 Million	50%
2003	\$1 Million	49%
2004	\$1.5 Million	48%
2005	\$1.5 Million	47%
2006	\$2 Million	46%
2007	\$2 Million	45%
2008	\$2 Million	45%
2009	\$3.5 Million	45%
2010	Repealed	Top Individual Tax Rate Under the Act (Gift Tax Only)
2011	2000 Tax Law Reinstated on 1/1/2011	2000 Tax Law Reinstated on 1/1/2011

**as set forth in the Economic Growth and Tax Relief Reconciliation Act of 2001*

Chapter #5

Fig. 5.3

A STRATEGIC ROLL-OUT FROM AN IRA OR 401(k)

Annual Investment				Versus	Equity Management Roll-Out			
Year	Gross IRA/401(k) Roll-out	Invest Net After-tax	Year-end Balance at 8% Interest	Borrow Home Equity	Gross Payment at 7.5%	Net After-tax Payment at 5.0%	Home Equity Investment Balance at 8%	
1	\$1,500	\$1,000	\$ 1,080	\$20,000	\$1,500	\$1,000	\$ 21,600	
2	\$3,000	\$2,000	\$ 3,326	\$20,000	\$3,000	\$2,000	\$ 44,928	
3	\$4,500	\$3,000	\$ 6,833	\$20,000	\$4,500	\$3,000	\$ 70,122	
4	\$6,000	\$4,000	\$11,699	\$20,000	\$6,000	\$4,000	\$ 97,332	
5	\$7,500	\$5,000	\$18,035	<u>\$20,000</u>	\$7,500	\$5,000	\$126,719	
6	\$7,500	\$5,000	\$24,878	\$100,000	\$7,500	\$5,000	\$136,856	
7	\$7,500	\$5,000	\$32,268		\$7,500	\$5,000	\$147,805	
8	\$7,500	\$5,000	\$40,250		\$7,500	\$5,000	\$159,629	
9	\$7,500	\$5,000	\$48,869		\$7,500	\$5,000	\$172,399	
10	\$7,500	\$5,000	\$58,179		<u>\$7,500</u>	<u>\$5,000</u>	\$186,191	
		\$40,000			\$60,000	\$40,000		

Approach #1	Approach #2
Total after-tax roll-out for ten years: \$40,000	Beginning balance in IRA/401(k): \$40,000
Account Balance after ten years: \$58,179	Balance after ten years at 8%: \$86,357
Annual Interest Percentage Rate: <u>8%</u>	Annual Interest Percentage Rate: <u>8%</u>
Annual Interest Earnings: \$ 4,654	Annual Interest Earnings: \$ 6,909
LESS Annual Tax at 33.33% : <u>\$ 1,551</u>	LESS Annual Tax at 33.33%: \$ 2,303
Net Spendable Annual Income \$ 3,103	Net Spendable Annual Income: \$ 4,606

Approach #3	
Beginning balance in IRA/401(k):	\$40,000
Total strategic roll-out over a ten-year period:	\$60,000
Total of gross payments on equity line of credit:	\$60,000
Total of net after-tax payments on equity line:	\$40,000
Total of invested home equity at 8% after 10 years:	\$186,191
Total balance approximately one month later:	\$187,500
Annual Interest Percentage Rate:	<u>8%</u>
Annual Interest Earnings:	\$ 15,000
LESS net after-tax interest payment on equity line:	\$ 5,000
Net Spendable Annual Income (non-taxable):	\$ 10,000

Chapter #6

Fig. 6.1

PREFERRED VS. NON-PREFERRED INTEREST EXPENSE

	A	B
• Income	\$72,000	\$72,000
• Non-Preferred Interest	<u>-12,000</u>	<u>0</u>
	\$60,000	\$72,000
• Preferred Interest	<u>0</u>	<u>-12,000</u>
• Available Before Taxes	\$60,000	\$60,000
• Taxable Income	\$72,000	↔ \$60,000

Difference in Taxable Income \$12,000

Difference in TAX SAVINGS \$4,000*

**assuming a 33.3% marginal tax bracket*

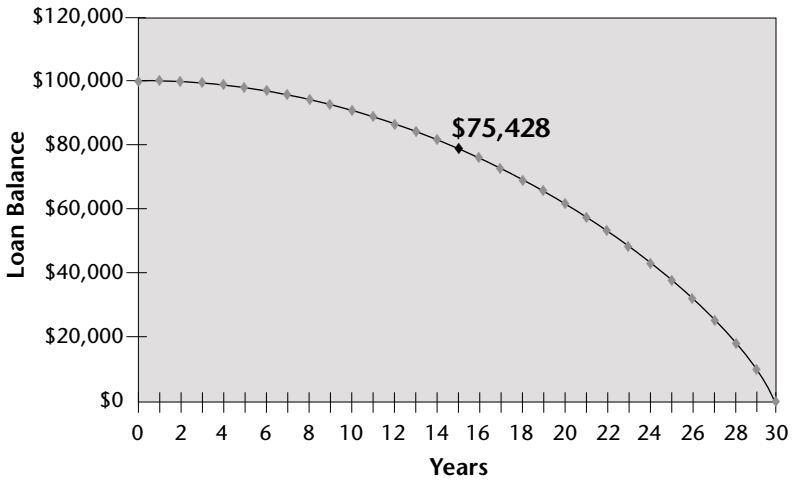
Chapter #6

Fig. 6.2

AMORTIZED MORTGAGES

PRINCIPAL \$100,000

RATE 7.5%



LENDERS SELL MONEY

30-Year Amortized Mortgage

AMOUNT BORROWED	INTEREST RATE	AMOUNT REPAYD
\$100,000	9%	\$289,664
\$150,000	7%	\$359,263
\$60,000	8%	\$158,493
\$250,000	10%	\$789,814
\$200,000	6%	\$431,676

Chapter #6

Fig. 6.3

The Third Most Important Reason
to Keep Equity Separated from Property...

RATE OF RETURN



BALANCE SHEET

ASSETS

Home	\$100,000
Cash	<u>\$100,000</u>
Total Assets	\$200,000

LIABILITIES

Home Mortgage	(\$100,000)
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NET WORTH

Assets - Liabilities =	<u>\$100,000</u>
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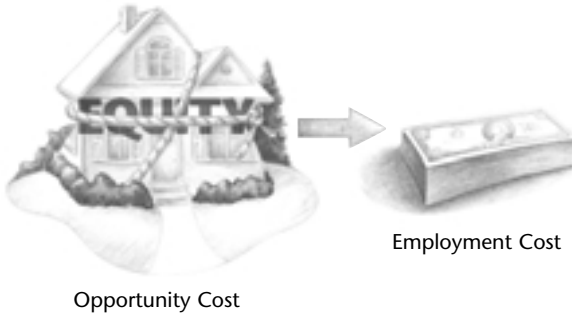
Chapter #6

Fig. 6.4

TWO WAYS TO SEPARATE EQUITY FROM PROPERTY

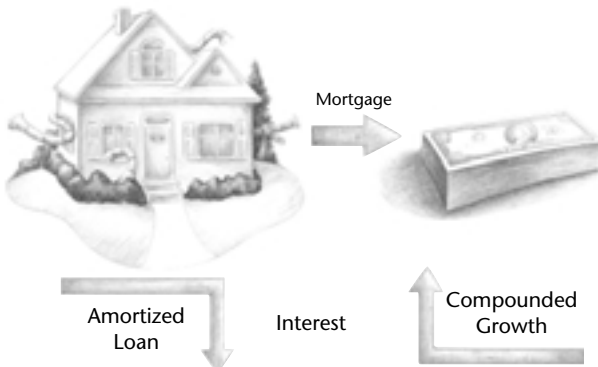


WHICH COST ARE YOU INCURRING?



