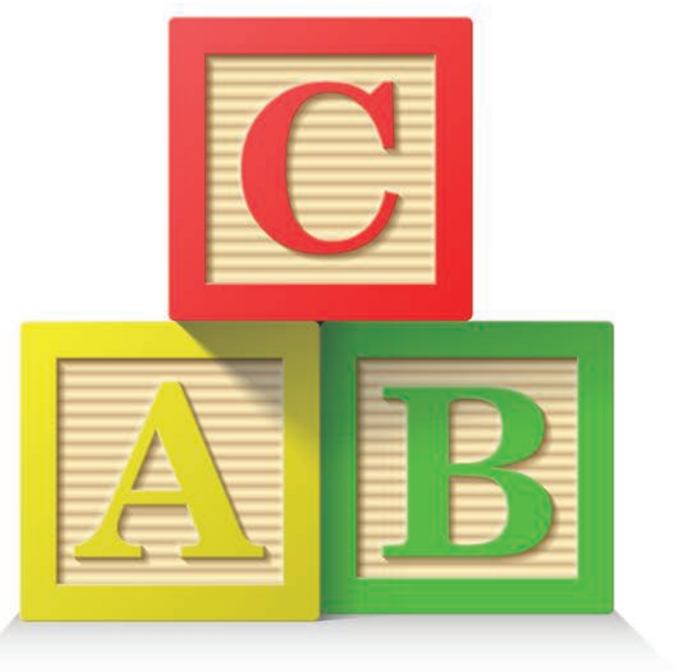
CHILD ASSET

Builder



Leaving a Generational Legacy

The magic of compound interest. Compound Interest is the addition of interest to the principal sum of a deposit. In other words, interest on interest.

What if you could use the magic of compound interest for decades (i.e., a child policy), yet never pay taxes above basis because you take distributions as a loan?

It is not deemed as income, is not subject to required minimum distributions, and will not affect taxation on social security if in a life insurance policy. Death benefits are tax free as well.

As a parent or grandparent, you can leave a legacy by using the magic of compound interest.


Compound
2.5
2.0
1.5
1.0
0.5
0.0
interest

According to the Federal Reserve,

"Over one-half of Americans could not come up with $400 in an emergency."

That's unerving, to say the least. All of us love our children/grandchildren, but we might not be around to guide them through financial challenges. What if part of your legacy was built around helping them get a head start on savings?

I recently came across a 45-year-old man whose father taught him the value of savings. His dad told him to put 25% of every dollar into savings when he took his first part time job in school. He never stopped setting aside this percentage, and his income has grown through the years. Today, at a relatively early age, he's a multimillionaire. But, as you know, he's an exception to the rule.

One of the problems is that we're not taught financial responsibility when we're in kindergarten, grade school, high school, or even college. And many times, what we do learn about savings is simply not true. What if you could give your children a head start with the knowledge of how to take care of money? What a legacy that would be.

The Magic of Compound Interest Combined With Time. Add tax-free distribution with flexibility and you have a child asset builder

