# HOW MONEY WORKS™

A COMMON SENSE GUIDE TO FINANCIAL SUCCESS

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**WE BELIEVE A FINANCIAL EDUCATION SHOULD BE FREE.**

Primerica has proudly distributed more than 30 million free copies of **How Money Works™** to help consumers find answers to their financial problems.

**Ask yourself...**

- **How can I save for the future when I have so much debt?**
- **How much money is enough to retire? Is it possible to save enough if I got a late start?**
- **If I die prematurely, what becomes of my family?**
- **Can I ever truly become financially secure?**

While we offer a wide variety of consumer-related financial solutions, this book is not intended as a sales solicitation, but as a general education guide to help consumers become independent thinkers who can make their own choices about the solutions that are right for their unique situation.

For more information on specific concepts or solutions, contact the Primerica Representative who gave you this book.

**There is a common misunderstanding that average and ordinary people can't become financially independent. That couldn't be further from the truth.**

The fact is, you have the power to become financially independent. Many people who have never earned a six-figure income become financially independent. How do they do it? Doesn't it take a high-level job with a big salary? Or a large inheritance? Or winning the lottery?

The answer is no. No matter what your income level, you can achieve financial security — if you take the time to learn a few simple principles from our **How Money Works™** materials.

**YOU CAN get out of debt.**
**YOU CAN build savings.**
**YOU CAN get on the path to financial independence.**

By applying the simple principles in this book, you can achieve financial security and ultimately reach your goals. But nobody else can make it happen.

**It's up to you.**
**You have the power to change your life forever.**
**Ready to get started?**

# TAKE CONTROL

Did you know one of the biggest financial mistakes most people make is dependence? Dependence on others allows "outside" factors in people's lives to control them. The secret to financial security is learning to control the things you CAN control.

## Pay Yourself First

Paying yourself first means putting yourself and your family before any other demands on your money. Paying yourself first is a form of self-respect. You must start with the end in mind.

**Deposit a set amount each and every month into an investment program, no matter what other financial obligations you have.** It's amazing how your money can grow if you invest even a small amount regularly at a good rate of return.

## Know Your Financial Independence Number

Have you heard of a Financial Independence Number (FIN)? It's the amount of money saved that you'd need to retire or be able to stop working. The FIN factors in expenses you'll have at retirement, any income coming in, inflation, and the withdrawal rate of retirement savings. It's important to calculate your FIN so you can determine what you need to do to reach that number before retirement.

## Adjust Your Priorities

**It's been said that:**
**If you make $10 and spend $9 = happiness**
**If you make $10 and spend $11 = misery**

As you begin your journey to financial independence, remember this key point:
**It's not what you make, it's what you keep.**

## Change Your Thinking

The way you think about money is everything. Your mindset is a powerful thing — especially when it comes to money.

That explains why so many of the people who win the lottery ... end up losing it all. It helps you understand how so many millionaires are self made.

What is the difference between the two groups? It's how they think. **If you think you don't deserve to be financially secure, you'll never be financially secure.**

### YOU CANNOT CONTROL

- The Future of Social Security
- Your Employer
- Taxes
- Inflation
- Rising Costs
- The Risk of a Single Investment

### BUT YOU CAN CONTROL

- Saving for Retirement
- Other Sources of Income
- Ways to Reduce Your Taxes
- Maximizing Your Savings
- Saving More
- Diversity of Your Investment Choices

**Who wouldn't like to retire early? Retirement is an amount of money, not an age.**

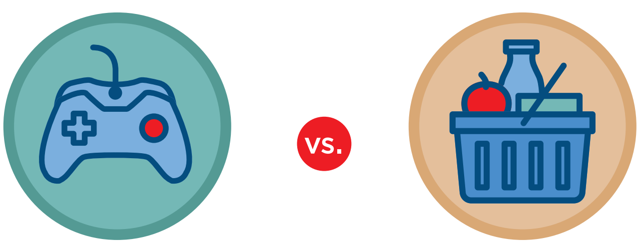
Diversification does not assure a profit or protect against loss.

However, if you "upgrade" your self-image and believe you deserve the freedom and peace of mind that financial security provides, you'll have a better chance of doing what needs to be done to start building wealth.

## Adjust Your Lifestyle

Along with setting priorities comes one tough rule of life: You can't have everything. You have to make conscious decisions about every purchase. An important concept to understand is want vs. need:

- **A need is something you have to have,** something you can't do without. You "need" food. You "need" shelter.
- **A want is something you would like to have.** You "want" ice cream. You "want" a bigger house.




**Want vs. Need**

If you want to achieve financial independence, you may have to make sacrifices for a period of time and go without some of your "wants." It's not that tough, but it is very, very important to your financial health.

## Earn Additional Income

If your family income is very modest, things may be so tight that it's tough to invest more than $50 a month. **If you want to make significant progress, consider taking a part-time job to get the extra income needed to start your investment program**.

## Realign Your Assets

This is another way to take control and free up income for savings. There are two major areas in which families may not get their money's worth that are great areas to target for adjustment:

1. **Low-interest savings accounts or accumulations with banks**. You can take money from a lower interest savings plan and invest it in an area that has the potential for higher returns.
2. **High-cost life insurance.** You can replace your expensive cash value life insurance policies with term life insurance and potentially save thousands of dollars in premium over time! Both of these areas are covered in more detail later in this book.

## Avoid the Credit Trap

Credit cards are good for convenience, but that's it. **Be careful to avoid the pitfalls of "plastic money."** Pay your balance in full each month and you'll not only avoid interest charges, but you'll prevent your balance from escalating out of control. To keep your monthly charges under control, pay with cash. You'll probably find you spend less. **You DO have a choice about your financial future.**

## Set Goals and Have a Plan

You can't reach your destination if you don't know what it is. Setting goals gives you two things:

1. **An incentive to make the necessary sacrifices**
2. **Benchmarks along the way to gauge your progress**

After you've set your goals, you need a road map to get you there. You need a financial game plan. Together with your goals, a game plan is the cement that holds together your financial foundation.

# GOAL SETTING TIPS

**1**

**Make a list.** Whether your goals are big or small, current or future — get specific. Describing them in detail will help you visualize success.

**2**

**Get personal.** The more personal you make your goal, the more likely you are to do what it takes to achieve it. What's your motivation? Write that down.

**3**

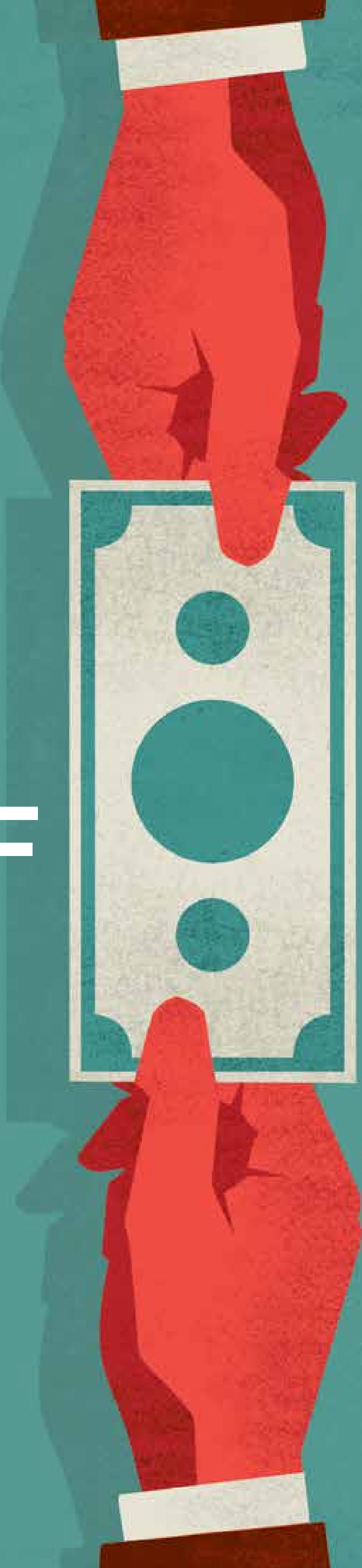
**Prioritize.** Which goals are more easily attainable or more important to you? This can help you prioritize your list.

**4**

**Create a timeline.** Once you know what you want to achieve and the order of importance to you, create a timeline so you can stay on track.

**5**

**Do the math.** How much money will you need to save to achieve your goal? Figure in any amounts already saved. Create a plan and revisit it regularly.



# PAY YOURSELF FIRST

**PROBLEM:** At the end of the month, most people don't have anything left to save.

**SOLUTION:** At the first of the month, before you pay anyone else, commit to setting aside 10% of your income. Paying yourself first may be the single most important concept in this book.

# It's Not What You Earn, It's What You Keep

Put yourself at the head of the line. Treat your savings like any other recurring bill that you must pay each month. Dedicate the appropriate amount from your paycheck and set it aside. While many people think nothing of sending enormous amounts of money to credit card companies on a regular and systematic basis, they balk at the idea of paying themselves first! Change that mindset. Get rid of your credit card debt and put those payments into your own savings. **Make a commitment to pay yourself first.**

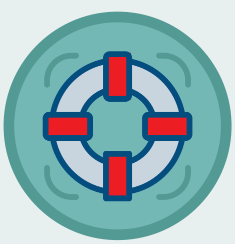
**CALCULATE HOW MUCH YOU'VE EARNED AND HOW MUCH YOU'VE SAVED**

| | | | |
|---|---|---|---|
| Average annual income (estimate) | | | A |
| Times number of years worked | X | | B |
| Equals total amount earned | = | | C |
| Amount of personal savings | | | D |
| Divide D by C | = | % | E |

This equals your percentage of income saved.

# The Three Accounts You Need

To have a complete savings program, **most people need three types of basic accounts:**



**EMERGENCY ACCOUNT**

**Goal: Minimum three months of income for purchases within 0-2 years.**

- Emergencies
- Uncovered medical expense
- Major car repair

**SHORT-TERM ACCOUNT**

**Goal: Minimum six months of income for purchases within 3-5 years.**

- Reserve for unforeseen events
- Loss of job
- Down payment for a house

**WEALTH BUILDING ACCOUNT**

**Goal: Enough money for you to retire in dignity and enjoy your life.**

- Retirement income
- Long-term medical expenses
- Charitable giving
- Family legacy

# PAY OFF DEBT

Of all the threats to your financial security, none is more dangerous than debt. In every family's quest to feel good financially, debt is the most common enemy. The very fact that it is so common — who doesn't have debt? — makes it one of the biggest threats to your financial well-being.