SEPARATING HOME EQUITY

on a simple-interest, tax-deductible, declining-balance basis and investing the loan proceeds in a tax-advantaged investment that is compounding



Chapter #6

Fig. 6.5

BORROWING AT 6 PERCENT AND INVESTING AT 6 PERCENT

END OF YEAR 1

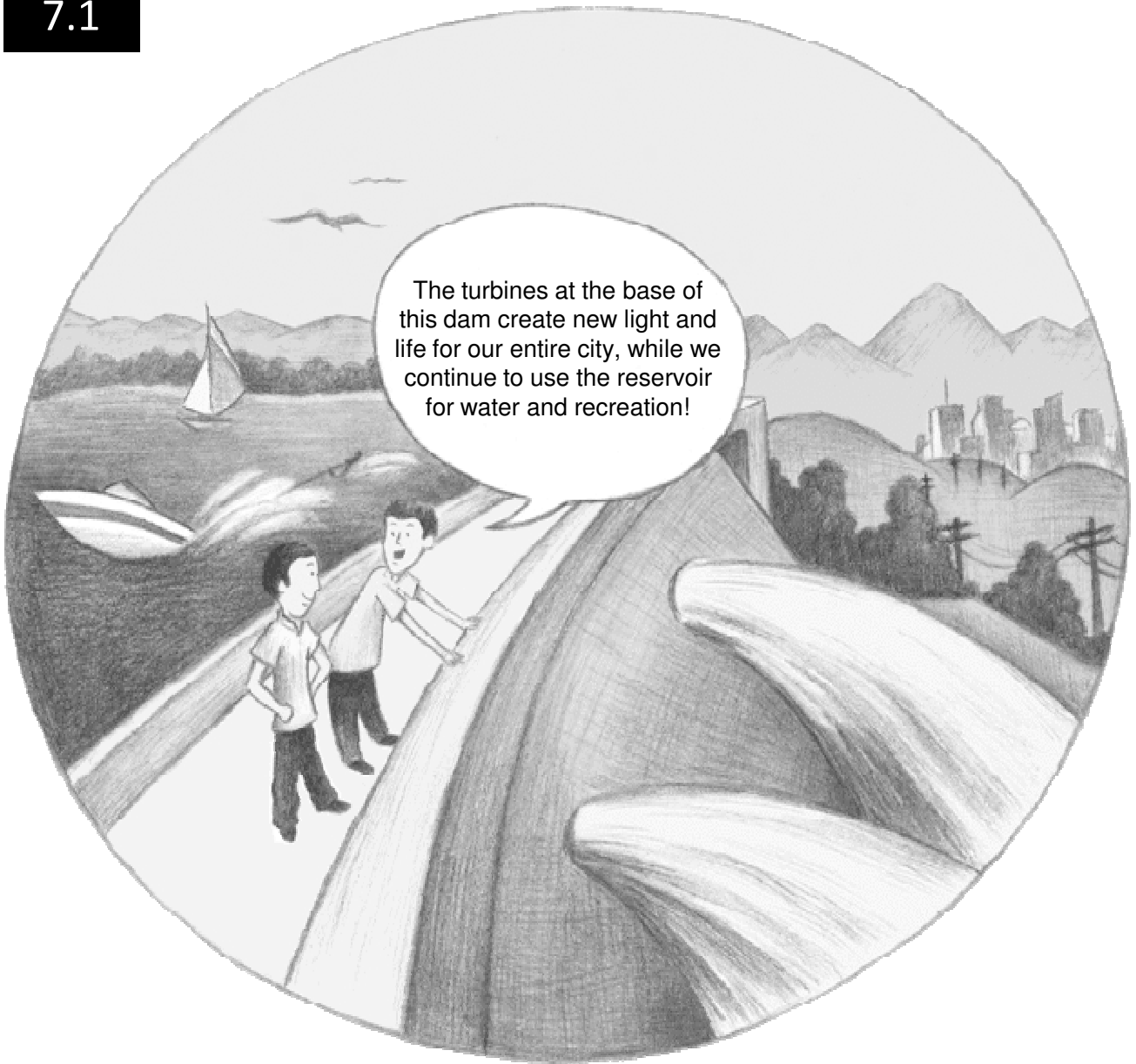
COST OF MORTGAGE	ACCUMULATING ACCOUNT
\$100,000	\$100,000
x 6%	x 6%
\$6,000 = Interest	\$6,000 = Interest Earnings*
\$2,000 = Taxes Saved*	
\$4,000 = Real Cost	

DURING YEAR 6

\$100,000 = Mortgage Balance	\$133,822 = Account Balance
\$4,000 = Real Cost for Year 6*	\$8,029 = Interest Earnings for Year 6

**assuming a 33.3% marginal tax bracket and tax-free or after-tax earnings of 6 percent*

Fig.
7.1



Chapter #7

Fig. 7.2

15-YEAR MORTGAGE ANALYSIS

<i>Principal</i>	\$150,000	<i>Type</i>	Amortized
<i>Payment</i>	\$1,433.48	<i>Years</i>	15
<i>Rate</i>	8.00%	<i>Tax Bracket</i>	33.33%

END OF YEAR	[1] LOAN BALANCE	[2] PRINCIPAL PAYMENT	[3] INTEREST PAYMENT	[4] TOTAL PAYMENT	[5] TAX SAVINGS	[6] NET PAYMENT AFTER TAX
1	\$144,603	\$5,397	\$11,805	\$17,202	\$3,935	\$13,267
2	138,758	5,845	11,357	17,202	3,785	13,416
3	132,429	6,330	10,872	17,202	3,624	13,578
4	125,573	6,855	10,347	17,202	3,449	13,753
5	118,149	7,424	9,778	17,202	3,259	13,943
<hr/>						
6	110,109	8,040	9,161	17,202	3,053	14,148
7	101,401	8,708	8,494	17,202	2,831	14,371
8	91,971	9,430	7,771	17,202	2,590	14,612
9	81,757	10,213	6,989	17,202	2,329	14,872
10	70,697	11,061	6,141	17,202	2,047	15,155
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11	58,718	11,979	5,223	17,202	1,741	15,461
12	45,744	12,973	4,229	17,202	1,409	15,792
13	31,694	14,050	3,152	17,202	1,050	16,151
14	16,478	15,216	1,986	17,202	662	16,540
15	0	16,478	723	17,201	241	16,960
TOTAL	\$150,000	\$108,026	\$258,026	\$36,005	\$222,021	

Notes:

- a. Tax Savings [5] assumes a state and federal marginal tax bracket of 33.33% multiplied by the interest payment [3].
- b. Mortgage interest is generally tax deductible, however, certain limitations are applicable. Please review with your tax advisor.
- c. Net Payment After Tax [6] equals Total Payment [4] less Tax Savings [5].

