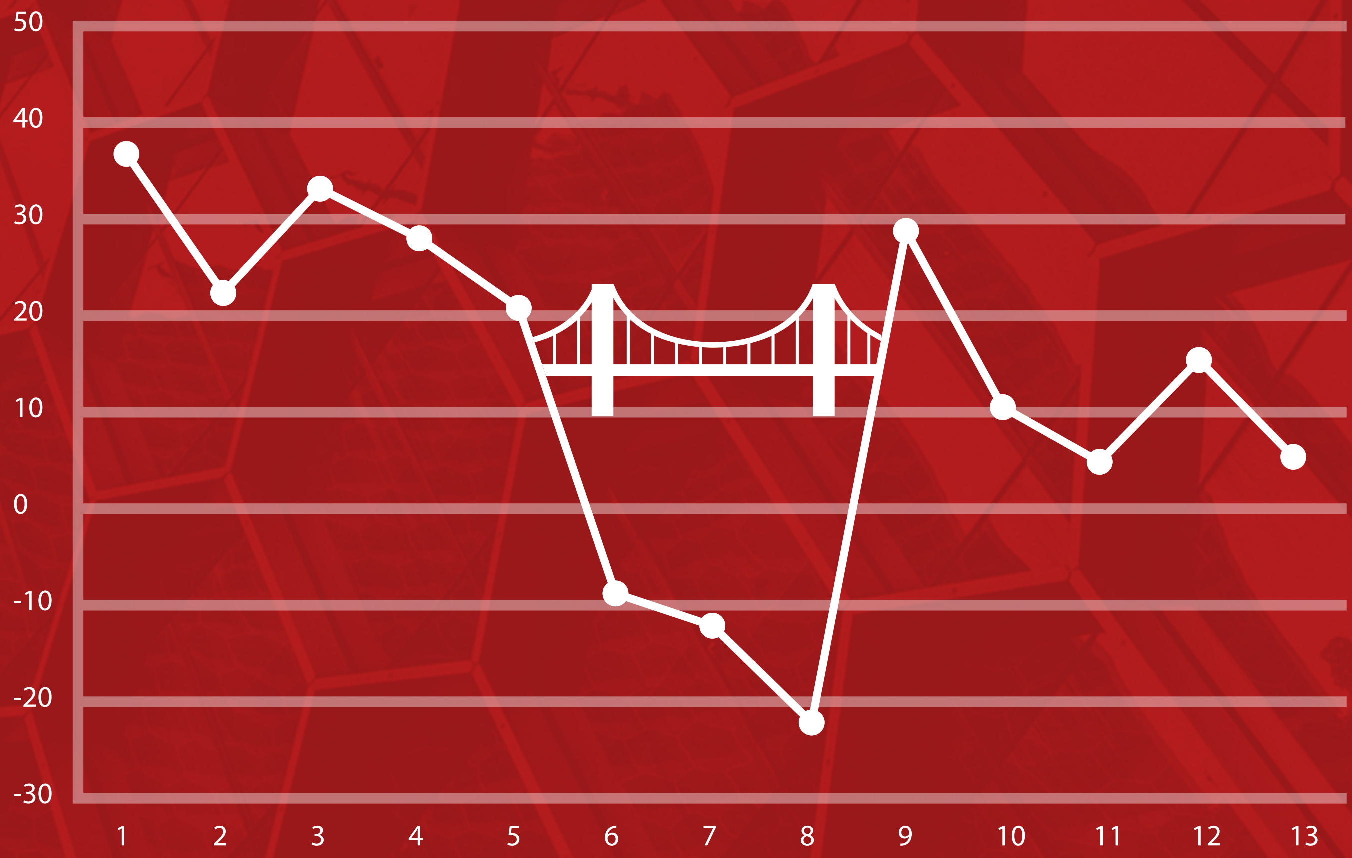
# Cash Flow Bridge

## How Life Insurance Stabilizes Retirement Income

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Truth Concepts

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# Part I

## Challenges Facing Retirees

# Introduction

The Prosperity Economics Movement aims to accomplish two goals:

**Learn the whole truth about financial matters**

**Apply those truths to financial strategies that help clients prosper**

Our commitment to financial education is based on Robert Kiyosaki's metaphor of the three-sided coin. Heads is one point of view; tails is another. The third side is the unbiased edge, which allows both sides to be observed so the truth can be determined.

In this paper we apply Kiyosaki's principle to investment portfolios and participating[1] whole life insurance policies, and how to combine the two financial tools to optimize retirement income. When the biases against either strategy are put aside, a third option surfaces—one that allows the two to build off of each other in a fruitful way. In this paper we discuss how to merge the two concepts in a way that reduces risk during the retirement phase of life.

[1] Participating refers to an insurance contract that pays dividends from the insurance company. The policyholder shares, or 'participates,' in the insurance company's surplus income in the form of a dividend. This designation is an indication that the whole life insurance policy was sold by a mutual insurance company.

Advisors who understand the risk factor of investment portfolios, and how to offset those risks through whole life insurance, are able to teach their clients strategies that create a stable income, or in some cases increase income. Retirement can come with many uncertainties, but having a better understanding of the volatile stock market and how to negate it's effects can help clients maintain prosperity through their lifetime.

# The Risk Factor

Modern retirement planning relies heavily on investment portfolios based in the stock and bond markets, and individuals entering the retirement phase of life are now dipping into their accounts for income. Those with successful investments look at their accounts and see a nice big figure, which creates some peace of mind, but that number also undergoes severe fluctuation based on the market. During a down year, a sum can go from millions of dollars to a sum only in the tens of thousands. Regardless of how big or small these sums are, they are still taxed as income once removed from the account—income that must last for the client's lifetime.

A once astronomical number can become quite small when a client is expected to live for ten or twenty years more, let alone thirty or forty years. Retirement can be a stressful time, when to many Americans it should be a time of relaxation and exploration. Many retirees hope to travel, or to fulfill a bucket list—in which case living expenses can often go up instead of down, putting them in an equal or greater tax bracket than they were in during their years in the workforce.

## Retirees are now facing several problems

- They are consuming their accounts early on in their retirement, leaving little to live on for an unknown amount of time
- Their year-to-year income fluctuates drastically depending on the stock-market, leaving them with a decreased income when living off of the interest

So how does life insurance fit into this equation? If you've followed the Prosperity Economics Movement for long, you know that whole, or permanent, life insurance can have many benefits outside of the death benefit that offer reason to help your client become a policyholder today.

The risk factor of the stock market leaves retirees with few choices, but whole life insurance offers a way to manage risk by using the Cash Value of a policy to bridge the income gap during down years in the market.