# The Bad News About Compounding

Compound interest is one of the most powerful financial forces in existence. When you are building savings, its power works in your favor. **However, when you have debt, the power of compound interest works against you.** When you pay just the minimum balance on your credit cards each month, interest charges are added to the remaining principal. This means your new balance is the principal PLUS the interest… and that amount gets compounded again and again. It's easy to see how small debts grow large quickly with compound interest.

**DID YOU KNOW IF YOU MADE A ONE-TIME $3,000 CREDIT CARD PURCHASE WITH AN 18% INTEREST RATE WITH NO NEW PURCHASES AND MADE THE MINIMUM PAYMENTS, IT WOULD TAKE AT LEAST 10 YEARS TO PAY OFF AND YOU WOULD END UP PAYING MORE THAN $2,002 IN INTEREST CHARGES?**

**$3,000** Credit Card Purchase + **$2,002** In Interest Charges = **$5,002** Total Cost

Is the Power of Compound Interest working for you or against you?

Assumes 18% APR, and a minimum monthly payment of 3.5% of the balance or $20, whichever is greater.

# Revolving Debt vs. Fixed Debt

Credit card debt is what is known as "revolving" debt. The interest compounds daily instead of monthly, which means you can pay much more in interest. Because there is no fixed amount that you pay each month, your debt can go on forever. Additionally, your interest rate could change at almost any time and there is little a consumer can do beyond paying off the entire balance at once.

**LOOK AT HOW REVOLVING DEBT CAN ERODE YOUR FINANCIAL SECURITY:**

**REVOLVING DEBT**
$17,000 @ 18%
$595/month[1]

**$12,500 in interest paid**
17 years and 2 months to pay off

**FIXED DEBT**
$17,000 @ 18%
$595/month fixed[2]

**$5,370 in interest paid**
3 years and 2 months to pay off

1. Assumes revolving payment (minimum) is 3.5% of the remaining balance or $20, whichever is greater. First month's payment is shown and term assumes continued payment of minimum amount with no additional amounts paid. Also assumes no additional debt is incurred and payments decrease over time period. 2. Assumes payment of 3.5% of initial loan amount, no additional debt incurred and initial payment amount remains fixed throughout term of loan.

# Debt Stacking Can Lead to Debt Freedom

If the idea of paying off your debt seems overwhelming, consider debt stacking. They say you can eat an elephant — one bite at a time. Well, the same concept works with paying off your debt! By taking into account the interest rate and amount of debt, debt stacking identifies an ideal order for you to pay off your debts. You begin by making consistent payments on all of your debts.

The debt that debt stacking suggests that you pay off first is called your target account. When you pay off the target account, you roll that payment into the payment that you were making on the next target account. These extra dollars help you reduce the effect of compound interest working against you. As each debt is paid off, you apply the amount you were paying to that debt to the payment that you were making on the next target account.

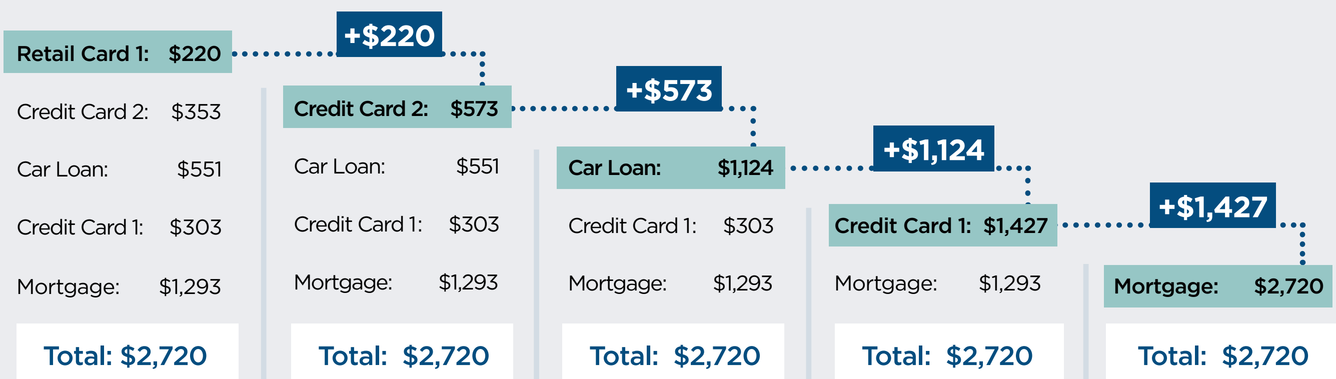
Debt stacking allows you to make the same total monthly payment each month (in the example it is $2,720 each month) toward all of your debt and works best when you do not accrue any new debts. You continue this process until you have paid off all of your debts. **When you finish paying off your debts, you can apply the amount you were paying toward your debt toward creating wealth and financial independence.**

**DEBT STACKING**

As each debt is paid off, you apply the amount you were paying toward that debt to the payment that you were making on the next target account.

Target Account

Extra Debt Payment Amount




| Category | Without Debt Stacking | With Debt Stacking |
|---|---|---|
| Payoff | 23 Years | 9 Years<br>14 Years Sooner |
| Interest Avoided | $0 | $130,643 |
| Interest Paid | $214,442 | $83,799 |
| Monthly Payments | $2,720 | $2,720 |

This example is for illustrative purposes only. The Debt Stacking concept assumes that: (1) you make consistent payments on all of your debts, (2) when you pay off the first debt in your plan, you add the payment you were making toward that debt to your existing payment on the next debt in your plan (therefore you make the same total monthly payment each month toward your debts), (3) you continue this process until you have paid off all of the debts in your plan. In the example above, when Retail Card 1 is paid off, the $220 payment applied to Retail Card 1 is applied to Credit Card 2, accelerating its payment to $573. After Credit Card 2 is paid off, the $573 payment applied to Credit Card 2 is applied to the Car Loan for a total payment of $1,124. The process is then continued until all debts are paid off. Note that the total payment per month remains constant.

## AVOID THESE COMMON CREDIT MISTAKES

**Not Valuing Your Credit** Good credit is a valuable commodity in today's world. Bad credit, including a bad credit record, late payments, etc., can create a negative financial profile that can surface when you have a legitimate need to borrow.

**Maxing Out Your Cards** No matter what your credit limit, it's never a good idea to use it all. Running up a large credit card balance can impact your credit score, lead to debt, and make it harder to borrow money in the future. The best practice is to pay your balance off monthly.

**Not Monitoring Your Credit Score** A good credit score can determine whether you will be approved for credit, the interest rate on your loans, the cost of your homeowner's and auto insurance or whether you will be approved to rent a house or an apartment.

**Not Knowing Your Interest Rate and Fees** Fees vary widely among credit cards. Always make sure you know what the interest rate and annual fees are before you accept the card.

**Not Being Aware of Your Total Debt** Too much debt can keep you from realizing some of your other financial goals, so it pays to be aware of the total debt you owe, pay it off as fast as you can and not accrue additional debt along the way.

## 5 TIPS TO RAISE YOUR CREDIT SCORE

**Know Your Score** First and foremost, know and keep an eye on your credit score. FICO scores can range from Excellent (800 and higher), to Very Good (740 to 799), to Good (670 to 739), to Fair (580 to 669), to Poor (579 and lower).

**Don't Skip a Payment** Having a good payment history is essential to having a good credit score, so don't miss any loan or credit card payments. Late payments can stay on your credit report for up to seven years. Set up automatic payments when you can and avoid having your credit score take a dive.

**Catch Up Overdue Accounts** If you're behind on a bill, bring the balance up to date. This can help improve your credit score. Plus, it can help you avoid late fees and having additional late payments added to your credit score.

**Keep a Low Balance on Your Credit Card** Not utilizing all the credit given to you can help improve your credit score. This shows lenders that you can manage your credit. Having low balances on revolving credit accounts also helps.

**Don't Apply for Credit Often** While you need some accounts open to establish and maintain your credit score, limit how often you submit applications for new lines of credit as too many inquiries can add up and have a negative effect on your credit score.

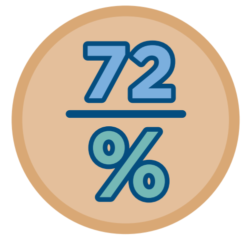
# DISCOVER THE RULE OF 72

Albert Einstein called compound interest the most powerful force in the universe. Why weren't we taught this in school? You can't win the game if you don't know the rules.

## Do You Know The Rule of 72?

Divide the rate of return into 72 to find the approximate number of years it takes your money to double.

| Years | 3% | 6% | 12% |
|---|---|---|---|
| 0 | $10,000 | $10,000 | $10,000 |
| 6 | – | – | $20,000 |
| 12 | – | $20,000 | $40,000 |
| 18 | – | – | $80,000 |
| 24 | $20,000 | $40,000 | $160,000 |
| 30 | – | – | $320,000 |
| 36 | – | $80,000 | $640,000 |
| 42 | – | – | $1,280,000 |
| 48 | $40,000 | $160,000 | $2,560,000 |



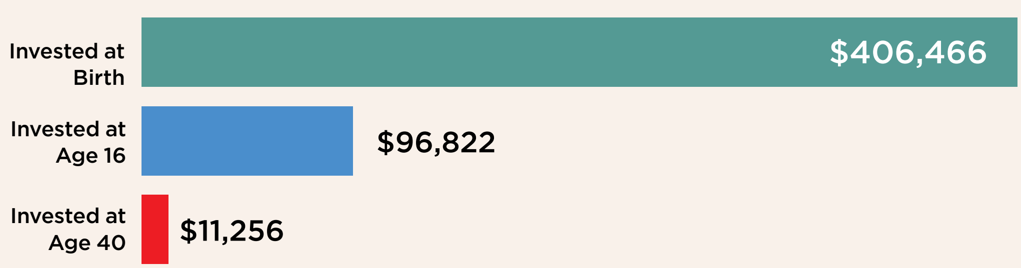

**Based on The Rule of 72, a one-time contribution of $10,000 doubles six more times at 12% than at 3% over 48 years.**

This table serves as a demonstration of how The Rule of 72 concept works from a mathematical standpoint. It is not intended to represent an investment. The chart uses constant rates of return, unlike most investments which will fluctuate in value. It does not include fees or taxes, which would lower performance. It is unlikely that an investment would grow 10% or more on a consistent basis.