Compound Interest

+

Time

+

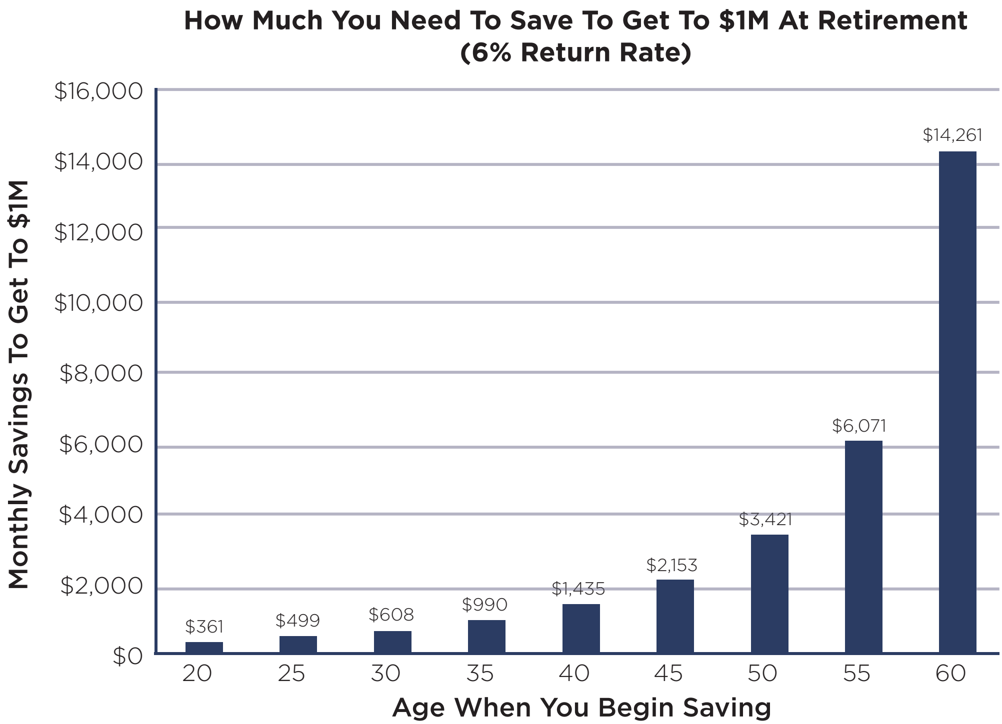
Tax-Free Distributions With Flexibility

=

Child Asset Builder

Remember, compound interest is the addition of interest to the principal sum of a deposit. In other words, interest on top of interest.

As the years go by, this method of accruement can develop into a sizable amount of money. This is great, but the problem is that interest is always taxable when you take a distribution.



When we talk about a checking, savings, or even a CD account, we already know that the gain, if any, is taxed at the end of the year. For traditional IRAs and 401k's, 100% of that money is taxed at distribution.

There are only two methods that are never taxed: Roth IRA or life insurance when distributed through loans that are properly designed.

How assets are taxed

Taxed now	Taxed later	Never Taxed
Cd's and Money Markets	401(k) Accounts	Roth IRA's
Mutual Funds	403(b) Accounts	Cash Value Life Insurance
Saving Accounts	Traditional IRA's	

Every time I tell the Child Asset Builder story, I get more and more excited. The concept isn't new, but with today's products, it can be highly enhanced. Today, our program can include life insurance with critical, chronic, and terminal illness coverage. The owner has the option of using the money to help meet the needs of the child should a situation arise.

But why would you purchase life insurance? The number one factor is future insurability. Once you're approved, it's locked in as long as your policy doesn't lapse. Think about that for a second. Being able to purchase life insurance at a young age, when costs are low, makes perfect sense. No matter what happens in life, your child is insured.

How many parents or grandparents make the costly mistake of not taking care of this simple decision?

Later in life, that insurance can be a great asset, as you know, to help secure loans. There is so much flexibility in this plan. It may also become the most valuable asset a family can ever have, helping a family pay debts and ensuring future income. This Child Asset Builder plan could become a college savings account. In addition, the policy comes with critical, chronic, and even terminal illness riders. I call this the risk management of our plan.

Simply put, our plan is self-completing no matter what occurs.

Now, let's look at the primary reason for the Child Asset Builder: accumulation. This is why so many grandparents and parents love this plan. It makes sense: if we systematically put money away for a few years when the child is young, we can eventually stop payments and just let it build. If we're able to credit interest in most years, the concept/magic of compound interest could really take hold for us.

But here's the real beauty of this plan: it's not in the market. After expenses, the carrier puts the remainder of the premium in their general accounts, which are generally fixed assets. They then purchase options on behalf of the policy. For instance, if we chose a crediting strategy of a one-year point to point, we would see if the index had any gains one year later. If it did, we would exercise our option and take the gain at 100% up to the cap that the carrier offered. Then, we would lock in that gain and reset for our next crediting period.

On the other hand, if the index did not achieve a gain, we would simply not exercise the option. Thus, we lose no money in our crediting strategy. We would reset at the lower index mark and begin again.

Now, here's a moment that seems almost too good to be true. We are simply using the rules and laws of life insurance to make this happen with an overfunded Indexed Universal Life plan.

I mention the rules and laws of life insurance because we are using a concept called arbitrage to maximize our return. We are using a variable loan where the carrier loans the money without going into your cash account. It continues to work inside the crediting strategy.

One concern you might have is that when the child turns 25 and she has control of the account, she may see money that she could access. You may no longer be around, and guidance may be at a minimum.

To accompany the Child Asset Builder I'd encourage you to write a personal handwritten letter to the child. This letter would explain the details and importance of the plan. I have to tell you, I think they would think twice before terminating the policy.

The Love Letter

Dear Grandchild,

This letter is coming to you as the result of years of hard work and sacrifice on our part.

Because of our wise and careful stewardship, generosity and committment to the Lord's work (tithing), you are receiving part of your inheritance, a life insurance policy with considerable value in addition to the amount of life insurance.

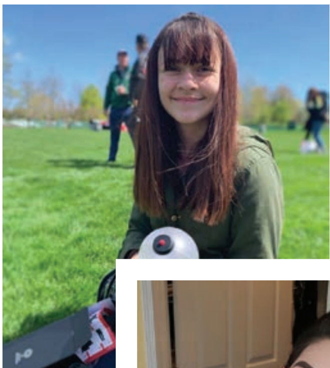
While this gift is important, remember that a legacy is not only leaving something for people, it is leaving something in people.

