FORTUNE BUILDER PRESENTATION

First Meeting

VELOMON, LLC 12175 Visionary Way, Suite 620 Fishers, IN 46038

FORTUNE BUILDER

First Meeting Workbook Presentation

Let's start with the obvious. What is a selling system – and why do I need one?

When used for wealth-building and retirement income, Indexed Universal Life is a unique animal among all insurance products. First, it is the only product we sell on the basis of fulfilling hope – versus ameliorating risk. Put another way – we're selling dreams rather than fear. That makes our "sale" more "abstract" and requires an approach that is less transactional, and more inspirational.

Second, as we think about IUL *as a wealth-building vehicle*, we have to understand that it is a mis-labeled product. It's much more about wealth accumulation – and less about life insurance. Now before I get in trouble with the carriers – it is life insurance – and we have a duty to be sure we've helped our clients meet their life insurance needs – but to the extent those needs exceed a max-funded non-MEC IUL policy – there are probably more efficient ways to acquire that death benefit coverage.

The point is, that very few people we consider target prospects would view a life insurance policy as a wealth accumulation vehicle. We only make the problem worse when we insist on holding ourselves out to the market as "insurance agents" when even fewer prospects would seek wealth-building advice from their insurance agent. Therefore, we have to tell the IUL story in a way that is markedly different than how we tell the story of other insurance products.

Finally, we have to realize that we are going up against a well-oiled machine I call the Wall Street Cartel. When we sell other insurance products – our "competition" is generally restricted to other insurance products and other insurance agents. But when we're competing for our clients' saving and investing dollars, we're up against Wall Street, the media, our educational system, and others. We're out marketed, our organized, out-spent, and we have no fellow Cartel members to help us.

That means we have to do things differently – to succeed. We need a 'track to run on' – and the Fortune Builder Selling System is that track.

It works – and it works brilliantly. Your closing ratio will increase substantially. You will not waste time chasing clients – dealing with voicemails – following up with lukewarm prospects and hassling them for paperwork. But for it to work for you, there are two rules you need to be very attentive to:

Rule 1: No Shortcuts: This is a selling system, meaning it has very defined and deliberate steps that cannot be skipped, fast-forwarded through, or given only cursory attention. Each step exists for a reason – and must be completed – in order. The IUL story is one that must be built – the way a house must have a foundation before the roof is built. The Fortune Builder Selling System builds the story well.

Rule 2: Practice: Used without understanding each element of the system – knowing how you're going to present the key points – how you're going to answer questions – how you're going to draw information out of your prospect – it will not yield the results you want. So practice – study – and practice some more. Try the system on family members or friends/colleagues that will help you hone your skills. And don't be frustrated. You'll be better in three months than you are today – and better 6 months after that. Reading a book on the golf swing doesn't make you a good golfer. Practice does.

Finally, we have built the Fortune Builder Selling System on sales principals taught by the Sandler Selling System – in our view – the best sales training system in the world. So we highly encourage those choosing to use the Fortune Builder Selling System to do so in conjunction with Sandler Sales Training. That's why we've partnered with the folks at Sandler, and make two levels of sales training available to you.

We won't cover those here – but think of it this way. We're putting you in a Ferrari with the Fortune Builder Selling System. If you don't know how to heel/toe the clutch and brake pedals – or apex a corner – or use your gears so that you're always in the RPM 'power curve' – you might do better than your neighbor in his Ford – but you won't do anywhere near as well as a professional driver who can coax the most out of his Ferrari.

Sandler training is expensive and difficult – and worth every penny. Take it from me. I'm an alumni – and it was the best money I've ever spend – for something I absolutely couldn't afford at the time.

How this Document is designed

The Fortune Builder Wealth Plan "Learning and Presentation" workbook is designed for three potential purposes.

1. It is designed to be used in the home as a 'first' meeting walk-through.
2. It is designed to be a handout/workbook for seminar attendees to complete during a slide presentation.
3. It is designed as an aid for webinar attendees to complete during a web-based presentation.

Each section will be discussed in detail in terms of 1) the objectives of the section, 2) scripting you might use or put into your own words, 3) an occasional "going deeper" discussion of the concepts and ideas we're trying to convey, and 4) Sandler Notes that will explain why we present things in certain ways.

It is imperative that you make this presentation conversational – meaning two-way. We have included questions throughout to stimulate discussion – to back-check whether the prospect is tracking with you – to give the prospect the opportunity to ask clarifying questions, challenge presentation points, and confirm their agreement with your conclusions along the way.

Be sure to incorporate these – and other questions as you move through the presentation. It is the questions the reveal buying signals – or deal-stoppers. Consider this; you could deliver this material masterfully without ever asking questions – but if you lose, confuse, or create silent objections along the way – your presentation skills will count for nothing.

Introducing the Document to the Prospect

This is what Sandler calls an "up-front contract," an agreement on the expectations of the meeting, the outcome of the meeting, and what next steps will look like.

The purpose of the upfront contract is to avoid a 'think-it-over' outcome. The best outcome we could get is an agreed follow-on meeting. The second best is a firm "no thanks." The worst is, 'let me/us think it over.'

The elements of the upfront contract include 1) confirming the time allocated for today's meeting, 2) outlining what the meeting is going to cover/be like, 3) confirming that this will be a two-way conversation, 4) getting the prospect to agree that at the end of today's meeting, we're going to get to a "go"-"no-go" decision, and 5) confirming what the next steps will look like assuming things are a go.

Step 4 is perhaps the most critical – and where enormous opportunity exists to move the conversation to closure one way or the other. Its goal is to obtain the prospect's agreement that at the end of your time today, the prospect will be able to make a decision – Yes or No. The only bad decision is a think-it-over, sales purgatory.

Opening the Meeting

"Mr. Prospect, before we get into the things we wanted to talk about today, let's make sure we're on the same page so we can make the best use of our time today." Have you set aside about 45-60 minutes for us today?

Great. I brought with me a sort of workbook to guide our discussion. I'm going to give this to you – and have you fill in some information as we go along. The workbook is yours to keep – and will help you as you replay some of the things we're going to talk about after I've left.

I'm going to ask you a lot of questions. We'll have plenty of time to talk about each concept so that your questions are answered along the way and so that I can have a good feel for the things that are important to you before we wrap things up today. Sound like a plan?

At the end of our time, it should be pretty obvious whether we want to continue the discussion in another meeting – or not. The reality is – I cannot help everyone. What I do is very specific. I have certain goals I help my clients achieve – and sometimes my goals don't line up with theirs. It that's the case, do you mind if I tell you so we can shake hands and move on?

Great. Now the same thing is true for you. If what we share today doesn't make sense for you – will you be comfortable telling me – so neither of us gets ourselves into an uncomfortable follow-up routine where I'm chasing you and you're avoiding me?