## It Pays to Start Investing Early

Suppose your parents had invested **$1,000** on the day you were born. Applying The Rule of 72, if you left the account untouched until you turned 67, **that $1,000 could grow to $406,466 at a 9% annual rate of return — without you ever having to add another penny!**

**AMOUNT ACCUMULATED BY AGE 67 IF YOUR PARENTS INVESTED $1,000:**




For illustrative purposes only to demonstrate the principal of compound interest using The Rule of 72 formula. The chart uses constant rates of return, unlike many types of investments which will fluctuate in value. This example uses a constant 9% rate of return and assumes that no distributions were made. The illustration does not include fees and taxes that would lower results. The 9% rate of return is a hypothetical interest rate compounded on a monthly basis. It is unlikely that an investment could grow at 9% or more on a consistent basis. Investing entails risk, including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

## Use Time and Consistency

It has been said that the only two things life gives you are opportunity and time. Time, combined with rate of return and consistency, are powerful keys to achieving financial security.

You've seen how time can be the best friend of growth. But most people don't have $1,000 to invest all at once. They must depend on smaller amounts, invested on a schedule, to build wealth. If that's your situation, consistency can be the fuel that makes your investment grow exponentially.

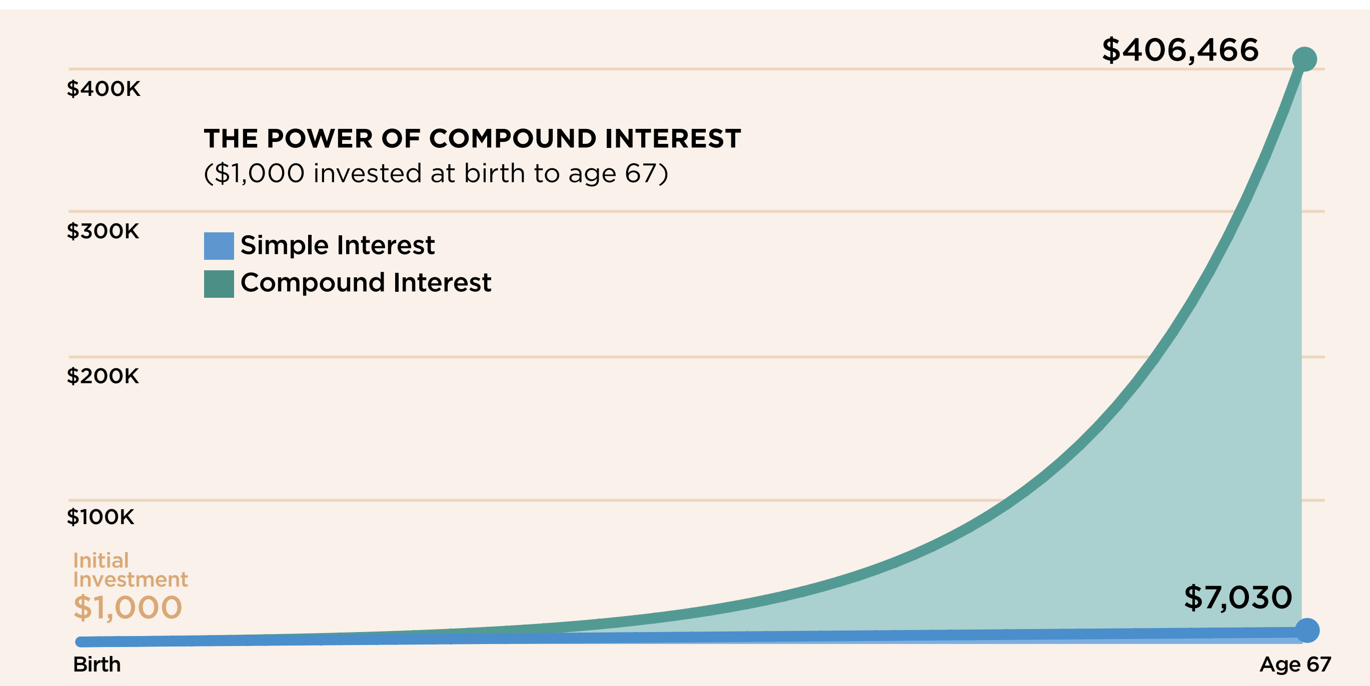
## The Power of Compound Interest

Remember your parents who invested $1,000 at a hypothetical rate of return of 9% when you were born? The simple interest would be $90 (and $90/year, when multiplied by 67 years, is $6,030 in total interest). Then how did you withdraw more than $406,400 at age 67? Because of one of the most important keys to wealth you can ever learn: the power of compound interest.

**Here is how it works:**

The first year's earnings on the investment, 9% or $93.81, was added to the balance of $1,000 to make $1,093.81. The next year, $102.61 was earned on the $1,093.81. The total in the account was then $1,196.42. As the account grew each year, the return was calculated on the total in the account, including all the past earnings.
**The compounding of the interest is how $1,000 grew to more than $406,400.**

**With the power of compound interest at work for you, you'll be amazed at how a few hundred dollars can become a thousand. See The Rule of 72 at work in the chart below.**




This table serves as a demonstration of how the Power of Compound Interest concept works from a mathematical standpoint. It is not intended to represent an investment. The chart uses constant rates of return, unlike most investments which will fluctuate in value and is based on the principal of compound interest with no distributions. It does not include fees or taxes, which would lower performance. It is unlikely that an investment would grow 9% or more on a consistent basis.

**JUST A LITTLE MORE HAS A BIG IMPACT**
Take a look at the difference between saving $20 a month versus $100 a month. While saving $80 more a month may be a challenge financially, the increased dollar amount definitely pays off.

**Just $100 a month compounding at a hypothetical 9% rate totals more than $470,000 after 40 years.**

Monthly Contribution

| Years | $20 | $100 |
|---|---|---|
| 10 | $3,900 | $19,500 |
| 20 | $13,460 | $67,300 |
| 30 | $36,890 | $184,450 |
| 40 | $94,330 | $471,650 |

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## Don’t Pay the High Cost of Waiting

If you’re like most people, you don’t have a lot of money. That’s why time is so critical. When you’re young, you can save small amounts and still end up with thousands of dollars. If you wait to begin saving, you must save much more. If you want to be financially independent, you don’t have a choice — you must start now. One thing is certain: **You can’t afford the high cost of waiting.**

**IF YOUR GOAL IS TO SAVE $1,000,000 FOR RETIREMENT AT AGE 67, LOOK AT THE DIFFERENCE TIME MAKES:**

Monthly Savings Required

| Begin | Save | Cost to wait |
|---|---|---|
| Age 25 | $177 | — |
| Age 35 | $448 | more than 2.5 times more |
| Age 45 | $1,203 | nearly 7 times more |
| Age 55 | $3,852 | more than 21 times more |

**THE SOONER YOU BEGIN TO SAVE, THE GREATER THE GROWTH ON YOUR INVESTMENT:**

The High Cost of Waiting ($100/month at 9%)

| Begin | Total at Age 67 | Cost to wait |
|---|---|---|
| Age 25 | $566,920 | — |
| Age 26 | $517,150 | $49,770 |
| Age 30 | $357,240 | $209,680 |
| Age 40 | $137,780 | $429,140 |

These examples serve as a demonstration of how the Power of Compound Interest concept works from a mathematical standpoint. It is not intended to represent an investment. The chart uses constant rates of return, unlike many types of investments which will fluctuate in value. It does not include fees or taxes, which would lower performance. It is unlikely that an investment would grow 9% or more on a consistent basis.

## The Importance of Rate of Return

There's another critical key to building financial security that's often overlooked. It's the rate of return (sometimes referred to as the interest rate). The difference of a few percentage points may seem minor, but the impact of the rate of return when combined with time is significant. You might think that if you could earn a 9% rate of return instead of 4.5%, your money would double. Not so! Remember the "power of compound interest?" That 4.5% difference adds up to much more over time — and can mean thousands of dollars for you and your family.

## Rate of Return in Action

Now you can see why the rate of return you receive on your savings or investment account is so important. Your main objective in saving is to accumulate as much savings as possible. **You can reach the same objective in one of two ways:**

**1.** Save more $ and accept a lower %

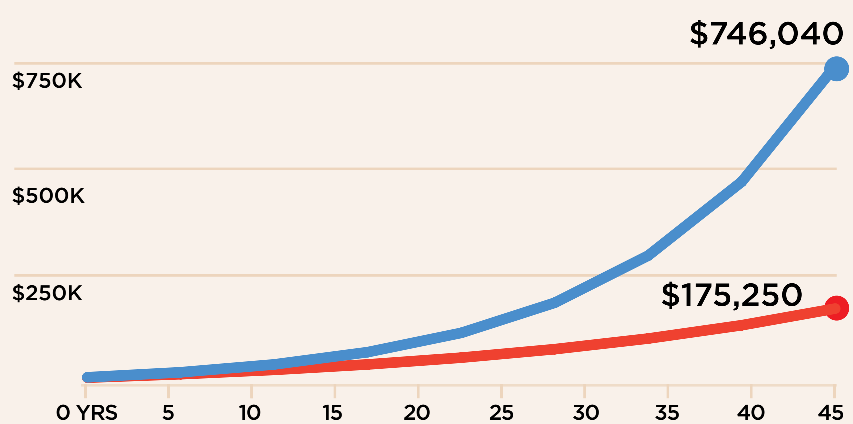
OR

**2.** Save less $ at a higher %

**A ONE-TIME $1,000 INVESTMENT WITH A 3%, 6% AND 9% RATE OF RETURN:** We'll use the example of your parents investing $1,000 at your birth on page 15. Let's look at their one-time $1,000 investment with a 3%, 6% and 9% rate of return. Look at what you could have withdrawn at age 67 at various rates of return.


**HOW DOUBLING YOUR RATE OF RETURN CAN QUADRUPLE YOUR SAVINGS**
$100 per month at:

4.5%
9%

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# SAVING AND INVESTING

## 1

"A healthy financial future involves both saving for goals in the short-term and investing for long-term growth."

**USBank.com, "Saving vs. Investing: What's the Difference?," May 14, 2021**

## 2

"In general, you should save to preserve your money and invest to grow your money. Depending on your specific goals and when you plan to reach them, you may choose to do both."

**Fortune.com, "Saving vs. Investing: How to Choose the Right Strategy to Hit Your Money Goals," March 7, 2023**

## 3

"You don't have to find large amounts to put aside initially. The important thing is to start saving early."

