



# Money Matters



A Transamerica Company

A photograph of a woman and a young child sitting on a light-colored rug, laughing together. The woman is on the left, looking down at the child, and the child is on the right, looking up at the woman. The image is overlaid with a semi-transparent teal color. The text is centered in the middle of the image.

*No matter your goals, take  
control of your money now  
and let it work for you.*

# Your Financial Future Starts Now

Many goals and dreams in life – such as funding a child's college education, purchasing a home or retiring in comfort – require that you have a sound financial strategy to achieve them. But what is the best strategy for you? No one way of preparing for the future is right for everyone, which is why your licensed World Financial Group, Inc. (WFG) associate is ready to assess your specific needs and help you work toward your goals.

One of WFG's core values is helping individuals and families from all walks of life have better, more financially secure futures. Your WFG associate will share important financial fundamentals with you to help you create a plan for your future.

No matter what your goals are, it's important to take control of your money now and let it work for you. At WFG, we believe nothing is more important than achieving your dreams. Your tomorrows can begin today.

# What We Offer

WFG does not believe one size fits all. We know that choice equals power, which is why you aren't limited to one solution. Instead, a licensed associate can offer a broad array of products and services\* from many of the industry's well-known companies, and he or she works together with you to determine the best path forward based on your specific needs and goals. Carefully consider all the information provided to you and ask any questions you may have before making a decision. We want you to be comfortable with the choices you make and have a long-term, rewarding relationship with your WFG associate.

Some products and services our associates offer include:\*

Permanent & Term Life Insurance

Annuities

Individual Retirement Accounts

College Funding/529 Plans

Mutual Funds, Stocks & Bonds

Investment Advisory Services

\*Products and services offered through WFG's affiliated companies, which include World Financial Group Insurance Agency, Inc. and its subsidiaries, and Transamerica Financial Advisors, Inc.

Associates must be properly licensed and appointed to sell insurance- and securities-related products. Only WFG associates who are Registered Representatives and/or Investment Advisor Representatives of Transamerica Financial Advisors, Inc. can offer investment products and/or investment advisory services. Transamerica Financial Advisors, Inc. (TFA), Transamerica Financial Group Division is a member of FINRA, SIPC, and is a Registered Investment Advisor. Non-securities products and services are not offered through TFA.

## Product Providers<sup>1</sup>

Through WFG's affiliates, your licensed WFG associate can offer you access to a broad number of well-known providers in the financial services and insurance industry — offering you a choice in product and provider when creating your financial strategy.



# The Challenges

There are many financial concerns to consider when planning for the future. Your licensed WFG associate will ask you about your goals, and help you build a strategy that can help address these challenges.

## Credit Card Debt & Poor Savings

A recent TransUnion report indicated that the average credit card debt per borrower was \$5,234 at the end of Q2 2014.<sup>2</sup> As of August 2014, the personal savings rate was 5.4 percent.<sup>3</sup>

## Cost of College

The cost of college has continued to rise and, without proper planning and preparation, paying for a higher education can put a strain on savings. According to the College Board, the average published tuition and fees for in-state students at public four-year colleges and universities increased from \$8,646 in 2012-13 to \$8,893 in 2013-14, a 2.9 percent increase. This rise in cost follows an increase of 4.5 percent in 2012-13 and 8.5 percent in 2011-12.<sup>4</sup>

## Retirement Savings

According to the Retirement Confidence Survey from the Employee Benefits Research Institute, many workers say they have virtually no savings or investments. Excluding the value of their home and defined benefit plans, 60 percent of the workers surveyed say their household savings and investments is less than \$25,000, which includes 36 percent who have less than \$1,000 in savings.<sup>5</sup>

## Social Security

Social Security may not be a reliable source of income in the near future. A recent Social Security trustees report noted that it is predicted that funds will be depleted by 2033. If these funds are exhausted, the program would only receive enough in payroll taxes to pay partial benefits.<sup>6</sup>

*The amount of money you earn today will have less value later in life.*

## Rising Cost of Living

The amount of money earned today will have less value 20 years from now. Often people fail to consider the rising cost of living when creating a strategy for their future. To show how this can affect you, take a look at the following example:

If you and your spouse are each 45 years old, earn \$100,000 per year and plan to retire in 20 years and inflation averages 4.5% during the next two decades, you will need more than \$241,000 a year to equal your current \$100,000 annual income.

## Unexpected Loss

If you should die unexpectedly, without proper planning that includes life insurance and/or emergency savings, your family could face serious financial issues due to funeral costs, credit card bills, and more.

