Maximize Your Wealth

A Guide for High-Earning Professionals to Get the Most Juice from the Squeeze

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PART 1

WELCOME

WHO SHOULD READ THIS BOOK?

If you're a high-earning professional—an engineer, IT specialist, attorney, doctor, etc., wanting to make the most of those earnings, this book is written for you.

If you know you're not making the most of your financial means to secure a solid future for yourself and your family and are frustrated that you simply don't have the time or wherewithal to sift through all the information and misinformation out there, then you're going to love this to-the-point guide.

I am a Retirement Income Certified Professional. The goal with retirement income planning is to make sure that you have enough income in retirement to meet your expenses – to cover both basic living expenses and to have fun and pursue your passions.

I've worked with people from diverse backgrounds, but my strongest connections have been with professionals like you. I understand your frustrations with taxes, retirement planning, and wealth accumulation, and I'm here to offer guidance on maximizing your wealth while reducing your tax burden legally, ethically, and morally.

The Maximize Your Wealth strategies outlined in this book will not only help you pay significantly less in taxes over the course of your lifetime but also help you generate more income and wealth for you and your family.

This book is designed to address the unique challenges faced by high earners like you, ensuring that you can “get the most juice from the squeeze”: getting the most of every dollar that you save and securing lasting prosperity.

So, if you're a professional who's looking to transform from a high earner into an affluent achiever, this book is tailored for you. Let me be your guide in mastering the tax system, reducing volatility, and supercharging your income, making it easier for you to navigate the road to financial success and lasting wealth.

MY PROMISE TO YOU

If you are still with me, I promise not to waste the next hour or so of your life. Quite the contrary.

I truly hope this book gives you new options and inspiration when it comes to planning for both your present-day finances and your future retirement.

If you picked up this book then I think I know a few things about you already.

1. **You're smart.** Your financial picture may not be as solid as you want it to be, but not because you didn't pay attention. You listened to the experts and did what they advised you to do. You may consult a financial professional now, have a CPA do

your taxes, and follow the trends in the market.

2. **You're not lazy.** You work hard and earn every penny that comes your way. By working hard and using your talents, you earn an excellent living. You will do almost anything it takes to provide for your family and secure their future. I applaud you!
3. **You're not looking for a silver bullet**. Okay, it would be nice if there were some genie in a bottle to grant you the financial well-being you want. (If you find one, feel free to give me a call.) But you're not counting on it or even looking for it. You want the facts and can make up your own mind when presented with those facts.

Anybody who knows me knows I tend to be direct, matter of fact, and detest wasting time (*which is why this book is designed to be read from cover to cover in about an 1 hour.*)

I promise to do my part and give you proven and effective strategies to work toward increasing retirement security, decreasing volatility, and reducing the amount of taxes you'll pay to the government over the course of your lifetime.

WHY I DO WHAT I DO & WHY THAT WILL MATTER TO YOU

In 1992, I began my journey as a chemical engineering student. Like many others in my field, I participated in a co-op program, alternating between semesters of college and industry experience. This extended my graduation by a year but provided invaluable real-world knowledge and experience, along with a chance to make some money.

Thanks to my generous parents, who covered my college expenses, (everything but the beer), I was able to enjoy the thrill of earning $18 an hour while living at home with minimal financial worries.

For a 20-year-old in 1994, this was a lot of money. In fact, it was more money than I could spend, so I decided to learn how to make it work for me. I did a ton of independent learning, reading books by folks such as Peter Lynch and watching CNBC more than anything else, aside from football. While a lot of my friends were taking electives such as "Wines and Vines", I was taking courses in investments, portfolio theory, derivatives, and accounting. Anything that would expand my financial knowledge. A lifelong passion was ignited.

Fast forward a few years, and I found myself in the IT industry during the dot-com frenzy, soon transitioning into financial reporting and forecasting. Although my services were in high demand, I knew IT wasn't my professional life's purpose.

My peers in engineering and IT are what are referred to by financial professionals as "HENRYs" – someone who is a "High Earner Not Rich Yet". Despite their obvious intelligence and education, I couldn't help but notice that almost all of my engineering and IT colleagues lacked the financial knowledge that I had gained over the years.

It troubled me that employees in the private sector had been stripped of their pensions, overtaxed, and had no reliable guidance from employers, HR, or the media. Essentially, they were left to either self-educate or follow the questionable advice of friends, neighbors, or cookie-cutter financial advisors who prioritized their own fees over their clients' well-being and, to make matters worse, would make money off of their clients whether the client was making money or not.

After my divorce in 2014, I decided to follow my passion and work with people to improve their financial lives. Helping my clients plan for their kids' college, guiding them to a safe, secure, successful retirement, and protecting their families in the face of tragedy has brought me immense satisfaction.

While I may not be solving world hunger or providing shelter for the homeless, I am confident that my work is making a difference in people's lives.

My approach employs simple strategies that don't force my clients to compromise their lifestyles. You won't find these tactics on CNBC or in Fortune magazine – entities beholden entirely to Wall Street – but these tactics are utilized by the rich and the ultra-rich day in, day out. I'm dedicated to putting in the effort to help you achieve maximum rewards and lasting impact.

If you're seeking financial advice from someone who genuinely understands your journey and is committed to your success, look no further. I'm here to make a difference in your financial future, and this book is the perfect starting point.

Together, the ”YET” in “High Earner Not Rich Yet” becomes inevitable! But we'll push beyond that: wealth without purpose is rather pointless. Safety and security will provide the peace of mind that only comes with financial freedom, with key risks taken off the table.

Look, I get it… We all have finite resources. As we progress through this book, we'll focus on how you can maximize the juice from the squeeze, get the most from what you currently have, and what you'll save in the future.

INTRODUCTION

You're probably like most people who want a life filled with happiness, adventure, and opportunity. We all want to enjoy our retirement years surrounded by those we love and doing the things we enjoy. During the journey toward retirement, we also want peace of mind knowing we're on the right path.

I'll also bet you've complained about taxes at some point during the last 12 months. *"So, what can I do about it?"* you ask yourself. You're probably already working with a trusted advisor or two who help you prepare and pay your taxes each year, right?

Here's the problem with many CPAs when it comes to taxes. They focus all their time on recording the history their clients give them. They put the right numbers in the right boxes on the right forms and get them filed by the right deadlines.

By the time your income tax deadline rolls around each year, there isn't much they can tell you other than to put more into your tax-deferred retirement accounts like a 401k or IRA to make things better for next year.

On the surface, this may sound like sage advice. You'll pay less taxes next year than you would have otherwise, right? Trust me, this is NOT good advice. (More about this in Chapter 1.)

Have you ever heard of "the law of hammer?" The law of the hammer is a cognitive bias that involves an over-reliance on a familiar tool. As Abraham Maslow said in 1966,

"I suppose it is tempting, if the only tool you have is a hammer, to treat everything as if it were a nail."

If this is the advice you are getting from your CPA, then you may very well have a tax storm gathering.

Stock market risk and burdensome taxes during retirement have created a retirement crisis that has affected a great number of Americans and has probably affected those close to you.

Forbes tells us “that we're on the precipice of the greatest retirement crisis in the history of the world. In the decades to come, we will witness millions of elderly Americans, the Baby Boomers, and others, slipping into poverty. Too frail to work, too poor to retire will become the “new normal” for many elderly Americans.”

So, you’re probably wondering,
“Okay, Jeff, you’ve painted the picture."
"How might I avoid this doomsday scenario with my market volatility, taxes, and future retirement?”

That’s a great question, and I’m glad you asked it. Let's dive into it.

PART 2

MAXIMIZE YOUR WEALTH

Chapter 1

WHY ISN'T MY CPA ALREADY DOING THIS FOR ME?

In today's world, many financially successful professionals and business owners simply assume that their CPA will bring them innovative tax planning ideas when appropriate to their situation. But that may simply not be the case.

Traditional CPA firms are asked to do so much and are stretched too thin just trying to produce a compliant tax return or financial statement.

Many CPAs are inundated with smaller clients who generate very little revenue for them and take up a lot of resources. They focus all their time on - again - recording the history a client gives them, putting the right numbers in the right boxes on the right forms, and getting that client's tax returns filed by the right deadlines.

But then they call it a day and move on to the next return. By that point, there's not much they can do to change that history (other than encourage that client to contribute more to their 401k so that next year their tax bill will be lower). So, they don't even try to change it before moving on to the next return.

It's like driving a car using a rear-view mirror instead of looking forward to the road ahead through your windshield. You would never try to back your car out of the garage, back it down the driveway to the street, and back it all the way to work, would you?

This is the reality of why your CPA typically won't bring you any fresh ideas other than to add more money to your 401k or other tax-deferred retirement accounts – their job is to record history and crunch the numbers correctly. And, really, how "fresh" is it that they're telling you to contribute more to your 401k? Everyone already knows about that approach, so it's hardly new information.

Now, recording history is important, and it's important to do it right. You -- along with the IRS! -- want to know how much you make in a year.

However:
Once you hit a certain level of income and taxes, you will move beyond wanting to know just how much you owe: you will increasingly want to know how to pay less in taxes.

Unfortunately, many accountants aren't giving that information to you, nor should they, since it really isn't what they do. As we discussed above, their main function is to record your financial history and provide that information to the government.

The reality is that the US Tax code is one of the world's most complicated legal documents with over 150,000 pages and counting. Nobody seems to know how many pages are actually in the current tax code, as it is constantly changing, growing, and becoming more complex.

Now to be fair, CPAs don't spend all their time simply recording history. Plenty of them create year-end projections for their clients. This involves sitting down with a calculator and income statement, estimating how much the client will owe based on the best estimate of those numbers, and adjusting the client's January 15 estimated tax payments up or down based on how those numbers look.

That is what they call "planning" because it helps clients plan for a bigger or smaller tax bill. There is indeed real value in planning to avoid an ugly April 15th surprise, but this sort of process isn't really planning at all -- it's projecting. The CPAs who do this for their clients are just projecting more scenarios to determine how much the client will eventually owe – and they might complete the entire exercise without even considering ways to reduce that new, more accurate number.