**USBank.com, "4 Tips to Help You Save for Retirement in Your 20s," October 28, 2021**

## 4

"Using a savings account and an emergency fund for short-term expenses is important, but investing for retirement and the future is arguably just as crucial."

**CNBC.com, "Here's Why You Shouldn't Shy Away from Investing, Even If You Only Have a Small Amount of Money," February 27, 2023**

## 5

"Unless you are independently wealthy, setting aside money today to see that you have enough for the years down the road by starting a retirement fund is not an option — it's mandatory."

**Investopedia.com, "Retirement Fund: How to Start Saving," December 7, 2022**

# BUY THE RIGHT KIND OF LIFE INSURANCE

One of the most important expenditures the average family should make is life insurance. It is also one of the most misunderstood. It is absolutely critical that you make the right decision about the kind and amount of life insurance to buy. In fact, the wisdom of your life insurance purchase could make a major difference in your family's security, should you die, and your quality of life if you don't.

This material is intended only for general educational purposes and is not a solicitation of a life insurance policy.

# The Importance of Life Insurance

**How much is your car worth?**
Do you insure it?

**How much is your house worth?**
Do you insure it?

**How much is your life worth?**
Probably a lot more than your car or your house!

**Can you afford NOT to insure your life?**

## What's Its Purpose?

Life insurance should really be called **"income protection"** because its purpose is to protect the family against the premature death of a breadwinner or a caregiver. It acts as a substitute for income. Remember when you calculated how much you'll earn in your lifetime? It was a fortune, wasn't it? The potential risk of losing that earning power is what makes life insurance a necessity.

## Who Should Buy It?

Mainly **people who have others depending on them** for income support. If you have a non-earning spouse and/or children, or some other significant financial obligation, you need life insurance. Your spouse may also need coverage, even if he or she doesn't work, if child care or other expenses would result from the spouse's death. If you're single or have significant cash resources, you probably don't need it.

## What Should You Buy?

**Inexpensive term life insurance.** A common misconception about life insurance is that it is a permanent need for each family. Most financial experts see it as a way to simply "buy time" until you accumulate savings, not as a permanent fixture in your financial program.

## All Life Insurance Is Not Created Equal

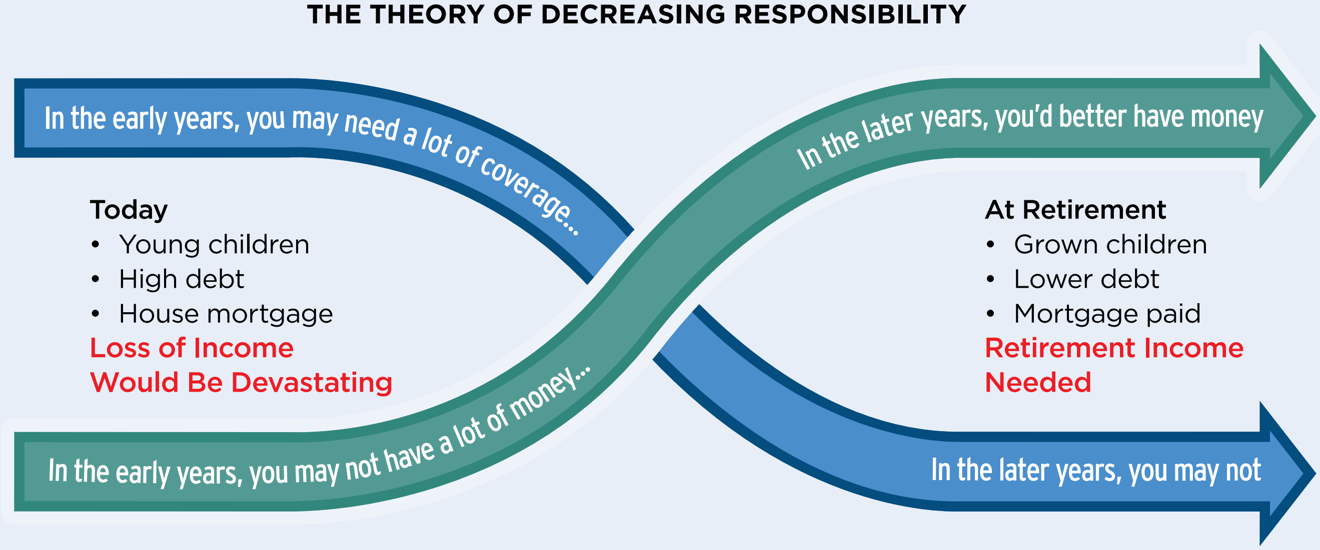
Group life insurance can be a wonderful benefit from your employer, **but did you know?**

- You don't **OWN** your group life policy, so if you are no longer a full-time employee for any reason, you may no longer be covered and your family is at risk of losing those benefits.
- There may be full-time work provisions on your group life insurance that could force you to lose your coverage if you have to go on short-term or long-term disability.

# How Life Works

According to the Theory of Decreasing Responsibility (illustrated below), your need for life insurance mirrors family responsibilities. When you're young, you buy low-cost death protection, term life insurance, enough to protect the loss of your earning power, and put the maximum amount you can afford into a promising investment program. When you're older, you may have much less need for insurance coverage. If you've saved and invested wisely you should have a significant amount of accumulated cash. You've become "self-insured" and eliminated your need for life insurance. When you reach retirement age, there really is no substitute for cash.

**THE THEORY OF DECREASING RESPONSIBILITY**




# How Much Is Enough?

If you're like most Americans, probably more than you have! **Ten times your annual salary is a good rule of thumb.**

**CONSUMER TIP:** Buy life insurance exactly like you buy other kinds of insurance — auto, homeowners, health — for protection only.

Wouldn't you think it was silly if someone tried to sell you auto insurance that included a long-term savings plan? The same is true for life insurance. It pays to buy your insurance separately from your investments.

**REMEMBER:** Do not combine your savings with your life insurance.

## Concerns About Cash Value

When it comes to life insurance, you have two basic choices: some form of cash value life insurance (including indexed universal life) and term life insurance. In cash value insurance, as a "bundled" policy, you buy both your death benefit and a cash value feature. However, this doesn't enable you to maximize the benefits of the Theory of Decreasing Responsibility. These concerns have led many leading financial experts to direct consumers away from cash value life insurance.

## Buy Term and Invest the Difference

With the "Buy Term and Invest the Difference" model, you have greater control over your benefits. Because protection and savings are completely separate, you can better control the death benefit and the investment portion. Buying term insurance typically allows you to get more insurance coverage for less money. Then you can use that money you've saved to invest for the future, pay down debt or use toward achieving other financial goals.

| CASH VALUE | TERM |
|---|---|
| Typically **higher** initial premium | **Lower** initial premium |
| Includes an investment component | No investment component **(You can control your investment on your own.)** |
| In traditional plans, you can receive your cash value OR your life insurance, **NOT BOTH.** In certain plans only, you can get your cash value **IF** you pay extra fees. | Pure death protection |

Cash value life insurance can be universal life, indexed universal life, whole life, etc., and may contain features in addition to death protection, such as dividends, interest, or cash value available for a loan or upon surrender of the policy. Cash value insurance usually has level premiums for the life of the policy. Term insurance provides a death benefit and its premiums increase after initial premium periods and at certain ages.

**QUESTION:** **With cash value life insurance, how do you know what you are paying?**

**ANSWER:** This can be hard to determine in a bundled product, especially with indexed universal life and variable life. In addition to the cost of death protection, cash value policies may have significant fees. And with the "two-in-one" approach, it's difficult to separate the cost of insurance from the other elements of the policy. This makes it difficult to comparison shop. Any time you're not sure what you're paying, you risk making a bad decision.

This material is intended only for general educational purposes and is not a solicitation of a life insurance policy.

# Never Buy Life Insurance as an Investment — Buy Term and Invest the Difference

We believe saving should never be bundled with a life insurance policy. Compare what you get with whole life insurance to term life insurance **and a separate investment account.**

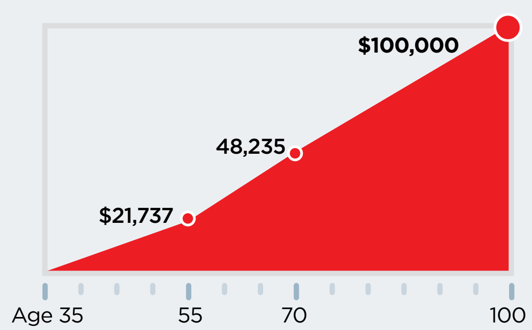
## WHOLE LIFE INSURANCE

**$100,000 whole life insurance policy**
Level death benefit and level premium to age 100

Insurance Premium:
$123.16 monthly

**SAME $1,478 ANNUALLY**

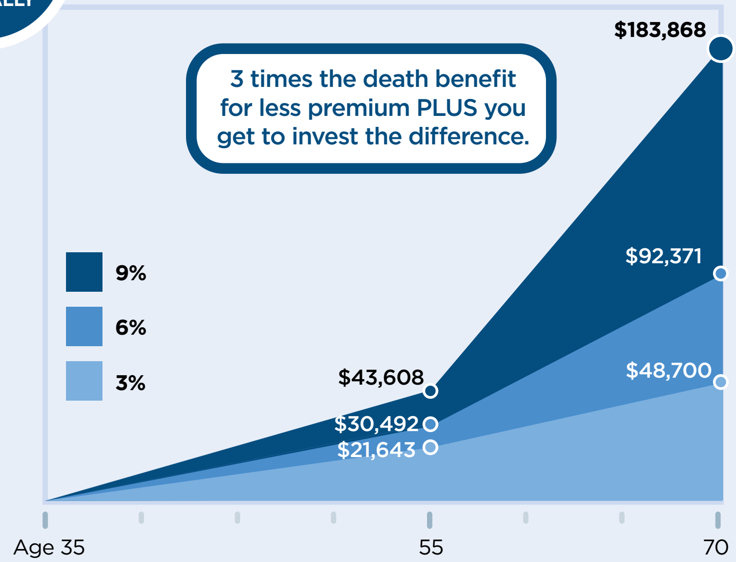
You only get ONE sum – EITHER the death benefit if you die OR the cash value.




## BUY TERM AND INVEST THE DIFFERENCE

**$300,000 term life insurance policy**
35-year term; level death benefit and level premium for initial term

Insurance Premium:
$58 monthly
**WITH $782 to invest each year**




**Traditional — "Cash Value" Whole Life Insurance**

- Accumulation/Cash Value can be borrowed from the account, but you'll pay fees and interest on any loan. Plus, if you surrender the policy later or die without repaying the loan, the outstanding balance will be subtracted from any payout.
- Retirement Income is funded by the final savings balance, also called the cash surrender value.