# Our Solution: The WFG Financial Needs Analysis<sup>7</sup>



### Cash Flow

- Earn additional income
- Manage expenses



### Debt Management

- Consolidate debt
- Strive to eliminate debt



### Proper Protection

- Protect against loss of income
- Protect family assets



### Emergency Fund

- Save 3-6 months' income
- Prepare for unexpected expenses



### Build Wealth

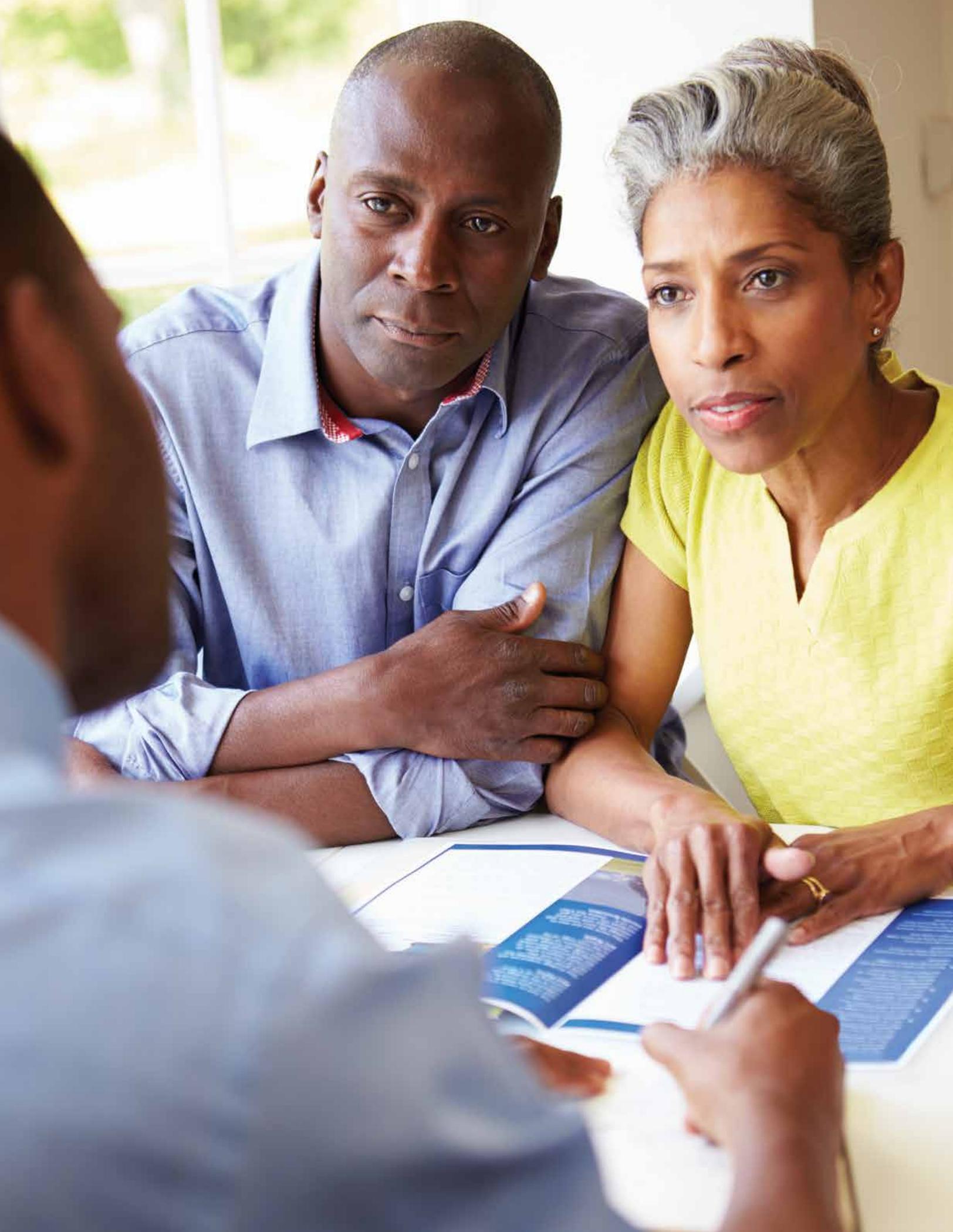
- Strive to outpace inflation & reduce taxes
- Professional money management



### Preserve Wealth

- Reduce taxation
- Build a family legacy

When investing, there are certain risks, fees and charges, and limitations that one must take into consideration.



# Understanding Your Cash Flow



An important part of any financial strategy is determining how much money is available to you, and, when possible, increasing that amount. This money – your cash flow – can help you accomplish many things including reducing or eliminating debt and increasing your savings.

## Manage Expenses

To help increase cash flow, it's important to manage and reduce expenses. Here are just a few ideas on how to accomplish this important part of your financial strategy:

- Create a budget – and stick to it – by weighing your monthly expenses and determining needs versus wants
- Spend less money than you earn
- Consider raising deductibles on your auto, homeowners and other insurance policies, which can help to lower premiums
- Look for ways to reposition money that is currently in low-interest savings accounts
- If your mortgage includes Private Mortgage Insurance (PMI), drop it as soon as the equity in your home reaches 20 percent of your home's value
- If available, consider putting your money into a qualified retirement plan, such as a 401(k) or IRA

## Increase Your Available Income

If it's necessary to increase your household income to improve your cash flow, you can consider:

- Starting a second career or a part-time opportunity to earn additional income
- Adjusting your W-2 allowances if you are expecting a tax refund, but consult with your tax advisor before making this change