# What Is Whole Life?

We can trace the concept of whole life insurance[2] all the way back to 600 BC, when the Greeks and Romans developed guilds, or benevolent societies. People contributed funds to

[2] When we talk about whole life, we mean participating whole life insurance policies sold by a mutual company, which makes all decisions in the best interest of and is answerable to the policy holders. With whole life policies sold by a stock-owned firm, the company makes all the decisions in the best interest of the stockholders, with less consideration for the policyholders' interest.

the guilds, and the monies were used to care for the family of an injured or deceased worker.

Modern insurance began during the 17th century, primarily in London and Germany. The first life insurance company was founded in London in 1706 by William Talbot and Sir Thomas Allen.

Although Edmond Halley wrote the first life expectancy table in 1693, it was not until the 1750s that the development of the mathematical and statistical tools for predicting life expectancy set the stage for the life insurance industry as we know it today. Early life insurance policies bore a striking resemblance to what we know today as whole life insurance.

With a whole life policy, the company assumes the total risk, guaranteeing a level, fixed premium and a final payout at death, or when the policy endows. Endowment happens when a policy "matures," or reaches the mortality age while the insured still lives. For a policy formed prior to 2001, the mortality age is 100, but after 2001 the mortality age was increased to 121. When endowment occurs, because the insured has reached the mortality age, the owner of the policy receives the death benefit in a lump sum. Regardless, the policyholder is guaranteed a death benefit as long as all premiums are paid.

Many whole life policies increase their death benefit annually, which can help offset the impact of inflation. There is little question of whole life's validity as a secure means of offsetting risk and safeguarding financial legacy. Whole life offers guarantees that no other savings account or form of insurance can provide.

So how can a whole life policy bridge the gap between market losses on a qualified plan or investment portfolio?

# Part II

The Cash Flow Bridge™

As we've said, the goal of this paper is to explain the challenges facing retirees today, and to explore a solution to the risk of investments in the stock market. Ultimately we aim to help advisors navigate strategies with their clients before retirement, to better help individuals to fulfill their desires throughout this phase of life.

Investments in the stock market operate differently than life insurance, and we're going to explore how individuals can maximize their potential in retirement by combining strategies of investing AND saving to create a well-rounded income in retirement. This is where the Cash Flow Bridge  comes into play.

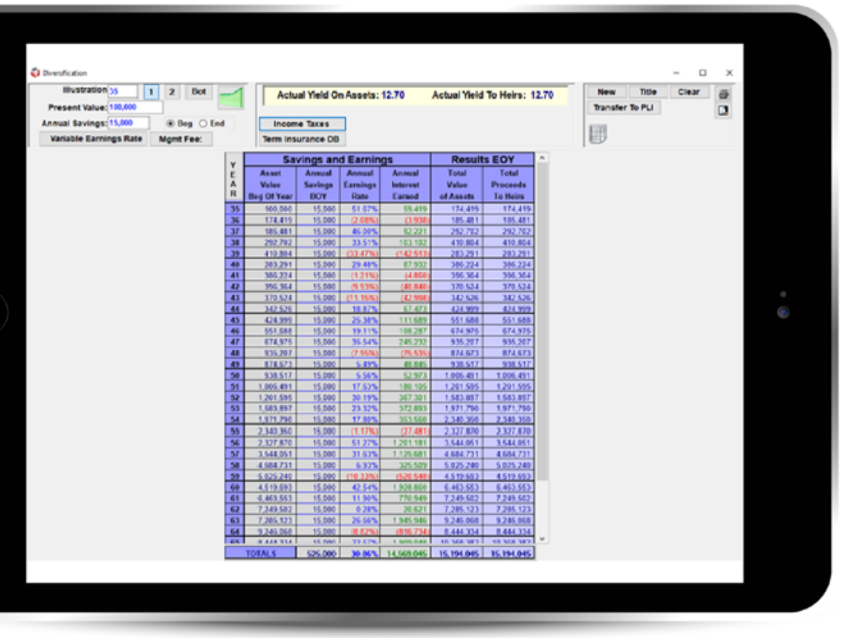
The following strategy demonstrates one very important way that whole life insurance can benefit you and your clients while still living—and it creates a legacy after death (which is unfortunately a part of everyone's experience).

Life insurance is a savings vehicle with liquid assets, which allows assets to be moved to where the money can do the most good. In essence, this strategy is a method of shifting assets to create more longevity between all available accounts, in turn allowing an investment portfolio to recover from losses. We'll illustrate through a case study that explores market volatility and ways that, as an advisor, you are equipped to strategize from an early stage in a client's life.

# Diversification

The Cash Flow Bridge™, boiled down, begins with a diversified portfolio, best illustrated through a client example.

Client A, let's say, is 35 years old, and already has a nice diversified portfolio—the "perfect" portfolio so that his risks should be leveled out and, in theory, he can gain the optimal amount. He has $100,000 in securities, $100,000 in bonds, and he's adding $15,000 a year to each account. Every year that's a total contribution of $30,000. This was his master plan to beat the S&P, as everyone believes. If Client A's account does everything that the S&P did over a 35 year span (1985-2018), just before he retires at the age of 70, he'll end up with $15 million in equities alone before taxes and management fees. But what happens when the taxes and management fees *are* factored in?




## Illustration A-1.0: Equities in the S&P Without Whole Life, Before Taxes or Fees

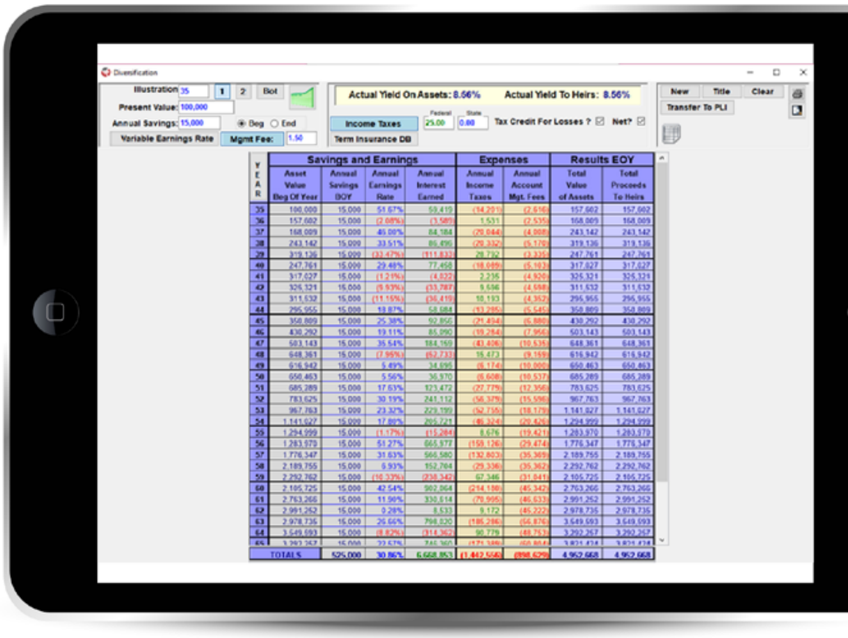
This illustration shows the stock market performance of Client A's equities and bonds and how, by utilizing the Cash Flow Bridge , he can extend his retirement income by years.