In keeping with our legacy, it is our hope that you will prayerfully, thoughtfully and wisely use this gift.

With much love, prayer and blessings for your future.

Papaw and Mamaw


Ford
COBRA



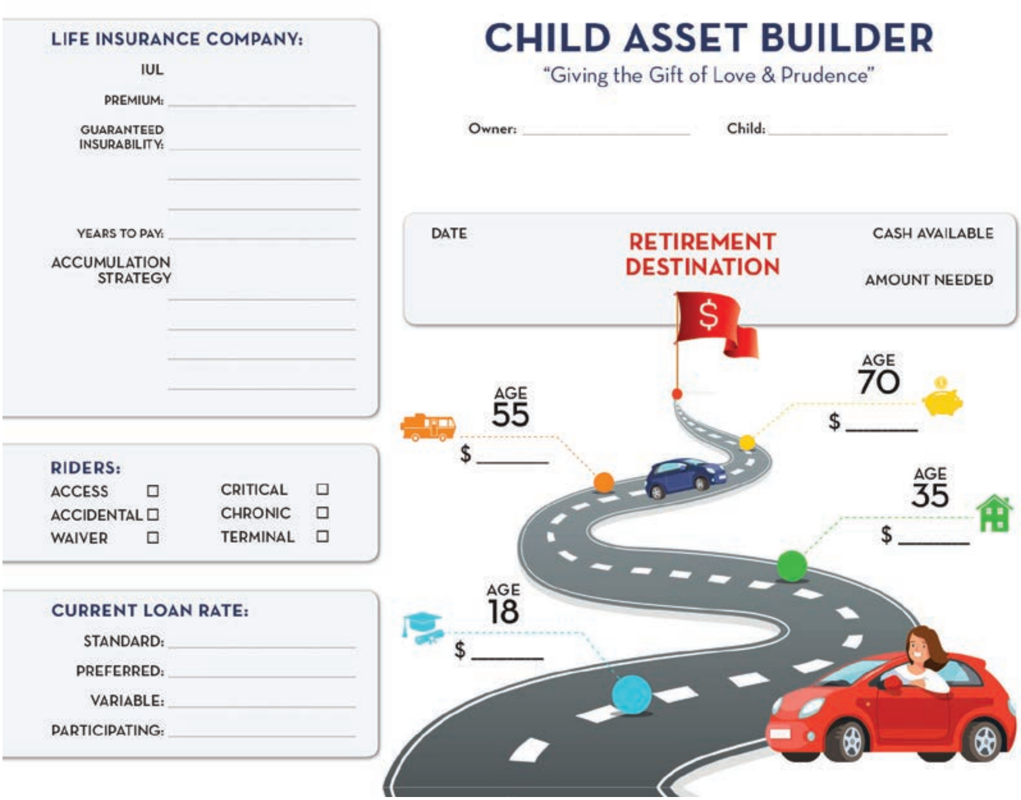

ALL LIT UP

I think you would agree that proper planning is a must for life and retirement.

You know, social security was never meant to cover more than 40% of your income when you move into retirement.

Let's take this deeper. I'm a firm believer that it's almost impossible to get to your destination unless you have a plan, a process, a roadmap. Why leave anything to chance when you can chart a blueprint to your goal?

Child Asset Builder Roadmap



- GUARANTEED INSURABILITY
- AN OPPORTUNITY FOR COLLEGE FUNDING
- EMERGENCY FUNDING
- A SOURCE OF SUPPLEMENTAL INCOME
- TAX DEFERRED ACCUMULATION

GRANDPARENTS CURRENT LIFE INSURANCE

GRANDMOTHER	GRANDFATHER	
		FACE AMOUNT
		TYPE OF INSURANCE
		CASH VALUE

PARENTS CURRENT LIFE INSURANCE

MOTHER	FATHER	OTHER	
			FACE AMOUNT
			TYPE OF INSURANCE
			CASH VALUE

The Love Letter

Kathy is the VP of Marston Rogers Group. She is a Life Planner with a passion to help people evaluate their current situation with an eye toward the future. She has been a small business entrepreneur for 40 years, coauthor of two books, Founder of Adopt A Grandparent Day and Board President of Women's Resource Center.

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This poem was written by my Mother, Sybil Jean Megehee Pigott. My goal is to live out and pass down the legacy left me by my Mother; the importance and value of family.

My Family

My family is such a special one!
I never ask if I am loved,
I am often told I am,
No need to ask for your prayers,
I know I'm always there.
I never wondered if God hears your prayers,
I have seen the answers come.
It's not only hearing your voice,
Or seeing your form,
It's knowing you are there,
And feeling the love we share.
You touch my life in such a special way.
Thank you for being my family!

Sybil Jean Megehee Pigott

MARSTON ROGERS GROUP

Your tomorrow is our priority today

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