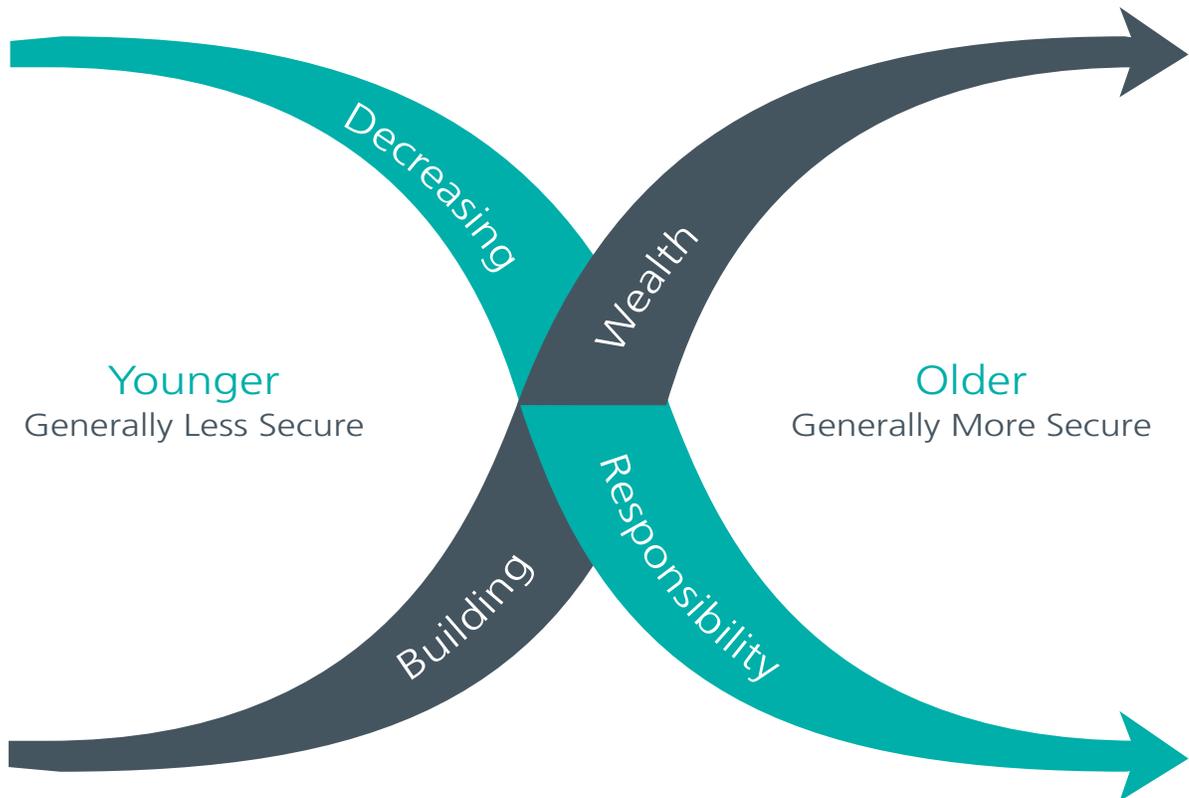
# Proper Protection



A key component to building a sound financial strategy is to use life insurance to help protect your beneficiaries in the event of your death. Life insurance not only helps replace lost income, it can also help preserve a family's assets.

You may think that life insurance is not necessary when you're young, but if you have a family you may need it more than ever. Should you die at a young age the death benefit from a life insurance policy can help pay debts, education costs, childcare, and so much more. When you are older, life insurance can help protect the assets you have accumulated from the erosion of estate taxes.

The graphic below shows that, in general, when you are young, you have many responsibilities and are only in the beginning stages of building wealth. And conversely, as you grow older, you have fewer responsibilities and have probably accumulated more wealth.



*A basic rule of thumb is to have enough life insurance to provide approximately 10 times your annual family income.*

## Life Insurance: How Much is Enough?

How much life insurance coverage you need is based on a variety of factors including your:

- Age
- Health
- Number of dependents
- Income/current financial situation

Based on these considerations, a basic rule of thumb is to have enough life insurance to provide approximately 10 times your annual family income. For example, if your current household income is \$50,000, you may want to consider having \$500,000 in life insurance protection.

That being said, there are many variables that can affect your life insurance needs. Consider the following questions:

- How much long- and/or short-term debt do you have?
- What are your long-term goals?
- How much of the insured's income will be needed and over how many years?
- How much do you want to set aside for funeral costs and/or emergency funds?
- What existing assets do you have that may be able to cover these costs?

To ensure that you have the right type and amount of insurance, make sure to consult with an experienced life insurance professional for a thorough evaluation of your needs.

*Life insurance is an important component of a sound financial strategy.*

# Debt Management



One of the biggest obstacles to a sound financial future is consumer debt. It's important to have a strategy that can help reduce and eliminate debt or at least consolidate debt.

## Pay Off Credit Card and Consumer Debt

Revolving high-interest credit card debt is one of the worst types of debt because it can quickly grow into an unhealthy financial situation. Let's look at an example of the true cost of using a credit card.<sup>8</sup>

Beginning Balance	\$4,500
Credit Card Interest Rate	18%
Monthly Payment <small>(2.5% of original balance)</small>	\$112.50
Time to Pay Off Credit Card	21 yrs., 10 mos.
Total Debt Paid	\$10,673

In the above scenario, you end up paying \$6,173 in interest, which is \$1,623.29 more than the original credit card balance. However, if you commit to paying slightly more each month, you can pay off the card's balance in half the time and pay much less, only \$2,574, in interest.<sup>8</sup>

Beginning Balance	\$4,500
Credit Card Interest Rate	18%
Monthly Payment <small>(4% of original balance)</small>	\$180
Time to Pay Off Credit Card	10 yrs., 9 mos.
Total Debt Paid	\$7,074

These examples show why it's important to strive to pay off credit card and high-interest loan debt sooner rather than later. Following are some ideas on how you can achieve this goal.