Chapter #7

Fig. 7.3

30-YEAR MORTGAGE ANALYSIS							
		<i>Principal</i>	\$150,000			<i>Type</i>	Amortized
		<i>Payment</i>	\$1,100.65			Years	30
		<i>Rate</i>	8.00%			<i>Tax Bracket</i>	33.33%
END OF YEAR	[1] LOAN BALANCE	[2] PRINCIPAL PAYMENT	[3] INTEREST PAYMENT	[4] TOTAL PAYMENT	[5] TAX SAVINGS	[6] NET PAYMENT AFTER TAX	
1	\$148,747	\$1,253	\$11,955	\$13,208	\$3,985	\$9,223	
2	147,390	1,357	11,851	13,208	3,950	9,258	
3	145,920	1,470	11,738	13,208	3,912	9,296	
4	144,328	1,592	11,616	13,208	3,872	9,336	
5	142,605	1,724	11,484	13,208	3,828	9,380	
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6	140,738	1,867	11,341	13,208	3,780	9,428	
7	138,716	2,022	11,186	13,208	3,728	9,480	
8	136,526	2,190	11,018	13,208	3,672	9,535	
9	134,155	2,371	10,836	13,208	3,612	9,596	
10	131,587	2,568	10,640	13,208	3,546	9,662	
<hr/>							
11	128,805	2,781	10,426	13,208	3,475	9,733	
12	125,793	3,012	10,196	13,208	3,398	9,810	
13	122,531	3,262	9,946	13,208	3,315	9,893	
14	118,998	3,533	9,675	13,208	3,225	9,983	
15	115,171	3,826	9,382	13,208	3,127	10,081	
<hr/>							
15 YR TOTAL	\$34,828	\$163,290	\$198,120	\$54,425	\$143,694		
<hr/>							
16	111,028	4,144	9,064	13,208	3,021	10,187	
17	106,540	4,488	8,720	13,208	2,906	10,301	
18	101,680	4,860	8,348	13,208	2,782	10,426	
19	96,416	5,264	7,944	13,208	2,648	10,560	
20	90,715	5,701	7,507	13,208	2,502	10,706	
<hr/>							
21	84,542	6,174	7,034	13,208	2,344	10,863	
22	77,856	6,686	6,522	13,208	2,174	11,034	
23	70,614	7,241	5,967	13,208	1,989	11,219	
24	62,772	7,842	5,366	13,208	1,788	11,419	
25	54,280	8,493	4,715	13,208	1,571	11,636	
<hr/>							
26	45,082	9,198	4,010	13,208	1,337	11,871	
27	35,120	9,961	3,247	13,208	1,082	12,126	
28	24,332	10,788	2,420	13,208	807	12,401	
29	12,649	11,683	1,524	13,208	508	12,700	
30	0	12,649	555	13,204	185	13,019	
<hr/>							
30 YR TOTAL	\$150,000	\$246,230	\$396,230	\$82,068	\$314,161		

Notes:

- a. Tax Savings [5] assumes a state and federal marginal tax bracket of 33.33% multiplied by the interest payment [3].
- b. Mortgage interest is generally tax deductible, however, certain limitations are applicable. Please review with your tax advisor.
- c. Net Payment After Tax [6] equals Total Payment [4] less Tax Savings [5].

Chapter #7

Fig. 7.4

PAY OFF A 30-YEAR MORTGAGE IN 15 YEARS USING \$18,420* OF UNCLE SAM'S MONEY**

END OF YEAR	PRINCIPAL \$150,000		RATE 8.00%	TAX BRACKET 33.33%	
	[1] 30-YEAR MORTGAGE LOAN BALANCE	[2] 15-YEAR MORTGAGE NET PAYMENT AFTER TAX	[3] 30-YEAR MORTGAGE NET PAYMENT AFTER TAX	[4] DIFFERENCE BETWEEN NET PAYMENT AFTER TAX	[5] DIFFERENCE EARNING 8% COMPOUNDING
1	\$148,747	\$13,267	\$9,223	\$4,044	\$4,224
2	147,390	13,416	9,258	4,158	8,911
3	145,920	13,578	9,296	4,282	14,098
4	144,328	13,753	9,336	4,417	19,838
5	142,605	13,943	9,380	4,563	26,188
6	140,738	14,148	9,428	4,720	33,208
7	138,716	14,371	9,480	4,891	40,978
8	136,526	14,612	9,535	5,077	49,557
9	134,155	14,872	9,596	5,276	59,036
10	131,587	15,155	9,662	5,493	69,499
11	128,805	15,461	9,733	5,728	81,037
12	125,793	15,792	9,810	5,982	93,774
13	122,531	16,151	9,893	6,258	107,818
14	118,998	16,540	9,983	6,557	124,286
15	<u>\$115,171</u>	16,960	10,081	6,879	<u>\$140,330</u>
				<u>\$78,325</u>	
				\$25,159	
				EXCESS CASH BEYOND MORTGAGE BALANCE	

* \$18,420 is the difference in additional tax savings using a 30-year mortgage versus a 15-year mortgage for the first 15 years.

** The numbers in this figure were taken from figures 7.2 and 7.3

Chapter #8

Fig. 8.1

FINANCING OPTIONS

<u>X.S. DOWN</u>		<u>O.K. LEVERAGE</u>
\$ 200,000	Home Value	\$ 200,000
– 140,000	Down Payment	– 40,000
\$ 60,000	Mortgage	\$ 160,000
10 YEARS LATER		
\$ 300,000	Home Value	\$ 300,000
– 52,000	Mortgage Balance	– 139,000
– 8,000	Principal Reduction	– 21,000
– 160,000	Less Down Payment	– 40,000
\$ 100,000	Gain	\$ 100,000

Chapter #8

Fig. 8.2

BORROWING \$100,000 AT 8% DEDUCTIBLE INTEREST AND INVESTING THE LOAN PROCEEDS AT 8% TAX-FREE COMPOUND INTEREST USING A \$100,000 INTEREST-ONLY MORTGAGE

YEAR	GROSS INTEREST PAID [1]	NET INTEREST PAID (after tax benefit*) [2]	GROSS INTEREST EARNED [3]	NET PROFIT [3] - [2] [4]	NEW BALANCE [5]
1	\$8,000	\$5,333	\$8,000	\$2,667	\$102,668
2	8,000	5,333	8,213	2,880	105,548
3	8,000	5,333	8,444	3,110	108,658
4	8,000	5,333	8,693	3,359	112,018
5	8,000	5,333	8,961	3,628	115,646
6	8,000	5,333	9,252	3,918	119,564
7	8,000	5,333	9,565	4,232	123,796
8	8,000	5,333	9,904	4,570	128,366
9	8,000	5,333	10,269	4,936	133,302
10	8,000	5,333	10,664	5,331	138,633
10 YR. TOTALS	\$80,000	\$53,333	\$91,965	\$38,633	\$138,633
11	8,000	5,333	11,091	5,757	144,391
12	8,000	5,333	11,551	6,218	150,609
13	8,000	5,333	12,049	6,715	157,325
14	8,000	5,333	12,586	7,253	164,577
15	8,000	5,333	13,166	7,833	172,410
15 YR. TOTALS	\$120,000	\$80,000	\$152,410	\$72,410	\$172,410
16	8,000	5,333	13,793	8,459	180,869
17	8,000	5,333	14,470	9,136	190,006
18	8,000	5,333	15,200	9,867	199,873
19	8,000	5,333	15,990	10,656	210,529
20	8,000	5,333	16,842	11,509	222,038
20 YR. TOTALS	\$160,000	\$106,660	\$228,705	\$122,038	\$222,038
21	8,000	5,333	17,763	12,430	234,468
22	8,000	5,333	18,757	13,424	247,892
23	8,000	5,333	19,831	14,498	262,390
24	8,000	5,333	20,991	15,658	278,048
25	8,000	5,333	22,244	16,911	294,959
25 YR. TOTALS	\$200,000	\$133,333	\$328,293	\$194,960	\$294,959
26	8,000	5,333	23,597	18,263	313,222
27	8,000	5,333	25,058	19,724	332,946
28	8,000	5,333	26,636	21,302	354,249
29	8,000	5,333	28,340	23,007	377,255
30	8,000	5,333	30,180	24,847	402,103
30 YR. TOTALS	\$240,000	\$160,000	\$462,103	\$302,103	\$402,103