Super. So the only goal of today's meeting is to discover whether we have similar views toward money and investing – so we can decide whether to carry the conversation on or not – does that sound fair to you?

Do you have any questions before we start?

Are there certain things you want to be sure I address as we talk today – or things on your mind that you want to be sure we cover so that this is time well spent for you?

To get a Yes or No regarding next steps, it will be necessary for you to define what you want the prospect to say yes or no to. So clearly defining step 5 – the next steps – is also critical.

Upfront Contracts are set throughout the sales process – at the prospecting stage – at the outset of the first appointment, at the outset of each subsequent meeting or major milestone. When either of you have 'homework.' They keep the conversation moving in a positive direction – or call it off. What they prevent – when done correctly, is the hide-and-seek game that often characterizes the salesperson's follow-up routine. Anything other than a Yes or No is considered a "slow no" – the worst kind. Learning to set good upfront contracts is a critical sales skill – and it starts right here.

Inside Cover – Top Section

As you begin the meeting, keep in the back of your mind that you want to make observations and jot down notes on those observations. For example:

- A general impression of their health – and more detail if you have the opportunity to ask
- An impression of their attitude toward qualified plans, matching contributions, etc.
- A general impression as to whether they're realists or dreamers
- An idea of whether there is 'old' qualified money that could be moved
- Whether or not the spouse works and/or has savings.
- An impression of their attitudes toward retirement – even a retirement date or timeline

The goal of this section of the workbook is provide encouragement to the prospect. The world of wealth-building can seem overwhelming to your prospect. The better you can break it down into bite-sized chunks that they can relate to, follow along with, and resolve are doable – the better your likelihood of building trust and giving hope to the prospect that they can actually achieve their goals a bit less 'randomly' than perhaps they had experienced up until meeting you.

I'd like to begin by introducing you to how I/we think about the challenge of achieving our financial goals. It can seem like such a huge subject – there's so much information out there (much of which seems to contradict itself) and sometimes it's just such an overwhelming task – it's hard to know where to start.

So what we do to tackle the job – is what Einstein did to achieve many of the inventions we enjoy today. We want to eliminate the pathways to failure, and in doing so, I think you'll see that the pathway to success reveals itself rather nicely.

THE THREE FAILURE TRAPS		THREE WAYS TO LOSE MONEY	
Have you eliminated the failure traps?		How much of your money is exposed?	
Eliminated?		% Exposed	
Yes	1. Fail to save money	50%	1. Expose money to things that are taxable
Yes	2. Lose the ability to earn through death or disability.	90%	2. Expose money to things that can go down in value
No	3. Put money into savings that can lose value	100%	3. Expose money to things that can trigger the payment of fees and commissions

Be sure your prospect identified whether or not each 'failure trap' has been eliminated. It will also give you insights as to whether they have life insurance, disability insurance, or long-term care insurance.

Here, the goal is to get an idea of the prospect's 'risk tolerance' If the numbers are high, ask if they're comfortable with them being at that level.

"So the first question we ask ourselves, it how can we fail to achieve our financial goals. Fortunately, there are only three – what we call – Failure Traps.

1. *We can fail to save money in the first place. I doubt that's a problem for you since we're talking but are you relatively comfortable with the amount of money you're saving right now? Okay, then let's put a "Yes" in the box to the left of Failure Trap One and cross that one off the list.*

2. *Now the second way to fail is to lose the ability to* *earn* *– either through* *death* *or* *disability*. *Those are financial risks we aren't in control of but they are relatively easy to address at least financially with a little life insurance to ensure that our family is financially taken care of in the event of premature death; or disability insurance in the event we're unable to work. So again – in the boxes to the left, just put a "Yes" if you have adequate insurance – or "No" if you don't."*

> Here is an opportunity to get some additional information about their life and/or disability insurance and make notes. If the prospect has life insurance, you'll want to know how much, what kind (if permanent – whole life or [indexed] Universal), how much cash is in the policy), whether it's personally owned (or provided by the company), how long the prospect has had the policy, and whether there have been any significant health changes since the policy was purchased. These will all help you going forward.
>
> If the prospect has disability insurance, find out what the coverage limits are, how old the policy is, what the exclusion period it, whether it is personally owned or provide by an employer, whether it is a reimbursement or indemnity policy.

3. *"The third failure trap is putting money into accounts, investments, securities – that can* *lose value* *– so anything that can go down with markets – or changes interest rates, etc. As we did before, just use the box to the left to indicate whether you've already eliminated the exposure of your money to market losses or not."*

"Now I just want to park here for a moment and have you think about what we just covered. Boiled down, I'm suggesting that we cannot fail to reach our financial goals if we just do three things: make a firm commitment to regularly setting aside money for the future, ensuring that if we're not here – or not able to finish the job ourselves, that we have adequate insurance in place to know the job will be completed without us; and if we can somehow not lose any of the money we saved or earned on our savings.

"So my question for you is this, is there anything you can think of other than these three things that could keep anyone from reaching their financial goals?"

> If they do come up with some other factor, chances are it will be a subset of one of the three you've already covered. Your goal is to get them to see a ray of hope in that if they can just avoid these three failure traps, they're most of the way to financial success.

"So the first bit of good news for our discussion is that based on how you assessed your situation related to the three failure traps, you're already way ahead of the game. You are saving money. And you have (or don't have – but can easily acquire) *adequate insurance. So the only thing we need to focus on in order to eliminate all three failure traps an put you on the path to financial success – is to eliminate the possibility of losing money."*

"Are you tracking with me so far?"

"Okay. Now a lot of the time – I'll have someone I'm working with say something like, 'there are a million ways to lose money' and while that may be true, we're talking about forces that actually take money from our saving and investment accounts – and we believe they there are only three forces that can actually take money from our accounts without our permission:

1. *We can lose money by exposing our money to things that are* <u>*taxable.*</u> *Obviously, anytime we earn money on our money in a way that Uncle Sam gets a bite – we lose part of our money, right?*
2. *We lose money when we put our money into things that can go* <u>*down*</u> *in value. It's happened to all of us – sometimes it's a pattern that repeats itself – it's sickening when it happens – and most of us believe that it's just part of the game. If you decide to let me – I'll show you that losing money is completely voluntary.*
3. *Finally, we lose when we put money into things that trigger the payment of* <u>*fees*</u> *and* <u>*commissions*</u>*. I'm going to share some information with you in a minute that will suggest that we pay far too little attention to the fee and commission drain from our accounts – and we lose literally hundreds of thousands of dollars over our investing lifetime to these kinds of costs.*

Occasionally, a prospect try to add 'inflation' to the list. You want to acknowledge their concern about inflation, but it is not a true financial risk. Inflation doesn't take money from anyone's account in the same way market risk, fees, and taxes do. Inflation reduces the purchasing power of money, it does not reduce the quantity of money itself.

