



B

UILDING  
A FINANCIAL  
FOUNDATION



W  
F  
G<sup>TM</sup>

*Financial Security Is Not a Dream.  
It Is a Priority.*

# YOU CAN BUILD A PROPER FINANCIAL FOUNDATION

## YOUR CHALLENGES:

- ◆ To protect your family (for your Life, Health & Disability).
- ◆ To reduce your liabilities and get out of debt sooner.
- ◆ Dealing with constant changes in your job, career or business.
- ◆ Living a long life without adequate income.

## OUR SOLUTIONS:



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

- ◆ *Make Money*
- ◆ *Save Money*
- ◆ *Grow Money and*
- ◆ *Protect Your Money.*

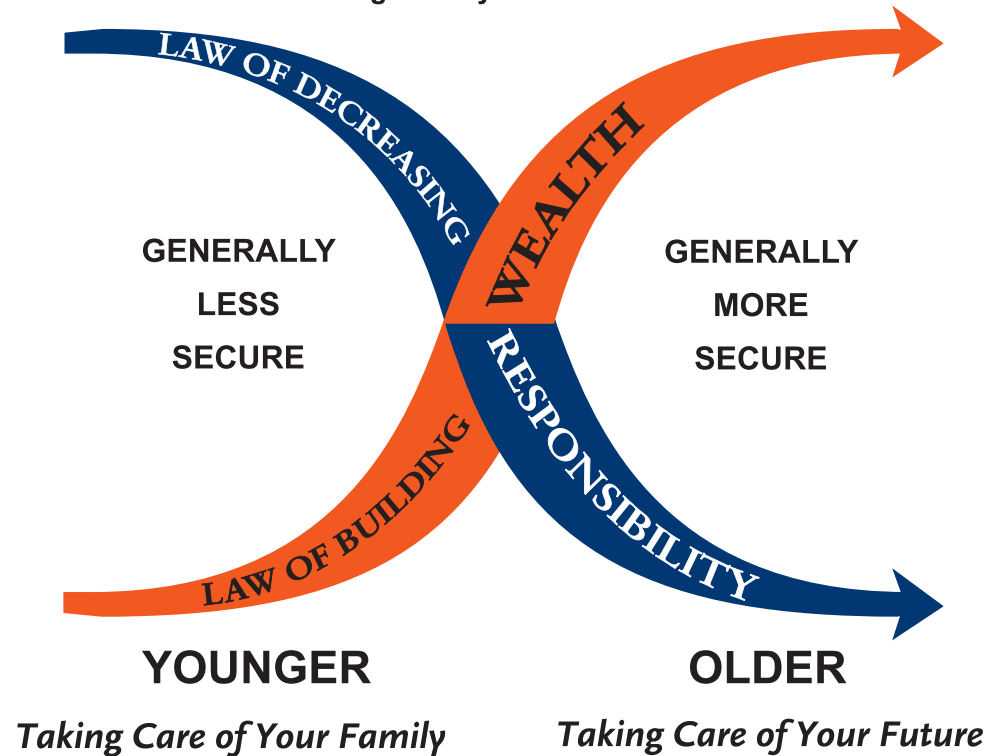
# THE X-CURVE CONCEPT OF WEALTH & RESPONSIBILITY

## THE WEALTH FORMULA

$$\begin{array}{l} \text{Money} \\ + \text{ Time} \\ +/\text{- Rate of Return} \\ - \text{ Inflation} \\ - \text{ Taxes} \\ \hline \text{Wealth} \end{array}$$

*You can build a successful financial future!*

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



*You must take care of your responsibilities while building your wealth.*

\*This is a concept/goal developed by World Financial Group (WFG) for illustrative purposes only. In no way does this statement offer, guarantee, or otherwise imply any financial gain or reward as a result of joining WFG. The term "wealth" is subjective and must be defined on an individual basis.