- Itemize all your outstanding credit card debt or loans from the highest to the lowest interest rate, and list the monthly payments for each.
- Pay more than the minimum – as much as possible within your budget – on the credit card/loan with the highest interest rate. Once you pay off that credit card/loan, begin paying off the next highest interest rate credit card/loan.
- Consider transferring credit card/loan balances to a card with a low interest rate that is offering a promotional, no fee transfer option. Or, for an account that is charging more than 14 percent interest, call the credit issuer to ask for a lower rate, such as 11 percent.
- Quit charging. Put your credit cards away so you don't consider charging on them while you're paying down your debt or after it's paid off.

If you are a homeowner, you can also consider the possibility of taking out a low-interest home equity loan to pay off your debt. Although a home equity loan is still debt, often the interest is tax deductible.

## Refinance Your Mortgage

When current interest rates for home mortgages are low, it may be prudent to consider refinancing. However, before you refinance, it's important to consider the type of mortgage, the mortgage amount, refinancing fees and the number of years you plan to live in the home. The bottom line in deciding if refinancing will reduce your debt is to determine how long it will take to recoup the expenses associated with refinancing.



*Reduce and eliminate debt as part of your financial strategy.*

# Emergency Fund



No matter how much you plan in life, the unexpected happens. To prepare for life's little "disasters," set up an emergency fund to help pay for any resulting expenses. A basic rule of thumb for determining how much you should set aside is three-to-six-months of your total expenses.

Don't think you need an Emergency Fund? Consider these potential expenses and scenarios:



Major car repairs



Major home repairs



Major appliance repairs or replacement



Loss of a job



Serious illness or hospitalization



Extended elder care or long term care

Having an extra source of funds can give your family peace of mind during a stressful time.



# Build Wealth



When developing your financial strategy, it's important to ensure you put a long-term asset accumulation program in place that can outpace inflation and reduce taxation. When determining the best program for you, it's important to determine how long you may live in retirement and how much it will cost to live comfortably during those years. Your WFG associate can help you develop a strategy that is based on your needs.

## The Rule of 72\*

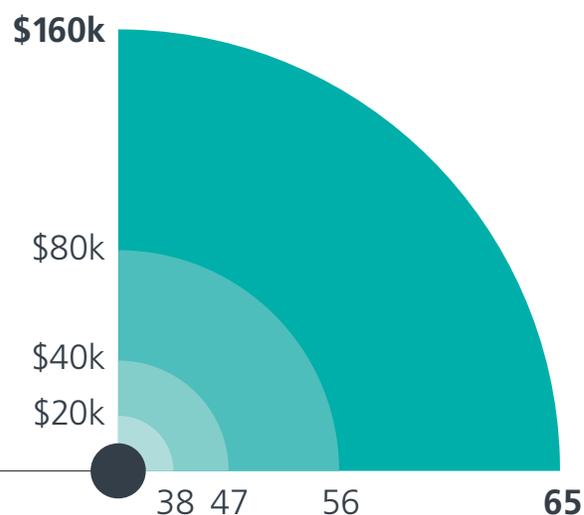
The Rule of 72 is an estimate of the time it takes for money to double. Divide the number 72 by the interest rate, and the result is the approximate number of years for money to double.

The hypothetical example below shows how an initial \$10,000 investment grows over time.

$$72 \div 8 = 9$$

So, if you made a \$10,000 investment at age 29, with an 8% rate of return, it should grow to about **\$160,000** by age 65.

The **Rule of 72** tells us that an investment earning a constant **8% rate of return** should double approximately every **9 years**.