*assuming a 33.33% marginal tax bracket

Chapter #8

Fig. 8.3

MANAGING EQUITY SUCCESSFULLY

BORROWING AT 7.5% (Tax Deductible)		EQUITY REPOSITIONED \$100,000	INVESTING AT 7.5% (Compounding Tax Free)
[1] NET CUMULATIVE ANNUAL COST at 7.5% (\$7,500-33.33%)		[2] Difference [3 - 1]	[3] NET CUMULATIVE GROWTH at 7.5% (Less Mortgage of \$100,000)
Year			
1	\$5,000	\$2,500	\$7,500
5	\$25,000	\$18,563	\$43,563
10	\$50,000	\$56,103	\$106,103
15	\$75,000	\$120,888	\$195,888
20	\$100,000	\$224,785	\$324,785
25	\$125,000	\$384,834	\$509,834
30	\$150,000	\$625,496	\$775,496

MANAGING EQUITY SUCCESSFULLY

BORROWING AT 8% (Tax Deductible)		EQUITY REPOSITIONED \$100,000	INVESTING AT 6% (Compounding Tax Free)
[1] NET CUMULATIVE ANNUAL COST at 8% (\$8,000-33.33%)		[2] Difference [3 - 1]	[3] NET CUMULATIVE GROWTH at 6% (Less Mortgage of \$100,000)
Year			
1	\$5,333	\$667	\$6,000
5	\$26,665	\$7,158	\$33,823
10	\$53,333	\$25,752	\$79,085
15	\$80,000	\$59,656	\$139,656
20	\$106,667	\$114,047	\$220,714
25	\$133,333	\$195,854	\$329,187
30	\$160,000	\$314,349	\$474,349

Chapter #8

Fig. 8.4

TWO WAYS TO STACK UP \$1 MILLION

#1 SEPARATE \$100,000 OF EQUITY			
	BORROWING AT 6% (Tax Deductible)	EQUITY REPOSITIONED \$100,000	INVESTING AT 8.5% (Compounding Tax Free)
Year	[1] NET CUMULATIVE ANNUAL COST at 6% (\$6,000-33.33%)	[2] Difference [3 - 1]	[3] NET CUMULATIVE GROWTH at 8.5% (Less Mortgage of \$100,000)
1	\$4,000	\$4,500	\$8,500
5	\$20,000	\$30,366	\$50,366
10	\$40,000	\$86,098	\$126,098
15	\$60,000	\$179,974	\$239,974
20	\$80,000	\$331,205	\$411,205
25	\$100,000	\$568,676	\$668,676
30	\$120,000	\$935,825	\$1,055,825

#2 SEPARATE \$160,000 OF EQUITY			
	BORROWING AT 7.5% (Tax Deductible)	EQUITY REPOSITIONED \$160,000	INVESTING AT 7.5% (Compounding Tax Free)
Year	[1] NET CUMULATIVE ANNUAL COST at 7.5% (\$12,000-33.33%)	[2] Difference [3 - 1]	[3] NET CUMULATIVE GROWTH at 7.5% (Less Mortgage of \$160,000)
1	\$8,000	\$4,000	\$12,000
5	\$40,000	\$29,701	\$69,701
10	\$80,000	\$89,765	\$169,765
15	\$120,000	\$193,420	\$313,420
20	\$160,000	\$359,656	\$519,656
25	\$200,000	\$615,734	\$815,734
30	\$240,000	\$1,000,793	\$1,240,793

Chapter #8

Fig. 8.5

TURBO CHARGE YOUR WEALTH GROWTH RATE

Example of separating \$100,000 of equity initially and continuing to separate 100 percent of the equity every five years thereafter, on a home with a beginning fair market value of \$200,000 appreciating at 5 percent annually for thirty years, borrowing at 7.5 percent tax deductible and investing the loan proceeds at 7.5 percent compounding with no tax.

YEAR	HOME VALUE AT 5%	EMPLOYED EQUITY	FUTURE VALUE AT 7.5%
0	\$ 200,000	\$ 100,000	\$ 875,496
5	\$ 255,256	\$ 55,256	\$ 336,970
10	\$ 325,779	\$ 70,523	\$ 299,571
15	\$ 415,786	\$ 90,007	\$ 266,320
20	\$ 530,660	\$ 114,874	\$ 236,759
25	\$ 677,270	\$ 146,610	\$ 210,478
TOTALS:			
30	\$ 864,388	\$ 577,270	\$ 2,225,594

Chapter #8

Fig. 8.6

NET WORTH ENHANCEMENT POTENTIAL FROM SEPARATING \$10,000 OF HOME EQUITY			
BORROWING \$10,000 AT 7.5% <small>(Tax Deductible in a 33.3% Bracket)</small>		INVESTING \$10,000 AT 7.5% <small>(Compounding Tax Free less the \$10,000 Mortgage)</small>	
	[1]	[2]	[3]
END OF YEAR	NET COST TO BORROW	YEAR END ACCUMULATION VALUE	NET PROFIT [2] - [1]
1	\$ 500	\$ 750	\$ 250
5	2,500	4,356	1,856
10	5,000	10,610	5,610
15	7,500	19,589	12,089
20	10,000	32,479	22,479
25	12,500	50,983	38,483
30	15,000	77,550	62,550

Chapter #8

Fig. 8.7

PERSONAL FINANCIAL PROFILE

Prepared for: **Jim and Mary Smart**

Date of Birth: 01/02/1965 Age: 40 Current Marginal Tax Bracket: 33.33%

Property Details _____

Fair Market Value of Property	\$200,000.00
Original Purchase Price	\$150,000.00
Verifiable Cost of Property Improvements	\$0.00

Current Mortgage Details _____

Beginning Date:	04/01/2000
Term:	30 Years
Amount Financed:	\$120,000.00
Interest Rate:	6.00%
Monthly Payment:	\$719.46
Outstanding Balance:	\$110,000.00

Annual Cash Flow Allocation _____

Planned Savings:	\$1,200.00
Planned IRA/401(k) Contribution:	\$3,000.00

OBJECTIVES: _____

1. Successfully manage equity in their home to increase its liquidity, safety, and rate of return.
2. Utilize available tax strategies to their advantage.
3. Prepare financially for a comfortable retirement.
4. Increase overall yield on their savings and investments.
5. Complete proper estate planning utilizing trusts and wills.

PLAN SUMMARY

Prepared for: **Jim and Mary Smart**

April 21, 2005

PROPOSED ASSET ALLOCATION

Fair Market Value of Property:	\$200,000.00
Amount of Proposed Mortgage:	\$160,000.00
LESS:	
Current Mortgage Payoffs	\$110,000.00
Balance of Mortgage Proceeds:	\$50,000.00
PLUS:	
Repositioned Assets	
Annual Amounts:	
Annual IRA/401(k) Contribution	\$3,000.00
Planned Annual Savings	\$1,200.00
TOTAL	\$4,200.00
 Liquid Assets Available:	 \$54,200.00

Chapter #8

Fig. 8.7
cont.