# THE POWER OF COMPOUNDING INTEREST

## The Rule of 72\*

| 72 ÷ 4 = 18<br>Money doubles every 18 years |          | 72 ÷ 8 = 9<br>Money doubles every 9 years |           | 72 ÷ 12 = 6<br>Money doubles every 6 years |           |
|---|----------|---|-----------|--|-----------|
| Age   | 4%       | Age                                       | 8%        | Age  | 12%       |
| 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  
with an annual salary of \$30,000.**

*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.*

*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.*

# THE EFFECT OF TAXES AND INFLATION ON YOUR PURCHASING POWER:

## EXAMPLE 1:

|                             |                 |
|-----------------------------|-----------------|
| If you save.....            | <b>\$100.00</b> |
| at 3% Interest.....         | + 3.00          |
| Pay Tax at 25%.....         | - .75           |
| (Combined Fed & State)..... | _____           |
| Net After Tax.....          | \$102.25        |
| Inflation at 3.5%.....      | - 3.50          |
| Actual Return.....          | <b>\$ 98.75</b> |
| (After Tax & Inflation)     |                 |

**You Lose!**

## EXAMPLE 2:

|                             |                 |
|-----------------------------|-----------------|
| If you save.....            | <b>\$100.00</b> |
| at 5% Interest.....         | + 5.00          |
| Pay Tax at 25%.....         | - 1.25          |
| (Combined Fed & State)..... | _____           |
| Net After Tax.....          | \$103.75        |
| Inflation at 3.5%.....      | - 3.50          |
| Actual Return.....          | <b>\$100.25</b> |
| (After Tax & Inflation)     |                 |

**You must get about 5% or more in interest to beat taxes and inflation.**

## THE COST OF LIVING IN THE UNITED STATES IN 1978\*

|                                    |          |
|------------------------------------|----------|
| 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  |

\*www.thepeoplehistory.com/1978

*Are you winning or losing in the money game?*

*In Canada there are Provincial and Federal taxes [instead of State and Federal]. Assumes 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 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?

| <i>Scenario 1:</i> |       |       | Result:               |                       |
|--------------------|-------|-------|-----------------------|-----------------------|
|                    | Mr. A | Mr. B | Mr. A                 | Mr. B                 |
| Year 1:            | +40%  | +10%  | \$140 <i>(100+40)</i> | \$110 <i>(100+10)</i> |
| Year 2:            | -20%  | +10%  | \$112 <i>(140-28)</i> | \$121 <i>(110+11)</i> |
| Net:               | 20%   | 20%   | \$112                 | vs. \$121             |

| <i>Scenario 2:</i> |       |       | Result:               |                      |
|--------------------|-------|-------|-----------------------|----------------------|
|                    | Mr. A | Mr. B | Mr. A                 | Mr. B                |
| Year 1:            | +50%  | + 0%  | \$150 <i>(100+50)</i> | \$100 <i>(100+0)</i> |
| Year 2:            | -50%  | + 0%  | \$ 75 <i>(150-75)</i> | \$100 <i>(100+0)</i> |
| Net:               | 0%    | 0%    | \$75                  | vs. \$100            |

*Try to avoid the market risk.*

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.

# SAVE EARLY

**MR. START EARLY**  
saves \$3,600 per year  
for 7 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, 7 years later  
than Mr. Start Early.

*For illustration purposes only.*

| 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>           |                     |                    |

*Procrastination is one of the main causes of failure.*

# SMALL CHANGES, BIG MONEY

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



Can you cut down on the following?

- Sodas ♦ Cigarettes ♦ Lattes ♦ Cable TV ♦ Games ♦ Bottled Water ♦ Sweets
- ♦ New Gadgets ♦ Shopping ♦ Driving a Nice Car ♦ Eating Out ♦ Partying...

*Discipline and Consistency are the keys.*



# INSURANCE & INSURABILITY

## HOW TO CALCULATE YOUR PROTECTION NEED

*Example of a hypothetical case*

Client 1

**DEBT**

**\$ 50K**

Combined credit cards, loans, and other debts.

**INCOME**

**\$360K**

\$3K/mo. (\$36K/yr.) income replacement for 10 years.

**MORTGAGE**

**\$200K**

Mortgage balances.

**EDUCATION**

**\$120K**

Assuming \$15K/yr. for a 4-year college for 2 kids.

**TOTAL:**

**\$730K**

Protection Needed

Most people have good protection on their house and cars, but few have enough for their loved ones.