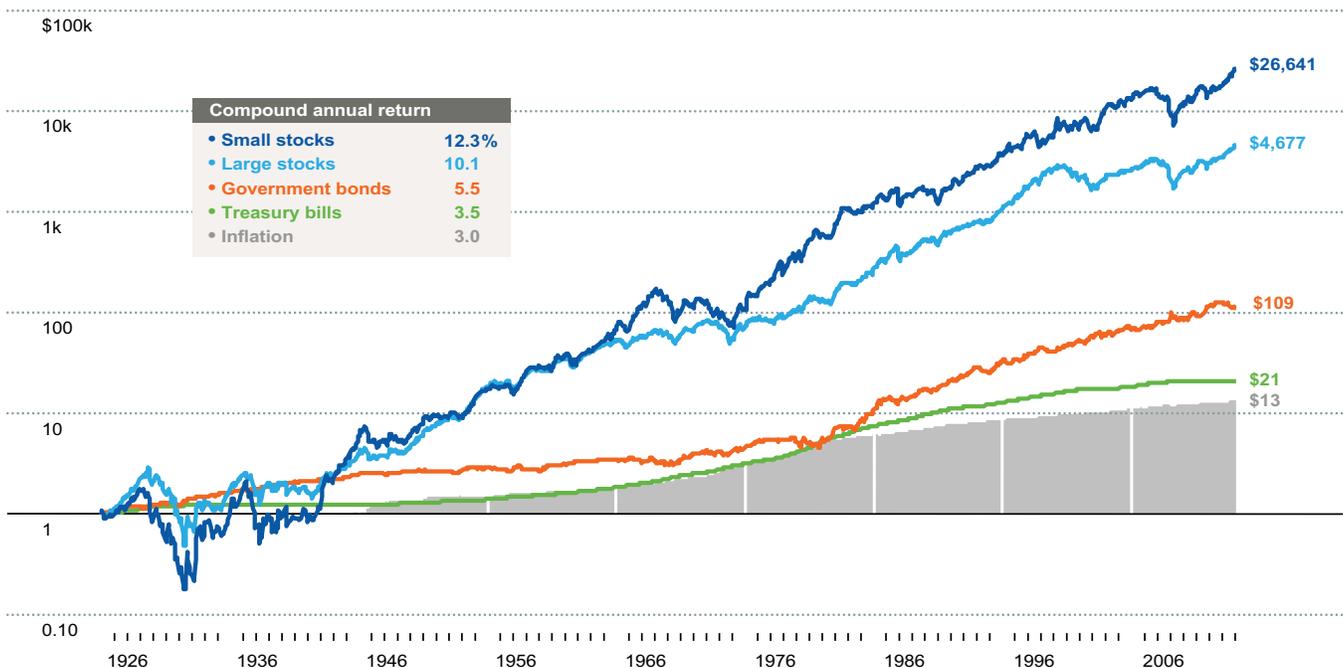
\*The Rule of 72 is a mathematical concept that approximates the number of years it will take to double the principal at a constant rate of return compounded over time. All figures are for illustrative purposes only, and do not reflect the risks, expenses or charges associated with an actual investment. The rate of return of investments fluctuates over time and, as a result, the actual time it will take an investment to double in value cannot be predicted with any certainty. Results are rounded for illustrative purposes. Actual results in each case are slightly higher or lower.

## A Look at Investment Markets Over Time

Below is a historical view of different investment markets from January 1926–2013. This chart shows how much \$1 invested could have grown based on investment in stocks, bonds or treasury bills, and how the investment compares to the rate of inflation during the same period. Of course, when investing there are certain risks, so past performance cannot guarantee future returns.

### Ibbotson® SBBI®

#### Stocks, Bonds, Bills, and Inflation 1926–2013



Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2014 Morningstar. All Rights Reserved.



### Ibbotson® SBBI® 1926–2013

An 88-year examination of past capital market returns provides historical insight into the performance characteristics of various asset classes. This graph illustrates the hypothetical growth of inflation and a \$1 investment in four traditional asset classes over the time period January 1, 1926 through December 31, 2013.

Large and small stocks have provided the highest returns and largest increase in wealth over the past 88 years. As illustrated in the image, fixed-income investments provided only a fraction of the growth provided by stocks. However, the higher returns achieved by stocks are associated with much greater risk, which can be identified by the volatility or fluctuation of the graph lines.

Government bonds and Treasury bills are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, while stocks are not guaranteed and have been more volatile than the other asset classes. Furthermore, small stocks are more volatile than large stocks, are subject to significant price fluctuations and business risks, and are thinly traded.