"But I'm getting ahead of myself. What I'd like for you to do next is put a percentage number in each of the boxes next to the three ways to lose money. The percentage should represent the portion of your money that you think is exposed to each of those forces that take money out of your account. You don't have to be precise – and remember this is for your information only."

Now in a minute – we're going do dive a bit deeper into each of these – what we call - Three Wealth Killers – because for us – this is the most critical information people need to have – and it is – without question – the least talked about – written about – even among some of the most influential "money gurus" in the financial world.

We teach it – in fact we obsess on it for a reason that will be clear in just a minute. But that also makes our conversation different than most other money conversations you've probably ever had.

My experience is that most money conversations most money conversations start out talking mostly about what we call "offense" – what we're going to do to grow your money. Our

conversation today is all about "defense" – what are we going to do to be sure you hang on to your money – before we talk about how we're going to grow it.

But that 'difference' isn't always as exciting or sexy as talking about growing our money. So let me ask you, does a 'defense' first approach making sense to you? Are you okay talking about tackling wealth-building from this perspective? Is there anything we've talked about so far that is either unclear – or that you think we're giving too much attention to?

Are there any ways you can think of that you could lose money other than exposing it to market risk, taxes, or fees?

I agree. I think of it this way. We save money by putting it into a bucket of some kind – and hope to grow what's in the bucket over time. But the presence of the Three Wealth Killers means our bucket – no matter whether we call it a 401k, an investment account, or anything else – has three constant holes in it.

- *One is market risk – and money leaks out of our bucket when the market sneezes,*
- *One is the taxes that Uncle Sam will eventually confiscate from our bucket, and*
- *The third is the fees and commission that are siphoned out of our bucket – often without our knowledge, when brokers and fund managers and others get paid.*

So does it seem reasonable to you that if we can discover a way to eliminate the Three Wealth Killers from our investing equation, we will have eliminated the third Failure Trap and we'll be well on our way to almost certain financial success?

Now what I tend to see happen when we talk about this is that most everyone agrees that stopping the losses is important – but they really don't know how important it is – and for my whole approach to make sense to you – it's important you understand just what a devastating impact the Three Wealth Killers have on our money.

In fact, Alabama football coach Bear Bryant once said, "Offense Sells tickets, but Defense Wins Championships." This is really at the core of what we believe, and frankly, it's what makes us different from most financial types you talk to.

Inside Cover – Bottom Section

Now we want to begin drilling down on why we focus on the Three Wealth Killers. This is the educational part of today's sales meeting, and is broken into three sections – what we need to know about market risk, taxes, and fees/commissions.

Cover the fill-in-the-blanks on the left hand side first, then do the graph next.

WHAT WE NEED TO UNDERSTAND ABOUT MARKET RISK

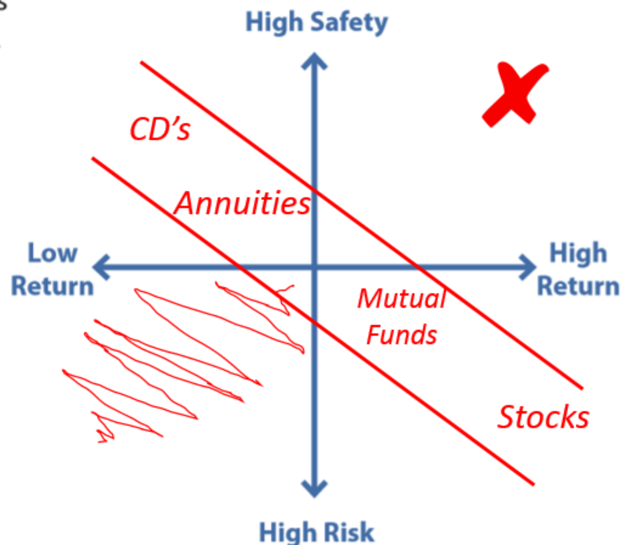
"Offense sells tickets, defense wins championships." — Coach Paul "Bear" Bryant

If an account with $100,000 loses 20% of it's value, the balance will be __$80,000__.

That account must then grow by __25__% in order to regain it's $100,000 starting point.

Losses are always more __devastating__ than we tend to think they are and...

Losses can never be __recovered__.



"So let's talk about market risk for just a minute. We'll start out with an easy one. If an account with $100,000 loses 20% of its value, the new account balance will be <u>$80,000</u>, right?

Now that's really just a setup for the next question – because here's where some people get tripped up. That $80,000 account must now grow not by 20% - but by <u>25%</u> in order to get back to its $100,000 starting position.

Its relatively simple math – but it does help explain why when markets go down – they go down much more quickly then they recover. The other important thing to note is that while the account balance is recovering – there is no growth (from the original value) – so there's a substantial lost 'opportunity cost' that has to be factored into the impact of market losses.

That's why losses are always more <u>devastating</u> than they we tend to think they are. We look at a $20,000 loss in this example – but we lose both time – and money – and we know the rebound will take longer because it has to be greater than the loss.

Is this all making sense so far?

Have you ever thought about losses this way before?

I assume you have lost money before?

How did that make you feel?

Were you in the market for the 2008 crash?

Did you sell – or hang in there?

Did that impact your thinking going forward?

Have you stuck to the things you said to yourself you'd change.

Finally – and here's the one where I tend to get the most pushback. Losses can never be <u>recovered</u>. What do you think that means?

Right – the account balance might recover – but the loss never is. When an account loses money – that money goes out of our account – and into the account of someone else never to be ours again. So while the account balance might recover – the loss never can be.

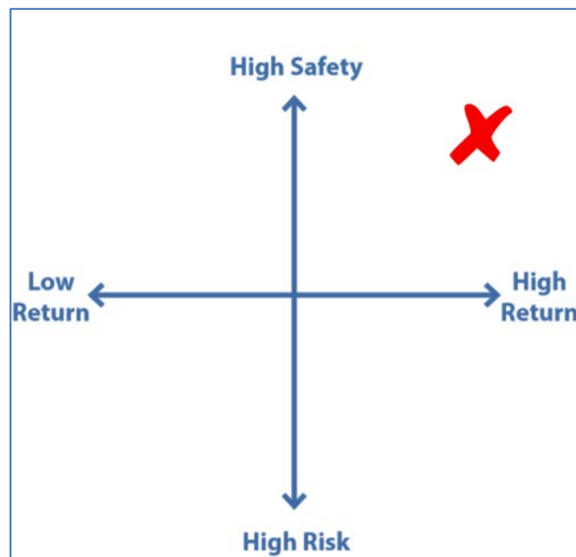
That's important because if we lose $20,000 – we not only lose that $20,000 – but all it could have grown up to be.

For example, if we never lost the $20k in the first place, and it grew at 7.2% - it would double every 10 years. So if we suffered the loss at age 35, it would mean we'd have $320,000 less money in our account at age 75 than we would have had we not suffered the loss in the first place – and no matter how well or how fast our account balance recovered.