EQUITY MANAGEMENT RETIREMENT PLANNING

Prepared for: Jim and Mary Smart

END OF YEAR	TRADITIONAL IRA/401(k) SAVING APPROACH (<small>\$250/month growing at 8% tax deferred</small>)	VERSUS	HOME EQUITY RETIREMENT PLANNING APPROACH (<small>\$50,000 of equity growing at 8% tax free</small>)
1	\$ 3,133		\$ 54,000
5	\$ 18,492		\$ 73,466
10	\$ 46,041		\$ 107,946
15	\$ 87,086		\$ 158,608
20	\$ 148,237		\$ 233,048
25	\$ 239,342		\$ 342,424

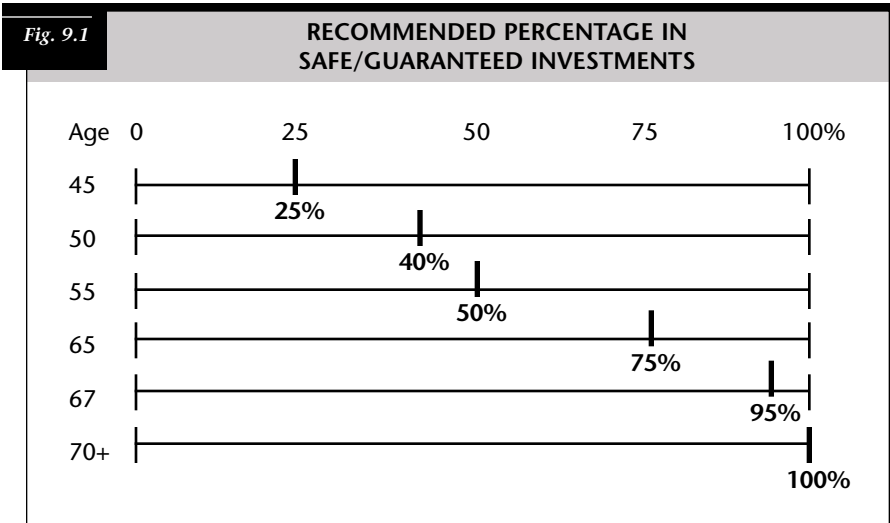
RESULTING RETIREMENT INCOME FROM INTEREST EARNINGS

\$239,342 earning 8% = \$19,147	Gross Annual Income	\$342,424 earning 8% = \$27,394
Annual tax at 33.3% = \$ 6,382	LESS: Tax	Tax on distribution = 0 -
After-tax income = \$12,766	Net Annual Income	Non-taxable income = \$27,394
Mortgage Payment = 0 -	Annual Interest Payment	After-tax payment = \$ 2,000
NET:	\$ 12,766	Annual Spendable Income NET: \$ 25,394

NOTE: To calculate what just \$10,000 of home equity can grow to, allocating \$50 a month for retirement savings, simply take 20 percent (one fifth) of the numbers illustrated because you are only investing one-fifth as much. Likewise, to calculate what \$250,000 of home equity can grow to allocating \$1250 a month for retirement savings, simply compute 500 percent (five times) the numbers illustrated because you are investing five times as much.

For example, if a homeowner were to successfully manage \$250,000 of home equity for 25 years earning an average of 8 percent in tax-favored investments, the ending balance would be \$1,712,120 which would generate \$136,970 of annual income. After paying the net after-tax mortgage interest payment of \$10,000 (assuming a 6 percent interest-only mortgage in a 33.3% tax bracket) the net spendable annual income would be five times what is illustrated above, or \$126,970 (5 x \$25,394).

Chapter #9

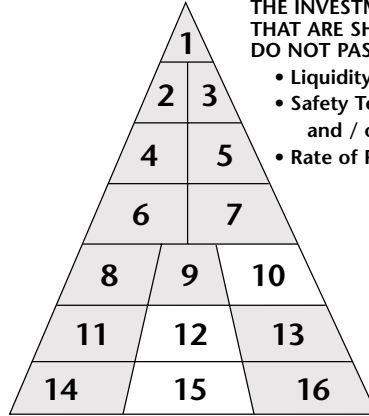


Chapter #9

Fig. 9.2

THE RISK-RETURN MODEL

1. Commodities
2. Business Ventures
3. Limited Partnerships
4. Raw Land
5. Speculative Common Stocks
6. Lower Quality Bonds
7. Investment Real Estate
8. Blue Chip Stocks
9. High Grade Bonds
10. Mutual Funds
11. CDs
12. Investment-Grade Insurance
13. Money Market Funds
14. U.S. Treasury Bills
15. Annuities
16. Equity in House



Chapter #9

Fig. 9.3

STARTING WITH \$100,000 If You Were Approaching Retirement, Which Series Would You Prefer?

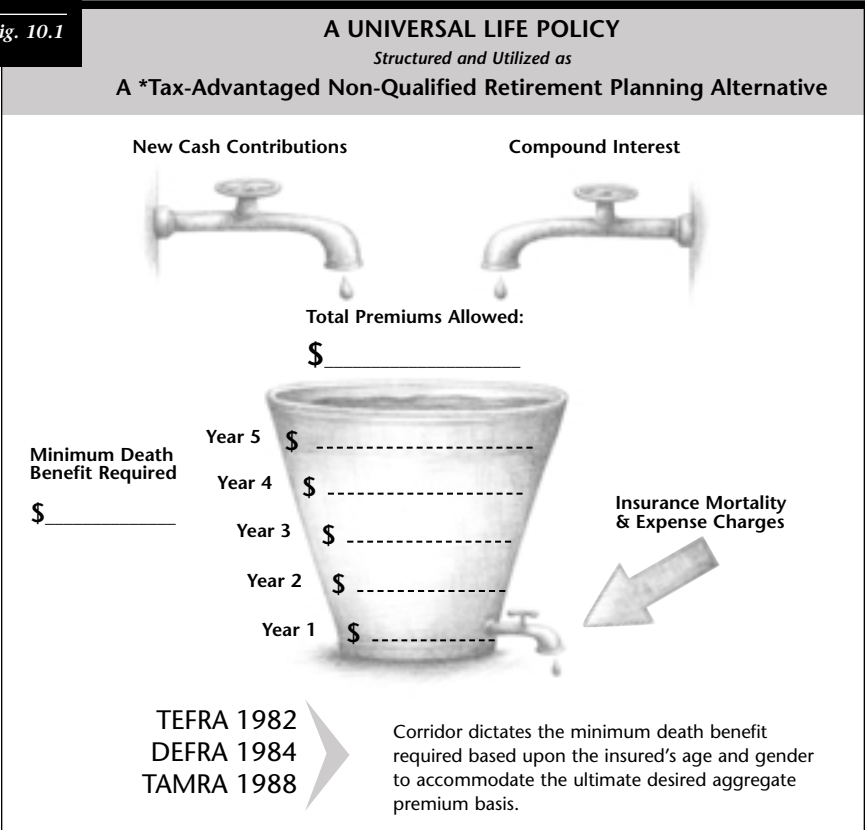
Year	SERIES 1 – Taxable + or -	SERIES 2 – Tax-Free + or -
1	+20%	+8%
2	+21%	+8%
3	+10%	+8%
4	-16%	+8%
5	+12%	+8%
6	-2%	+8%
7	+22%	+8%
8	- 6%	+8%
9	+11%	+8%
10	+15%	+8%

A Taxable SERIES 1 Fund Value at the End of 10 Years = \$215,571

A Tax-Free SERIES 2 Fund Value at the End of 10 Years = **\$215,892**

Chapter #10

Fig. 10.1



* Tax Citations: IRC Section 101, IRC Section 72(e), Rev. Rul 66-322, 1966-2 CB 123, TEFRA Section 266, DEFRA Section 221