### About the data

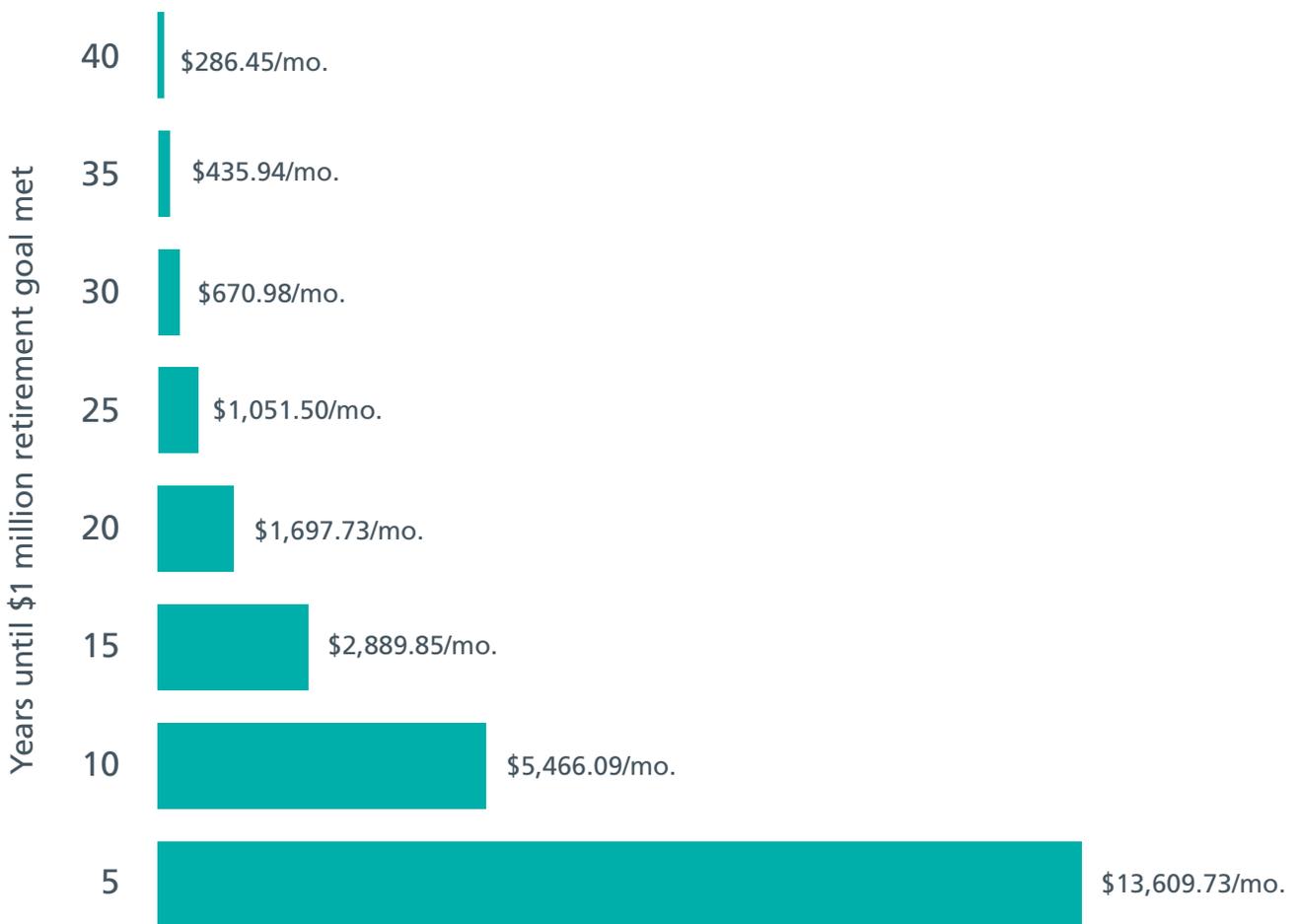
Small stocks in this example are represented by the Ibbotson® Small Company Stock Index. Large stocks are represented by the Standard & Poor's 90 Index from 1926 through February 1957 and the S&P 500® Index thereafter, which is an unmanaged group of securities and considered to be representative of the U.S. stock market in general. Government bonds are represented by the 20-year U.S. government bond, Treasury bills by the 30-day U.S. Treasury bill, and inflation by the Consumer Price Index. Underlying data is from the *Stocks, Bonds, Bills, and Inflation® (SBBi®) Yearbook*, by Roger G. Ibbotson and Rex Sinquefeld, updated annually. An investment cannot be made directly in an index.

## The Power of Time

Time can be your worst enemy or your greatest ally. No matter where you are in life or in building a financial strategy, the key is to begin saving now. The sooner you begin, the less money you need to set aside to create a solid financial future.

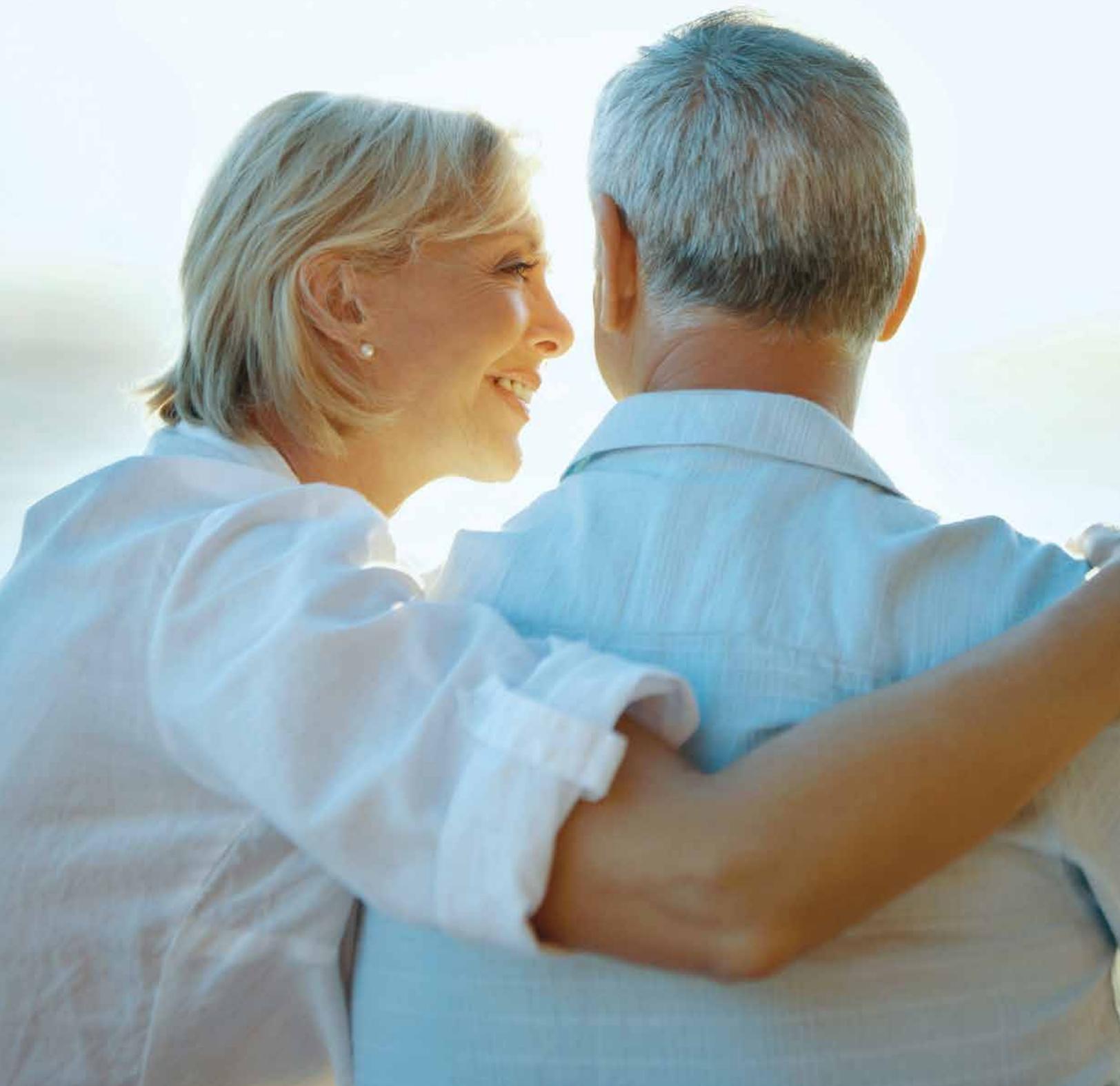
To see how time can be on your side, take a look at this example of how much you need to set aside each month to reach a \$1 million retirement goal, based on a compounded rate of return of 8 percent.

