Leveraged Planning®:

WEALTH CREATION

THE SITUATION: Michael Cena, 40

Michael Cena needs at least an expected annual income of $200,000 (pre-tax) for 25 years to retire comfortably.

THE SOLUTION: Leveraged Planning®

At 40, Michael's appetite for risk had lessened as his time horizon was shortened substantially. Because of this, he was looking at many options that were likely to produce lower returns than he might have hoped to earn. Narrowing down his options, Michael found himself considering two: a more traditional savings vehicle and a solution his advisor had introduced to him – Leveraged Planning.

Assuming he would earn a conservative rate of return in his retirement years, Michael expected he would need to have a "nest egg" of $2,959,728 by age 65.

Looking at the traditional savings product, Michael assumed an annual return rate of 3% - at this rate, Michael would have to save $78,815 after tax dollars each year in order to fully fund his future income expectations. Looking at it on a pre-tax basis, this meant that Michael would have to allocate $131,358 every year for the next 25 years to meet his goal.

Over the coming 25 years, this meant Michael would be putting away $3,283,942 pre-tax dollars in order to meet his future income goals if he used the traditional product.

The problem for Michael was clear: starting with nothing and using a traditional product offering meant that his money would have to work very hard to get him where he needed to be.

Examining the Leveraged Planning solution, Michael found a somewhat different situation. With Leveraged Planning, Michael found that he could meet the same future lump sum amount ($2,959,728) by putting away $899,102 today earning 6% in a principal protected financial product offering downside protection and the opportunity for significant, market-indexed gains.

Using the Leveraged Planning solution, Michael's firm would take out a simple interest-only commercial loan – one for which he was not personally liable. The firm, in turn, would service the loan with monthly payments of $4,495 for an annual total of $53,946. This meant that the total allocation over the subsequent 25 years was only $1,348,653. Comparing the two options for funding his retirement income needs, the differences were very clear and compelling.

A Closer look At the numbers

Michael's retirement income requirement for 25 years: **$200,000**	Total required lifetime using traditional savings: **$3,283,943**
Total required lifetime using Leveraged Planning: **$1,348,653**	Total lifetime savings using Leveraged Planning: **$1,935,290**

With Leveraged Planning, Mr. Cena structured a funding strategy for his future income needs that would net a lifetime savings of nearly 60% - $2,000,000 compared to using the traditional savings method.

Looking more closely at the plan, Michael found there were several aspects of it that appealed to him in addition to there being no personal guarantee.

» The solution utilizes insurance products from highly rated insurance and annuity carriers that have been carefully examined by the lender to insure minimal risk for the client's portfolio.

» The solution is secure for the lender, who relies on collateralization from both the insurance product and the business' commitment.

» The solution utilizes principal protected, indexed insurance products that gain value when the markets increase, but do not lose value when the markets declined.

» Lastly, the solution provides for the return of funds put into it if Michael should have to terminate his participation early[1].

Michael's plan was designed in such a way that he could pay back the loan and earning enough to fully fund his future income needs from his insurance product. Michael still ends up paying far less over the next 25 years than he would have if he went with the traditional savings option he was considering.

Michael chose the Leveraged Planning solution. He made this choice because his future income needs would be met, he would be protected from downside loss in the markets and he would be able to put his business to work funding his future personal financial needs. The combination of these factors made Leveraged Planning the clear choice for Michael.

1 All clients must confer with their financial and tax advisors on deductibility or tax treatment matters. GFD does not provide tax advice. Return of all paid in funds is not guaranteed and may be subject to early withdrawal fees and other costs which can significantly reduce or eliminate earned gains.
- The client's loan utilized a floating interest rate based on the 1 year LIBOR rate plus spread.
- Policy growth assumed as illustrated
- Results will vary depending on interest rates and policy crediting rates. Mr. Cena is a hypothetical client, plan specifics are based on actual loan and insurance policy illustrations.

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