When you press your CPA for more proactive ways to pay less, this is where they will normally tell you that you should put more money toward your retirement plan -- after all, it will lower your taxable income, which allows you to save a dollar towards retirement but only costs you 70, 75, or 80 cents, for example, in your net pay. You get immediate tax relief. Problem solved, right?

Chapter 2

HOW YOUR 401(K) COULD BE A TICKING TAX BOMB

When planning for retirement, the options often discussed are likely familiar: 401ks and IRAs.

(A little trivia: "IRA" actually stands for Individual Retirement Arrangement, not Individual Retirement Account. Maybe you can win a bar bet with that! If you do, save that money for retirement!)

When information is detailed or hard to process, it's human nature to gravitate toward what we know, and these two savings vehicles are the ones most of us have heard of previously.

But what is a 401k or an IRA? What is a 403(b) or TSP? These are simply tax codes.

Once we understand that a 401k and the like are simply tools that we can use in saving our money, we then need to understand the tax implications of that tool.

Albert Einstein is quoted as saying, "**One of the most complex things in the world is the United States Internal Revenue Code."** So, if that's true, then what we have to understand is that the things we put inside of these tax codes -- investments, mutual funds, ETFs, stocks, bonds, real estate, gold, precious metals, Bitcoin, etc. -- these things are ALL subject to taxation depending on the environment in which they are saved.

Retirement plans like 401ks, IRAs, and other government plans have historically been designed to postpone the taxes you pay on your earned income. If you are in a higher tax bracket today than when you take it out, you will save money on taxes (you win – that's positive tax arbitrage). If, on the other hand, you are in a lower tax bracket today than when you take it out, you'll pay more taxes (that's negative tax arbitrage – sadly, you lose in this situation).

If we put our savings into an investment vehicle that defers taxes, we may be very likely hurting ourselves. Why? **Because the U.S. government believes in compound interest as well.**

Let me walk you through a HENRYs example. (Remember, you're a High Earner Not Rich Yet).

I don't know the first thing about corn farming other than I'm quite certain that I'd be terrible at it, but let's pretend that you're a corn farmer and it's planting season.

As part of your preparations, you acquire the necessary seed corn so that you can plant your fields. At this time, a humorless man from the IRS shows up and says, "Now, Henry, you have two choices: first, you can pay the tax on your little bag of seed corn right now, or I can come back during harvest season and you can pay the tax on all of the kernels on all of the ears on all of the stalks in your field."

He turns to walk off but turns back and says to you, "Oh, and during the summer, tax rates are going to go up – way up." Perhaps this guy has a (twisted) sense of humor after all.

So which sounds more palatable?

- Paying tax on just the seeds at a today's historically low rates, or
- Paying taxes on a huge harvest at dramatically higher rates?

I have been telling this story for a number of years now, and I have yet to have anyone respond that they want to pay high tax rates on a silo of corn kernels when they could pay a low tax rate on a bag of seeds.

And yet the majority of those saving for retirement are not acting accordingly. They're delaying the tax, watching their money grow, and will then be taxed during their harvest season – retirement – after the tax rates have exploded and their portfolio has grown.

How did we get in a position where people are walking into a tax trap?

It's because the 401k is an accidental retirement plan. Section 401k of the Internal Revenue Code came into existence in 1978, and it was intended to be a retirement supplement to upper-level, savvy, corporate executives – it would supplement their pension, but the pension was meant to be the rock upon which retirement was built.

It didn't take too terribly long for corporations to notice that they could "de-risk" themselves when it came to offering retirement benefits. Pensions are expensive to fund, and returns within the pension are unpredictable, yet the company is responsible for them being sufficiently funded.

What was their out? The 401k! Corporate America began transitioning away from defined-benefit plans (pensions), where the result was known in advance, to defined-contribution plans, such as the 401k. Their contribution – the match – was defined, but the corporation would no longer be held accountable for the outcome.

Companies began throwing a few bucks at their employees in the form of a company match, and they washed their hands of the expense and responsibility of a pension. They threw the burden of providing for retirement over the wall and right into their employees' lap.

In the late ’70s and ’80s when retirement plans like the 401k started being used, tax brackets were extremely high and it was assumed that an employee’s tax rate would be lower in retirement years.

The tax postponement strategy that worked then is simply not going to work today.

Many Americans are socking money into retirement plans that postpone taxes, which might be a poor bet.

Suppose I came up to you and I said, “I think that we should go into a business venture together, and here are the terms:

- You will put up all of the money.
- You will do all of the work.
- You will take all of the risk.
- You will get no helpful advice from me, and
- Upon selling our business venture, I get to tell you how much of the proceeds you get to keep.

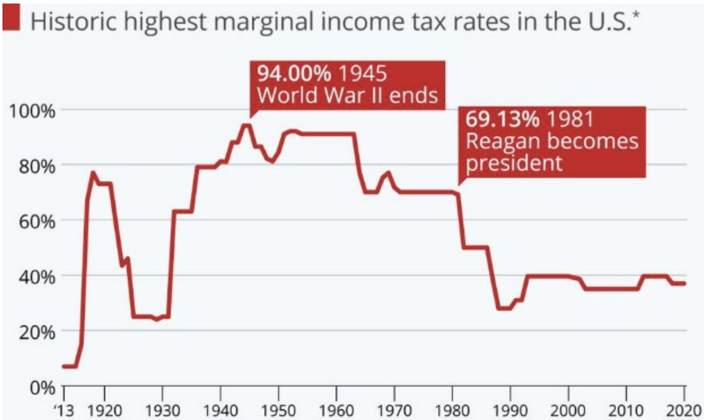
Would you want to go into business with me? Of course not! Who would want a partner like that? No sane person, that’s for sure.

But yet, when you contribute money to a tax-deferred account like the 401k, you're going into a business partnership with Congress, and their enforcer is the IRS.

For the first 130 years of our country, we did just fine without an income tax, but in 1913, the 16th Amendment to the Constitution was passed. That gave Congress the power to levy income taxes. These rates and income bands aren't etched in stone, they go up and down over time, and the bottom line is that legislators get to decide how much of your money you get to keep.

If I had to choose a partner, my last choice would be Congress.

Just look at the graph below to see what the highest marginal tax rates have been over the last 110 years. At the end of World War II, that tax rate was 94%. Can you imagine? Yet it happened.



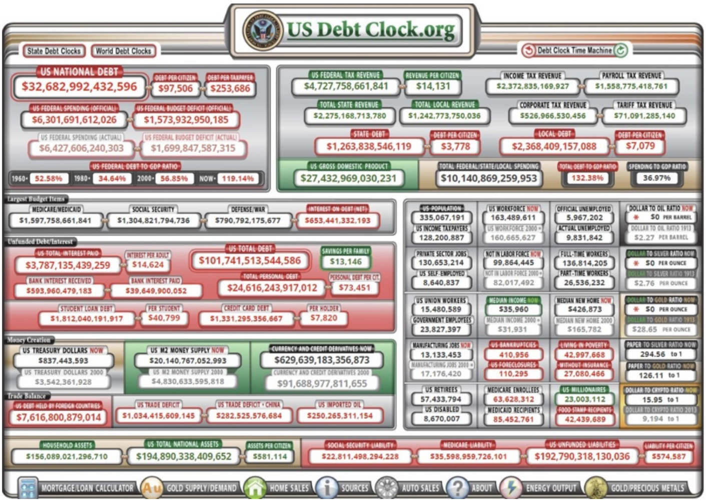
Back then, there was a young actor who was at the top of the Hollywood pay scale. He would make about $100,000 per movie. That 94% tax bracket kicked in at $200,000 of annual income. As a result, he would make no more than 2 movies per year. If he made a third movie, it would all be taxed away. 94% would go to Washington. The rest would be gobbled up by the state of California. Who was that actor? Ronald Reagan.

While it might not feel like it, we're in the best tax environment in many decades: the rates are low and the income bands are wide.

You've probably noticed in the news and whatnot how large our annual deficits are and that fuels a wildly out-of-control national debt. As of this writing, we're over $32 trillion in national debt. That's an unbelievable, really incomprehensible amount.

Yet, $32 trillion of national debt looks quaint compared to the $192 trillion of "Unfunded Liabilities": that's the amount of money that we're short to fulfill our Medicare, Medicaid, Social Security, and unfunded government employee pensions obligations.

If you want to see the not-so-slow-motion trainwreck happen, just go to the scariest website on the Internet: usdebtclock.org. Go there now, and go back in a few months – the change will suck the air right out of your lungs. This is what it looked like at the time of printing:



So, I have a question for you...

Given that we're at historically low tax rates and we're in unprecedented financial calamity as a country, do you believe taxes will go up, go down, or stay the same in the future?

We all might have our own opinions on that, but the Congressional Budget Office has already answered that question for us.

Not only do they say taxes must go up, but they must go up substantially.

They did a study based on the government's current debt situation, which concluded that with no changes to Social Security, Medicare, and Medicaid, the lowest tax bracket would have to increase by 150% in order to sustain those programs; it would rise from 10% to 25%

Here's the really bad news. They also said that the 24% bracket would rise to 63% and the former highest bracket, 39.6% would need to rise to 88%.

Can you imagine 88% of your nest egg going to the IRS in taxes? That's a risk I'm not willing to take with my life savings.

Given all of this, it's no wonder that Time Magazine concluded that, *"it's time to retire the 401k"*
and that *"the ugly truth, though, is that 401k is a lousy idea, a financial flop, a rotten repository for our retirement reserves."*

Chapter 3

MOUNTAIN CLIMBING

As we discussed in Chapter 1, *Why Isn't My CPA Already Doing This For Me?,* you are likely being advised by your CPA that the way to pay less tax (this year!) is to put more money in your tax-deferred retirement accounts.