That's a hard concept to grasp – do you have any thoughts about looking at losses that way?

Inside Cover – Graph Section

So I want you to look at this graph for a minute – and when you're ready – just based on the labels - put an "X" where you'd like to have your money invested in an ideal world (prospect should put the "X" in the far upper right hand section of the graph).



Okay – can you tell me why you chose that spot?

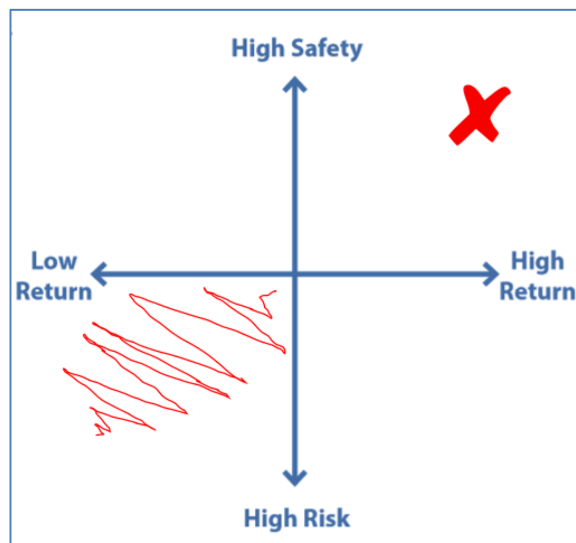
Makes perfect sense.

So if that's where you would want your money to be invested – my question is how closely would your current portfolio line up with what you want?

So would it be safe to say you're not getting what you really want?

That's not unusual – we'll circle back around to that thought in a minute.

The next thing I want you to do is tell me which quadrant – if you could just pick one – would be off-limits for your money. Scribble it out so we can be sure to avoid that quadrant (prospect should select the lower left hand quadrant.



Do you think you have any of your money in this quadrant now – where the returns are low, and the risk is high?

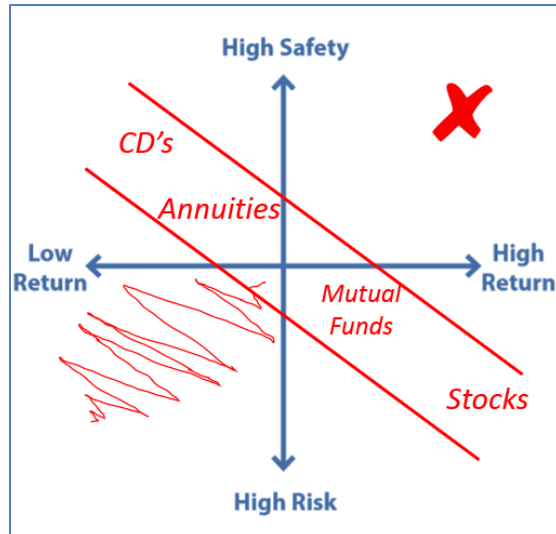
Have you ever had an experience where you had money in that quadrant?

Tell me about it? What did you do to get it out? Did you promise yourselves you'd never expose your money to high risk again?

I often tell people we have a name for that place – it's called Las Vegas, and while it might be a nice place to visit – it is no place for your retirement money – so I'm glad you've committed to keeping your money out of that area.

Now I want to draw two lines on your graph from northwest to southeast – about an inch apart from one another.

Perfect.



Now my question is whether you think most Wall Street investments – the kinds of things your money might be in right now – fall inside/between the parallel lines – or outside the parallel lines?

Client should say 'inside' the lines.

Yes – I would tend to agree with you. Now obviously there is a wide variety of choices in between – so

- *I might put bank CD's in the upper left hand area because they offer a low return by high safety.*
- *Then perhaps annuities or bonds next,*
- *Then perhaps Mutual funds*
- *And finally, Individual Stocks or options or futures or some of that really high-roller stuff*

Does that seem about right to you?

The real point is this. Most, if not all the Wall Street offerings falls between the lines – in this band where there are varying degrees of safety and return. The band does give us choices, but they all tend to be tradeoffs against one another. In other words, the more safety we require, the less return we can expect (draw an arrow between the parallel lines that moves down and left) – *and vice versa – the more risk we take, the greater the return we might expect* (draw an arrow between the parallel lines moving up and right).

Does this coincide with your understanding of how Wall Street and the big banks work?

So here's my question: Can you think of a single investment alternative that Wall Street offers you – that fits on or near the "X" where you want your money to be?

So if – as you already said – you want your money to be as close to your "X" as possible, but most of your money is confined between the parallel lines – and Wall Street doesn't offer anything in the neighborhood of your "X" – what does that tell you?

(you want to prospect to agree they need to look somewhere else)

Let me ask it another way – if you are looking for Frosted Flakes – and the store you're at doesn't carry Frosted Flakes – what do you do?

I'm with you – 100%. I might be willing to eat a bowl of Granola instead of my Frosted Flakes – but when it comes to my money – I'm not sure I'm willing to be quite as compromising – and I'm inclined to spend a bit more time looking for an alternative that meets my needs.

That's where we're heading – but let's make a couple of other quick stops along the way.

Page 3 – Taxes Section

"Now as important as market risk is, it's just one of the Three Wealth Killers. I want to spend just a few more minutes on the other two – then we'll put this together and see if it's it really worth getting all worked up over.

WHAT WE NEED TO KNOW ABOUT TAXES

Conventional Wisdom is often neither

Contrary to popular belief, there is ___*no*___ ___*mathematical*___ ___*advantage*___ to pre-tax contributions or tax deferral - the two main attractions of qualified plans.

Uncle Sam is our ___*silent*___ ___*partner*___. He ___*owns*___ part of our account balance. His ___*share*___ of our money is completeley ___*up*___ ___*to*___ ___*him*___.

Do you have money in an IRA or 401k, or another kind of tax-qualified plan?

And are you actively contributing to a plan like that now?

If yes – *"Why did you decide to save money there?"*

The prospect will give you any of three reasons. Pre-tax contributions, tax-deferred growth, and employer matching funds. We don't want – at this stage, to editorialize on matching contributions, but we do want to negate the tax-free contribution and tax-deferred growth theories (both go together) using the following dialogue. You may even want to write down notes on their workbook so they can follow, and reflect on this after you've left.

"Have you heard of the Rule of 72 – or do you know how it works?

It's pretty simple. It tells us that if we divide the number 72 by an interest rate, how long it will take to double our money.   So at a 6% rate of interest on our money, it will double in 12 years, because 6 goes into 72, 12 times. Make sense?

Okay – so if money doubles in 12 years when it grows at 6%, how much would we have after 12 years if we started out with $1,000 and grew it at 6%?

Easy – right?