Chapter #10

Fig. 10.2

THE U.S. GENERAL ACCOUNTING OFFICE'S (GAO) SCALE OF INSURANCE RATINGS*

RATINGS	BANDS	A.M. BEST	STANDARD & POOR'	MOODY'S	FITCH	WEISS
Secure	1	A++, A+	AAA	Aaa	AAA	A+, A, A-
	2	A, A-	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-	B+, B, B-
Vulnerable	3	B++, B+, B, B-	A+, A A-, BBB+, BBB, BBB-	A1, A2, A3 Baa1, Baa2, Baa3	A+, A, A- BBB+, BBB, BBB-	C+, C, C-
	4	C++, C+, C, C-	BB+, BB, BB- B+, B, B-	Ba1, Ba2, Ba3 B1, B2, B3	BB+, BB, BB- B+, B, B-	D+, D, D-
	5	D, E, F	CCC, (CC,C), (D), R	Caa, Ca, C	CCC+, CCC, CCC- DDD, DD, D	E+, E, E-, F

*according to the GAO's 1994 study

Chapter #11

Fig. 11.1

TAX-FREE ACCESS VIA WITHDRAWALS AND LOANS

Age	Yr	Annual Premium Outlay	Annual Withdrawal	Annual Loan Amount (a)	Annual Loan Repayment (b)	Interest Charged To Loan (c)	Total Loan Balance	Interest Earned on Loaned CV (d)	Net Loan Cost (c)-(d)	Accumulation Value	Surrender Value	Net Death Benefit
61	1	100,000	0	0	0	0	0	0	0	93,500	60,360	1,274,612
62	2	100,000	0	0	0	0	0	0	0	195,219	134,038	1,274,612
63	3	100,000	0	0	0	0	0	0	0	305,880	244,698	1,274,612
64	4	100,000	0	0	0	0	0	0	0	426,268	365,086	1,274,612
65	5	100,000	0	0	0	0	0	0	0	557,238	496,057	1,274,612
66	6	0	0	0	0	0	0	0	0	593,107	534,985	1,274,612
67	7	0	0	0	0	0	0	0	0	632,128	577,065	1,274,612
68	8	0	0	0	0	0	0	0	0	674,580	622,576	1,274,612
69	9	0	0	0	0	0	0	0	0	720,763	671,818	1,274,612
70	10	0	0	0	0	0	0	0	0	771,006	728,179	1,274,612
71	11	0	50,000	0	0	0	0	0	0	769,428	734,160	1,224,587
72	12	0	50,000	0	0	0	0	0	0	767,768	739,579	1,174,562
73	13	0	50,000	0	0	0	0	0	0	766,113	744,522	1,124,537
74	14	0	50,000	0	0	0	0	0	0	764,690	749,217	1,074,512
75	15	0	50,000	0	0	0	0	0	0	763,344	753,509	1,024,487
76	16	0	50,000	0	0	0	0	0	0	762,975	758,297	974,462
77	17	0	50,000	0	0	0	0	0	0	763,252	763,252	924,437
78	18	0	50,000	0	0	0	0	0	0	764,226	764,226	874,412
79	19	0	50,000	0	0	0	0	0	0	766,286	766,286	824,387
80	20	0	50,000	0	0	0	0	0	0	770,222	769,964	808,475
81	21	0	0	50,000	0	1,508	51,765	1,508	0	825,859	774,094	815,386
82	22	0	0	50,000	0	3,053	104,818	3,053	0	883,006	778,187	822,338
83	23	0	0	50,000	0	4,645	159,463	4,645	0	941,663	782,200	829,283
84	24	0	0	50,000	0	6,284	215,747	6,284	0	1,001,824	786,077	836,169
85	25	0	0	50,000	0	7,972	273,719	7,972	0	1,063,629	789,910	843,092
86	26	0	0	50,000	0	9,712	333,431	9,712	0	1,127,114	793,683	850,039
87	27	0	0	50,000	0	11,503	394,934	11,503	0	1,192,063	797,129	856,732
88	28	0	0	50,000	0	13,348	458,282	13,348	0	1,258,420	800,138	863,059
89	29	0	0	50,000	0	15,248	523,530	15,248	0	1,326,116	802,586	868,892
90	30	0	0	50,000	0	17,206	590,736	17,206	0	1,395,424	804,688	874,459
91	31	0	0	50,000	0	19,222	659,958	19,222	0	1,466,389	806,431	879,751
92	32	0	0	50,000	0	21,299	731,257	21,299	0	1,539,990	808,733	870,332
93	33	0	0	50,000	0	23,438	804,694	23,438	0	1,616,639	811,945	860,444
94	34	0	0	50,000	0	25,641	880,335	25,641	0	1,696,838	816,503	850,439
95	35	0	0	50,000	0	27,910	958,245	27,910	0	1,781,189	822,944	840,756
96	36	0	0	50,000	0	30,247	1,038,493	30,247	0	1,869,841	831,348	831,348
97	37	0	0	50,000	0	32,655	1,121,147	32,655	0	1,961,436	840,289	840,289
98	38	0	0	50,000	0	35,134	1,206,282	35,134	0	2,056,087	849,805	849,805
99	39	0	0	50,000	0	37,688	1,293,970	37,688	0	2,153,908	859,937	859,937
100	40	0	0	50,000	0	40,319	1,384,289	40,319	0	2,255,019	870,730	870,730

Chapter #11

Fig. 11.2

AN INDEXED UNIVERSAL LIFE POLICY VERSUS VARIOUS FINANCIAL ALTERNATIVES

Male Age		Initial Payment	A Municipal Bond Fund Yield	An Annuity Yield	IRAs & 401(k)s Yield	Mutual Fund Yield	An Indexed Universal Life Policy Interest Rate		Tax Bracket
30		6,000	5.00%	6.25%	7.75%	10.00%	7.75%		34.00%
AFTER TAX VALUES						AN INDEXED UNIVERSAL LIFE POLICY			
		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Client's Age	Year	Net Payment	A Municipal Bond Fund	An Annuity	IRAs & 401(k)s	Mutual Fund	Year End Accumulation Value*	Year End Surrender Value*	Death Benefit
31	1	6,000	5,988	6,033	6,054	6,029	5,331	2,155	635,176
32	2	6,000	12,212	12,242	12,344	12,407	11,064	4,712	635,176
33	3	6,000	18,681	18,636	18,888	19,152	17,230	10,879	635,176
34	4	6,000	25,407	25,225	25,703	26,287	23,859	17,507	635,176
35	5	6,000	32,398	32,018	32,808	33,835	31,012	24,660	635,176
36	6	6,000	39,665	39,028	40,223	41,818	38,731	32,697	635,176
37	7	6,000	47,219	46,263	47,969	50,262	47,062	41,345	635,176
38	8	6,000	55,072	53,738	56,069	59,194	56,051	50,652	635,176
39	9	6,000	63,235	61,462	64,549	68,641	65,751	60,670	635,176
40	10	6,000	71,720	69,451	73,434	78,635	76,219	71,773	635,176
41	11	6,000	80,541	77,717	82,753	89,205	87,977	84,166	635,176
42	12	6,000	89,710	86,276	92,535	100,386	100,611	97,435	635,176
43	13	6,000	99,241	95,141	102,813	112,212	114,182	111,641	635,176
44	14	6,000	109,148	104,329	113,622	124,722	128,764	126,858	635,176
45	15	6,000	119,447	113,856	124,997	137,953	144,440	143,170	635,176
46	16	6,000	130,153	123,741	136,979	151,949	161,284	160,649	635,176
47	17	6,000	141,281	134,002	149,609	166,754	179,375	179,375	635,176
48	18	6,000	152,850	144,658	162,933	182,413	198,819	198,819	635,176
49	19	6,000	164,875	155,730	176,998	198,976	219,718	219,718	635,176
50	20	6,000	177,375	167,240	191,857	216,496	242,183	242,183	635,176
51	21	6,000	190,369	179,209	207,563	235,028	266,336	266,336	635,176
52	22	6,000	203,876	191,662	224,177	254,630	292,330	292,330	635,176
53	23	6,000	217,916	204,625	241,761	275,364	320,316	320,316	635,176
54	24	6,000	232,511	218,123	260,382	297,296	350,457	350,457	635,176
55	25	6,000	247,683	232,184	280,113	320,494	382,943	382,943	635,176
56	26	6,000	263,454	246,838	301,030	345,032	417,972	417,972	635,176
57	27	6,000	279,848	262,115	323,216	370,986	455,771	455,771	665,426
58	28	6,000	296,890	278,047	346,758	398,440	496,454	496,454	704,964
59	29	6,000	314,604	294,669	371,752	427,479	540,207	540,207	745,486
60	30	6,000	333,019	312,017	398,297	458,195	587,275	587,275	786,949
61	31	6,000	352,160	335,864	429,449	490,685	637,924	637,924	829,301
62	32	6,000	372,058	377,083	503,711	525,051	692,351	692,351	886,209
63	33	6,000	392,742	399,296	540,209	561,402	750,842	750,842	946,061
64	34	6,000	414,243	422,556	579,100	599,852	813,709	813,709	1,008,999
65	35	6,000	436,593	446,917	620,548	640,523	881,289	881,289	1,075,173