The image illustrates S&P market performance for the first 35 years of Client A's portfolio, ending at age 69 before he retires at age 70 and begins withdrawing his income. The total value of his equities by age 69 is about $15 million, before management fees and taxes.

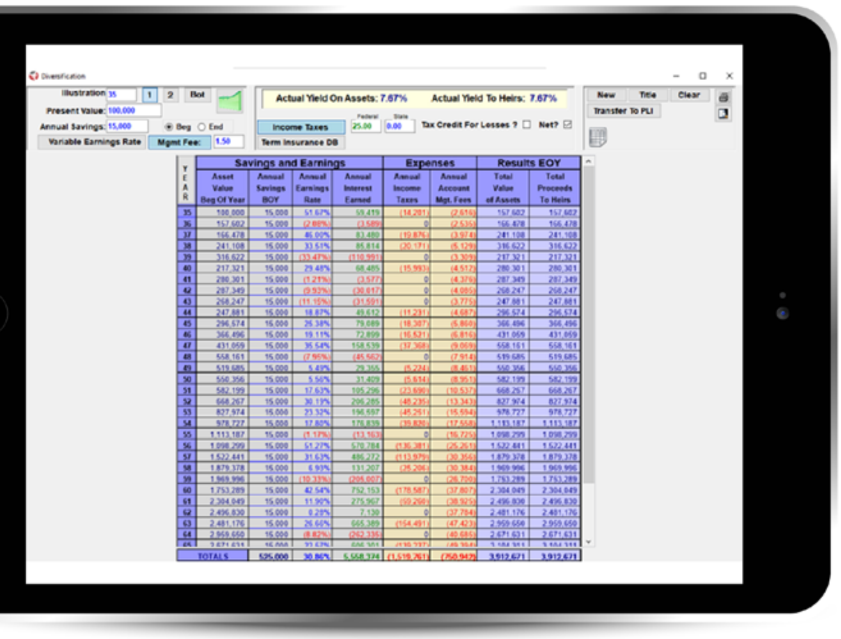
Note: Annual earnings rates are pulled from past data on the S&P, from 1985-2018, to show real figures.

## Illustration A-1.1: Equities in the S&P Without Whole Life, After Taxes and Fees

After management fees and taxes Client A's equity portfolio drops from $15 million to a little less than $5 million, showing how devastating a mere 26.5 points can be to a portfolio.



After adding a 1.5% management fee, and a blended income tax rate of 25%, as some is capital gain while some is ordinary income, Client A's equities drop from $15 million down to $4 million. A substantial difference, especially if the account is meant to support Client A's retirement. If management fees and taxes can have such a significant impact, it is crucial to understand the impact of a market downturn on retirement income that is solely dependent on the stock market. After substantial losses, like the crash of 2008, investors did not receive a tax deduction for their losses when April 15th rolled around. Instead, investors paid taxes on those losses because of deferred capital gains. Although account managers like to say that they could boost a client's income significantly were they to dictate when a client draws from the account, the fact of the matter is that the client needs to eat every day—it is not always possible to wait out a down period when the portfolio is the main source of retirement income.




| YEAR | Savings and Earnings: Asset Value Beg Of Year | Annual Savings BOY | Annual Earnings Rate | Annual Interest Earned | Expenses: Annual Income Taxes | Annual Account Mgt. Fees | Results EOY: Total Value of Assets | Total Proceeds To Heirs |
|---|---|---|---|---|---|---|---|---|
| 35 | 100,000 | 15,000 | 51.67% | 59,419 | (14,201) | (2,616) | 157,602 | 157,602 |
| 36 | 157,602 | 15,000 | (2.08%) | (3,589) | 0 | (2,535) | 166,478 | 166,478 |
| 37 | 166,478 | 15,000 | 46.00% | 83,480 | (19,876) | (3,974) | 241,108 | 241,108 |
| 38 | 241,108 | 15,000 | 33.51% | 85,814 | (20,171) | (5,129) | 316,622 | 316,622 |
| 39 | 316,622 | 15,000 | (33.47%) | (110,991) | 0 | (3,309) | 217,321 | 217,321 |
| 40 | 217,321 | 15,000 | 29.48% | 68,485 | (15,993) | (4,512) | 280,301 | 280,301 |
| 41 | 280,301 | 15,000 | (1.21%) | (3,577) | 0 | (4,376) | 287,349 | 287,349 |
| 42 | 287,349 | 15,000 | (9.93%) | (30,017) | 0 | (4,085) | 268,247 | 268,247 |
| 43 | 268,247 | 15,000 | (11.15%) | (31,591) | 0 | (3,775) | 247,881 | 247,881 |
| 44 | 247,881 | 15,000 | 18.87% | 49,612 | (11,231) | (4,687) | 296,574 | 296,574 |
| 45 | 296,574 | 15,000 | 26.38% | 79,089 | (18,307) | (5,860) | 366,496 | 366,496 |
| 46 | 366,496 | 15,000 | 19.11% | 72,899 | (16,521) | (6,816) | 431,059 | 431,059 |
| 47 | 431,059 | 15,000 | 35.54% | 158,539 | (37,368) | (9,069) | 558,161 | 558,161 |
| 48 | 558,161 | 15,000 | (7.95%) | (45,562) | 0 | (7,914) | 519,685 | 519,685 |
| 49 | 519,685 | 15,000 | 5.49% | 29,355 | (5,224) | (8,461) | 550,356 | 550,356 |
| 50 | 550,356 | 15,000 | 5.56% | 31,409 | (5,614) | (8,951) | 582,199 | 582,199 |
| 51 | 582,199 | 15,000 | 17.63% | 105,296 | (23,690) | (10,537) | 668,267 | 668,267 |
| 52 | 668,267 | 15,000 | 30.19% | 206,285 | (48,235) | (13,343) | 827,974 | 827,974 |
| 53 | 827,974 | 15,000 | 23.32% | 196,597 | (45,251) | (15,594) | 978,727 | 978,727 |
| 54 | 978,727 | 15,000 | 17.80% | 176,839 | (39,828) | (17,558) | 1,113,187 | 1,113,187 |
| 55 | 1,113,187 | 15,000 | (1.17%) | (13,163) | 0 | (16,725) | 1,098,299 | 1,098,299 |
| 56 | 1,098,299 | 15,000 | 51.27% | 570,784 | (136,381) | (25,261) | 1,522,441 | 1,522,441 |
| 57 | 1,522,441 | 15,000 | 31.63% | 486,272 | (113,979) | (30,356) | 1,879,378 | 1,879,378 |
| 58 | 1,879,378 | 15,000 | 6.93% | 131,207 | (28,206) | (30,384) | 1,969,996 | 1,969,996 |
| 59 | 1,969,996 | 15,000 | (10.33%) | (205,007) | 0 | (26,700) | 1,753,289 | 1,753,289 |
| 60 | 1,753,289 | 15,000 | 42.54% | 752,153 | (178,587) | (37,807) | 2,304,049 | 2,304,049 |
| 61 | 2,304,049 | 15,000 | 11.90% | 275,967 | (59,298) | (38,925) | 2,496,830 | 2,496,830 |
| 62 | 2,496,830 | 15,000 | 0.28% | 7,130 | 0 | (37,784) | 2,481,176 | 2,481,176 |
| 63 | 2,481,176 | 15,000 | 26.66% | 665,389 | (154,491) | (47,423) | 2,959,650 | 2,959,650 |
| 64 | 2,959,650 | 15,000 | (8.82%) | (262,336) | 0 | (40,685) | 2,671,631 | 2,671,631 |
| 65 | 2,671,631 | 15,000 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| TOTALS | | 525,000 | 30.86% | 5,558,374 | (1,519,761) | (750,942) | 3,912,671 | 3,912,671 |