Now if we had to invest after-tax dollars instead – we didn't get to put pre-tax dollars in – and we started out with that same $1,000 – how much would we be able to put into savings if it were taxed first – at – say – 25%?

Right – we'd only save $750 instead of $1,000. This is where we're lured into tax-qualified accounts like IRAs and 401ks. Who wouldn't want to save $1,000 instead of $750 if they had a choice?

After all, if we started out with $750, and grew it at 6% for 12 years, how much would we have?

Right - $1,500. And who want's $1,500 when we could have $2,000 instead.

Here's the rub though. If we grew our $1,000 to $2,000 in a tax-qualified account, the whole thing has to be taxed before you can put your hands on it, right?

So if we tax $2,000 at 25%, how much are we left with?

That's right - $1,500. The same $1,500 we would have had by investing $750 after-tax dollars instead. Its mathematical trickery. While all the press and the pundits and everyone else says tax-deferred growth is a huge advantage, it turns out there is no advantage at all.

So in the workbook, we say that contrary to popular belief, there is <u>no</u> <u>mathematical advantage</u> to pre-tax contributions or tax-deferral – the two main attractions of qualified plans."

If they answer no, they are not saving money in a tax-qualified plan:

"Well that's a good thing, because one of the things we learn is that there is no mathematical advantage to tax deferral – even though that's the number one reason most people save that way. Fortunately you've already got that one figured out."

In fact, the reality of tax-qualified plans is that because our money is subject to taxation at some point in the future – and at a rate we cannot now, Uncle Sam is our <u>silent</u> <u>partner</u> - he <u>owns</u> part of our account balance – and because he can change tax rates any time at his discretion, his <u>share</u> of our money is completely <u>up</u> <u>to</u> <u>him</u>.

"I don't know about you – but that's a scary proposition. "

"Do you know what future tax rates will be?"

"Do you think they're more likely to be higher – or lower?"

"What suggests to you that they'll be higher?"

"I agree. With 19 trillion in national debt – there's just no way they can be lower in the future – and whether we have money stored in qualified plans or non-qualified plans – we are vulnerable to those future tax rates – we're just a lot more vulnerable if we have money in qualified plans.

The Five Tax Gotchas

THE 5 TAX GOTCHAS

The 5 Retirement "Tax Gotchas" (that you can do nothing about once you've retired)

1. Fortieting low captial gains tax rates and exposing all your money to higher ordinary income tax rates.
2. Forced taxes on required minimum distributions.
3. Taxation of social security income.
4. Higher Medicare premiums through means testing.
5. Full taxation of money that is passed on.

But the story is actually much worse – because there are other disadvantages of qualified plans (like the IRA, 401k, 403b, 457, SEP – you're in) that don't even show up until retirement.

We call these the Five Retirement Tax Gotchas and the real problem is that just as planned, once you discover that you're a victim – there's nothing you can do about them.

1. *The first one is that with all qualified plans, we forfeit low capital gains tax rates and instead expose all of our money – 100% of it – to higher ordinary income tax rates. Capital gains rates are the lowest in the tax code – and ordinary income rates are the highest in the tax code – and that's a decision we make without knowing it when we save through qualified plans.*

   Do you know what the highest capital gain rate is today? It's 20% while the highest ordinary income tax rate is nearly double at 39.6%. Did you have any idea that that one factor could double the amount of taxes you pay in retirement?

   How much do you want to live on in retirement?

   How do you feel knowing that your income taxes in retirement could double – making that income buy a lot less lifetsyle - just because of the decision to put money in a qualified plan?

2. *The second Retirement Tax Gotcha is that even if we don't need the money, we have to start taking money out of our qualified plans once we reach age 70-1/2, and we pay*

taxes on those forced – what are called - Required Minimum Distributions. Does it seem fair to you that you might have to pay taxes on money you don't need – and might rather pass on instead?

When people start taking those RMDs, many also find that their social security benefits are suddenly taxed. How would that make you feel?

3. *And that leads us to the third Retirement Tax Gotcha. If we derive our income from taxable sources – like 401ks, pensions, and others – there's a very good chance that that we'll also be forced to pay taxes on our social security income. Doesn't seem fair that what was taken away from us in the form of a tax – would be taxed when it is returned to us, but it is – and that's the third Retirement Tax Gotcha.*

   "Do you think social security benefits should be taxable?"

   "Do you know what the threshold is at which they become taxable?"

2014: Single $25,000 = 50% of benefits taxed, $34,000 = 85% of benefits taxed

2014: Married $32,000 = 50% of benefits taxes, $44,000 = 85% of benefits taxed

4. *Fourth, and related to Social Security, we can be forced to pay higher Medicare premiums through means testing. If we make too much money in the eyes of the government, our Medicare premiums might also be higher. We have to look at this as an additional tax that is a consequence of how we saved and invested during our lifetime.*

   Did you know that Medicare premiums are mandatory and are deducted right from your social security check?

   Did you know Medicare premiums were means tested – or did you think they were the same for everyone?

5. *Finally, all the money we pass on to others is fully taxed at ordinary income rates at the end of our lives. So if we think we're leaving behind money for our kids and grandkids and charities and what-not, chances are a lot less is going to them – and a lot more is going to the government.*

   Is that what you intend for your money – that some of it will be taxed rather than passed on?

   Did you know that whatever your kids or grandkids inherit from your qualified plan is added to their income in the year of your death, and that could drive up the tax rate on their regular income too?

All five of these things happen to those who save through qualified plans. Most have no idea what's coming down the road at them – did you?

How does that make you feel?

When you consider that the primary motivation for getting into that qualified plan in the first place was the promise of tax-deferred growth – which – it turns out – isn't even an advantage, doesn't that make it feel all the worse?

So the point is – and you already knew this – is that Uncle Sam is going to get his share unless we take definitive steps to do something about it – and that's exactly what we're all about.

Page 3 – Bottom Section - Fees and Commissions

"Let's move on a look for just a minute at the issue of fees and commissions – the third of the Three Wealth Killers. This is perhaps the one area that gets the least attention and is among the most devastating of the Wealth Killers.

First, of all – do you have any idea what you paid in fees and commissions on your various accounts last year?

From time to time, a prospect – particularly one who is saving through a company-sponsored tax-qualified plan like a 401k, 403b, 457, or others – will say – in fact argue – that they pay nothing to participate in that plan.

This may be technically true – but it is far from factually true. While there may be no direct cost of participation, most such plans offer a variety of mutual funds, and on top of other plan fees and costs that may be buried or disguised, all mutual funds have their own set of fees and commissions.

Do not let the prospect hold to the idea that they pay no fees or commissions. Ask what's in their account, and if necessary, look up those mutual funds so on the next meeting, you can correct them.