And as we discussed in Chapter 2, *How Your 401k Could Be a Ticking Tax Bomb*, you are already likely working with an advisor or money manager who is tasked with getting you the best rate of return for your stock portfolio inside of your tax-deferred accounts like your 401k or IRA.

Nothing wrong with that. That is very typical for most people. You probably also have an accountant. Nothing wrong with that either.

Your CPA, while likely an excellent accountant and a nice person, and someone who you should trust when it comes to filing your yearly tax returns and paying your quarterly estimates (if necessary), may not be the best person to get advice from on how to significantly pay less taxes over the course of your lifetime.

Likewise, your money manager may not be a retirement income specialist. Instead, he might be narrowly focused on managing your money and concentrating on the average rates of return your portfolio is earning. Is it his role to show you how to maximize your income in retirement? Perhaps he just wants to help you climb to the top of the mountain.

Wait, what mountain?

Think of your financial life as climbing a mountain. Is the goal of climbing a mountain to get to the top, take in the views and nearly pass out due to the thin air? No! The goal of climbing a mountain is to get to the top of the mountain *AND* get back down safely.

Did you know that in climbing Mount Everest, more people die on the way back down the mountain than they do on the climb up?

This can happen financially as well when all of the focus is on growing your pile of assets, only caring about rate of return, and never thinking about if you will have enough income to maintain or even enhance your lifestyle throughout a retirement of indeterminate years – that's the equivalent of descending the mountain.

You have probably seen ads on TV and the Internet about "What's my number?" where the number is a dollar figure that you need to hit in order to retire in the lifestyle that you desire. They act like if you just achieve a portfolio of whatever dollar figure their calculator comes up with, then everything will be peaches and cream and you'll have not a worry in the world.

Well, that makes for an easy-to-understand advertisement, but it does people a disservice. Not incorporated into your number are the numerous risks present in retirement, such as:

- Longevity risk – the granddaddy of them all because it's a risk multiplier of the other risks
- Market risk
- Sequence of returns risk
- Inflation risk
- Taxation risk
- Long-term care risk

Suppose in 2006 or 2007 you were thinking about retiring sometime soon and you were getting close to your “number”, and early in 2008 you hit that number … you’ve got it made in the shade, right? Probably not!

The market fell off a cliff, wiping out many people’s portfolios to the tune of 50%.

- People still working ended up working additional years as they dug themselves out of a hole.
- People already retired either re-entered the workforce or their lifestyle took a very substantial hit.

Neither of those are desirable.

These people just experienced market risk and sequence of returns risk (which is market risk happening at the worst possible moment), and it greatly impacted their lives.

I hope that you’re beginning to see that there’s far more to consider when planning for retirement than asset accumulation, rates of return, and climbing the mountain to hit your number.

So, what should you be thinking about when it comes to planning for retirement?

Everyone is different, and your goals are uniquely your own. So, when it comes to defining goals, here are the six most common priorities people have.

Income, a.k.a. cash flow, a.k.a money you can spend. This means that when you go into retirement, your role has changed from that of an accumulator to that of a spender, and the purpose of your wealth is to provide you with income/cash flow that you can spend.

This is not a reflection or commentary on the type of investor personality you may associate with (i.e., Safety/ Income/ Growth/ Aggressive Growth).

Securing enough GUARANTEED LIFETIME INCOME to cover your basic living expenses should be the top priority of everyone striving for a happy, safe, and secure retirement. When you never have to worry about rent/mortgage, the power getting turned off, groceries, gas for the car, etc. That means you can be free from fear and go about enjoying your retirement.

Growth is a priority whereby you ensure that the focus of your portfolio is to appreciate in value, understanding that with potential growth comes the potential risk of loss – with respect to the stock market, there are strategies for significant growth without the risk of market losses.

In my experience, many times the person will want to and be willing to dial down the market risk in their portfolio and from an overall planning perspective. The reason many people include growth in their priorities in retirement is to enable their income to keep pace with inflation; after decades of being relatively benign, inflation took a toll on everyone in the post-pandemic world.

Moreover, if you have funds not required for your own retirement income, strategically investing them for growth can potentially increase the wealth left for your beneficiaries, thereby serving as a powerful motivation for building a lasting legacy.

Preservation means "*Don't lose my money!*" Or, as Will Rogers once said, *"I am more concerned with the return **of** my money than the return **on** my money."* For the purposes of our discussion, it means that to some degree a person is not willing to accept a loss in exchange for a higher rate of return. The person for whom preservation is a priority will focus more of their plan on guaranteed principal assets.

Now, preservation does not have to be absolute. Frequently, the plan designed with a client will result in X% of the assets being protected from investment risk.

If a significant enough portion of your assets are protected from losses, this can enable you – if you so choose – to be a little more aggressive with your "risk on" money than you otherwise would be because you know that you have a foundation that isn't going anywhere.

Liquidity is a sum of money that is easily accessible by you at a moment's notice. Most of the time, people think of this as cash in the bank, but it could be "stored" in other types of accounts as well, such as a money market fund at a brokerage or cash value within a permanent life insurance policy.

The point is that a specific sum of cash is readily accessible. For some people, this number is reflective of a certain number of months of household operating cash flow. For others, it includes a reserve for maintenance and repairs on the house, like hot water heaters, a/c systems, etc.

Heirs & Beneficiaries, aka Legacy. As the name implies, H & B refers to the financial and other resource benefits you wish to leave for other people you love when you die. For families with young children, heirs and beneficiaries are much higher on the list. For older clients, heirs & beneficiaries could very well be lower on the list. However, for older clients with special-needs children and/or those whose objectives include leaving a legacy for children or grandchildren, H&B would be higher on the list.

Almost always, those with wealth in excess of what they will spend in their own lifetimes seek to maximize what stays in the family or goes to a charity or organization that has special meaning to them – like their church, alma mater, a charity like the American Cancer Society, and on and on.

Debt. In addition to taxes, debt is one of the biggest destroyers of wealth. From a planning perspective, figuring out how to eliminate personal debt quickly will greatly accelerate the wealth-creation process.

As we reach the peak of our financial mountain, it's essential to remember that the journey doesn't end here. The descent back down is just as crucial and often poses more challenges than the climb itself. In the next chapter, "What the Wealthy Know About Risk and Taxes," we'll delve into the complexities of navigating your financial future beyond mere asset accumulation.

We'll explore how to tackle the numerous risks that may arise during retirement. By implementing strategic planning to overcome them, you can ensure a safe and secure descent from the financial mountain, safeguarding your wealth and the legacy you leave behind for future generations.

Chapter 4

WHAT THE WEALTHY KNOW ABOUT RISK AND TAXES

Warren Buffet, the greatest investor of our day, subscribes to the following philosophy when it comes to investing.

Rule #1: Never lose money.
Rule #2: Never forget Rule #1

I agree! And if you do too, then you'll love what you are about to learn in this chapter.

Let's take a brief journey back in time…

In October 1929, the stock market suffered severe losses. It plunged over 22% in just a few short days, making headlines across the country.

Over the next several years, the markets would have difficulty recovering. The Dow Jones Industrial Average would take a staggering 32-year setback, losing nearly 90% of its value.
From its peak of 381.17 in September 1929, it would close at a shocking 41.22 on July 8, 1932. It would take another 22 years to surpass its all-time high before the crash of 1929.

During that period of time:

- Nearly 25% of all Americans would be unemployed and unable to find work.
- Over 40% of banks would shut down.
- Millions of savings accounts would simply disappear.

But in the midst of all that devastation, there was a silver lining for some people.

Life insurance companies remained virtually unaffected during that tumultuous time. More importantly, while the market suffered severe losses, **the policy owners of cash value life insurance didn't lose a dime!**

That's such an important point, let me say it again.

During the Great Depression, arguably the worst period of economic disaster our country has ever been through, those who had saved in cash value life insurance policies didn't lose a dime!

In fact, cash value life insurance was such a stable place to have money that while many people lost everything, those who owned cash value life insurance were even paid profits in every single year of the Great Depression![1]

Fast forward to our present time. With out-of-control government spending and debt, unstable international affairs, and our world being radically reshaped both politically and economically as a result of the coronavirus pandemic and typical geopolitical shifts, knowing how and where to keep your money safe (and out of reach of the IRS!) is becoming increasingly important.

Banks and Corporations

While many wealthy individuals maximize the use of cash value life insurance, there is one specific group that really understands its value. This same sector of the economy controls nearly every aspect of our economy.

Cash-value life insurance plays a massive role at financial institutions and corporations. These organizations buy life insurance by the billions and use it for many different reasons. In fact, banks have cash value life insurance as one of their top Tier-1 assets, and they have almost twice as much in this asset as they have in real estate.

Not only does it increase their financial stability and reduce their taxes, but it is also an ideal place to fund employee pensions, healthcare costs, and other benefits.

The FDIC makes available the balance sheets of nearly every major bank. The following figures are directly from FDIC.gov and represent the exact amount of money the following banks hold in life insurance.

Bank	**Life Insurance Assets**
Bank of America	$19,607,000,000
Wells Fargo Bank	$17,739,000,000
JP Morgan Chase Bank	$10,327,000,000
U.S. Bank	$5,451,892,000

Banks are in the business of money. They have some of the greatest minds in the world, including economists, attorneys, accountants, financial analysts, and other experts helping them increase the efficiency and use of their capital.

It is not insignificant that banks place billions of dollars in life insurance. It's a reflection of the value they place in this powerful asset. For banks, it provides the ultimate in safety, stability, and growth.

Corporations, as mentioned above, also invest massively in cash value life insurance. It is significant to note that these corporations rely heavily on life insurance to fund their employees' retirement plans and their top executives' retirement plans.

Among its many benefits, the ability of cash value life insurance to provide the stable growth necessary to create a predictable income is one of its most powerful features.

Here is a list of some well-known companies that hold cash value life insurance as an asset[2]:

- Starbucks
- Johnson & Johnson

- Pfizer
- Verizon
- Comcast
- Walt Disney
- Lockheed Martin
- Nike
- CVS
- General Electric

In the 1900s, it's estimated that over 50% of savings went into cash value life insurance.[3] It was the staple for safety, protection, and predictable future income for decades.