## Illustration A-1.2: Equities Without Tax Credits on Losses

Without a tax credit from market losses, Client A's equities drop even further. Oftentimes investors must still pay taxes on a portfolio, causing an even greater impact. $4.9 million turns to $3.9 million after considering the fact that these may not receive tax credits for losses.

So why does the bond portfolio exist in the overall portfolio? To reduce risk. The bond acts as an anchor in the event that the securities don't perform as they're meant to perform. The bonds, however, are also exposed to risk.

The answer, truly, is to have the right type of account diversification—a retirement income that is based in the stock market, as well as a savings vehicle such as a whole life policy, minimizes risk in a way that stock and bond diversification alone cannot.

If Client A were to shift his assets from the bond portfolio toward a whole life policy over time, since the bond portfolio is acting as the safety net, amazing things could happen. What happens when the safety net becomes the emergency opportunity fund—shifting from a scarcity mindset to one of prosperity? Using funds from the bond portfolio, a $22,000 payment toward a life insurance premium would buy an $849,000 death benefit. While the death benefit does not appear to be immediately beneficial, the cash value of the policy is a liquid asset that is not taxed and has guaranteed growth.

By switching the at-risk funds of the bond portfolio into this policy, Client A has planted the seed for a more advantageous opportunity fund than the safety net of the bond portfolio. And by doing so, Client A has prevented any future loss from his bond portfolio. Cash value in a whole life policy allows for greater certainty of value, because the assets won't fluctuate like those left in a bond.

Although Cash Value growth takes time, there is always a guaranteed increase, and the value is always protected from loss.

# *Considerations for advisors*

Although the model represented shows a client in his mid-thirties, even a client in a later stage of life can benefit from starting a whole life policy—if enough money is socked away in a bond portfolio or other investment that acts as a "risk minimizer," the client can draw funds from that account to put towards the annual premium.

During the first few years of a life insurance policy one must exercise patience to allow it to grow, but the cash value begins to take off around the fifth year of the policy, and then greatly surpasses the bond account simply because of its guaranteed increase. If enough money is contributed to the premium from other savings or investments, a client can still achieve a prosperous cash value by shifting strategies late in the game.

# A Note on Automatic Rebalance

You'll notice that Client A's account has an "automatic rebalance." The purpose of the automatic rebalance is to make sure the accounts are maintained at the same ratio of allocation as when the account was started. For Client A's purposes, the balance is 50/50—he's putting the same amount in stocks and bonds, so he wants his rebalance to reflect that split. If the equities go over the bonds or vice versa, they are balanced out.

Investment strategy is based on a specific allocation of assets that suit one's personal risk tolerance, timeline, and money invested. After experiencing the ups and downs of a volatile stock and bond market, the allocation of those assets can be thrown off. By having an automatic rebalance in place, one's portfolio can stay maintained the way they intended when their investments began. A large accumulation on one side of a portfolio or the other may appear to be good, but exposes the portfolio to more risk in the event of a crash or correction in the stock market. The rebalance keeps risk exposure at the ratio one decided upon when first investing.

# Into Retirement

Now that we've discussed the setup for a client, the implementation must be examined—when a client enters retirement, they must strategize how to manage their income between their investments and the cash value of their whole life policy. Still looking at Client A's journey, let's jump ahead to age 70, and his official retirement. At the beginning of Client A's 70th year, keeping his investments of stocks and bonds, he draws $150,000 from his stocks as his income. When this happens, Client A has also stopped depositing his $15,000 into each account, f or a total of $30,000. At the age of 109, Client A will run out of money, both the bonds and the equities depleted. If the market crashes, or there's an especially bad year, Client A could run out even sooner. Additionally,  people are living longer and longer as technology advances. As death is an unpredictable event, continuing to build wealth into the future is the best strategy for prosperity.