Remember too, that the investor pays the fee and commission load on all the money in their qualified account – even though they don't own all the money in the qualified account. A portion (we don't know exactly how much) is owned by Uncle Sam the minute it goes into the account – that includes employee contributions and employer matching contributions. That portion can be one-third or more (depending on future tax rates). The plan owner is just the 'custodian' for Uncle Sam's money – yet they're paying fees and commissions on that money – making qualified plans among the most expensive possible ways to invest.

"Again – I've never met anyone who does know – truly. And if that's not bad enough, the more important question is do you know what you got for whatever it was you paid?

Again – same answer I get all the time because of course we have no idea what we might have been able to do making our own decisions versus paying someone else.

When you think about it that way – that we rarely know what we pay – and we certainly can't come up with an answer as to what we got for our money – how does that make you feel?

Yet – do we tend to 'shop' advisors like we do a loaf of bread? Have you? Why not? If you decided to shop advisors on the basis of cost and value – what do you think you'd discover?

The answer you're looking for is, "They probably couldn't answer either questions – what they can do – or what it will cost."

"I agree. So it brings us to the same place we got to in our discussion of risk – if we can't get what we want – or in this case – we can't quantify what we're buying or what we're paying for it – it may be time to look somewhere else – would you agree?

In fact, can you think of any other expenditure in your life – where you have no idea what you're paying AND no idea what you get for whatever it is you are paying?

WHAT WE NEED TO KNOW ABOUT FEES AND COMMISSIONS

"Workers end up giving away half of their retirement savings." — John Sullivan, RIA

Experts say we pay 3.5%- 4.7% % of our account balance each year in fees/commissions.

The D.O.L. says 1% in fees/commissions over 35 years means 28% % less in retirement.

Due largely to fees, few mutual funds outperform the market index.

Those savings through company sponsored plans (401K and other) pay the highest fees because they're paying fees on money that's not theirs - forever.

So the experts say we're paying between 3.5% and 4.7% of our account balance each year in fees and commissions. If we grow our money at 7%, then 3.5% eats up half of our growth.

Even the U.S. Department of Labor – on the front page of their website – says a 1% difference in fees and commissions over 35 years will mean 28% less money in retirement. So think about that a second: that's the difference between retiring with $1,000,000 – or $720,000 – 28% less.

Would 28% less money have a serious lifestyle impact on you?

Of course – and since we have no idea what we're paying – it could be much worse – right?

Here's another startling statistic. Due largely to those fees, few mutual funds outperform the market index. That means the majority of people would have been better off buying a low-cost index fund versus a managed name brand fund – and it all comes back to the fees.

Finally – those saving through company-sponsored plans like 401ks pay the highest fees because they're paying fees on money that's not theirs – and they'll do so forever!

Can you see why in our view, the subject of fees and commissions deserves so much more attention than it typically gets?

Would you ever have guessed that you could lose 28% or more of the earning power of your money just because of fees and commissions?

Does that information make it more likely that you would scrutinize fees more than perhaps you have in the past?

Back Cover – Top Section

Now it's about at this point that people will ask me – is this really all that important? It's a fair question. Maybe – like the rest of the world, we should ignore all this Three Wealth Killer stuff – and move on to how we grow our money at a fast enough rate to overtake the drain of the wealth killers – and move on.

Well – we want to answer that question so we know where to place our focus. To do that, let me walk you through an example that I think makes the point pretty dramatically.

WHY ARE THE 3 WEALTH KILLERS SO IMPORTANT?

Jack saves $500/month from age 35-65, and grows his money at 10% annually.

Without the 3 wealth killers:		With the 3 wealth killers:	
Deduct for Market Risk	-0-	1x 10% loss, 1x 5% loss, 1x Flat Yr.	Deduct for Market Risk
Deduct for Taxes	-0-	25% on growth	Deduct for Taxes
Deduct for Fees/Comm's	-0-	1.5% of Annual Account Balance	Deduct for Fees/Comm's
Jacks cash at Retirement	$1,788,761	$588,634	Jacks cash at retiremnt
Lifetime income (4% rule)	$71,550	$23,545	Lifetime income (4% rule)

Jack put up all the money. Jack took all the risk.

Jack got $ $588,634 ; while the market , tax man , and the broker got $1,200,127 .

AND, if Jack lives to age 90 , they'll get more than $ $2 million of his money, all of which was completely voluntary .

I want to build what we call a straw man – a hypothetical illustration that gives us a reference point to work from. Our straw man's name is Jack, and as you can see here at the top of the page, Jack is committed to saving $500/month from age 30-65 and growing his money at 10%.

Now you may save more or less than that – you may think 10% is unrealistically high or low, but all I want you to do is see what happens here because I think you'll be blown away.

Now to get a benchmark, we're going to deduct <u>nothing</u> for Market Risk, <u>nothing</u> for Taxes, and <u>nothing</u> for Fees & Commissions. We call this Jack's "Zero Gravity" number - what his money could grow up to become if it weren't ravaged by the Three Wall Street Wealth Killers.

Care to take a guess at what he'd end up with?

Not a very fair question – the answer is $<u>1,788,761</u>. Not too bad – agree?

And at that figure, a Wall Street advisor would probably tell Jack he could take about 4% of his money out each year and give himself a pretty good chance of not running out of money – so that would give Jack about <u>$71,550</u> of annual retirement income. Also not bad.

But look what happens when we add the three wealth killers – even to (in my opinion) a ridiculously modest degree. All this model we use does – is throw three years into the equation where the 10% earnings stream is interrupted. One year has a 5% loss, another year has a 10% loss, and a third year is dead flat.

That means that all other 32 years are 10% growth years. So do you think that's a conservative estimate of market risk, or an aggressive estimate?

I agree. In fact, I doubt there's be a 35 year period in the history of the stock market that's had only 2 down, and one flat year – so that's almost ridiculously conservative, which will make the point all that much more dramatically.

As for taxes, the model is going to tax only the growth on Jack's money – and only at 25%. So this is not a tax-qualified plan – in which case the whole sum would be taxed.

So let me ask you again, do you think this is a conservative estimate of Jack's future tax liability, or an aggressive estimate?

I agree – in fact, whether we tax just the growth as we did here – or the whole account balance, Jack would be lucky to end up with just a 25% tax rate when we retires.

Finally, the model deducts fees and commissions at 1.5% of the annual account balance. Now we just said the experts say we're paying 3.5% - 4.7% - so again – the model is very conservative in terms of the fee drain – perhaps unrealistically conservative – wouldn't you agree?

Now – you get another chance to guess at what Jack ends up with. What do you think happens after we overlay a very modest if not conservative amount of market risk, taxes, and fees onto Jack's outcome?

Hang on to your hat. Jack ends up not with $1.8 million, but with $588,634 instead. How does that strike you?

If you had 5 guesses – would you have ever guessed that low?

And it actually gets worse. At the same Wall Street 4% rule of thumb, Jack's new retirement income – instead of $71,550/year, is now $23,545/year.