Today, Americans are being told by Wall Street and others with vested interests that volatile, risk-based investing in the stock market is the best way - really the only way - to prepare for retirement.

"*Why would they do that*?" you may be asking. You see, Wall Street investment firms were a big part of how government plans like 401ks got established in the first place. These elite insiders positioned themselves to be the managers of the funds that ultimately made their way into these plans. Of course, funds have fees – great for Wall Street! There have been many books that go into much greater detail about this phenomenon.

Suffice it to say here that there has been a massive transition for the worse from safety and guarantees to risky, unpredictable stock market investments.

Thousands of Americans are starting to see the outcomes of these failed models and are looking for a better path.

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[1] Patch, B. W. (1933). Life insurance in the depression. *Editorial research reports 1933* (Vol. I). http://library.cqpress.com/cqresearcher/cqresrre1933051900

[2] Dyke, Barry James. "CORPORATE-OWNED LIFE INSURANCE." The Pirates of Manhattan: Systematically Plundering the American Consumer & How to Protect against it. Portsmouth, NH: 555 Publishing. 2007.174-176. Print.

[3] Thompson, Jake. "Money. Wealth. Life Insurance." Jake Thompson. 2013. 14. Print.

Chapter 5

A BETTER WAY THAN THE 401(k)

Do you remember as a kid, or perhaps just this past weekend, riding the big, wooden roller coasters?

You'd leave the station and then slowly crawl up that huge hill, adrenaline building, hearing each "click" as you steadily make your way to the top.

These clicks are more than mere mechanical sounds; they represent incremental progress, a step-by-step journey toward the top. Yet, each click also acts as a lock, a safeguard ensuring your progress is protected. Should an unforeseen event occur - a power outage or a malfunctioning motor - you'd be securely locked into place.

While the prospect of being stalled on a huge hill might not be appealing, it becomes a comforting reassurance when compared to the terrifying alternative of rolling backward, descending rapidly and uncontrollably down the steep incline.

This dual nature of the 'click' – embodying both progress and security – serves as a powerful metaphor for our financial journeys. We strive for growth, yet yearn for stability and protection against unexpected downturns. Balancing these competing demands is an art, one that we'll explore further in this chapter.

This brings us to the concept of "indexing" - a unique and strategic approach to crediting that distinguishes itself significantly from investing in an index fund.

Here's how it works …

Indexing allows you to periodically secure your gains, effectively ensuring that your profits are locked in so that they can't roll backward and slip away.

This is a stark contrast to investing in an index fund, where the volatility of the market can lead to rapid losses. In an index fund, it's more like taking the rollercoaster ride of market fluctuations without your seatbelt on or the comforting clicks of the built-in safety measures. Your gains - and potentially much more - can vanish in what seems like the blink of an eye.

Indexing, on the other hand, offers a layer of protection, allowing you to enjoy the ride with no concern about the steep drops. It's a different approach and understanding its mechanics can make a significant difference in your financial journey.

I like to think of indexing as enjoying all of the thrills of victory but none of the agony of defeat.

When you really boil things down, only two things motivate people: seeking pleasure and avoiding pain. Indexing has both built right in.

Understanding the Indexing Strategy:

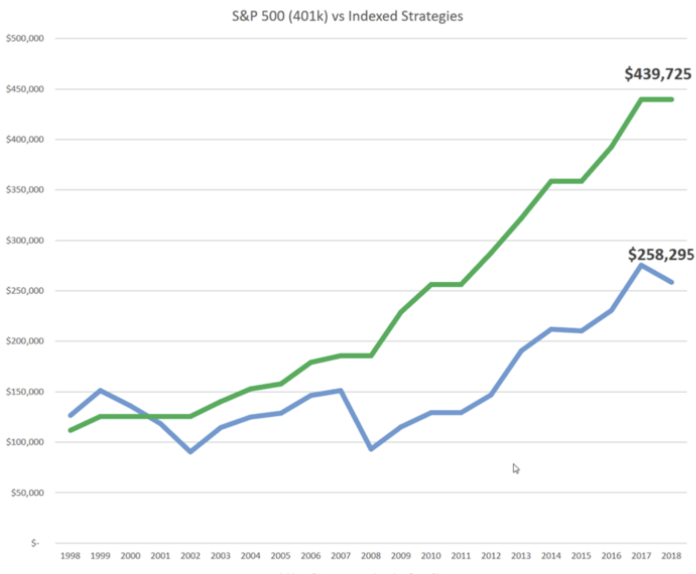
1. **Floor and Cap**: An indexing strategy typically involves a 0% "floor" and a "cap". The floor means that your account value won't drop in value, even if the index it's linked to declines. The cap, on the other hand, limits the maximum return you can get from your investment. (Note: there are “uncapped” indexing strategies available.)

2. **Cap Example:** Let's say the cap is set at 12%. If the S&P 500, the index your crediting is linked to, returns 6%, you'd receive a 6% credit to your cash value. But if the S&P 500 returns 15%, you'd receive only 12% because that's the cap.
    - Question: You might ask, "Why would I want to limit my potential gains by participating in something that has a cap?"
    - Answer: The benefit of this strategy is that you're also protected from losses. Even if the index declines, you won't lose money. Avoiding losses can be more beneficial in the long run than trying to achieve the highest possible returns. In other words, if you never lose, you don't have to spend time and effort trying to recover.

By understanding these concepts, you can better appreciate how an indexing strategy provides a balance between risk and return, offering protection against losses while still allowing for potential gains.

Performance - How this plays out in the real world

Take a look at the graph below where both the indexing strategy and an S&P 500 index fund start out at $100,000. The indexing strategy had a zero percent floor and a 12% cap, but look at how it did:



The indexing strategy, despite its cap, managed to outperform the S&P 500 by a significant 70%.

Nineteen ninety-eight was a very good year for the S&P with a return of 26.7% and so right out-of-thegate the S&P far outpaced the indexing strategy that capped the party at 12%. But that wouldn't last for long. Soon we had the Dot Com crash in which the S&P went down significantly in 2000, 2001, and 2002. The S&P finally got back to par in 2008, only to be crushed by 57% in just 17 months' time because of the Financial Crisis.

In all of those horrible years and other down years in between 1998 and 2018, those in an S&P index fund got hammered while those that were using an index strategy were simply treading water, biding their time for the next upswing.

At the end of the 20-year period, the indexing strategy won ... and it wasn't even close.

You might be wondering, *"How could that happen? How can that be true?"* The answer lies in the zero-loss characteristic of the indexing strategy - it adheres to Warren Buffett's first rule of investing: "*Never lose money."* Rule #2 is to never forget Rule #1.

With no losses, there's no wasted time or effort spent recovering to break even. Remember, time is the one resource we can never replenish. As such, the indexing strategy not only yielded superior performance, but it also did so without the stress and unpredictability of market volatility - not a bad deal!

How can you take advantage of the indexing strategy?

You utilize indexed universal life insurance (IUL) (and/or fixed indexed annuities; we'll talk about them later in the book). For now, let's focus on IUL by breaking that term down.

Indexed: Your policy benefits are linked to a financial index like the S&P 500 - as the index performs, so does your policy except for any losses – we're going to pass on taking a loss.

Universal: This policy type offers flexible premium payments. Unlike 'whole life' insurance, you can adjust how much and when you pay.

Life Insurance: It's a contract where you pay regular premiums, and the insurer provides a 'death benefit' to your chosen beneficiary upon your death. Your IUL will also build cash value as you pay the premiums.

Why My Clients Love IULs

Imagine Indexed Universal Life (IUL) as a powerful savings vessel with a shield as strong as Captain

America’s against taxes. This kind of permanent life insurance is like a favorite child in the eyes of the Internal Revenue Code, enjoying some of its most generous provisions.

When you fund an IUL policy, you're building a 'cash value' - think of it as a tax-free growth fund nested within your insurance. You can dip into this fund, again tax-free, whenever you need it. And when the time comes to pass on your financial legacy, your beneficiaries receive this fund without any taxation.

Quite the tax-free trifecta, isn't it?

IUL isn't just a simple savings account.

It's a life insurance policy. You pay premiums, a portion of which covers the 'cost of insurance' - essentially securing the death benefit for your beneficiaries. The remaining part? That gets channeled into your cash account, growing and compounding over time.

It's like having a private, tax-shielded savings account within your insurance policy.

The Funds are at Your Fingertips

Moreover, you can access this cash value at any time for any reason - no questions asked.

Consider this scenario: A golden opportunity presents itself in the form of a real estate investment. It promises substantial, double-digit returns for years to come, but it requires immediate capital. If your money was tied up in a traditional retirement plan, you could find yourself ensnared in a time-consuming process AND facing penalties and tax obligations for an early withdrawal.

However, with an Indexed Universal Life insurance policy, your accumulated cash value stands at the ready. This allows you to seize the reins of promising investment opportunities as they gallop by, without the burden of penalties or taxation. Your wealth, in this way, remains both protected and agile, ready to act when opportunity knocks.

As Billy Mays used to say, “But wait! There’s more!”

Suppose you did borrow money from your policy for that real estate opportunity. The money you use for that opportunity comes from the insurance company's account; your cash remains in the policy and continues its crediting – the compounding cycle isn't broken! Using other people's money and not breaking the compounding cycle is a wonderful path to wealth and is the basis for "Infinite Banking", also known as "Be Your Own Bank" or "Bank On Yourself"

Protecting Your Legacy
When you've amassed a large amount of wealth over the course of your lifetime, **there's only one thing that stands in the way of passing the benefit of that hard work on to your family … Uncle Sam!**

In my view, the death tax is unfair, inefficient, economically unsound, and, frankly, immoral.

Whether you have a big estate or a small estate, passing on money can be painful. Some of the largest estates are stripped to nearly nothing after taxes and probate. It is estimated that the death tax causes one-third of all family-owned small businesses to liquidate after the death of the owner. Even someone as savvy as Jack Kent Cooke couldn't leave his crown jewel, the Washington Redskins, to his son because of the taxes on his estate.