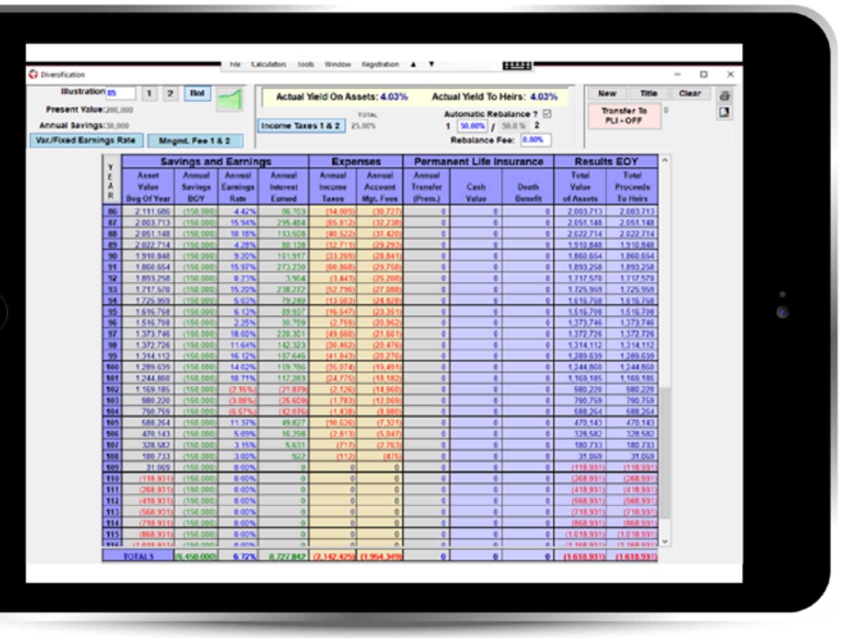



**Illustration A-1.3: Using Portfolio for Retirement Income, Without Utilizing Cash Flow Bridge™ strategy**

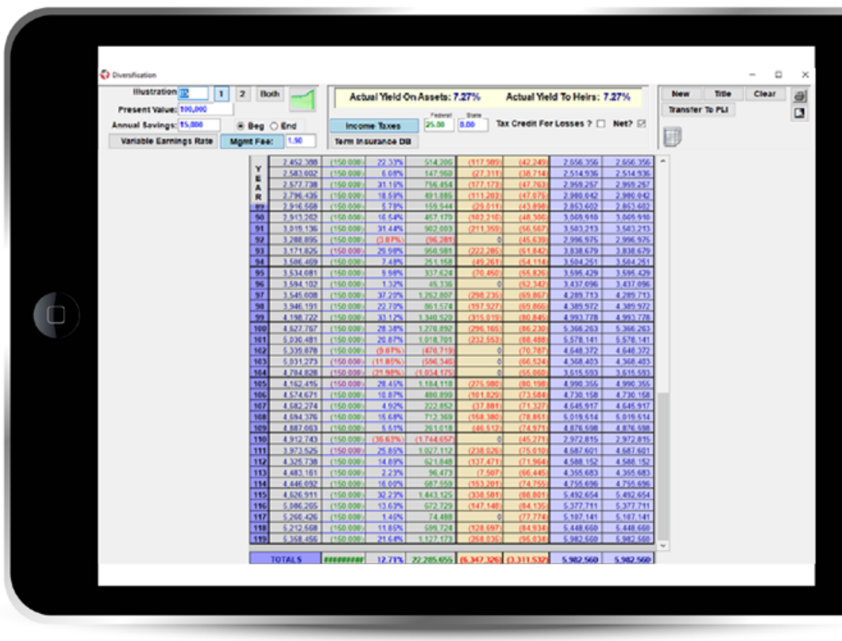
In this scenario, Client A has chosen to retire at age 70, maintaining his investments of stocks, but having purchased life insurance to (nearly) replace his bonds account. He draws his retirement income of $150,000 from his equities, no longer putting money away, only to run out of money at the age of 109.

So what happens when Client A draws from his Cash Value instead, to supplement his income—without worry about additional taxes or management fees? Client A is able, then, to consistently pull his income from whichever account necessary all the way to age 120 and still have $5 million in his equities alone. During that year, any losses from the stock market have a chance to recover for the year. Were Client A to draw income from his equities during that time, he could hinder any possible growth and further deplete those resources. The guarantees of the CV provide some peace of mind for Client A because he knows that value will continue to grow for that year despite his withdrawal. In this instance we have chosen to withdraw from Client A's CV and pay the taxes, rather than borrowing against the value, so that Client A doesn't create a loan this late in life.

### Illustration A-1.4: Utilizing the Cash Flow Bridge™, Withdrawing from Cash Value During Market Downturn, Equities Side

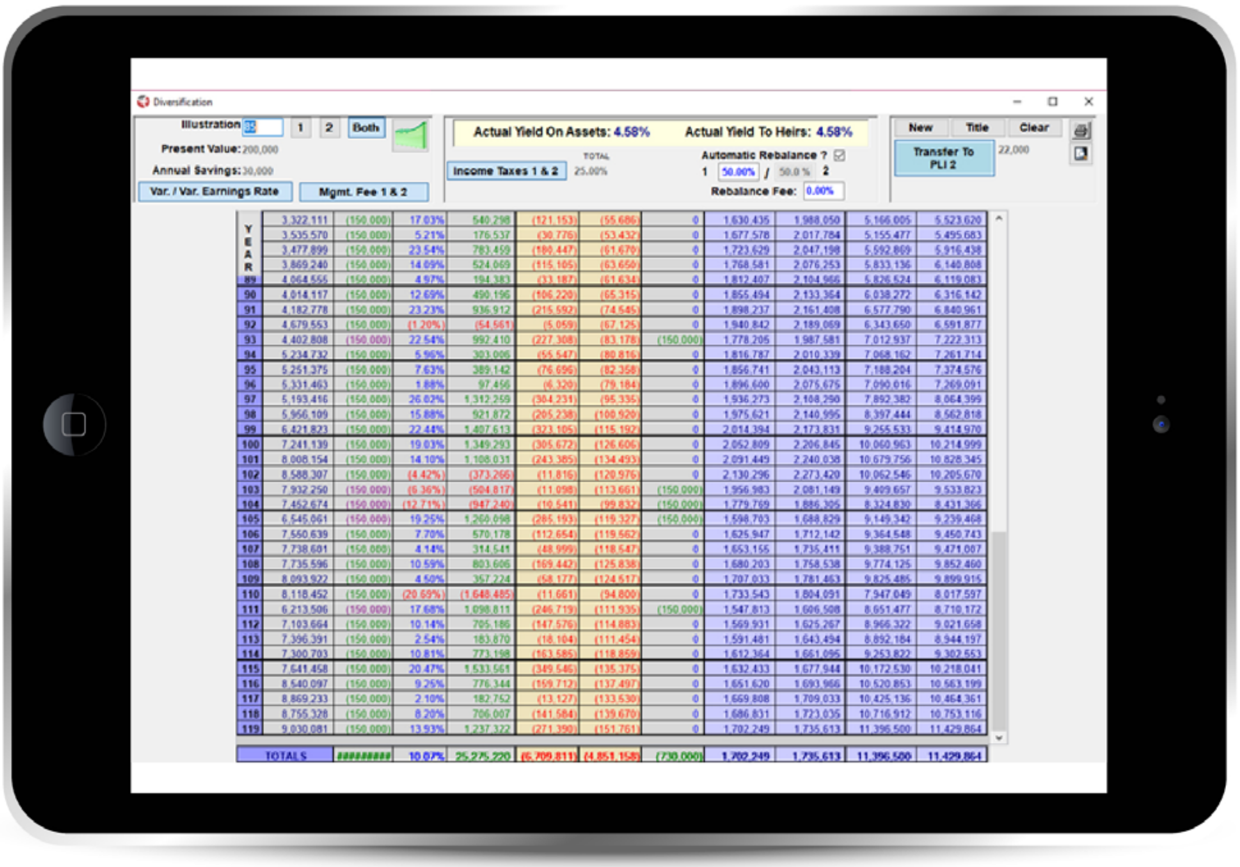
Only looking at the equities side of Client A's investments, we see that even at age 119, there is still almost $6 million in his account. He went from completely running out in both accounts by age 100 to having a surplus in his equities alone at the age of 119.

