



Building a

# FINANCIAL FOUNDATION

NOW  
IS THE TIME

THERE IS A  
BIG DIFFERENCE  
BETWEEN  
BUILDING A  
FINANCIAL  
FOUNDATION AND  
GET-RICH-QUICK  
SCHEMES.

The need has never been greater as more and more people are worried about their futures.

Individuals and families across North America are hurting financially, and are more confused than ever about the steps they need to take.

Now is the time to help people find the solutions to reach their financial goals.

NOW MORE THAN EVER, PEOPLE NEED A FINANCIAL SERVICES COMPANY TO STEP UP AND HELP THEM BUILD SOUND FINANCIAL STRATEGIES. THAT COMPANY IS **WORLD FINANCIAL GROUP.**

DO IT RIGHT



## YOU CAN BUILD A PROPER FINANCIAL FOUNDATION

### YOUR CHALLENGES:

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- Protecting your family (Life, Health, Disability)
- Reducing your liabilities and getting out of debt sooner
- Constant changes in your job, career or business
- Living longer without adequate income

### OUR SOLUTIONS:

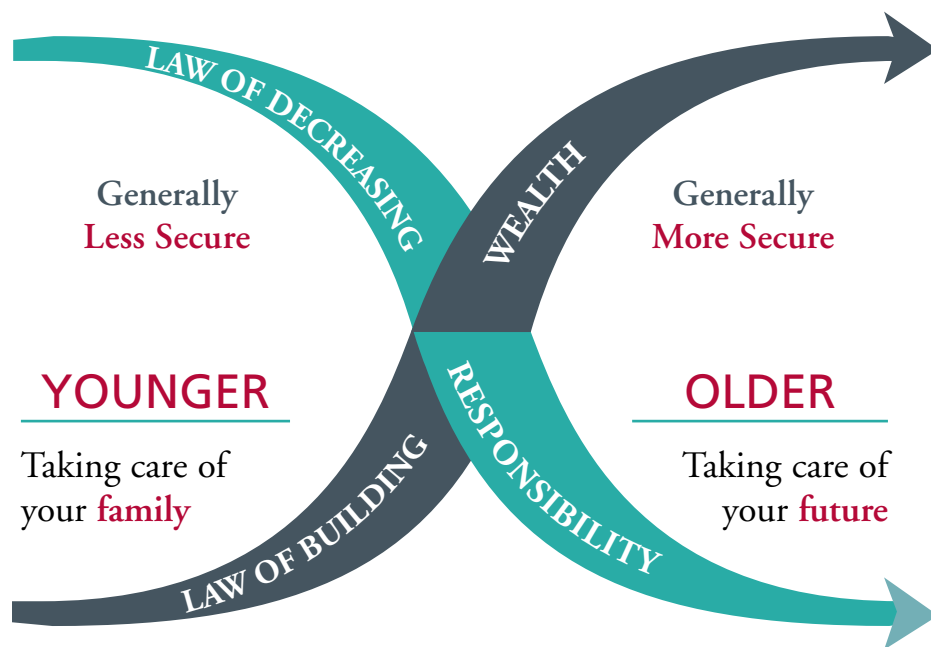
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- Providing a financial education and an understanding of money basics
- Assessing your current financial situation
- Helping you develop and implement a strategy to work toward your financial goals
- Implementing a strategy with regular review

IF YOU HAVE THE WILL,  
WE WILL SHOW YOU  
THE WAY.

## THE X-CURVE CONCEPT OF WEALTH & RESPONSIBILITY

This concept theorizes that a person's responsibilities generally decrease and their wealth generally increases over time.



YOU MUST TAKE CARE OF YOUR RESPONSIBILITIES WHILE BUILDING YOUR WEALTH.

## THE WEALTH FORMULA<sup>1</sup>

$$\begin{aligned}
 & \text{Money} \\
 + & \text{Time} \\
 +/ - & \text{Rate of Return} \\
 - & \text{Inflation} \\
 - & \text{Taxes}
 \end{aligned}$$

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**WEALTH**

YOU CAN BUILD A SUCCESSFUL FINANCIAL FUTURE.