So … would you like some good news?

In addition to the tax-free growth, cash value life insurance provides a tax-free death benefit to your loved ones.

This assures that this tangible expression of your enduring love and care will seamlessly transition to your chosen beneficiaries, untouched by the cold and greedy hands of the IRS.

I can assure you of one thing: There is no better asset to die with than life insurance. It is the most heavily used estate planning tool in the country because it can help pass on more of your hard-earned money to your family.

Pitfalls to Avoid

Now, there's an interesting dance between your premiums and your death benefit, choreographed by the IRS. If you put too much into premiums for a given death benefit, the IRS might reclassify your policy, stripping it of its tax advantages and defeating the whole purpose of a life insurance retirement plan.

But don't worry, there are safeguards to prevent you from stepping on those regulatory toes. This is why it's important to work with a financial professional that knows what they're doing. They'll design a policy properly that will enable you to avoid pitfalls and accumulate tax-free wealth while removing risk.

In the grand scheme of wealth creation and securing a tax-free retirement income, the trick is to purchase the minimum amount of life insurance the IRS allows for your level of funding. This strategy minimizes the cost of your death benefit and maximizes the portion of your premium that contributes to your cash value. And that's how you turn your IUL policy into a powerful tool for financial growth and stability.

Let's look at this through a different lens … Consider the IUL policy as a growing calf, with its cash value represented by the calf's size. The calf's growth is fueled by the feed, which symbolizes your policy's premium.

At birth, the calf is small and requires little space. However, as it grows, it will need more room. That space represents the death benefit. As the calf grows it will need more space but providing it with an area the size of Montana would be wasteful.

So … you want a space that grows along with your calf. You know how much feed you'll be giving your calf, so you need to find a suitably sized area for it to grow. If the space (death benefit) is too big, it becomes wasteful and inefficient – the same applies to having too large of a death benefit within your life insurance policy for a given amount of premium. You'd be spending excessively on the death benefit, resulting in less of the premium being allocated to your cash value.

A Policy In Action

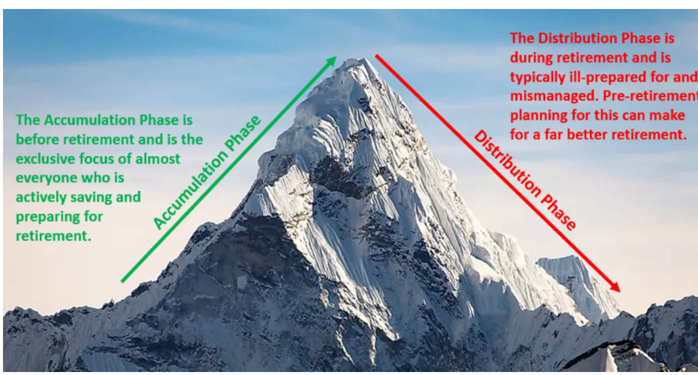
I often hear "I can get a better rate of return in the stock market". You know what? You very well may get a better return in the stock market … but it's also possible you won't.

One thing that is for certain though is that you'll have to accept some rather unattractive possibilities, such as:

1. Stock market risk – you won't have a zero percent floor, no market protection.
2. The constant worry and anxiety that the bottom is going to fall out from under you at any moment, caused by things that are completely out of your control, like:
    1. The economy cratering
    2. A bubble bursting
    3. Geopolitical problems... How much control do you have over what China, North Korea, Iran, Russia, etc. are up to?
    4. Federal Reserve policy
    5. Who wins an election
    6. COVID-19 or another pandemic
3. Taxation – Whether it's income tax or capital gains tax, unless you're exclusively in Roth accounts, you'll be facing the tax man

With a LIRP (Life Insurance Retirement Plan), stock market crashes are going to continue happening, the economy will still go up and down, and other countries are still going to do what they're going to do. But unlike being invested directly in the market, you can't have losses, and you won't pay taxes on any gains or any taxes when you use the policy in retirement for income.

And so after you absorb all of that heartburn and tossing and turning in bed, you may get a better rate of return in a 401k, but bear in mind that that is only climbing UP the mountain. **Where a LIRP really shines is on the distribution side of that mountain.** This is where the rubber meets the road and all of your savings over many years become a source of tax-free retirement income.



Let's take a look at the illustrated results of a typical LIRP candidate. We'll call him Tom.

Tom is a healthy 45-year-old professional who just landed a new job he's really happy about. Tom will be earning $125,000 annually.

Tom’s mistake: On the first day of his new job, Tom enrolls in his company's 401k plan. Tom wants to be responsible with his increase in income and opts to contribute the maximum limit of $22,500 into the company retirement plan. His employer offers a match of dollar-for-dollar up to 6% of his salary, which is $7,500.

Tom's decision to max out his contribution means $15,000 of his input doesn't get matched by the company. In reality, to get the full amount of "free money" from his company, he only needs to contribute $7,500.

Given that Tom's overall effective tax rate is 20%, his $15,000 over-contribution (contributing beyond the matched amount) will cost him $12,000 a year in take-home pay, saving him $3,000 in taxes for the year by reducing his taxable income.

The new plan:

Tom is pretty excited about his new retirement plan and tells his friend Jeff about his sunny prospects. Luckily for Tom, Jeff is a retirement income expert and sees the holes in Tom’s plan. Jeff suggests redirecting the $15,000 pre-tax dollars (equivalent to $12,000 post-tax) that Tom is over-contributing to his 401k, into a Life Insurance Retirement Plan (LIRP), costing him $1,000 per month.

So here's the new plan: Tom contributes $7,500 to his 401k (which is matched by his company), and he puts $1,000 per month into a LIRP for 20 years, aiming to retire at 65.

The comparison below shows how this LIRP strategy stacks up at age 65 against contributing the $15,000 "beyond the match" to his 401k.

Note: The LIRP has an illustrated rate of return of 6.62%, while the 401k is modeled at 8% – a generous estimate designed to favor the 401k.

	401k	LIRP
Account Balance	$574,062	$458,882
After-tax Account Balance	$459,250	$458,882
Death Benefit	$459,250	$657,383

Even with the 401k's advantageous return rate, the after-tax values at age 65 for both strategies are virtually identical: $459,250 for the 401k vs. $458,882 for the LIRP.

However, from age 66, Tom can start drawing on his LIRP by taking out a tax-free policy loan of $50,064 each year for the next 25 years. To get the same amount after taxes from his 401k, assuming a 30% tax rate in retirement, he would need to withdraw $71,520 annually. That's $21,456 sent to Washington each year. The LIRP clearly outperforms the 401k in this scenario, offering the same retirement income with a much smaller drain on the account balance.

Perhaps you've heard of "the 4% rule". It was developed by William Bengen in 1994 and basically it states that when you begin retirement, you can withdraw 4% of your net worth from your accounts and, at age 90, you should have 1 or more dollars left to your name. There has been lots of analysis and debate in recent years as to whether that percentage is too high. Just a few years back, Morningstar came to the conclusion that it was just 2.8% that could be considered safe.

Let's go back to what Tom would have to withdraw from his 401k in order to keep pace with the LIRP: $71,520. At age 65, that 401k would have been worth $574,062. If Tom was to withdraw $71,520, that would be 12.5% of his portfolio – it would be a sure path to financial ruin, and a quick path at that … He'd run out of money in just 9 ⅓ years!

Below is a table that summarizes the key data and performance of the LIRP

Summary Data of a Life Insurance Retirement Plan	
Sex	Male
Age	45
Health Rating	Preferred Non-smoker
Monthly Premium	$1,000
Initial Death Benefit	$198,501
Years of Funding the LIRP	20
Crediting Index	S&P 500
Modeled Index Rate of Return	6.62%
Crediting Rate Floor	0.25%
Crediting Rate Cap	12.00%
Tax-free Income Begins at Age	65
Years of Tax-free Income	25
Cash Value at Age 65	$458,882
Death Benefit at Age 65	$657,383
Tax-free Income Per Year	$50,064
Total Tax-free Income	$1,251,588
Remaining Cash Value at Age 90	$40,518
Remaining Death Benefit at Age 90	$165,225

As you can see, rather than running out of money in 9 ⅓ years as would be the case with the 401k, the LIRP chugs along for 25 years producing $50,064 of tax-free spendable cash each year and, at 90, it would still have over $40,000 in cash value and a death benefit of $165,225!

Let's look at this slightly differently across 4 major categories:

	401k	LIRP	The LIRP's Advantage
Taxes Paid	$204,345	$60,000	$144,345
Fees Paid	$153,736	$131,738	$21,998
Net Income	$476,806	$1,251,600	$774,794
Death Benefit	$0	$165,225	$165,225
			$1,106,362

Remember, Tom is still contributing to his 401k, he didn't abandon it: he's contributing 6% so as to get the maximum matching contribution from his employer. Beyond that, however, he took a different path from his previous strategy of maxing out his 401k. The overfunded/unmatched dollars going into his 401k were re-directed to a LIRP. On an after-tax, take-home pay basis, there wasn't a dime's worth of difference in the here and now, but in retirement there's an extra 1.1 million after-tax dollars for his use and enjoyment.

Here's a Quick Recap of Indexed Universal Life (IUL) Insurance: Key Benefits

Dual-Purpose Instrument: An IUL policy serves as life insurance and a wealth-building tool, providing you with a two-in-one financial package.

Flexible Premiums: You decide how much you want to pay, within certain limits. A part of your premium covers the death benefit, and the remainder contributes to your cash value account.

Tax-Free Cash Value Growth: The cash value in your policy grows tax-free over time, functioning like a tax-protected savings account within your insurance policy.

Access to Cash Value: This is your money, available for you to use at any time for any reason, without facing penalties or taxes; you won't find that available to you with the 401k until age 59 1/2.

Tax-Free Death Benefit: Upon your demise, the policy provides a death benefit to your beneficiaries tax-free, acting as a financial shield against estate taxes.