Sales charge on payments to column [1]:
MB = 4.00%, AN = 4.00%, IRA = 5.00%, MF = 5.00%,

Management fee reflected in columns [2], [3], [4], & [5]:
MB = 1.00%, An = 1.00%, IRA = .75%, MF = .75%,

Tax deferred accounts are assessed: Income tax on withdrawals in column [1].
Additional income tax on withdrawals before age 59½: 10.00%.

* This illustration assumes the nonguaranteed values shown continue in all years.
This is not likely, and actual results may be more or less favorable.
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Chapter #11

Fig. 11.2
continued

AN INDEXED UNIVERSAL LIFE POLICY VERSUS VARIOUS FINANCIAL ALTERNATIVES

Male Age	Initial Payment	A Municipal Bond Fund Yield	An Annuity Yield	IRAs & 401(k)s Yield	Mutual Fund Yield	An Indexed Universal Life Policy Interest Rate	Tax Bracket		
30	6,000	5.00%	6.25%	7.75%	10.00%	7.75%	34.00%		
AFTER TAX VALUES						AN INDEXED UNIVERSAL LIFE POLICY			
		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Client's Age	Year	Net Payment	A Municipal Bond Fund	An Annuity	IRAs & 401(k)s	Mutual Fund	Year End Accumulation Value*	Year End Surrender Value*	Death Benefit
66	36	-64,000	387,310	399,077	590,277	609,817	878,901	878,901	1,054,682
67	37	-64,000	336,081	348,755	557,800	577,338	942,069	876,149	1,055,143
68	38	-64,000	282,828	295,823	523,123	542,983	1,006,691	872,873	1,054,078
69	39	-64,000	227,472	240,145	486,038	506,645	1,072,768	869,016	1,051,387
70	40	-64,000	169,929	182,176	446,379	468,207	1,140,304	864,520	1,046,968
71	41	-64,000	110,114	122,222	403,967	427,550	1,209,302	859,324	1,040,720
72	42	-64,000	47,935	60,215	358,610	384,545	1,279,987	853,590	1,019,988
73	43	-64,000	-16,868	-4,021	310,105	339,057	1,352,454	847,345	996,115
74	44	-64,000	-84,912	-72,272	258,233	290,941	1,426,829	840,646	969,061
75	45	-64,000	-156,357	-144,790	203,132	240,047	1,503,263	833,575	938,804
76	46	-64,000	-231,375	-221,839	145,507	186,214	1,581,990	826,291	905,390
77	47	-64,000	-310,144	-303,704	85,241	129,272	1,662,319	818,029	901,145
78	48	-64,000	-392,851	-390,685	22,214	69,041	1,744,203	808,664	895,875
79	49	-64,000	-479,694	-483,103	-45,024	5,332	1,827,588	798,063	889,443
80	50	-64,000	-570,878	-581,297	-117,474	-62,540	1,912,400	786,069	881,689
81	51	-64,000	-666,622	-685,628	-195,538	-134,891	1,998,532	772,492	872,418
82	52	-64,000	-767,153	-796,480	-279,652	-212,018	2,085,878	757,136	861,430
83	53	-64,000	-872,711	-914,260	-370,285	-294,235	2,174,312	739,788	848,504
84	54	-64,000	-983,547	-1,038,401	-467,942	-381,879	2,263,691	720,212	833,396
85	55	-64,000	-1,099,924	-1,172,364	-573,168	-475,307	2,354,194	698,490	816,199
86	56	-64,000	-1,222,120	-1,313,636	-686,548	-574,901	2,445,742	674,447	796,734
87	57	-64,000	-1,350,426	-1,463,739	-808,716	-681,069	2,537,708	647,354	774,239
88	58	-64,000	-1,485,147	-1,623,222	-940,351	-794,243	2,629,816	616,831	748,322
89	59	-64,000	-1,626,605	-1,792,674	-1,082,188	-914,887	2,721,761	582,466	718,554
90	60	-64,000	-1,775,135	-1,972,716	-1,235,018	-1,043,494	2,813,929	544,536	685,232
91	61	-64,000	-1,931,092	-2,164,011	-1,399,692	-1,180,588	2,906,209	502,814	648,125
92	62	-64,000	-2,094,846	-2,367,261	-1,577,128	-1,326,731	3,000,312	458,896	578,908
93	63	-64,000	-2,266,789	-2,583,215	-1,768,315	-1,482,519	3,096,747	413,168	506,071
94	64	-64,000	-2,447,328	-2,812,666	-1,974,320	-1,648,590	3,196,133	366,126	430,049
95	65	-64,000	-2,636,894	-3,056,458	-2,196,289	-1,825,621	3,299,231	318,404	351,396
96	66	-64,000	-2,835,939	-3,315,486	-2,435,462	-2,014,335	3,405,890	269,719	269,719
97	67	-64,000	-3,044,936	-3,590,704	-2,693,170	-2,215,506	3,513,215	217,039	217,039
98	68	-64,000	-3,264,383	-3,883,123	-2,970,851	-2,429,953	3,621,030	160,049	160,049
99	69	-64,000	-3,494,802	-4,193,818	-3,270,052	-2,658,554	3,729,892	99,161	99,161
100	70	-64,000	-3,736,742	-4,523,932	-3,592,441	-2,902,242	3,844,000	38,426	38,426

Sales charge on payments to column [1]:
MB = 4.00%, AN = 4.00%, IRA = 5.00%, MF = 5.00%,

Management fee reflected in columns [2], [3], [4], & [5]:
MB = 1.00%, An = 1.00%, IRA = .75%, MF = .75%,

Tax deferred accounts are assessed: Income tax on withdrawals in column [1].
Additional income tax on withdrawals before age 59½: 10.00%.