The second column represents the output, or Client A's income. Numbers in green indicate a withdrawal from his equities, while numbers in purple indicate a withdrawal not from the equities but from the Cash Value of Client A's whole life policy. The third and fourth columns illustrate interest earned, red numbers indicating a negative. After those years, Client A allows his account to recover.




The fact of retirement is, whether the market is in a down period or not, people need to have an income to eat and cover living costs. Life insurance offers a way to draw an income without fear of consequences in a down market. The difference is drastic when an account is allowed to recover from a down year. During this time frame Client A withdraws a total of $1.5 million out of his cash value.  Rather than running out of funds at around age 100, he still has $5 million in equities plus his cash value and death benefit. In total, Client A is left with $11 million dollars while far exceeding the age of 100.

Client A, utilizing the Cash Flow Bridge™, can enjoy his retirement to the fullest while still leaving his family a legacy. And although cash flow is more important than net worth, Client A has now excelled in both areas.




## Illustration A-1.5: Utilizing the Cash Flow Bridge™, Withdrawing from Cash Value During Market Down, Equities and Bonds

The following illustration shows the performance of Client A's equities and bonds together after utilizing the Cash Flow Bridge . Between both equities and bonds, Client A has $9 million to spare by age 119, as well as a hefty sum left in his Cash Value. The other benefit of a whole life policy is the legacy creates. Client A's total assets are worth $11 million by the age of 119, and were he to pass on at that age he would leave that sum to his heirs.

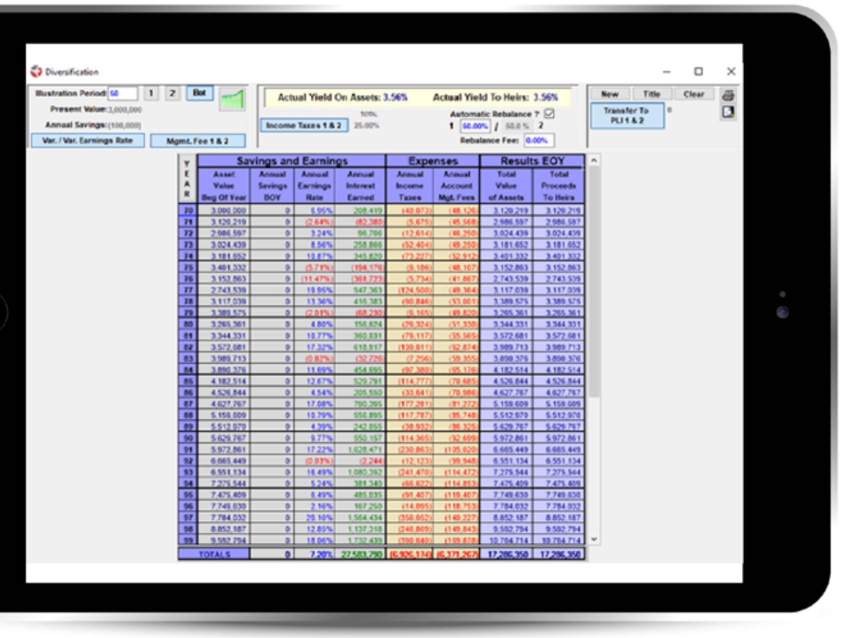
# Considerations for advisors

This model is run based on the last 85 years of the S&P, because it is known data that can be worked with. All that is known for certain about the future is that everything will change in the next 85 years, and that the market will continue to experience ups and downs. With that knowledge, it is not advantageous to put clients in a position where their money is locked up and they can't make changes to accommodate for the changes happening in the world. A whole life policy is a liquid asset from the start, while stocks and qualified plans remain locked up or are taxed and penalized for withdrawals. If, during retirement, Client A were to experience more market downs than expected, or the market is skyrocketing and Client A wants to let it sit and grow for another year, there are ways to accommodate that while leaning on the cash value. What a whole life policy offers is control and flexibility. That is the difference between scarcity and prosperity.

# Working with clients at a later stage

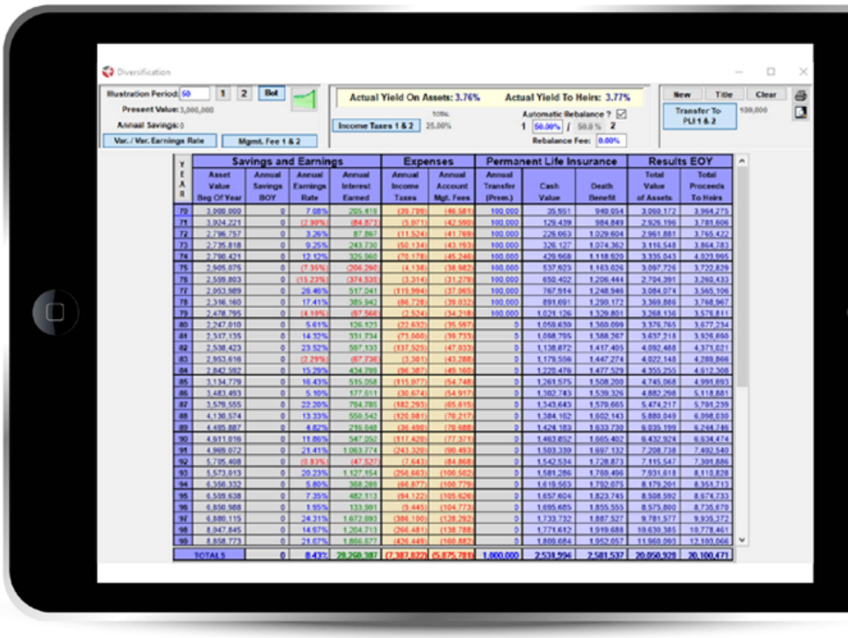
As stated above, it's possible to assist clients at a later stage in the game, so we'll introduce Client B, at the age of 70. Client B has $3 million—$1.5 million in equities and $1.5 million in bonds, and plans on having $100,000 of income in retirement. For Client B, we'll use the last 50 years of the S&P for context. Client B will make it out to age 120 with $17 million after taxes and fees, without drawing any money from the account.