Risk Management: The indexing strategy of an IUL eliminates risk by protecting you from market downturns, while allowing you to enjoy market upswings.

A skillfully executed Indexed Universal Life Insurance policy stands as a remarkable instrument in the realm of your own financial planning AND protecting those your hold dear from the intrusive hands of the IRS even beyond your lifetime.

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Chapter 6

SUPERCHARGING YOUR RETIREMENT WITH KAIZEN

If you are between the ages of 45 to 65, you are likely more acutely aware than other age groups of how well you have (or haven't!) saved for retirement.

It's a problem that even many high-income earners are facing.

Two of the greatest fears most Americans have are either 1) not enough savings to retire, or 2) outliving their retirement savings.

Furthermore, my experience has taught me that most people want to maintain their current lifestyle when they retire.

Think of it like this: Retiring could equate to being on unemployment…but for 30 years.

You may have heard these 30 years referred to as 3 separate ten-year periods… “the go-go years,” “the slow-go years,” and “the no-go years.” During these periods, having your money keep up with your desired lifestyle (including inflation), is not an easy feat.

If you feel like you are behind in saving for retirement it may be helpful to avail yourself of another tool I oftentimes recommend to clients called The Bank Funded Retirement Plan (or Kaizen®).

If you recall from *Chapter 4 What the Wealthy Know About Risk*, banks and corporations rely heavily on life insurance to fund an employee’s retirement plan and their top executives’ retirement plans. It should come as no surprise that about 85% of the CEOs of Fortune 500 companies use some form of permanent life insurance policy as one of their primary retirement tools.

Making Up For Lost Time

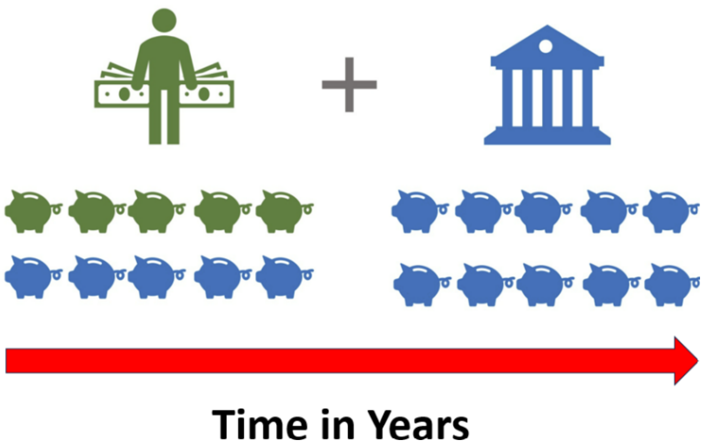
How do we possibly make up for lost time? We can make up for time by using financial leverage.

Think about this for a minute. How much are you currently contributing to your 401k plan? Is there a match? **The match is what we call leverage.** We're not talking about the scary kind of leverage that led to a margin call in "Trading Spaces". Now, what if your employer would match your contributions with $3 for every $1 you contributed?

What if you could fund your retirement in just five years?

A Bank-funded Life Insurance Policy (Kaizen®) is a life insurance policy that is specifically designed to maximize cash value accumulation through the use of leverage.

For you, **leverage can replace time.** The leverage is provided by large commercial banks. For every dollar you contribute, the bank puts in approximately three. You provide five years of contributions from your income. The bank will match those contributions for five years and continue to fund for the next five, with no additional contributions from you. The plan accumulates enough value to pay back the bank at the end of 15 years and leave you with a retirement plan that leaves your 401k in the dust. And best of all, it comes out at retirement tax-free.



“Why Haven’t I Ever Heard of Kaizen®?”

Historically, Kaizen, and other forms of Bank-funded Retirement Plans have been reserved for the wealthiest segment of America’s population. It wasn’t until recently that companies began to re-engineer these programs to mimic the Roth IRA. They knew if they could structure the Bank-funded Retirement Plan to capture the tax-free qualities of the Roth IRA **but without the contribution limitations**, they would significantly benefit the everyday pre-retiree who was looking to maximize their tax-free income in retirement.

Now you may be thinking, this sounds too good to be true. Will this unique strategy really help me be able to retire comfortably?

As a financial professional, I can't answer that question here. It depends on your unique circumstances and goals. What I can say here is that Kaizen is a very powerful tool for those who qualify because it can give you the ability to earn on average 60% more money than you can currently get from most retirement plans. And it has been stress-tested to survive even the Great Depression.

If Kaizen does sound interesting to you, you can check out the following website to learn more about it. https://www.myilia.com/kaizen. Also, feel free to reach out to me with any questions you might have. You can reach me at jeff@safesecureretirement.pro

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Chapter 7

THE SURPRISING RETIREMENT MAXIMIZING BENEFITS OF INCOME ANNUITIES

A lot of folks have a knee-jerk reaction when they hear the word “annuity” by saying “I hate annuities”. That’s because everyone probably knows of someone that was in a bad annuity or a bad-for-them annuity.

So let me ask you this …

Imagine you had the good fortune of securing a job with a company that still provides a pension. You dedicate your entire career to this organization and, at its conclusion, HR invites you into their office and says, “Here's your pension. It promises to pay you $X annually for the rest of your life.” Would you reject such an offer? Absolutely not! What you're essentially being offered is an annuity — a guaranteed income stream that lasts a lifetime.

Would you work for 40 years and then turn down your Social Security benefits? Of course not! Social Security is an annuity … a guaranteed lifetime income stream.

Only annuities can offer guaranteed lifetime income. Stocks can’t do it. Bonds can’t do it. Mutual funds, real estate, commodities like gold, crypto currency, you name it, well, they can’t do it, either.

"Only a lifetime income annuity can promise income over the indefinite period of a human life." -- Dr. Menahem Yaari

Said a little differently, if you don't know the exact date that you'll die, you need an annuity in your portfolio.

Are you ready to redefine what "happily ever after" means for your retirement? The days of spending four decades at a company, receiving a gold watch, healthcare, and a lifetime pension are gone.

Even high-income earners between 45 and 65 may find themselves worried about their retirement savings progress. In fact, Americans are more fearful of running out of money before they die than of death itself.

My years of experience have taught me that people want to maintain their current lifestyle in retirement. That's why it's crucial to ensure your money keeps up with your desired lifestyle (and inflation) during the three stages of retirement:

1. The Go-Go years,
2. The Slow-Go years, and
3. The No-Go years."

However, accomplishing this is no easy task.

Let's explore the often overlooked, yet incredibly powerful retirement planning tool: Fixed Annuities… Let me explain why fixed annuities could be the unsung heroes of your retirement strategy and how they could help secure your retirement.

Guaranteed, Stable Income for Life
You're a problem solver, and you've spent your career building for the future. For your retirement, wouldn't you prefer a simple, worry-free solution? That's where fixed annuities come in.

Priority #1 for everyone should be to be able to cover their basic living expenses each month with guaranteed income: Social Security, pensions, and then …

Fixed annuities provide guaranteed income for life, meaning you'll never outlive your money – it’s a paycheck for life.
But it’s not just a paycheck for life, it’s more like a paycheck for life with a bonus for life. Remember when we discussed the Bengen 4% rule? That’s based on a stock and bond portfolio. Anyone, whether it’s Edward Jones, Merrill Lynch, etc., can return your principal and interest/capital gains at 4%, but only an insurance company, with its risk pooling, can have higher payout rates.

If you want to Maximize Your Wealth, the higher payout rates and stability of a fixed annuity can be a welcome addition to your retirement portfolio, providing a steady source of income that you can rely on, no matter how long you live. Certainty is golden - and fixed annuities deliver on that promise.

As the Wall Street Journal aptly summarized, the secret ingredients for a more satisfying retirement are "the companionship of friends, camaraderie of neighbors, and the reliability of a fixed annuity."

Protection from Market Volatility
When it comes to your retirement savings, you don't want to be at the mercy of the market's ups and downs. Fixed annuities offer protection from

market volatility by providing a steady, guaranteed income, unaffected by the whims of the stock market.

This is especially important for professionals who may have a significant portion of their retirement savings in company stock or other volatile investments. A fixed annuity can help balance the risks associated with market volatility and ensure a stable income source throughout your retirement. You would never be forced to sell at low prices just to make ends meet – your basic living expenses (and perhaps more) are already covered.

Tax-Deferred Growth
As a forward-thinking individual, you're always looking for ways to optimize your financial situation. Fixed annuities offer tax-deferred growth, meaning the interest earned on your annuity isn't taxed until you start receiving your income payments.

By deferring taxes, your annuity grows at a faster rate than if taxes were taken out each year. Over time, this can result in a significant increase in your overall retirement savings. If you're in higher tax brackets, this tax-deferred growth can be a game-changer for your retirement strategy.

Customizable Payout Options
One size doesn't fit all in retirement planning. Fixed annuities offer customizable payout options, allowing you to tailor your retirement income to your needs.

For example, you could choose a joint-life payout option to provide income for you and your spouse or a period-certain payout that guarantees income for a specific number of years.

Estate Planning Benefits
As someone who has built a successful career, it's likely that you've accumulated wealth that you'd like to pass on to your loved ones. Fixed annuities can provide estate planning benefits that can help you achieve your legacy goals.

Upon your death, any remaining funds in your fixed annuity can be passed on to your named beneficiaries, without going through the time-consuming and often costly probate process. This means your loved ones can access the funds more quickly and efficiently, providing financial support when they need it most.
Furthermore, fixed annuities can offer tax advantages for your beneficiaries. They can choose to receive the annuity proceeds as a lump sum or as a series of income payments, depending on their

needs and tax situation. This flexibility allows your loved ones to make tax-efficient decisions that best suit their needs.

A Retirement Tool with a Social Security "Bridge"

As an experienced professional, you're accustomed to finding creative solutions to complex problems. When it comes to your retirement income, fixed annuities can serve as a "bridge" to help you maximize your Social Security benefits.