## Achieving a \$1 Million Retirement Goal



In this hypothetical example, an 8% compounded rate of return is assumed on hypothetical monthly investments over different time periods. The example is for illustrative purposes only and does not represent any specific investment. It is unlikely that any one rate of return will be sustained over time. This example does not reflect any taxes, or fees and charges associated with any investment. If they had been applied, the period of time to reach a \$1 million retirement goal would be longer. Also, keep in mind, that income taxes are due on any gains when withdrawn.

*Put time on your side.  
Get started now.*



# Preserve Wealth

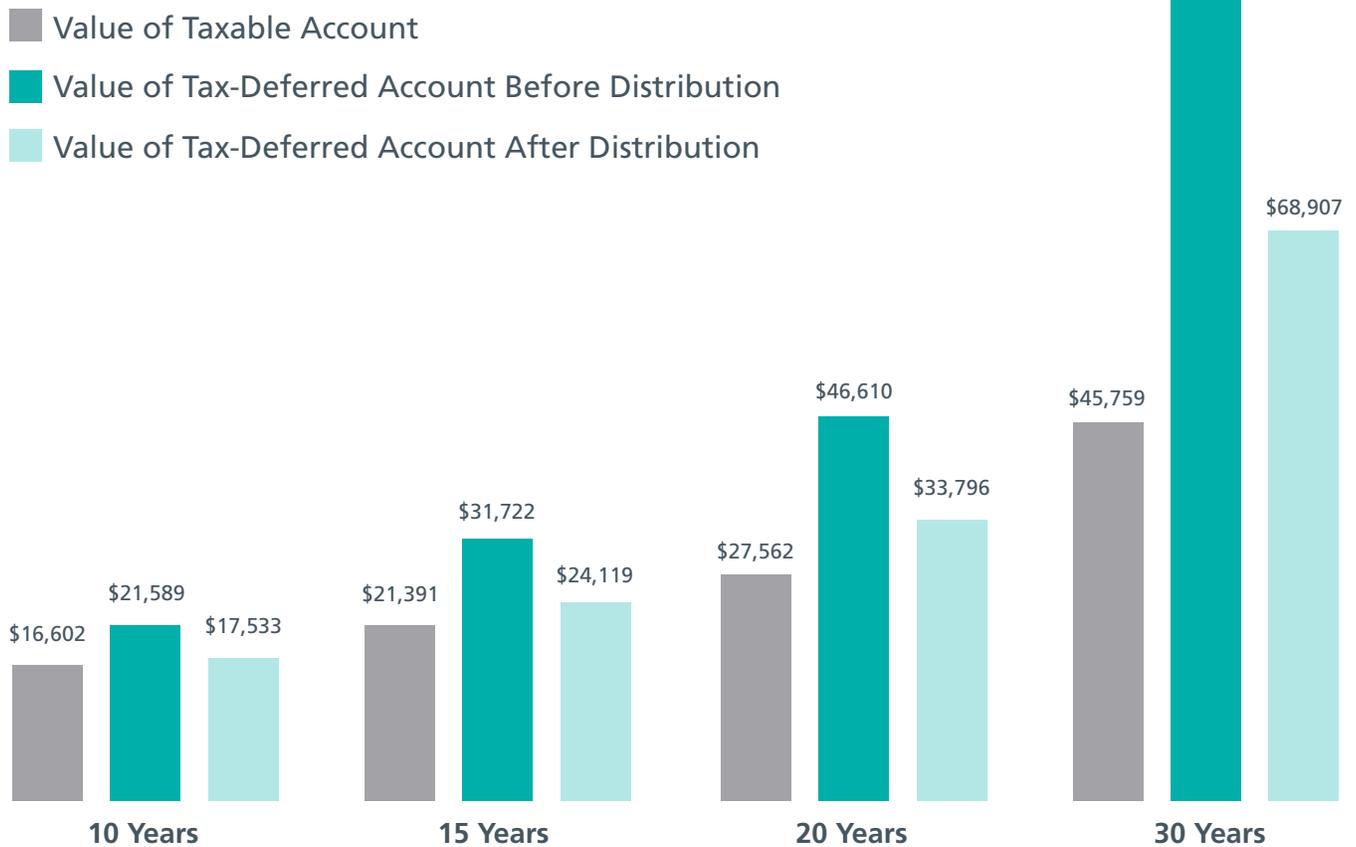


## Harness the Power of Tax Advantages

In addition to procrastination, taxation also is an enemy when trying to build and maintain savings. The hypothetical example below shows the value of \$10,000 invested in a tax-deferred and a taxable account, assuming an 8% return and a 35% marginal tax rate on any gains. It also shows the value of the tax-deferred account upon distribution.

This example is for illustrative purposes only and does not represent a specific investment nor does it reflect any fees or charges associated with any investment, which would lower the listed values. Both the rate of return and the principal value of the investments will fluctuate over time, and it is unlikely that any one rate of return is sustainable over long periods of time.

## Value of Tax-Deferred Versus Taxable Account



## Have an Adequate Estate Plan

It's important to have an estate plan in place to help ensure that your assets are distributed according to your wishes, and are done so in the most tax efficient method possible. Here are just a few reasons you should consider this important aspect of a well-rounded financial strategy:

- It can help avoid probate costs, which can range from 3 to 7 percent<sup>9</sup> of the total assets of the estate.
- A well designed estate plan can help manage estate taxes. Current tax law exempts estates valued up to \$5,340,000 from estate taxes, but any estate valued more than that amount can be taxed up to 40 percent.<sup>10</sup>
- Estate planning helps ensure your legacy reaches your intended heirs, including any life insurance coverage, pensions and annuities.
- It offers an opportunity to set up medical and financial powers of attorney so that, should you become incapacitated, someone can take care of your finances, make medical decisions for you, and more.

Estate planning can be an essential part of your financial strategy, helping to ensure that the wealth you accumulated over the years is not marred by the effects of taxes or other unintended consequences. Please consult with your attorney and/or tax advisor for guidance regarding your specific circumstances.