* This illustration assumes the nonguaranteed values shown continue in all years.
This is not likely, and actual results may be more or less favorable.
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Chapter #11

Fig. 11.3

Male Age 30	Initial Payment 6,000	A Municipal Bond Fund Yield 5.00%	An Annuity Yield 6.25%	IRAs & 401(k)s Yield 7.75%	Mutual Fund Yield 10.00%	An Indexed Universal Life Policy Interest Rate 7.75%	Tax Bracket 34.00%
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Gross interest rate needed by various investments over 40 years to match an Indexed Universal Life Policy

Investment	Interest Rate	Indexed Universal Life Policy
A Municipal Bond Fund	9.08%	Accumulation Value \$3,844,000
A Municipal Bond Fund	8.22%	Surrender Value \$38,426
A Municipal Bond Fund	8.22%	Death Benefit \$38,426
An Annuity	10.19%	Accumulation Value \$3,844,000
An Annuity	9.49%	Surrender Value \$38,426
An Annuity	9.49%	Death Benefit \$38,426
IRAs / 401(k)s	9.94%	Accumulation Value \$3,844,000
IRAs / 401(k)s	9.24%	Surrender Value \$38,426
IRAs / 401(k)s	9.24%	Death Benefit \$38,426
Mutual Fund	13.43%	Accumulation Value \$3,844,000
Mutual Fund	12.13%	Surrender Value \$38,426
Mutual Fund	12.13%	Death Benefit \$38,426

Income Tax Considerations

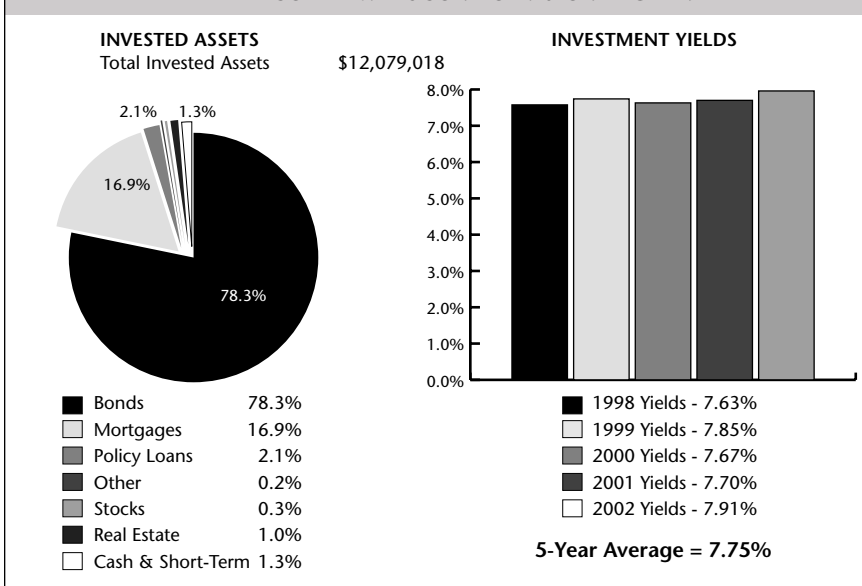
1. A Certificate of Deposit - Interest is taxed as earned.
2. A Municipal Bond Fund - Interest is tax exempt.
3. An Annuity - Interest is tax deferred. (Values assume tax is assessed in year shown only.)
4. Mutual Fund - Interest is taxed as earned.
5. An Indexed Universal Life Policy:
 - a. Death Benefit including cash value component is income tax free.
 - b. Loans are income tax free as long as the policy is kept in force.
 - c. Withdrawals and other non-loan policy cash flow up to cost basis (not in violation of IRC Section 7702) are income tax free as a return of premium.
 - d. Cash values shown assume most favorable combination of b and/or c.

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Chapter #11

Fig. 11.4

PROFILE OF AN INSURANCE COMPANY WITH A VITAL SIGNS COMDEX®* SCORE OF 90 OR HIGHER



*Comdex is a proprietary composite of carrier's ratings issued by LifeLink Corporation.

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Chapter #11

Fig. 11.5

EXAMPLES OF 3 TYPES OF UNIVERSAL LIFE INVESTMENT-GRADE INSURANCE CONTRACTS

20-Year Historical Crediting Interest Rates

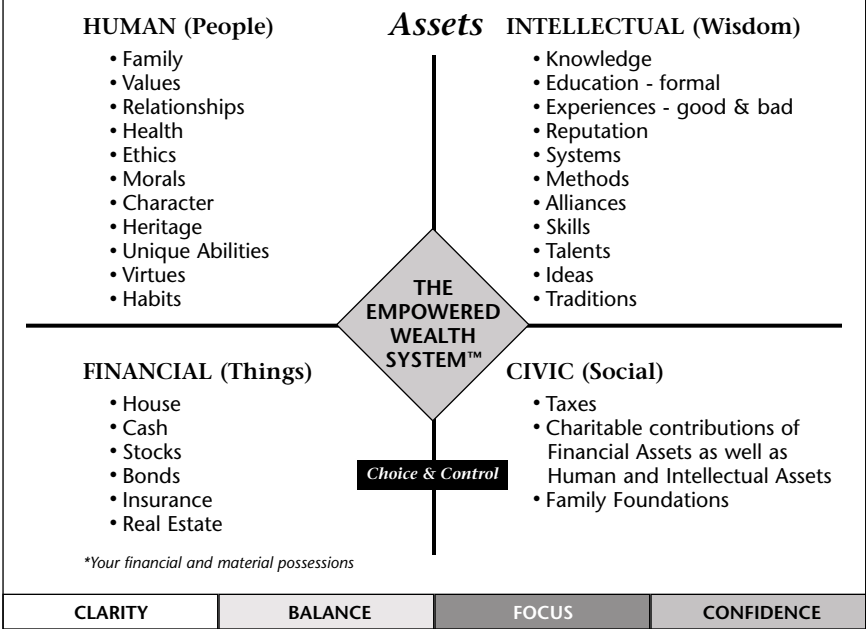
	Guaranteed	Lowest	Average	Highest	Interest Rate Required to Achieve Same Accumulation Values
Fixed	4%	5.75%	7.5%	13.75%	7.44%
Variable	None	<30%>	10%	35%	10.52%
Equity Indexed (Linked to S&P 500)	3%	3%	8.2%	21% (60%)*	8.20%

*participation rate

Chapter #12

Fig. 12.1

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Chapter #12

Fig. 12.2

RETIREMENT INCOME / CHARITABLE STRATEGY

A Single Premium Immediate Annuity (SPIA) combined with a Life Insurance Policy

Female, Age 80 (Normal Life Expectancy is approximately 10 years)

\$10 million deposited into a SPIA = Guaranteed pay-out rate of 14% for life

(A loan amount of \$10 million at 6.5 percent interest requires an annual payment of \$1,400,000 to pay it back over a ten year period.)

This results in a guaranteed lifetime income of:	\$1,400,000	annually
Taxable portion after exclusion = \$300,000x40% =	\$<120,000>	tax liability
Net after-tax annual income	\$1,280,000	
Asset Replacement Life Insurance (\$10 million):	\$<380,000>	annual premium
Net consumable annual income:	\$900,000	= 9.0% net return

Creating a win/win using a lender:

Is there a way to generate more cash flow without using your own money?

Annual guaranteed income from \$10 million annuity:	\$1,400,000
Less: Taxes (if owned by an individual)	\$<120,000>
Less: Annual premium for \$10 million life insurance	\$<380,000>
Results in net annual income by using your own money:	\$900,000 (9.0%)

A loan can often be obtained from a financial institution with favorable terms such as:

- \$10 million at 5% annual interest
- The loan is open until death
- Repaid by life insurance proceeds
- Serviced from annual SPIA payout

[\$500,000] interest

Net annual income to charitable foundation: \$400,000 gift

Without Requiring Any Cash Outlay by the Donor

Chapter #12

Fig. 12.3

SIX COMPONENTS OF SOUND FINANCIAL PLANNING

- Cash Flow Management
- Credit Management
- Asset Management
- Risk Management
- Tax Planning
- Estate Planning