**Term Life Insurance**

- Higher death benefit for a lower cost when you need it the most
- Flexibility to adjust your coverage

**Investment Account**

- Opportunity for a higher rate of return
- Freedom to control your accumulation
- Allows you to get BOTH the protection your family needs AND savings
- You don't have to pay to borrow your own money

Monthly premium and accumulated cash value for whole life policy is an average of whole life policies from three major North American life insurance companies for male, age 35 and standard risk. Monthly premium for term life policy is an average of term life policies from four major North American life insurance companies for male, age 35 and standard risk.

Cash value life insurance can be universal life, whole life, etc., and may contain features in addition to death protection, such as dividends, interest, or cash value available for a loan or upon surrender of the policy. Cash value insurance usually has a level premium for the life of the policy. Term insurance provides a death benefit only and its premiums increase after initial premium periods and at certain ages.

Hypothetical investment assumes a constant 9% rate of return, compounded monthly, and is not indicative of any specific investment. Any actual investment may be subject to taxes and fees, which would lower performance. This example shows a constant rate of return, unlike many types of investments which will fluctuate in value. It is unlikely that an investment would grow 9% or more on a consistent basis. Investing entails risk including loss of principal.

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# WARNING: CASH VALUE LIFE INSURANCE MAY NOT BE RIGHT FOR YOU

**1**

Cash value life insurance may not be what you think it is. Be careful with these types of "products:"

- **Cash Value Life Insurance**
- **Whole Life Insurance**
- **Permanent Life Insurance**
- **Universal Life Insurance**
- **Variable Universal Life Insurance**
- **Indexed Universal Life Insurance**
- **Infinite Banking**

**2**

Cash value grows "tax deferred" NOT "tax free."

**3**

"Living Benefits" are not exactly what you might think.

**4**

It takes the average policy many years to build cash value – and the surrender value in the first few years is generally a fraction of the money you have already paid into the policy.

**5**

If you own any of the products listed above, or are approached by someone marketing these products, you need to get the facts.

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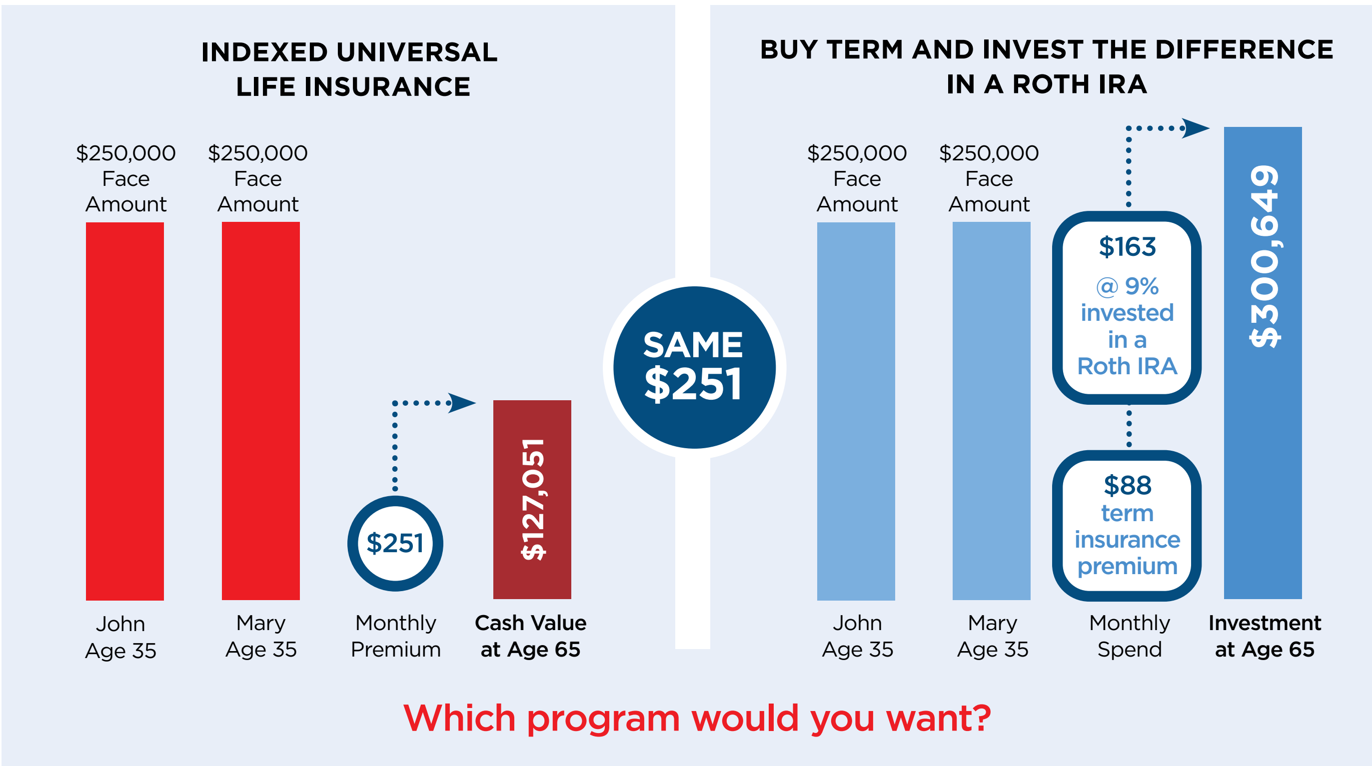
# Four Problems with Cash Value Life Insurance

1. It is an expensive form of life insurance, and typically provides less coverage for your family.
2. You have to borrow your own money.
3. It typically has a low rate of return.
4. You lose your cash value if you die, with traditional policies. In certain plans only, you can get your cash value **IF** you pay extra fees.




Indexed universal life insurance (IUL) premiums and cash value may vary based on a number of factors and guaranteed and non-guaranteed assumptions. Hypothetical IUL policy premiums and cash value in this example are based on an average monthly premium from five insurance companies for male and female (both age 35 and standard risk) and assume an indexed interest rate of 5.21%, non-guaranteed. IUL policies may have benefits such as interest or cash value available for a loan or upon surrender of the policy.

Monthly premium for term life policy is an average of term life policies from four major North American life insurance companies for male and female, both age 35 and standard risk, 30 year term. Term insurance provides a death benefit only and its premiums increase after initial premium periods and at certain ages.

Hypothetical investment assumes a constant 9% rate of return, compounded monthly, and is not indicative of any specific investment. Any actual investment may be subject to taxes and fees, which would lower performance. This example shows a constant rate of return, unlike many types of investments which will fluctuate in value. It is unlikely that an investment would grow 9% or more on a consistent basis. Investing entails risk including loss of principal.

**OUR PHILOSOPHY:** The Three "Nevers" of Buying Life Insurance

**NEVER #1:** Never buy any kind of "cash value" or whole life insurance, including universal life.
**NEVER #2:** Never buy life insurance as an investment.
**NEVER #3:** Never buy a life insurance policy that pays dividends.

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# WHAT THE EXPERTS SAY

"Term insurance is pure protection, like fire insurance or auto insurance, its sole function is to support your family if you die. You can buy large amounts of coverage for modest amounts of money — and big policies are what your spouse and children need."

**Jane Bryant Quinn, *Making the Most of Your Money Now,* 2009**

"In my opinion, there is only one kind of life insurance that makes sense for the vast majority of us: term life insurance."

**Suze Orman, *The Road to Wealth: A Comprehensive Guide to Your Money,* 2009**

"Experts typically recommend term life insurance over both universal and whole life insurance."

**Time.com, "What Is Universal Life Insurance: A Complete Guide," January 14, 2022**

"Term life insurance is cheaper than whole life and covers you for a set period of time."

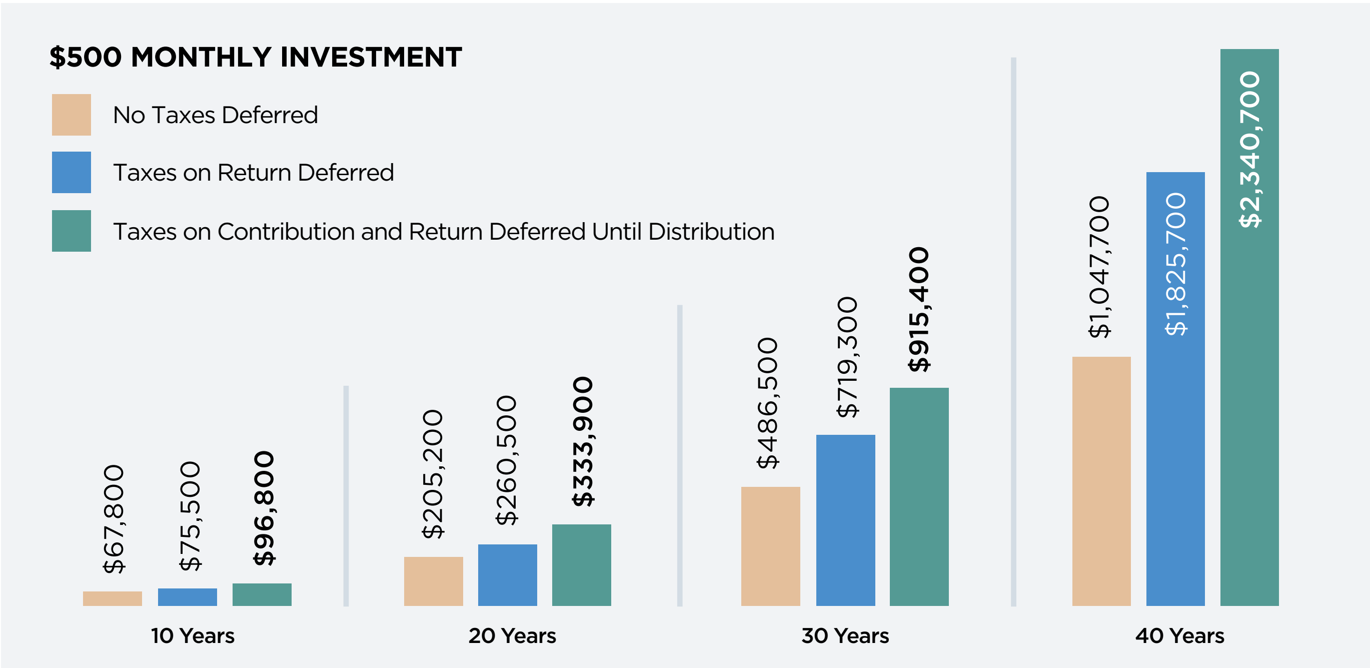
**NerdWallet.com, "Term Life vs. Whole Life Insurance: Differences and How to Choose," March 20, 2023**

# DEFER TAXES

Do you have a job? If yes, then you have a tax problem! The harder you work to get ahead and build your income, the more taxes you pay. In order to have the maximum cash at retirement, you need to find a way to minimize taxes.