By delaying your Social Security benefits until full retirement age or later, you can significantly increase the amount you receive each month. However, this may leave you with an income gap during the early years of your retirement. A fixed annuity can fill that gap, providing you with a stable income source until you're ready to claim your Social Security benefits.

By utilizing this strategy, you can maximize your lifetime Social Security income while ensuring that you have the financial resources you need during the early years of your retirement.

A Tool for Charitable Giving

If philanthropy is an important part of your life, fixed annuities can also serve as a tool for charitable giving. You can name a charity as the beneficiary of your annuity, ensuring that your generosity continues even after you're gone.

Upon your death, the charity will receive the remaining annuity funds, providing support for the causes that matter most to you. This can be an effective way to leave a lasting legacy while also enjoying the tax benefits associated with charitable giving.

In my opinion, fixed annuities should play a crucial role in a well-rounded retirement strategy.

Warren Buffet once asked, *"Where is it written that you have to lose money to make money?"*

A recent research paper by Alliance/Bernstein showed that fixed-indexed annuities with income riders outperformed traditional 60/40 portfolios 98% of the time, generating 10% more spendable income in retirement. This means that a portfolio without an annuity is "sub-optimal."

Are you ready to take the next steps toward securing your retirement with fixed annuities? Here are some key strategies to help you successfully incorporate fixed annuities into your retirement planning:

1. Consult with a knowledgeable financial professional: Finding a financial professional with expertise in annuities and retirement planning is crucial. They can help you navigate the different annuity products and find the best fit for your specific needs.
2. Consider inflation protection: Inflation can have a significant impact on your retirement savings. Many fixed annuities offer optional inflation protection riders, which can help ensure that your income keeps pace with the rising cost of living.
3. Evaluate fees and expenses: Be sure to carefully assess the fees and expenses associated with your chosen annuity product. Although modern fixed annuities have zero to minimal fees, it's essential to understand any costs before committing to a contract.
4. Plan for the long term: Fixed annuities are designed for long-term financial planning. Ensure that you have a clear understanding of the payout options and withdrawal rules to avoid any potential issues or penalties down the road.

Remember, the key to a successful retirement strategy lies in understanding your unique needs and finding the right tools to meet those needs. You've spent your career navigating complex problems and developing innovative solutions – your retirement planning should be no different.

I don't know about you, but all of my clients absolutely cherish the assurance of extra spendable income during their golden years and the stability afforded to them.

Annuities mitigate the typical retirement risks:

- Market Risk (volatility)
- Inflation Risk
- Deflation Risk
- Sequence of Returns Risk
- Withdrawal Rate Risk
- And most importantly **Longevity Risk**

In today's rapidly evolving landscape, it's more important than ever to ensure that your retirement strategy can adapt and respond to changing market conditions. By incorporating fixed annuities into your overall retirement plan, you'll be better positioned to navigate the uncertainty and volatility that often accompany today's world.

Long-Term Care Benefits
Another aspect of fixed annuities that can make them a valuable addition to your retirement strategy is their potential long-term care benefits.

Some insurance companies offer annuities with optional long-term care riders, which can provide additional income to cover the costs of long-term care services, such as in-home care, assisted living, or nursing home care.

As a successful professional, you're well aware of the importance of planning for the unexpected. By incorporating an annuity with long-term care benefits into your retirement strategy, you can help protect your financial security and ensure that you and your loved ones are prepared for any future long-term care needs.

The Role of Financial Professionals in Annuity Selection

Choosing the right annuity for your unique financial situation and retirement goals can be a complex and daunting task. This is where the expertise of a skilled financial professional comes into play.

The key, my friends, is knowing the right instrument for the task at hand.
You wouldn't use a wrench to put a puzzle together, just as you wouldn't use a pair of scissors to drill a hole in the wall, right?

From Market Turmoil and Anxiety to Stability - Tim's Story:

A couple of months ago I met a man, let's call him Tim, who was worried about his retirement. He was 57 years old and had done a pretty good job at savings, especially compared to the average American, but he was worried about a couple of things:

- Given his level of earnings over his career, he felt that he really hadn't saved enough during that span
- He knew that he needed continued portfolio growth between now and retirement, and during retirement.
- He also lamented that had a couple of hundred thousand dollars in the bank where it was earning virtually nothing, and with today's inflation, he was basically losing money day-by-day.

The first order of business was simply to reassure him that he had a good base to build upon and that he was at peak earning years: his potential to save going forward was very robust.

However, since he was behind overall in his savings, this was certainly no time to take a significant loss in his portfolio. There's never a good time to suffer a loss, but this would be a terrible time whereby precious years would be wasted just trying to get back to even. And yet he needs growth.

To address the issue of needing growth – without any possibility of suffering a loss – I suggested a couple of growth-oriented, accumulation-focused fixed index annuities (FIA).

With a FIA, he would choose one or more indices upon which to hitch his wagon. His account value would appreciate in the good years, and we'd tread water in the bad ones – no time lost, no phony "paper losses" for pre-retirees (like Tim currently is) and no diminished lifestyle in retirement if his portfolio, as currently constructed, took a major hit.

Remember, he also has a couple hundred grand languishing in some bank, basically doing nothing. The solution there was a couple of fixed annuities (not a FIA). These will grow his money at about 5% a year for the length of the contract as opposed to peanuts at the bank.

After I presented my proposal to him, he told me that for the first time in a very long time that he now has confidence in his financial future and that was a huge relief to him.

That was a very gratifying feeling!

But I also told him that there is still much work to be done … he has self-acknowedged that he’s way behind and that he needs to step up his savings game and perhaps work a little bit longer.

Now he has a plan and you probably won’t get to where you want to be without a plan.

Comprehending the ins and outs of an Annuity is what truly matters.

It's crucial to collaborate with a skilled financial advisor who is well-versed in the top annuities and handles them regularly because, believe me, you don't want to slip up. After all, you wouldn't visit a podiatrist to treat a heart condition, would you? You want someone with specific knowledge in this area.

When I meet with a client, I assess their current financial situation and long-term financial goals. If it appears that an annuity could help them achieve those goals, I take the time to educate them on the BEST annuities available in the marketplace and the unique benefits of each one. Together, we find the right fit of strategies to create a happier and safer retirement!

Remember, it's not about how much you've accumulated in assets, but how much income those assets can generate that truly matters. That's where annuities with lifetime income riders come in. With a guaranteed stream of income for life, you'll never have to worry about running out of money, no matter how long you live.

As my friend and the leading expert in retirement planning, Tom Hegna, has said in his book "Paychecks and Playchecks," annuities are risk management tools that alleviate the stress and worry that often come with retirement planning. And I couldn't agree more.

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[1] Tom Hegna. Pay Checks and Play Checks, Retirement solutions for life. 2011-2012

PART 3

THE PATH FORWARD

Chapter 8

THREE VITAL TOPICS FOR PROPER RETIREMENT PLANNING AND WEALTH MAXIMIZATION

This book, while intentionally small, is about big ideas. My goal has been to help you begin the exciting process of totally transforming the way you plan for your future retirement by leveraging the tax code to your advantage and to bring certainty into your future in a very uncertain world.

The #1 problem I've identified in my years as a financial professional is that dated strategies of maxing out 401k's or IRAs and utilizing traditional asset allocation just isn't going to work anymore. I don't want you to just REACH retirement, I want you to have enough income and wealth to thrive in your golden years!

Toward that end, you should carefully consider the following three topics:

1. Maximizing Social Security
2. Have a plan for long-term care
3. Use life insurance to leave a legacy

Maximizing Social Security

When Social Security was originally designed in 1935, it was not meant to be a retirement plan or even a large portion of one. It was meant to be longevity insurance so that the elderly didn't slip into poverty if they lived "too long". Nowadays, however, Social Security is the sole source of retirement income for approximately 40% of retirees.

If you're reading this book, then you almost certainly won't be in that percentage, however, it is still a substantial asset: for a high-earner, the lifetime benefit could easily be a million dollars. You can double that for married retirees.

Deciding when to start receiving your Social Security benefits is one of the most important decisions that people make. Not only is it a large asset but it's also irrevocable and a guaranteed lifetime income source from when you start receiving benefits.

If you were to ask the average retiree when they think that you should take Social Security, I’d bet my bottom dollar that they’ll say age 62.

In fact, according to the Social Security Administration's Annual Statistical Supplement, about 33.6% of men and 36.4% of women claimed Social Security at age 62, making it the most popular age to begin collecting benefits.

Why do many people start their benefits at 62?

The initial reason often voiced is, "What if you postpone claiming and then pass away before doing so? You'd end up collecting nothing or very little of the benefits you’ve earned." Granted, this is a possibility.

The second reason is that Social Security is on shaky ground, and that’s certainly true.

Currently, projections indicate that the Social Security trust fund will be depleted by 2033. However, the truth of the matter is that the trust fund essentially holds nothing but IOUs from the federal government. Political figures have long since raided these funds, giving rise to Al Gore's infamous "lockbox" proposal. This "lockbox" plan Gore floated during his 2000 presidential run was all about making sure Social Security funds were off-limits - used only for Social Security, keeping the government's hands out of the cookie jar for other expenses.

Social Security was last saved in 1983, months before insolvency. It was a last-minute deal and that’s how things will almost certainly play out again.

It’s reported that Winston Churchill once said that *“You can always count on the Americans to do the right thing, after they’ve tried everything else.”*

That’ll almost certainly be the case here. Politicians know that “old people vote”. The largest voting block is the Baby Boomers, followed by Gen X, and there will be hell to pay if Social Security isn’t fixed.

The average retiree might suggest claiming Social Security at age 62, but they're not exactly well-versed in the crucial details that shape your decision, such as:

1. Your personal health status
2. Your financial situation
3. Your family's health history

4. Your retirement dreams and objectives

So while it's always helpful to hear different perspectives, remember that everyone's circumstances are unique.

62 very well may be the right age for you,

BUT

the decision should be well thought out.