Can you imagine the lifestyle difference between $23k/year and $71k/year?

What kinds of things could you do with $71k a year that you couldn't do with only $23k/year?

So here's the bottom line. In our straw man example, Jack put up all the money. Jack too all the risk. (And) Jack got $588,634 while the market, the tax man, and the brokers got $1,200,127.

And – if Jack lives to age 90, they'll get more than $2,000,000 of his money – all of which was completely voluntary – meaning had Jack looked for a place to invest his money outside of Wall Street – he might have been able to avoid the majority of that damage, making all the cost of the Three Wealth Killers completely voluntary.

Another way of looking at it is Jack ends up with 1/3 of the earning potential of his money – everybody else gets the other 2/3's.

Now I want to stop here just a minute and get you reaction to that and see what questions you might have.

How does that make you feel?

Has anyone in your financial advisory circles ever shown you anything like that before?

Does it depress you – or does it motivate you to take more control of your financial future?

Does it help you understand why my team and I are so focused on defense first – eliminating the leaks in the bucket before we talk about how to grow your money?

If you thought there was even a chance that there was something out there that could help you avoid that cost and keep that most – or even all of that $1.2 million for yourself and your family, would you put much effort into finding and vetting that solution – or is that outcome something you're willing to just live with?

Are you on board so far with that kind of thinking?

So let's complete this last little section then we'll move away from the depressing stuff into the good stuff.

	% Exposed		Priority 1=Low, 10=High
What % is exposed to Market Risk?		How important to change/eliminate	
What % is exposed to Taxes?		How important to change/eliminate	
What % is exposed to Fees/Comm's		How important to change/eliminate	

All I want you to do here is identify what your exposure is to each of the Three Wealth Killers – indicate how important it is for you to deal with that exposure. Remember, this is just for you, so I encourage you to be honest.

As I said at the beginning – the 'defense' side of money management isn't nearly as fun as talking about big growth numbers – so this isn't everybody's cup of tea – it may not be yours. So if these things aren't important to you – just indicate so by giving them a low priority number in terms of your commitment to change them. Don't fill it out based on what you think I want to hear – but what you really believe and are motivated to pursue.

Obviously, you want the prospect to indicate a strong motivation to deal with limiting or eliminating the Three Wealth Killers – but this is one of those moments where you've made your case as factually, as compellingly, and with as much emotional appeal as you can – and it's up the prospect to tell you whether you're on the right track or not. This is a 'trial close.' If the prospect isn't on board – if the prospect isn't sufficiently motivated to stop the carnage in their retirement accounts – you have little to offer – and it's better to know it now, than to keep beating a dead horse.

More than 90% of your prospects will be completely on board with you. They'll be in so much financial agony by the time they've walked through you material to this point – they'll do almost anything to stop the bleeding. If they are not – here is some suggested language you might try to salvage the conversation:

"I understand – I was getting the sense that I'd lost you somewhere along the way – and I apologize for that. Sometimes I get going too quickly and realize I've run right past things that are important to you."

"Let me just ask you this: Most times when I find someone who isn't pretty motivated by what we've shared to get about taming the Wealth Killers, it's for one of three reasons. Either I'm talking to someone who's already protected all their money from the Three Wealth Killers; or they just believe that the best defense is a good offense; or sometimes – they're waiting to find out what the tradeoff for safety is – in other words, 'what do I have to give up in order to

eliminate the Three Wealth Killers. Do any of those apply to you – or is there something else I've missed?"

This may bring the conversation back on track if you can address their reservation and move them back to your side. Or – it may end the meeting prematurely. If it appears the meeting has hit a stall point where the prospect is not going to be terribly interested in what you have to say going forward (because they're not interested in the Three Wealth Killers), here is some closing language to consider:

"Name , when we first started our conversation, I said that I couldn't help everyone – that I believe in a certain set of values and goals for my clients – and those don't always align. I said that if we reached that point, I would tell you so we didn't waste any more of each other's time. I may be wrong – and if I am – I hope you'll correct me – but I'm sensing we may be at that point."

Your prospect will either end the meeting cordially – or rescue you. By 'rescue,' we mean they will tell you what they're really feeling/thinking – giving you a chance to bring things back in line. Either way – you win. Don't be afraid of ending a call that is only going to result in frustration for both of you if you pursue it further.

Now, assuming the prospect either confirms that you are on the same wavelength and talking the same language – or that you have brought a wandering conversation back on track, you'll want to continue with the enlightenment phase of your meeting. This is where you will hold out a ray of hope for your now agonizing client.

Pivoting to the Five Money Needs (holding out hope)

"So let's start to get into the good stuff – and we'll wrap up in the next 10 minutes or so unless you decide we should take the next step.

I think it's safe to say that we now have a very good idea of what we don't want – and we don't want the Three Wealth Killers. Is that fair?

But it's just as important to know what we do want in their place. So I want to introduce you to what we call the Five Money Needs. These are sort of 'universal' truths we all tend to want for our money – Five thing we all want our money to do – and to be. Let's see if these resonate with you. In our research, we've found that in place of the Three Wealth Killers, people want:

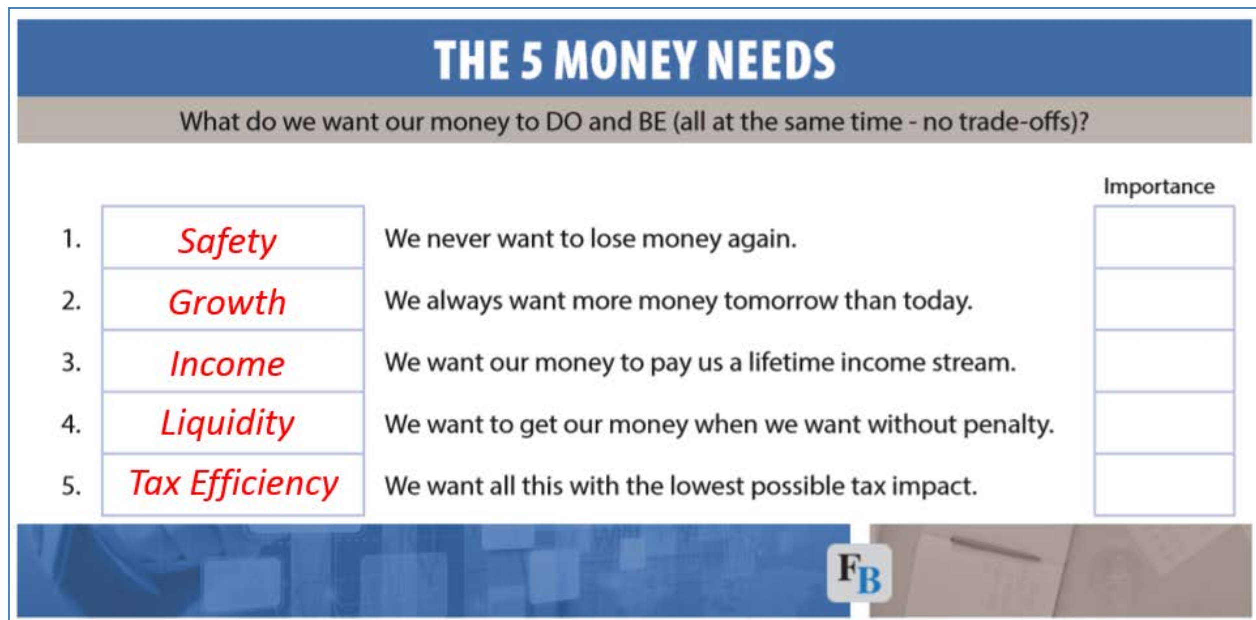
Safety – we want to be sure we never lose money to market risk - ever again