<sup>1</sup> This is a concept developed by WFG for illustrative purposes only. In no way does this statement offer, guarantee or otherwise imply any financial gain or reward. The term "wealth" is subjective and must be defined on an individual basis.

## SAVE EARLY

**MR. START EARLY** saves \$3,600 per year for seven years in an 8% tax-deferred account.

**MR. WAIT LONGER** starts saving \$3,600 per year for 17 years in an 8% tax-deferred account, seven years later than Mr. Start Early.

MR. START EARLY			MR. WAIT LONGER		
AGE	YEARLY CONTRIBUTION	TOTAL ACCUMULATION	AGE	YEARLY CONTRIBUTION	TOTAL ACCUMULATION
25	\$ 3,600	\$ 3,888	25	\$ -	0
26	\$ 3,600	\$ 8,087	26	\$ -	0
27	\$ 3,600	\$ 12,622	27	\$ -	0
28	\$ 3,600	\$ 17,520	28	\$ -	0
29	\$ 3,600	\$ 22,809	29	\$ -	0
30	\$ 3,600	\$ 28,522	30	\$ -	0
31	\$ 3,600	\$ 34,692	31	\$ -	0
32		\$ 37,467	32	\$ 3,600	\$ 3,888
33		\$ 40,465	33	\$ 3,600	\$ 8,087
34		\$ 43,702	34	\$ 3,600	\$ 12,622
35		\$ 47,198	35	\$ 3,600	\$ 17,520
36		\$ 50,974	36	\$ 3,600	\$ 22,809
37		\$ 55,052	37	\$ 3,600	\$ 28,522
38		\$ 59,456	38	\$ 3,600	\$ 34,692
39		\$ 64,212	39	\$ 3,600	\$ 41,355
40		\$ 69,349	40	\$ 3,600	\$ 48,552
41		\$ 74,897	41	\$ 3,600	\$ 56,324
42		\$ 80,889	42	\$ 3,600	\$ 64,718
43		\$ 87,360	43	\$ 3,600	\$ 73,783
44		\$ 94,349	44	\$ 3,600	\$ 83,574
45		\$ 101,897	45	\$ 3,600	\$ 94,148
46		\$ 110,048	46	\$ 3,600	\$ 105,567
47		\$ 118,852	47	\$ 3,600	\$ 117,901
48		\$ 128,361	48	\$ 3,600	\$ 131,221
<b>TOTAL CONTRIBUTION</b>			<b>TOTAL CONTRIBUTION</b>		
<b>\$25,200</b>			<b>\$61,200</b>		

PAY YOURSELF FIRST

## SMALL CHANGES, BIG MONEY

What if you can make small changes in your spending habits and start saving \$10 per day (\$300 per month)?

Can you cut down on the following:

Sodas • Cigarettes • Lattes • Cable TV • Games • Bottled Water • Sweets • New Gadgets • Shopping • Driving a Big Car • Eating Out • Partying ...

\$300/month at 8% in 30 years



**\$447,107**

\$600/month at 8% in 30 years



**\$894,214**

DISCIPLINE AND CONSISTENCY ARE THE KEYS.

# THE POWER OF COMPOUNDING INTEREST

## THE RULE OF 72<sup>2</sup>

HOW MONEY WORKS

72 ÷ 4 = 18		72 ÷ 8 = 9		72 ÷ 12 = 6	
Age	4%	Age	8%	Age	12%
Money doubles every 18 years		Money doubles every 9 years		Money doubles every 6 years	
29	\$10,000	29	\$10,000	29	\$10,000
47	\$20,000	38	\$20,000	35	\$20,000
65	\$40,000	47	\$40,000	41	\$40,000
		56	\$80,000	47	\$80,000
		65	\$160,000	53	\$160,000
				59	\$320,000
				65	\$640,000

The difference between \$10,000 at 4% versus 12% is \$600,000. \$600,000 is equivalent to 20 years salary of a person who works at an annual salary of \$30,000.