# The Power of Tax-Deferred Savings

As you begin "paying yourself first," you can invest money you've earmarked for your long-term goals through a tax-deferred retirement account. This allows you to postpone paying taxes on your earnings. That means more money is allowed to compound and work for you than if income taxes were taken out of each year's earnings. **Take a look at the power of tax deferral:**




You should consider your personal investment time horizon or income tax bracket, both current and anticipated, when making a decision that could impact the results of this comparison. The chart uses constant rates of return, unlike many types of investments which will fluctuate in value. Assumes a federal 22% income tax bracket. Lower tax rates on capital gains and dividends would make the investment return on the taxable investment more favorable, thereby reducing the difference in performance between the examples shown. Any tax-deductible contributions are taxed as ordinary income upon withdrawal and tax-deferred growth may be taxed as ordinary income upon withdrawal. Earnings on the investment are at 9% constant nominal rate, compounded monthly and do not include taxes, fees, or expenses. This hypothetical assumes no distributions until retirement. Actual investments will fluctuate in value. The above amounts are based on monthly contributions of $500 (earned income, adjusted for taxes). Investing entails risk, including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

### DEDUCTIBILITY VS. DEFERRABILITY

A **deduction** is an amount of money you can subtract from your gross income before you calculate taxes. The more you can reduce your gross income with deductions, the less the amount you'll pay income taxes on. It PAYS to deduct. Remember to consult your tax advisor regarding your personal tax situation.

A **deferral** means that you can "postpone" payment of current taxes until a later date in the future, commonly at retirement. The great thing about deferring taxes to retirement is the expectation that you will be in a lower tax bracket when you have to pay taxes on the money.

Tax-related information is based on the current IRS tax code at the time of publication which is subject to change. Neither Primerica nor its representatives offer tax services. For related questions, please refer to an appropriately licensed professional.

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# Which IRA Do You Prefer?

You have a few choices when it comes to Individual Retirement Accounts (IRAs).
Which one works best for your situation?

| | |
|---|---|
| **TRADITIONAL IRA** (DEDUCTIBLE) | **Benefit: Tax savings now and tax deferral until retirement.** Saves you money by giving you and your spouse the potential to contribute $6,500 each (if you meet certain requirements) of your gross income, which reduces your taxable income. You postpone payment of taxes on any earnings until they are withdrawn at a date in the future, commonly retirement.[1] |
| **TRADITIONAL IRA** (NON-DEDUCTIBLE) | **Benefit: Earnings on your IRA are tax-deferred until retirement**. If you exceed certain income limits, your Traditional IRA contributions may not be deducted from your current tax bill. However, your non-deductible contributions will grow on a tax-deferred basis. |
| **ROTH IRA** | **Benefit: Contributions are not deductible, but you receive tax deferral on earnings and tax-free withdrawals later.** Contributions are made with "after-tax" money. However, when you withdraw the money from a Roth IRA, none of it will be taxed so long as certain parameters are met.[2] **Key advantages: Your contributions can be available any time, without penalty and there aren't required minimum distributions.** |

1. Keep in mind that withdrawals from traditional IRAs are subject to income taxes at your ordinary tax rate, and early withdrawals, made before reaching age 59 1/2, may be subject to a 10% penalty unless a qualifying exemption applies. You may be eligible for annual income tax deductions based on your Annual Gross Income. Please consult a tax professional to see if you qualify. 2. Earnings on a Roth IRA may be tax-free if you hold the account for five years and obtain the age of 59 1/2 before taking withdrawals. As long as the account has been open at least five years and you are age 59 1/2 when you begin withdrawing the proceeds.

# Comparing Tax Treatments

| CATEGORY | TRADITIONAL IRA | ROTH IRA |
|---:|---:|---:|
| **Contribution Limit** (for 2023) | **Up to $6,500** (Age 50 and above: up to $7,500) | **Up to $6,500** (Age 50 and above: up to $7,500) |
| **Deductibility** | **Deductible** (Income limits apply) | **Non-Deductible** |
| **Earnings** | **Tax-Deferred** | **Tax-Deferred** |
| **Retirement Withdrawals** (After age 59 1/2) | **Taxable** | **Tax-Free** (If the Roth IRA is held at least five years) |
| **Distributions** | **Required at Age 73** | **No Age Requirement** |

Income limitations may restrict the amount that you may contribute to a Deductible IRA or a Roth IRA. Additionally, the amount you may contribute to an IRA is reduced by contributions to other IRAs. Withdrawals before 59 1/2 may be subject to ordinary income tax and a 10% tax penalty. Primerica representatives do not offer tax advice. Consult your tax advisor with any questions. Tax-related information is based on the current IRS tax code at the time of publication which is subject to change.

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# The “Time Value” of Money

**It can’t be stressed enough: The sooner you start to save, the less you will have to put away.**
Look at how investing in an IRA today can help you secure a comfortable retirement.

Started Contributing Age 22

Stopped Contributing Age 29

Started Contributing Age 30

Stopped Contributing Age 67

| **INDIVIDUAL A:** Contributes from Ages 22-29 | | | **INDIVIDUAL B:** Contributes from Ages 30-67 | | |
|---|---|---|---|---|---|
| Age | Annual Contribution | End-of-Year Accumulation | Age | Annual Contribution | End-of-Year Accumulation |
| **22** | **$6,500** | **$7,110** | 22 | 0 | 0 |
| **23** | **$6,500** | **$14,890** | 23 | 0 | 0 |
| **24** | **$6,500** | **$23,390** | 24 | 0 | 0 |
| **25** | **$6,500** | **$32,700** | 25 | 0 | 0 |
| **26** | **$6,500** | **$42,870** | 26 | 0 | 0 |
| **27** | **$6,500** | **$54,010** | 27 | 0 | 0 |
| **28** | **$6,500** | **$66,180** | 28 | 0 | 0 |
| **29** | **$6,500** | **$79,500** | 29 | 0 | 0 |
| 30 | 0 | $86,960 | **30** | **$6,500** | **$7,110** |
| 31 | 0 | $95,110 | **31** | **$6,500** | **$14,890** |
| 32 | 0 | $104,040 | **32** | **$6,500** | **$23,390** |
| 33 | 0 | $113,800 | **33** | **$6,500** | **$32,700** |
| 34 | 0 | $124,470 | **34** | **$6,500** | **$42,870** |
| 35 | 0 | $136,150 | **35** | **$6,500** | **$54,010** |
| 36 | 0 | $148,920 | **36** | **$6,500** | **$66,180** |
| 37 | 0 | $162,890 | **37** | **$6,500** | **$79,500** |
| 38 | 0 | $178,170 | **38** | **$6,500** | **$94,070** |
| 39 | 0 | $194,880 | **39** | **$6,500** | **$110,000** |
| 40 | 0 | $213,160 | **40** | **$6,500** | **$127,430** |
| 41 | 0 | $233,160 | **41** | **$6,500** | **$146,490** |
| 42 | 0 | $255,030 | **42** | **$6,500** | **$167,340** |
| 43 | 0 | $278,950 | **43** | **$6,500** | **$190,150** |
| 44 | 0 | $305,120 | **44** | **$6,500** | **$215,100** |
| 45 | 0 | $333,740 | **45** | **$6,500** | **$242,390** |
| 46 | 0 | $365,050 | **46** | **$6,500** | **$272,230** |
| 47 | 0 | $399,300 | **47** | **$6,500** | **$304,880** |
| 48 | 0 | $436,750 | **48** | **$6,500** | **$340,590** |
| 49 | 0 | $477,720 | **49** | **$6,500** | **$379,650** |
| 50 | 0 | $522,540 | **50** | **$6,500** | **$422,370** |
| 51 | 0 | $571,550 | **51** | **$6,500** | **$469,100** |
| 52 | 0 | $625,170 | **52** | **$6,500** | **$520,220** |
| 53 | 0 | $683,810 | **53** | **$6,500** | **$576,130** |
| 54 | 0 | $747,960 | **54** | **$6,500** | **$637,280** |
| 55 | 0 | $818,120 | **55** | **$6,500** | **$704,180** |
| 56 | 0 | $894,870 | **56** | **$6,500** | **$777,340** |
| 57 | 0 | $978,810 | **57** | **$6,500** | **$857,370** |
| 58 | 0 | $1,070,630 | **58** | **$6,500** | **$944,910** |
| 59 | 0 | $1,171,070 | **59** | **$6,500** | **$1,040,660** |
| 60 | 0 | $1,280,920 | **60** | **$6,500** | **$1,145,390** |
| 61 | 0 | $1,401,080 | **61** | **$6,500** | **$1,259,940** |
| 62 | 0 | $1,532,510 | **62** | **$6,500** | **$1,385,240** |
| 63 | 0 | $1,676,270 | **63** | **$6,500** | **$1,522,300** |
| 64 | 0 | $1,833,520 | **64** | **$6,500** | **$1,672,210** |
| 65 | 0 | $2,005,510 | **65** | **$6,500** | **$1,836,190** |
| 66 | 0 | $2,193,650 | **66** | **$6,500** | **$2,015,540** |
| 67 | 0 | $2,399,420 | **67** | **$6,500** | **$2,211,730** |
| Total Contributions: | | **$52,000** | Total Contributions: | | **$247,000** |
| Total Accumulation at Age 67: | | **$2,399,420** | Total Accumulation at Age 67: | | **$2,211,730** |

**Would you rather be Individual A or Individual B?**

The hypothetical 9% rate of return, compounded monthly, and tax-deferred accumulation shown for both IRA accounts are not guaranteed or intended to demonstrate the performance of any actual investment. Unlike actual investments, the accounts show a constant rate of return without any fees or charges. Any tax-deductible contributions are taxed and tax-deferred growth may be taxed upon withdrawal. Withdrawals from an IRA prior to age 59 1/2 may be subject to a 10% penalty tax. Assumes payments are made at the beginning of each year. Investing entails risk, including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