If, however, Client B begins transferring $100,000 a year from her bonds into a life insurance policy, that figure becomes $20 million. From an estate planning standpoint, life insurance is an incredible asset. The death benefit will cover costs, and the policy is a much easier asset to push off into a trust. $20 million worth of liquid assets becomes far more valuable than $17 million of locked up, taxable funds.




## Illustration B-1.0: Portfolio Without Life Insurance, Pre-withdrawal

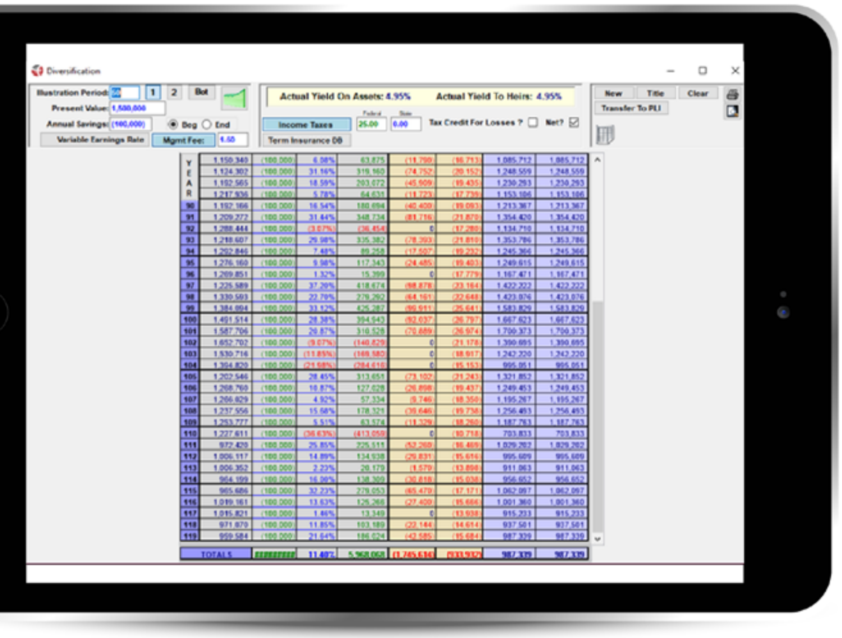
This illustration shows Client B at age 70, with her investments in stocks and bonds. Below, you can see that if she were to leave her money alone, it would grow to $17 million by the age of 120. She has no life insurance. While $17 million is a large sum, by switching her bonds over to life insurance, she could grow her funds even further.




## Illustration B-1.1: Portfolio With Life insurance, Pre-Withdrawal

Below, Client B has shifted $100,000 a year from her bonds to her new whole life premium, trading asset for like asset. In doing so, Client B has the opportunity to accumulate an additional $3 million or so, giving her $20 million out to age 120. Her money was able to experience consistent growth away from the volatility of the bond market, creating some extra value. Additionally, these assets are more liquid, providing more options for her and her heirs.

When Client B does begin pulling $100,000 (pre-tax) out of her accounts annually, without the life insurance, that $3 million dollars turns into about $900,000 left at age 119, instead of the hefty sum of $17 million. It's amazing what $100,000 a year can do to a market that is supposedly earning an average of 11.4%. When Client B does draw from her life insurance during the down years, her total value at age 119 is $4.9 million instead. Life insurance is the difference between running your funds dry and creating a legacy.

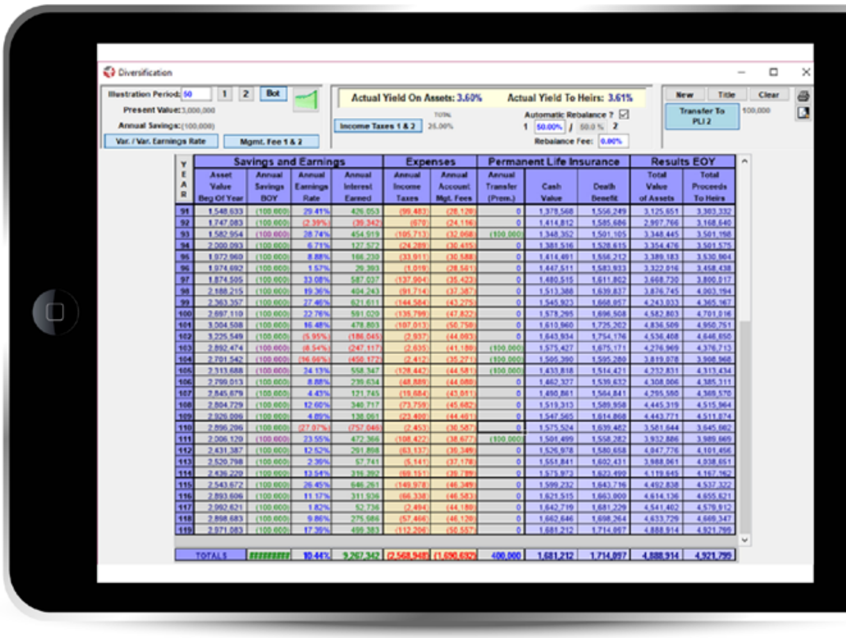


## Illustration B-1.2: Portfolio After Income Withdrawals, Without Utilizing Cash Flow Bridge™

If Client B begins to withdraw money from her equities immediately, by 120 her assets are below $1 million. Before, Client B had multi-millions, and if she was planning on leaving a trust or inheritance to her heirs, she has considerably less money to work with. When the market experiences losses, her accounts have no way of recovering.

## Illustration B-1.3: Portfolio After Income Withdrawals, Utilizing Cash Flow Bridge™

If Client B were to utilize the Cash Flow Bridge , pulling money from her Cash Value during the down years, by the end of her 119th year she could have almost $5 million in assets. The difference between utilizing this technique or not is huge—Client B becomes blessed with options. More money is available to her for any opportunity that comes her way, and she can prepare to leave a legacy for her heirs. What once could have been a restricted feeling of retirement becomes one of freedom.



What Client B proves is that age 70 is not too late to start a life insurance policy, and doing so creates peace of mind during the retirement phase when the goal for many is to relax and enjoy life. Stress, in fact, can play a huge part in the health of each and every person. How could the financial stress of uncertainty effect those in retirement?