All figures in the above chart are for illustrative purposes only and do not reflect an actual investment in any product. Additionally, they do not reflect the performance risk, expenses or charges associated with an actual investment. Past performance is not an indication of future results.

<sup>2</sup> The Rule of 72, as a mathematical concept, approximates the number of years it would take to double the principal at a constant rate of return. However, the performance of investments fluctuates so the actual time it takes an investment to double cannot be predicted with any certainty, and there is no guarantee that an investment or savings program can outpace inflation.



ARE YOU WINNING OR LOSING IN THE MONEY GAME?

The Cost of Living in the United States in 1978<sup>3</sup>

Average Income Per Year	\$17,000
Average Cost of a New House	\$54,800
Average Rent	\$260
Cost of a Gallon of Gas	63 cents
Dozen Eggs	48 cents
Average Cost for a Chevrolet Nova	\$3,823

<sup>3</sup> www.thepeoplehistory.com/1978

THE EFFECT OF TAXES AND INFLATION ON YOUR PURCHASING POWER<sup>4</sup>

EXAMPLE 1

If You Save	\$1,000.00
At 3% Interest	+ 30.00
Pay Tax At 25% (Combined Fed & State)	- 7.50
Net After Tax	\$1,022.50
Inflation at 3.5%	- 35.00
Actual Result (After Tax & Inflation)	\$987.00
Actual Return	-1.3%

YOU LOSE!

EXAMPLE 2

If You Save	\$1,000.00
At 5% Interest	+ 50.00
Pay Tax At 25% (Combined Fed & State)	- 12.50
Net After Tax	\$1,037.50
Inflation at 3.5%	- 35.00
Actual Result (After Tax & Inflation)	\$1,002.50
Actual Return	.25%

YOU MUST GET ABOUT 5% OR MORE IN INTEREST TO BEAT TAXES AND INFLATION.

<sup>4</sup> Assumes a 25% tax bracket. The rates of return chosen are for illustrative purposes only, and do not reflect the actual investment in any product. Nor should it be viewed as an indication of performance for any particular investment. They do not reflect the performance risks, expenses or charges associated with any actual investment. Tax and/or legal advice is not offered by World Financial Group or any of its affiliated companies. Please consult with your personal tax professional or legal advisor for further guidance on tax or legal matters.



## KNOW THE RISKS

Let's do some math. Mr. A and Mr. B both have \$100 to invest. In the following scenarios, who ends up doing better?<sup>5</sup>

### SCENARIO 1:

	Mr. A	Mr. B	RESULT	
	Mr. A	Mr. B	Mr. A	Mr. B
Year 1	+40%	+10%	\$140 (100+40)	\$110 (110+10)
Year 2	<u>-20%</u>	<u>+10%</u>	<u>\$112 (140-28)</u>	<u>\$121 (110+11)</u>
Perceived Net	20%	20%	\$112	vs. \$121
			Actual Net 12%	21%

### SCENARIO 2:

	Mr. A	Mr. B	RESULT	
	Mr. A	Mr. B	Mr. A	Mr. B
Year 1	+50%	+0%	\$150 (100+50)	\$100 (100+0)
Year 2	<u>-50%</u>	<u>+0%</u>	<u>\$75 (150-75)</u>	<u>\$100 (100+0)</u>
Perceived Net	0%	0%	\$75	vs. \$100
			Actual Net -25%	0%

<sup>5</sup> This is a hypothetical example for illustrative purposes only and does not reflect the actual investment in any product. Therefore, the outcome does not reflect risks, expenses or charges associated with any actual investment. Past performance is not an indication of future performance. Actual results may vary substantially from the figures in the example. All rates of return are hypothetical and are not a guarantee of future performance of any asset, including insurance or other financial products. Higher rates of return have been associated with higher volatility.