## ARE YOU INSURABLE?

### Lifetime Risk of Cancer\*

*Risk of Developing*

*Risk of Dying from*

1 in 2 ..... MEN ..... 1 in 4

1 in 3 ..... WOMEN ..... 1 in 5

An estimated 80 million Americans have one or more types of heart disease.\*\*

Average healthcare cost in retirement for a 65-year-old couple: \$200,000. With nursing home: \$500,000. 70% seniors will need some type of long term care in their lifetime.\*\*\*

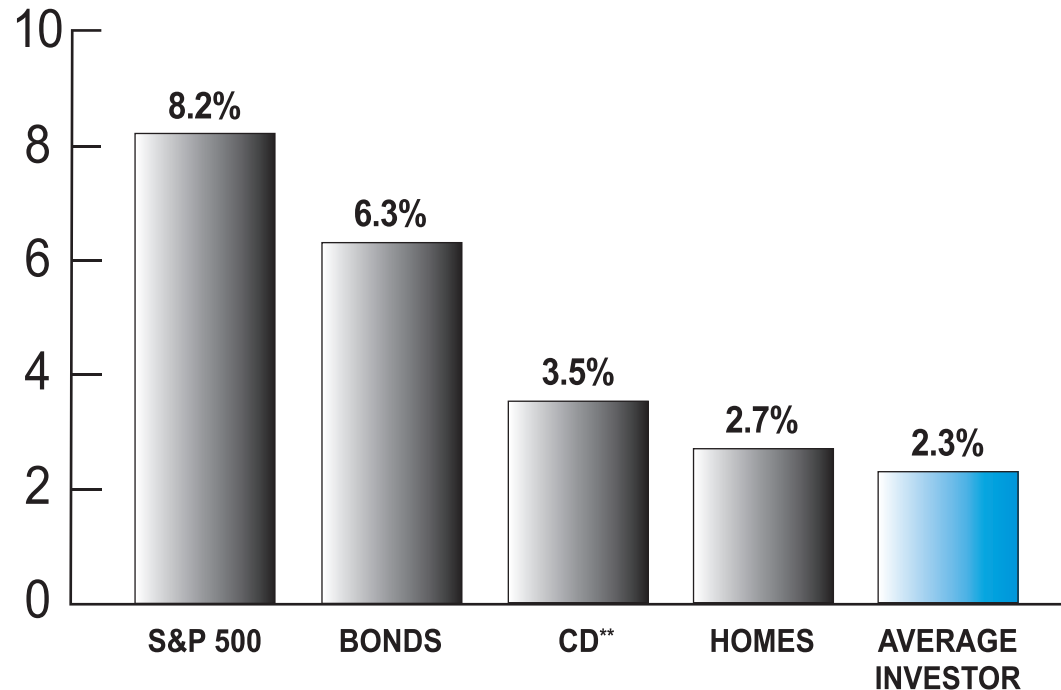
\* <http://www.cancer.org/cancer/cancerbasics/Lifetime-Probability-of-Developing-or-Dying-from-Cancer>

\*\*<http://circ.ahajournals.org/content/127/1/e6.full.pdf+html>; pg. 105

\*\*\*<http://money.usnews.com/money/personal-finance/articles/2012/03/14/how-to-avoid-being-a-financial-burden-on-your-children>

*People must prepare in case they die too soon and also if they live too long.*

# 20-YEAR ANNUALIZED RETURNS BY ASSET CLASS (1993 - 2012)\*




Where is most of your money invested in?

Is your investment in a taxable, tax deferred or tax free account?

\*J.P. Morgan Asset Management, March 31, 2013, Asset Class, Diversification and the Average Investor.

\*\*<http://www.federalreserve.gov/releases/h15/data.htm>

# THE SOLUTION FOR A STRONG FINANCIAL FUTURE

| MANAGED GROWTH   | YOUR FINAL TEST   |
|--|---|
|  | <p><i>Your Plan for the Future:</i></p> <ul style="list-style-type: none"><li>◆ Can it potentially <b>GROW</b> to achieve your goal?</li><li>◆ Is it <b>SAFE</b> enough?</li><li>◆ Does it have <b>TAX ADVANTAGES</b>?</li><li>◆ Does it have the proper <b>PROTECTION</b> for your family?</li></ul> |



*Build it with confidence.*

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