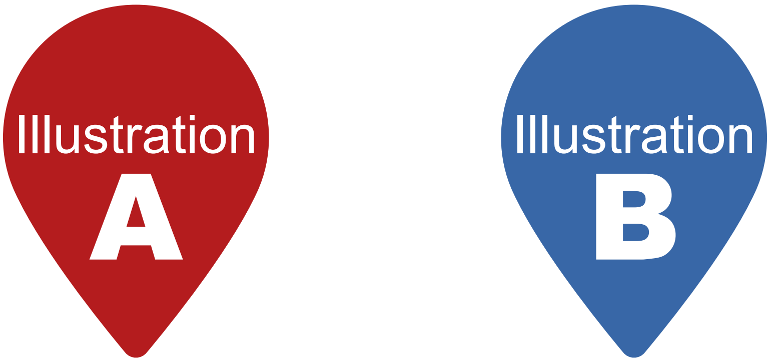
The growth-curve of a 70 year old beginning a policy and a 35 year old beginning a policy is very similar, and being late to the game need not discourage a client. No matter what happens to the economy, this is not an either/or discussion, it is what we call a both/and discussion.

## *Considerations for advisors*

Going beyond risk and market volatility, a long life can also come with health risks that are protected by having a life insurance policy. Apart from that, helping your client set up their whole life policy early on can protect them from a number of risks they might not even see—legislation, contract law, and changing tax laws for example. Life insurance comes with the peace of mind that your client has a safe place to store their money and still access it whenever needed. Access to liquid cash is one of the most important tools in a prosperous life.

Additionally, the use of financial calculators, such as the Diversification calculator, should be a tool to support the message. As an advisor you pull from known data to express the possibility of future volatility. The diversification example is not the message itself—it cannot be because it does not project the future, it only illustrates the strategy of the Cash Flow Bridge . You have to factor in the non-financial risks when you discuss this with clients, which the calculator cannot do itself. What the diversification calculator does show is real numbers, that illustrate the real difference between having or not having life insurance to bridge the gap.

# Illustration Key




The pictures used were copied from illustrations run early in 2018 and pasted into the Diversification calculator at **www.TruthConcepts.com** Although the future of the stock and bond markets are unpredictable, we can use past data to demonstrate the internal workings of whole life insurance and diversified portfolios, even if they aren't up-to-the-minute accurate.

All calculations made with version 2.00.0.60 of the Truth Concepts™ software.

Still, you should request to view all the pages of any illustration of any life insurance policy you are contemplating .

All illustrations in this appendix are based on the last 85 years of the S&P market performance. BOY stands for beginning of year and EOY stands for end of year. PLI stands for permanent life insurance, or whole life insurance.

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# Part III

# Conclusions for Advisors

Whole life insurance and mutual companies, where policyholders own the company, are over 300 years old. These businesses and products have survived great world crises—financial downturns, wars, famine, empire building and much more. The whole life insurance product purchased from a mutual insurance company is one of the most time-tested products around today. It is a staple in the portfolios of the wealthiest individuals, family offices, businesses and banks.

One distinction that sets whole life apart is the number of guarantees offered. These guarantees do not go away if a premium payment is late. The guarantees of a whole life policy disclose the worst-case scenario. When the performance of any aspect of the policy is better than the worst case, the policyholder gets a cash value credit, or a dividend. Dividends (while non-guaranteed) are declared and paid annually. Once a dividend is paid, it becomes a part of the guaranteed cash value (and re-sets the minimum guarantee to a higher level). If a company announces no dividend, there is always a minimum guaranteed cash value increase. The beauty of a mutual company is that the its managers are answerable to the policyholders, and the profits of the company accrue directly to the policyholders.

In the modern age, investment portfolios, qualified plans and the like are widely (and falsely) considered the ultimate symbol of smart financial choices—the ability to play with money and create more wealth with strategic investments. Investing is one of the most commonly pushed financial “secrets” to wealth—so why aren’t all investors millionaires or billionaires? Where is the great promise of reward?

It’s not to say that the stock market isn’t a smart decision or that stockholders don’t benefit from the market, but are investments portfolios alone really the ideal avenue to a sustainable (and prosperous) income? Especially in retirement, living off of such a volatile market can be tough, scary even, when the numbers begin to drop but you still have to draw from your account to eat.

The issue is, there is limited flexibility within the plan to move money around or balance out losses. All you can do is put more money away and hope for the best. When you are able, in retirement, to draw from the account, there are taxes to pay, too. If you need $100,000 to live off of for the year, you must draw out $150,000 to cover the taxes and have that income left over. The taxes must always be accounted for.

The Cash Flow Bridge™ fills in those gaps so that even if a client at a later stage in life were to start a life insurance policy now, they could still benefit. They would be able to extend their money and live comfortably for a longer period of time. It becomes the ideal tool to optimize investments already made.

And if the stock market brings your client enjoyment, then the Cash Flow Bridge™ is a great strategy to minimize risk as your client tries their hand at investing, by having the support of a life insurance policy as a savings vehicle.

# Key Takeaways

At the Prosperity Economics Movement, we are proponents of whole life insurance because of its consistent performance and the proper placement of risk. It is one of the very few financial products that offers uninterrupted compounding growth for the life of the policy and pays the death benefit (which includes the cash value) upon endowment or death.

We advocate specifically for well-managed mutual insurance companies who, like the whole life product they sell, have stood the test of time and place the interest of their policyholders first.
When it comes to choosing life insurance, each advisor must determine what is most appropriate for a given client's circumstances.

## Two questions are particularly critical

**How does a client intend to use their life insurance?**

**How much exposure to loss, or risk, is the client willing to accept?**

The Cash Flow Bridge is a great strategy for clients at any age with current ties to the market or a qualified plan. By adding whole life into their strategy they set up their retirement for success and prosperity. Relying solely on the stock market is not impossible, but it is high-risk and can lead to stress and uncertainty.

Other clients, who wish to rely more heavily on whole life insurance, or who do not have current stock market investments, may not need to consider this strategy in their retirement planning.

The root of any financial strategy is patience. As Aesop told us in "The Tortoise and The Hare," slow and steady wins the race.

# Be informed, Take Action

If your clients are contemplating life insurance as a part of their financial plan, have them answer **these questions** to inform their decision.

If this paper piqued your interest, find out more about the Prosperity Economic Movement on our website: **Prosperity Economics Advisors**.

If you are a financial or insurance advisor and want to know more about becoming a member of the Prosperity Economics Movement, please contact us at **Advisor Information**.

The Prosperity Economics Movement is a community of financial advisors and clients who recognize that typical financial planning no longer works for most Americans. They are committed to transparency in all communications with clients and the companies with whom they do business, in putting clients first, and working with tried and true financial products that help build wealth, promote certainty, and provide a secure financial legacy for individuals, families and organizations. For more information, see Prosperity Peaks.

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