## PROTECT YOUR FAMILY THE DIME METHOD<sup>6</sup>

	Client 1	Client 2
<b>D</b> EBT	_____	_____
<b>I</b> NCOME	_____	_____
<b>M</b> ORTGAGE	_____	_____
<b>E</b> DUICATION	_____	_____
<b>TOTAL</b>	_____	_____

### HOW TO CALCULATE YOUR PROTECTION NEED

Example of a hypothetical case

	Client 1	
<b>D</b> EBT	\$ 50K	→ Combined credit cards, loans and other debts.
<b>I</b> NCOME	\$ 360K	→ \$3K/mo. (\$36K/yr.) income replacement for 10 years.
<b>M</b> ORTGAGE	\$ 200K	→ Mortgage balances.
<b>E</b> DUICATION	\$ 120K	→ Assuming \$15K/yr. for a four-year college for two kids.
<b>TOTAL</b>	\$ 730K	→ <b>Protection Needed</b>

<sup>6</sup> The DIME Method is one method to help determine a client's insurable need. However, an insurable need of more than 10 times the client's current income may not be accepted by Transamerica Financial Advisors, Inc. unless special exceptions apply.



## THE ODDS IN LIFE BEFORE AGE 65<sup>7</sup>

<u>Age</u>	<u>Death</u>	<u>vs.</u>	<u>Disability</u>
25	24.1%		34.8%
30	23.5%		33.1%
35	22.8%		31.3%
40	21.8%		29.1%
45	20.4%		26.3%
50	18.3%		22.6%
55	14.9%		17.6%
60	9.3%		10.6%

## WHAT IS YOUR FAMILY'S MOST IMPORTANT ASSET?

Your house?

Your cars?

Your valuables?

<sup>7</sup> The Truth About Money, 3rd Edition, Ric Edelman



IT'S YOU!  
IT'S YOUR ABILITY  
TO GENERATE  
INCOME!



CONTROL YOUR DEBT  
OR YOUR DEBT WILL  
CONTROL YOU.

## BUILDING A SOLID FINANCIAL FOUNDATION

Like building a house, you must build it from the ground up.

Build it right.

Build it strong.

## MANAGE YOUR DEBT

Pay more than the minimum to reduce your debt sooner.

**Example: \$4,500 Credit Card Balance<sup>8</sup>**  
**Interest Rate 18%**

### SCENARIO 1:

Pay Minimum (2.5% per month): **\$112.50**

Time to Pay: **More than 25 years**

Total Interest Paid: **Over \$6,000**

### SCENARIO 2:

Pay a Little More than Minimum: **\$145/month**

Time to Pay: **Less than 4 years**

Total Interest Paid: **About \$1,600**

8 "Credit Card Calculator: The True Cost of Paying the Minimum", Bankrate.com

## CREATE AN EMERGENCY FUND

You should set aside three- to six-months income to help cope with emergencies and unexpected changes.

- Job loss
- Major damage or repairs for your home, business property, cars, etc.
- Illness
- Disaster
- Be prepared for the rainy days

INVESTMENT<sup>9</sup>

EMERGENCY FUND

DEBT MANAGEMENT

PROTECTION

<sup>9</sup> U.S.: Securities are offered through Transamerica Financial Advisors, Inc., Member FINRA/SIPC.  
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## MANAGED GROWTH

The Four Cornerstones of a Strong Financial Future:



## YOUR FINAL TEST

Your Plan for the Future:

- Can it potentially **GROW** to achieve your goal?
- Is it **SAFE** enough?
- Does it have **TAX ADVANTAGES**?<sup>10</sup>
- Does it have the proper **PROTECTION** for your family?

<sup>10</sup> Tax and/or legal advice not offered by World Financial Group, Inc., Transamerica Financial Advisors, Inc., World Financial Group Insurance Agency of Canada Inc. or their affiliated companies. Please consult with your personal tax professional or legal advisor for further guidance on tax or legal matters.

BUILD IT WITH  
CONFIDENCE.



**REDUCE**  
YOUR DEBT

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PAY YOURSELF  
**FIRST**

---

MAKE MORE  
**MONEY**

---

BUILD UP  
**EQUITY**

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**PRESERVE**  
YOUR ESTATE



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