Growth – we want to be in a position where we will always have more money tomorrow than today

Income – we want to rely on our money to pay us a lifetime income stream at some point in life

Liquidity – we want to be able to get at our money when we want – without penalty

Tax-Efficiency – we want to do all this with the smallest possible tax impact.



What strikes you as you look at the Five Money Needs?

Can you think of anything you aspire for your money – that we've left off the list?

Is there anything on the list that's not terribly important to you – that we could cross off if we had to?

So just go back – and on your workbook in the box to the right of each of the Money Needs – indicate on a scale of 1 – 10 with 1 being 'not important' – and 10 being 'critically important' – where you would rank each of these in importance to you and your money.

Setting up the "Close" for meeting 2

Now I know we covered a lot of material today and your head is probably swimming a bit – but I just want to do a very quick review – then ask you a couple of questions.

- *Seems like you were comfortable with the concept that there are only three ways to fail to reach your financial goals – the Three Failure Traps we talked about early on: Failing to save – which we agreed is not an issue for you: Losing the ability to earn money through death or disability – which (you have taken care of through insurance – or – we can easily address going forward with a little insurance); and Exposing your money to thinks that can lose value.*

- *Is it safe to say we also agreed that there are only three ways to lose money – the Three Wealth Killers of Market Risk – Taxes, and Fees & Commissions?*
- *We spent a little time trying to understand better why we focus on those – then looked at some math to see if they were really as big a deal as we say they are.*
- *You indicated (look at their workbook – middle page 4) that a great deal of your money is exposed to the Three Wealth Killers – and that you consider it a pretty high priority to get after reducing the impact of the Three Wealth Killers.*
- *Finally, we looked at the Five Money Needs – and tell me if I'm wrong – but you were pretty resolved that the list of money needs was comprehensive – there were no needs that were unimportant.*

So here's my question for you. If there was a way – a plan – that would eliminate the Three Wealth Killers (Market Risk, Taxes, and Fees/Commissions) – and in their place, gave you the Five Money Needs – all at the same time (not as tradeoffs to each other); and assuming even a modest growth rate (which I know we haven't talked about yet) – do you see any possible outcome other than successfully achieving your financial goals?

Tell me why you believe that?

So if we assume for a moment that I can show you how to accomplish that – then it occurs to me that there are only two other variables we would need to identify in order to have a really solid, predictable plan with a definable outcome – those being the amount of money you're prepared to put into a plan on a consistent basis – and the growth rate we can achieve on that money. Does that make sense to you?

Are there any other variables you can think of that I might have missed?

Now I've used almost all the time we allocated for today – and I realize I haven't told you anything about how our plan works – what it is – how we grow your money – and I'll be sure to answer all those questions at our next meeting if think there should be a next meeting.

But I told you at the beginning of your time that I'd tell you if I didn't think I could help you. Based on our conversation, I think you're committed to that outcome – which means I think I can help you get there. If we're on the same page - typically at this point, we would take about another 20 minutes or so to gather some information about your specific situation.

So does it sound to you like we should take a few more minutes for me to gather some information and get another meeting on the calendar?

If Yes – take Fact-Finder

If no – It's over.

Now that it's over, can I just ask you one more question? It's not very often that I find someone who isn't moved by what they discover through this process about the impact of market risk, taxes, and fees. So when it does happen, I tend to think I blew it somewhere in the course of our conversation. Where did I lose you or go off track.

After Completing the Fact-Finder

What I'll do now is take this information back, put it into some software we use, I'll probably run it by a couple of my colleagues just to be sure I'm giving you the best solution we know how to construct – and I'll drill down on a strategy that is specific to your situation.

I'll need about a week to get that together, so the soonest I could get back with you would be next ________.

When you invite me back, that meeting typically takes a bit less than an hour unless you decide that we should moving forward. Just as I've said all along, if, at any point you don't think what I'm sharing with you makes sense for you – just say the word – and we'll be done.

So if that makes sense – what works best on you calendar over the next – say – 7 to 10 days?

Great. Now before I leave, I just want to be sure you're comfortable saying yes. I don't want to feel like I've pushed this on you. Sometimes people have second thoughts after I've left and then I end up chasing them and they end up avoiding me – and it's a big waste of everyone's time an energy. So if you're the least bit uncomfortable, we should probably acknowledge it now rather than later.

Assuming you get a positive response from your prospect, start with the calendar so that's out of the way. We highly suggest you try to keep the next meeting to one week. Shorter, and the prospect may feel you are giving them a cookie-cutter solution rather than being reflective and contemplative on your way to a custom solution. Any longer, and there is too much opportunity for a cancellation or reschedule.

Next, take out your Fact-Finder and compete it with the prospect. That's the last thing you'll need in order to have all the information necessary for you to construct your proposal.

This is all that is needed to 'close' that first meeting. Remember, all were closing for is a next meeting. But in doing so, we give the prospect plenty of opportunity to both ask clarifying questions and wiggle off the hook if they want to.

It may sound counter-productive to give your prospect an 'out' at this stage, but there is some important psychology here.

1. First, most prospects will have to ‘argue’ for the next meeting by convincing you that they are very interest in the set of outcomes you laid out.
2. Second, you’ve just set an upfront contract for the next meeting. You’ve told your prospect exactly what you’re going to do before the next meeting – and in the next meeting.

There is no ambiguity as to what’s going to happen next, when, and how long it will take. You’ve given the prospect permanent permission to ‘call it off’ at any point. This takes enormous pressure off both you and the prospect, and will lead to better outcomes.

At your next meeting, you’ll:

- Re-confirm their commitment to the Ultimate Wealth Building Blueprint tenants
- Present the Retirement Crystal Ball/Prosperity Roadmap, and if things go as planned,
- Take an application(s)

If you want to substitute your own language, words, or vocabulary into this script, feel free to do so. However, we highly recommend you NOT change the structure, and you NOT skip any of the questions – which are opportunities for your meeting to be interactive.