# Money Matters: Make It Work For You

Your licensed WFG associate is ready to help you make your money work for you. By walking you through the WFG Financial Needs Analysis (FNA), you and your associate can obtain a clear understanding of where you are now and where you want and need to be for a better financial future. And, when your life brings change or challenges, your WFG financial professional is ready with the products and services to update your strategy accordingly.

## Make the Next Step

Procrastination is an enemy to a secure financial future, but it can easily be overcome. By starting your financial strategy now, you can put time on your side.

### To begin today:

- 1 Share information with your licensed WFG associate so you can obtain an FNA
- 2 Set a follow up appointment with your associate to obtain the results of this analysis
- 3 Implement the strategy recommended by your licensed WFG associate based on your FNA results
- 4 Include your WFG associate in your referral network of trusted professionals



*Let WFG help you change your  
tomorrows beginning today.*

- 1 The city and state locations of these companies are: Transamerica Premier Life Insurance Company, Cedar Rapids, Iowa; Transamerica Life Insurance Company, Cedar Rapids, Iowa; Pacific Life Insurance Company, Newport Beach, California; Voya Insurance and Annuity Company, Des Moines, Iowa; Nationwide Life Insurance Company, Columbus, Ohio; Prudential Annuities Distributors, Inc., Shelton, Connecticut.
- 2 The Industry Insights Report, Credit Card Q2 2014, [transunioninsights.com](http://transunioninsights.com).
- 3 Personal Income and Outlays August 2014, U.S. Department of Commerce, Bureau of Economic Analysis.
- 4 Trends in College Pricing 2013, The College Board, [trends.collegeboard.org](http://trends.collegeboard.org).
- 5 2014 RCS Fact Sheet #6: Preparing for Retirement in America, 2014 Retirement Confidence Survey, Employee Benefit Research Institute and Greenwald & Associates.
- 6 Social Security-board of Trustees: No Change in Projected Year of Trust Fund Reserve Depletion, July 28, 2014.
- 7 The WFG Financial Needs Analysis, developed by World Financial Group, is based on the accuracy and completeness of the data provided by the client. The analysis uses sources that are believed to be reliable and accurate, although they are not guaranteed. Discuss any legal, tax or financial matter with the appropriate professional. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any specific security or financial service.
- 8 "Credit Card Calculator: The True Cost of Paying the Minimum," [Bankrate.com](http://Bankrate.com)
- 9 How much does probate cost and how long does it take?, [law.freeadvice.com](http://law.freeadvice.com).
- 10 "What is the Future of the Federal Estate in 2015 and Beyond?," Julie Garber, [About.com](http://About.com), 2014, <http://wills.about.com/od/understandingestatetaxes/a/future-of-estate-tax-2014-beyond.htm>. Based on current U.S. tax law as of January 2013. Tax laws may change. Tax and/or legal advice not offered by WFG, its affiliated companies or associates/representatives. Please consult with your personal tax professional for additional guidance regarding the estate tax and other tax matters.



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