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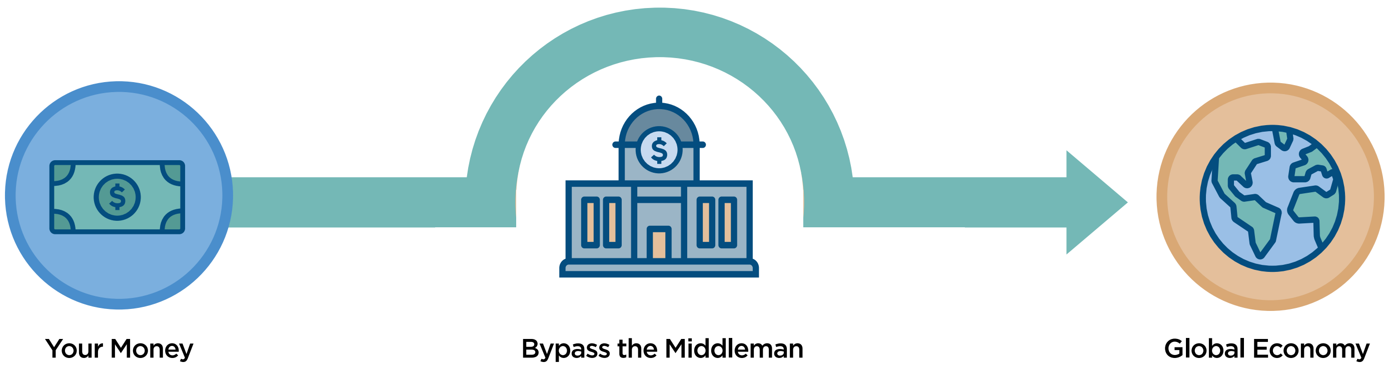
# BECOME AN OWNER, NOT A LOANER

Many people fail financially because they don't understand the key concept of becoming an owner, not a loaner. Most people are "loaners." They deposit their money in what they consider to be "safe" investments, usually a local bank or credit union. But here's what happens.

## Bypass the Middleman

Banks usually pay a low interest rate on their customers' deposits and then loan that money out or invest that money directly in the economy. The bank gains a higher rate of return on its investments and is happy to pay you a lower interest rate for the use of your money. As a general rule, what you really have there is a "loaning" account, rather than a "savings" account. You are lending money to the bank and they are making a profit off your money. You have no choice but to reverse the situation if you want to make your money work for you. **You must become an "owner," not a "loaner." You must learn to "bypass the middleman."**




## Are You Earning a Guaranteed Loss?

Even though you may feel comfortable with the fact that deposits in banks and savings and loans are "guaranteed" against loss by the FDIC, what you are purchasing with that kind of "guarantee" is something you hadn't counted on — a guaranteed loss!

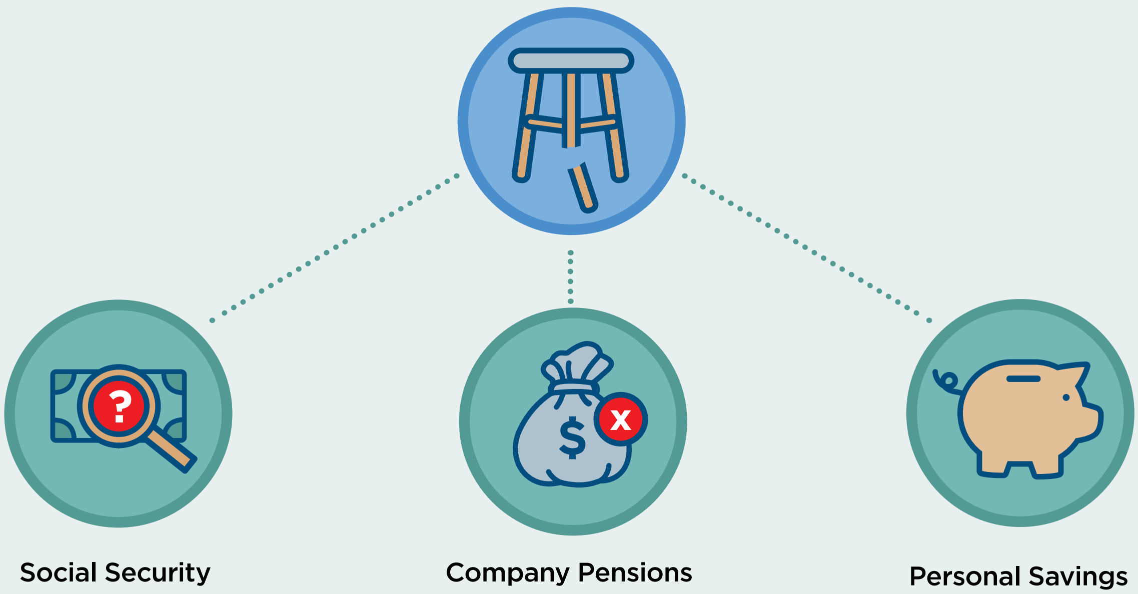
| YOU DEPOSIT $10,000 AT A 1.5% INTEREST RATE AT YOUR LOCAL BANK… | |
|---|---|
| You earn interest for the year: | $150 |
| But you pay **$33 in taxes on that interest at 22%**: | -$33 |
| So, your net earnings are: | $117 |
| Your resulting balance would be: | $10,117 |
| …but if inflation is 5%, your buying power would be reduced to: | $9,635 |

**You would have actually LOST buying power. Never underestimate inflation risk. Remember, the key is what your money can buy.**

This 22% tax rate is hypothetical. The example provided assumes a 22% federal tax bracket. Each circumstance differs based upon individual tax brackets. A different tax rate will change the result. Savings and CD accounts are generally FDIC insured up to $250,000 per bank.

# The Broken Three-Legged Stool

For years, financial experts used the analogy of a three-legged stool to demonstrate the primary sources that provide retirement income. However, gone are the days when you can count on a pension from your employer. Plus, Social Security doesn't seem so "secure" anymore. Altogether, these three "legs" used to represent a stable source of income, but not anymore. **Simply put, it's up to you to fund your retirement.**




**With this kind of uncertainty, it's time to take control and not rely on other sources to fund your retirement.**

# Don't Just Save, Invest

**QUESTION:** With the problem of low returns in "safe" investments, where can you go to have the opportunity to get the kind of rate of return you need to keep ahead of the savings game?

**ANSWER:** Equity investments (the stock market). Investing in the market takes you out of the "savings" mode and into the "investing" mode.

**QUESTION:** Are stocks guaranteed?

**ANSWER:** No. There is always a potential for loss, as well as gain. **But for a greater potential rate of return, many investors are willing to accept a greater degree of risk.**

Remember what you've learned about being an "owner" versus a "loaner." If you want a "guarantee" on your money, be willing to accept a relatively low return.

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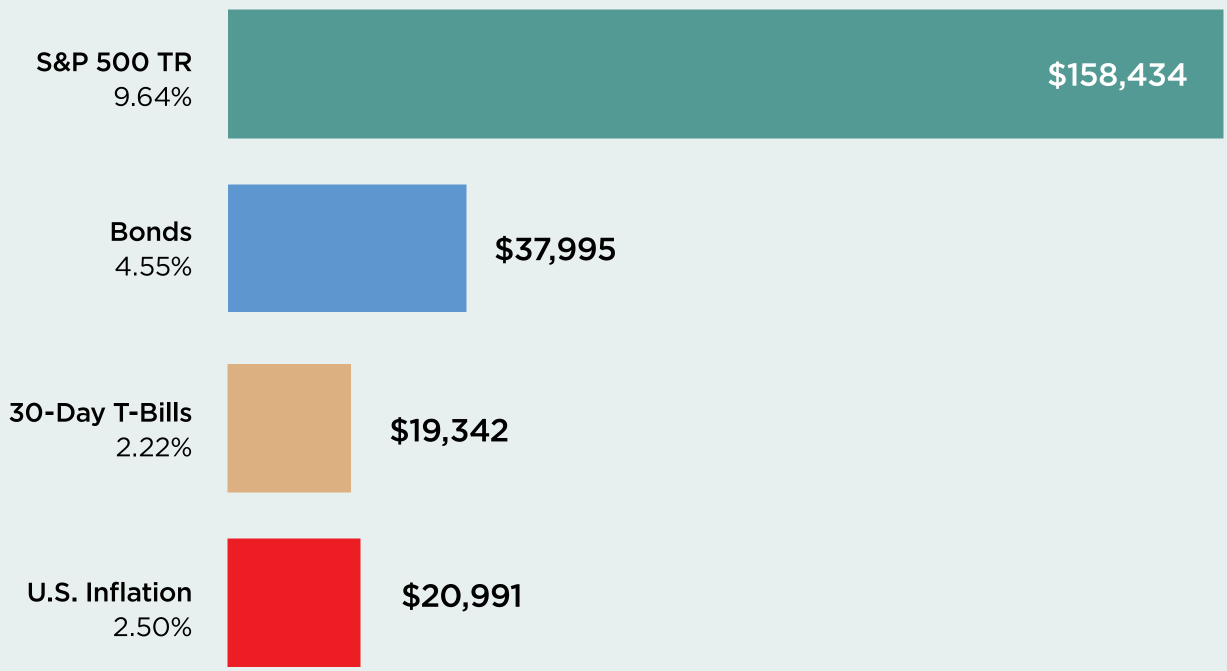
# Rate of Return Is the Key

While saving is important, that alone won't typically be enough to see you through your retirement years. **Investing is one of the best ways to grow wealth over time.**

How you choose to invest your money is also important, as some investment vehicles offer greater potential for growth and potentially higher risks. The rate of return (the amount of growth on your initial investment) will be different depending on how you decide to invest, so make sure you choose an investment strategy that suits your goals, timeline and risk tolerance.

**GROWTH OF A $10,000 INVESTMENT AT DIFFERENT RATES OF RETURN**
(December 31, 1992 to December 31, 2022)




What kind of return do you need to reach your goals?