If your health is strong and there's no pressing need for the funds, it may be beneficial to postpone Social Security. As the primary income earner in your family, delaying could ensure your spouse receives the maximum possible benefit in the event of your passing. Also, remember that an unexpected health issue, either yours or a loved one's, forces about a third of people to retire sooner than planned. .

I hope that I’ve impressed upon you the importance placing significant thought and consideration into your Social Security claiming age. It’s a decision made best in conjunction with the advice of a financial professional who can help run you through various scenarios.

Have a Plan for Long-term Care

Over your lifetime, there's a
3% chance that your house will burn down.
17% chance that you'll total your car.

If you make it to age 65, however, there's a 72% chance that you'll need long-term care in one manner or another, whether that's home healthcare, assisted living, or a nursing home.

People tend to insure things that they have keys for, like homes, cars, motorcycles, jet skis, etc. Yet this is a pretty predictable risk and it's largely ignored.

I get it, nobody wants to think about being confined to their home or moving into assisted living or a nursing home. We all know someone, probably a loved one, or lots of people who moved into assisted living.

I remember visiting my grandmother at her assisted living facility. I don't recall the actual name, but we called it Shady Acres in a joking manner. It was quite nice, secure, had good food, and was very hot inside. She was well cared for and got to socialize all day long, and goodness gracious, was she a people person. All of that comes with a price, however. A big one.

Fortunately, just a few years prior, she had purchased a long-term care policy. Frankly, I'm surprised, looking back on it, that she got the policy given her age, etc., but that was a long time ago and things were different.

Having a plan for long-term care – insurance of some form – will allow you to not worry about that major expense. That's another way to Maximize Your Wealth. You have the freedom to spend your money without the fear of needing to provide for that unbelievable expense.

How unbelievable? Well, assisted living can easily be $6,000 or $7,000 a month, while a private room in a nursing home will run about $100K a year!

Any plan is better than no plan, but you really do need to have a plan. If you do so well in your earnings and savings, then maybe you plan to self-insure but that should be a conscious decision.

Use Life Insurance to Leave a Legacy

Many people want to leave a legacy, to leave their mark on the world that will be around after they have left us.

If you'd like to leave money to your kids and/or grandkids, I'd encourage you to consider using permanent life insurance. I say "permanent" life insurance as opposed to term insurance. Around 98-99% of term life policies never pay out anything. Term life has its place to provide for one's family in the event of a tragedy. It's, best used in the working years when income would need to be replaced, but the chances of it being in-force when needed for legacy purposes are unlikely.

Life insurance has long been the most efficient way of leaving money to one's kids and grandkids because by spending just pennies or nickels, you can generate a dollar's worth of benefit, maximizing the impact of each cent spent. Not only that the benefit is received by the beneficiary tax-free.

Conversely, 401(k)s and similar plans, along with IRAs, will be taxed, and the taxes will be paid for by the beneficiary. In the past, the beneficiary could stretch out 401(k)s and IRAs over the course of their life expectancy and therefore let them manage the tax obligation.

On December 20th, 2019, however, the SECURE Act was signed into law. It was a pretty sweeping bill, and one of the provisions was the elimination of the “stretch” IRA. Now, instead of stretching out a received 401(k)/IRA over their life, recipients must distribute the account over a 10-year period. That could result in large annual distributions and therefore, taxation and, to make matters worse, would probably be received by the kids during peak earning years potentially bumping them into a higher tax bracket.

To truly Maximize Your Wealth, consider this strategy: enjoy your retirement funds fully, leave no untouched accounts for your kids, but instead, leave them life insurance. After all, you've worked hard for your money - it's yours to relish. You've practiced delayed gratification through diligent saving; now, in retirement, it's time to reap those rewards. Secure your kids' future at a fraction of the cost of their ultimate inheritance, and live out your golden years unburdened.

Chapter 9

THE NEXT STEP

"Vision without action is merely a dream." – Joel Barker

Congratulations! You are one step closer to having the peace of mind that comes from knowing that you are on the right path to enjoying a retirement filled with happiness and adventure, free from stress and worry.

Imagine what it could feel like to know that your future, that of your family, and your legacy are secure.

Trust me, it's gratifying and makes the entire planning process worthwhile. And "the entire planning process" really isn't a big time commitment. All too often, however, people mistakenly believe that retirement planning is too complicated and requires vast amounts of time so they'll kick the can down the road and squander valuable time.

As I said earlier, I wrote this book for two primary reasons: 1) to help inform and motivate high-earning and high-achieving professionals like you, and 2) to extend an invitation to see if working together to help you with the goal of creating more income and wealth makes sense -- for both of us.

If you like what you have read so far and feel that working directly with me to either create or improve your retirement plan makes sense, let me ask you to consider these four questions:

1. Do you believe taxes will go up in the future?
2. Are you serious and committed to using the tax code to your advantage legally, morally, and ethically, so that you and your family can create more income and wealth for years (*even generations!*) to come?
3. Would you like to find out more about whether annuities or other strategies I've mentioned in this book are right for your situation?
4. Do you value working with an experienced professional to guide you, bring out the best in you, and prevent mistakes?

If you answered yes to at least 3 of the four questions, then, as I see it, you have two pathways in front of you at this very moment in time.

1. You can close this book and do nothing with the information I shared. (If you have gotten this far, I surely hope this is not an option.)
2. You can schedule a 15-minute introductory Zoom call with me to begin the conversation on how we might work together.

If you are serious about your financial future, you have nothing to lose by choosing the second pathway.

This one call might just hold the key to unlocking the door to your peace of mind knowing that you could be on the right path to enjoying a retirement filled with happiness, adventure, and opportunity.

There is no obligation, and scheduling it is super easy.

I understand your goals are uniquely yours, which is why you and I need to talk -- if you are serious about implementing any of the ideas in this book.

This call is all about helping you decide if working together is a good fit for both of us. Maybe we are meant to work together. Maybe we are not. But we will not know unless you and I have this first critical conversation.

Note: It's NOT a Sales Call

It's a two-way interview to make sure we agree this is a good match. I'll ask you some questions, and you can ask me some questions (in fact, as many questions as you want). And then, we can go from there.

This is typically a 15-minute Zoom call; however, we will stay on until you're satisfied you are ready to work with me or you simply want to move on. That's it. There is no obligation on your part.

I am a firm believer that everyone should be working with certain people -- not everybody -- but people who "get" you and understand what's most important to you and your family.

I feel the same way about the people whom I work with, and in order for us to see if we are a good fit, I have found these calls to be the ideal litmus test. It will give us a chance to meet and see if working together makes sense.

TODAY Is the Day. NOW Is the Time.

Schedule your **Maximize Your Wealth Strategy Session** with me right now. There's absolutely no fee, no obligation, no risk, and nothing to lose.

How to Schedule Our Call:

Go to: meetwithjeffdietz.com and pick a day and time that works best for you. That's it! Or if you have any questions, you can email me directly at: jeff@safesecureretirement.pro.

Or feel free to use the camera on your phone to activate this QR code:

I look forward to hearing from you and, more importantly, working together to help you create more income and wealth for you and your family for years to come!

RESOURCES & SOCIAL MEDIA

In addition to the resources I have already shared with you throughout this book here are a few more that you can check out.

My Website:

https://www.safesecureretirement.pro/

My LinkedIn: https://www.linkedin.com/in/jeff-dietz/

My 11-minute video on tax-free retirement:

https://jeff-dietz.mynewretirement.com/webinar

Additional Resources:

1. My “Retirement Plan Strategy Checklist”, a brief 12-page booklet to see how your retirement plan strategy stacks up
2. A copy of "Paychecks and Playchecks" by Tom Hegna, a book to which I’m a contributor
3. My “Child Asset Builder” booklet
4. Access to “Retire Happy University,” with incredible content. Simply go to retirehappyinvitation.com to gain access

ABOUT JEFFREY DIETZ

Retirement Income Certified Professional

Jeff's primary focus is in creating a secure, stress-free, and tax-free retirement for his clients. He's on a professional mission to help as many individuals as possible remove the needless risks of Wall Street we've all been told that we must endure to have a successful retirement and to keep the sticky and greedy fingers of the IRS off of his clients' hard-earned money, both while you're working and - even more importantly - during your retirement years.

As a Retirement Income Certified Professional, Jeff works with his clients to not only build their retirement nest egg, but to also create an optimal strategy to manage the often-mismanaged distribution phase. The goal is to maximize spendable income, through tax minimization and increased (yet safe) distribution rates, so that one's assets provide for their desired lifestyle for their entire life without the fear of running out of money.

Conventional financial advice is geared almost exclusively towards the accumulation of assets, which is of course very important, but there's very little emphasis on positioning people to have an optimal retirement where taxes are minimized, and income is maximized

People can sleep well at night without worrying about each and every stock market gyration, and live a fulfilling retirement without fear of running out of money. Jeff helps his clients both accumulate their wealth and then use it optimally when they need it, all while taking key retirement risks off of the table – longevity risk, market risk, sequence of returns risk, inflation risk, long-term care risk, etc.

Jeff holds a bachelor's degree from Virginia Tech in chemical engineering and a master's degree from The University of Virginia in Systems Engineering. He also attained the designation of Retirement Income Certified Professional from The American College of Financial Services. He is the proud father to two outstanding sons and is a very active member of Woodlake United Methodist Church.

A VIDEO INTERVIEW WITH JEFF

I find that video is a great medium to get to know someone.
Toward that end, I created this 10-minute video so you can get to know me a bit better and determine if you think we might be a good fit.

Here is the link to the 10-minute video:

https://youtu.be/B6OxGMgVznQ

SERVICES

In addition to the ideas and strategies detailed in this book, here is a comprehensive list of the services I offer:

- Tax Aware Retirement Strategies
- Wealth & Distribution Strategies
- Legacy Planning
- Debt Elimination Strategies
- Estate Planning
- Family Wealth Transfers
- Pre-Retirement Consultation

You can learn more and get the most up to date information at my website at: https://www.safesecureretirement.pro/