Source: Morningstar. **Past performance is no guarantee of future results. This chart is for illustrative purposes and does not represent an actual investment. Further, the returns do not reflect the past or future performance of any specific investment. All investments involve risk including loss of principal. The figures in the chart above assume reinvestments of dividends. They do not reflect any fees, expenses or tax consequences, which would lower results. Because these indices are not managed portfolios, there are no advisory fees or internal management expenses reflected in their performance.** Investors cannot invest directly in any index. The figures represent an initial investment of $10,000. The Standard & Poor's 500®, which is an unmanaged group of securities, is considered to be representative of the stock market in general. Bloomberg U.S. Aggregate Bond Index: Often referred to as "the S&P 500 Index of bonds," the Bloomberg U.S. Aggregate Bond Index represents the dollar-denominated, investment-grade, fixed-rate, taxable U.S. bond market. The index includes government and corporate securities, mortgage-backed securities, and asset-backed securities, with maturities of at least one year. The U.S. 30-Day T-bills are government backed short-term investments considered to be risk-free and as good as cash because the maturity is only one month and are represented by the IA SBBI US 30 Day T-Bill TR index. Treasury Bills are secured by the full faith and credit of the U.S. Government and offer a fixed rate of return, while an investment in the stock market offers no such guarantee. Inflation history is represented by the IA SBBI US Inflation index. Investors cannot invest directly in any index.

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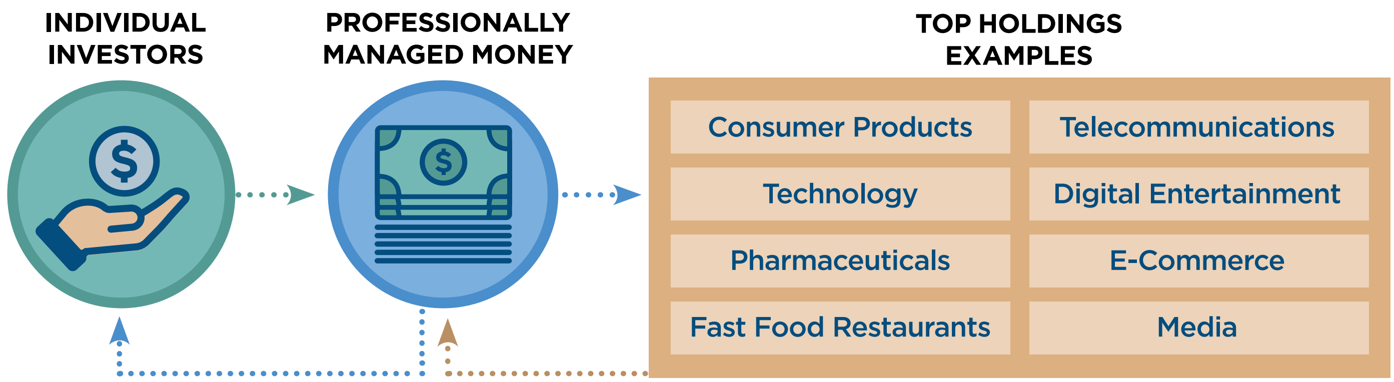
# INVEST WITH PROFESSIONAL MANAGEMENT

Mutual funds are a great way to become an "owner," not a "loaner." They give average families the advantage of investing in the economy, with the opportunity to reduce risk with professional management and diversification. There's no doubt that there is risk — after all, you're buying a little piece of the economy, and the economy is influenced by many factors. But, as you've learned here, in exchange for that risk, you have the potential for a higher rate of return.

# What Is a Mutual Fund?

A mutual fund is an opportunity for you, together with many other investors, to pool your money. Professional money managers invest the "pool" for you, keeping the investments under professional supervision. The money managers use their knowledge of securities and changing market conditions to invest the pooled assets in many different companies within a variety of industries.




**Did you know the typical mutual fund holds more than 150 stocks on average?**

Each mutual fund invests differently. Read the mutual fund's prospectuses to determine how a fund may invest and to determine its current holdings. Mutual funds are actively managed portfolios and incur fees and internal management costs. The value of a fund fluctuates and, shares, when redeemed, may be less than the original value. Investments in mutual funds involve risk including loss of principal. Source: Morningstar. Average based on 3,276 U.S. domestic equity open-end funds.

# The Three "Ds" of Investing

**Dollar-Cost Averaging:** Dollar-cost averaging means investing a certain fixed amount each month, regardless of what's happening in the stock market. This eliminates having to predict when to invest as you will be able to take advantage of the market highs and lows — by purchasing fewer units when the prices are high and more units when the prices are low. While dollar-cost averaging can't assure a profit or protect against loss, it does show how a systematic investing plan, sustained over a period of time has the potential to pay off, relieving your worries about whether the market is up or down.

**Discipline:** By staying focused and staying invested through all market activity, you can increase your long-term potential because missing even a handful of the best-performing days in the market over time can considerably diminish your returns. Experts say market "timing" is a bad way to invest. The key is to maintain a long-term view and stay focused on your goals.

**Diversification:** Because there is no single, perfect investment, take advantage of the next best thing which is to build your portfolio by balancing a variety of investments. Together these investments help you achieve your goals and reduce your portfolio's risk. This may also work to increase returns by offsetting losses in one asset class with an opportunity for gains in another. Diversification does not assure a profit or protect against loss.

Dollar-cost averaging is a technique for lowering average cost per share over time. Dollar-cost averaging cannot assure a profit or protect against loss in declining markets. Investors should consider their ability to continue to invest in periods of low-price levels. These values are hypothetical and not intended to reflect any specific market period.

This material is intended only for general educational purposes and is not a recommendation to buy, sell or hold a security or to adopt a particular investment strategy.

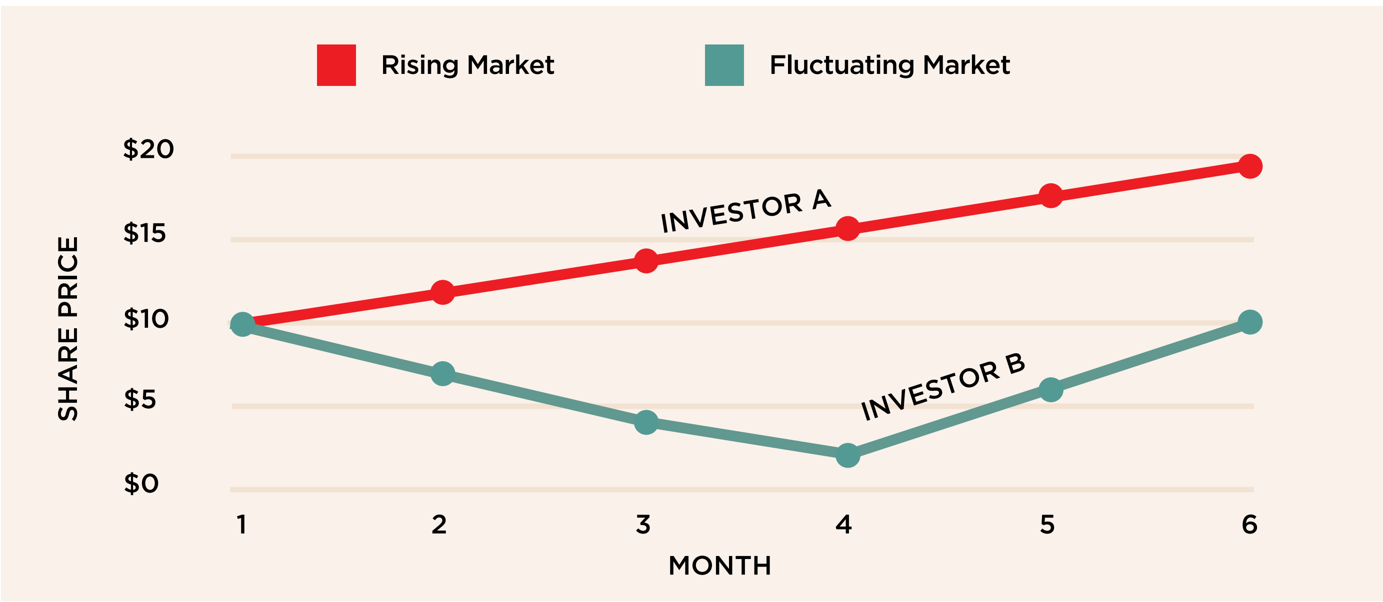
# Who Do You Think Earned More Money?

**Investor A** began purchasing his shares as the market soared. Right after **Investor B** started purchasing his shares, the market fell and then recovered to where it was at the beginning of his investment period.

If you picked **Investor A,** you're wrong!

**Investor B** was able to take advantage of the downturn in the market and use his $100 monthly investment to purchase shares at a lower price, which meant more shares purchased. With his $600 investment he purchased 125.95 shares at an average price of $4.76 per share.

**Investor A's** $600 investment purchased 42.28 shares at an average price of $14.19 per share. In a fluctuating market, **Investor B** was able to accumulate more shares at a lower price than **Investor A** did in a rising market. That's the power of dollar-cost averaging.




| INVESTOR A | $100/month | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | # of Shares Accumulated | Total invested in 6 months | Average Cost Per Share |
|---|---|---|---|---|---|---|---|---|---|---|
| | Per Share: | $10.00 | $12.00 | $14.00 | $16.00 | $18.00 | $20.00 | — | $600 | $14.19 |
| | # of Shares: | 10.00 | 8.33 | 7.14 | 6.25 | 5.56 | 5.00 | 42.28 | | |

| INVESTOR B | $100/month | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | # of Shares Accumulated | Total invested in 6 months | Average Cost Per Share |
|---|---|---|---|---|---|---|---|---|---|---|
| | Per Share: | $10.00 | $7.00 | $4.00 | $2.00 | $6.00 | $10.00 | — | $600 | $4.76 |
| | # of Shares: | 10.00 | 14.29 | 25.00 | 50.00 | 16.67 | 10.00 | 125.95 | | |

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# YOU CAN DO IT

At first glance, achieving financial security may seem overwhelming. But, as you've seen in these pages, the path to financial independence starts with understanding a few basic concepts — and implementing them in your life. Winning the financial "war" is the result of winning tiny battles day to day. Something as seemingly insignificant as choosing a glass of water over a $5.00 latte, or saying "no, thanks" to an impulse purchase can add up faster than you could ever imagine. The basic concepts of money management aren't obscure or difficult to understand. They're based on common sense and can put financial success within your reach. While it may be tempting to hope for a financial miracle, it's much wiser instead to bet on a sure thing, and follow the proven principles that have already worked for so many families.

**Most of all, whatever your present situation, it's important to get started today. If you put together a simple plan and follow it, you'll be amazed at the progress you can make.**

**Think about it.** Are the retired people you know living life on their own terms? Did they have to work longer than they wanted and put off retirement until it was too late to really enjoy that time? Do they wish they had started earlier with a financial game plan for their golden years? Don't make that mistake. Get started now and take control of your future.

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