



Financial Education Workbook

FIRST EDITION





HGI FINANCIAL EDUCATION WORKBOOK



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HGI FINANCIAL EDUCATION WORKBOOK

YOUR PERSONAL INFORMATION

Name: _____ M/F DOB: _____

Spouse: _____ M/F DOB: _____

Address: _____

City: _____ State: _____

Zip: _____

Cell Phone: _____ Email: _____

Occupation: _____ Employer: _____

Spouse Occupation: _____ Employer: _____

YOUR DEPENDENT INFORMATION

Name	Relation	Date of Birth
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____



HGI FINANCIAL EDUCATION WORKBOOK

WORKBOOK SYLLABUS

	Topic	Date Completed	Field Builder Signature
LESSON 1:	Financial Basics		
LESSON 2:	Life Insurance		
LESSON 3:	Other Insurance		
LESSON 4:	Annuities		
LESSON 5:	Traditional Investments		
LESSON 6:	Alternative Instruments		
LESSON 7:	Retirement		
LESSON 8:	Social Security		
LESSON 9:	Estate Preservation		
LESSON 10:	Conclusion		

Notes



HGI FINANCIAL EDUCATION WORKBOOK

HGI Vision

To create more financially independent families
than any other business in history.

HGI Mission

To lead the consumer
empowerment revolution.

HGI System

The Leadership Format System
is the vehicle that will allow
us to achieve our Vision and Mission.





LESSON 1: FINANCIAL BASICS

Financial Goals Worksheet

What does your financial picture look like?

Category	My Goals	What I Am Doing To Reach My Goals	Where I Need Improvement
Income			
Expenses			
Credit Card Debt			
Mortgage Debt			
Loans / Other Debt			
Emergency Fund			
Living Benefits / LTC			
Retirement			
College Savings			
Tax Management ¹			
Estate Planning ¹			



LESSON 1: FINANCIAL BASICS

Money is a Problem for Most People in America

List three things that we cannot control in our financial life:

1. _____
2. _____
3. _____

There are things that only we can control:

- Before any other financial obligations that you have, you should _____.
- Avoid the pitfalls of _____ money.
- Consider building a _____ income.
- Set at least _____% of your income aside with every pay check.
- Understand the difference between your _____ and your _____.
- Change your financial _____.
- Don't think about _____ money, think about _____ money.
- We should _____ less and _____ more.



LESSON 1: FINANCIAL BASICS

Weekly Expenditure Worksheet

Reducing expenses is one strategy to help increase your disposable income. List the last 7 days of expenditures that you have made and indicate whether the expenditure is a **“need”** or a **“want”**. Refer to your credit card and bank statements. Don’t forget about cash purchases.

Today’s Date: _____

Date	Expenditure	Amount	“Need” or “Want”



LESSON 1: FINANCIAL BASICS

“Wants” vs. “Needs”

List three expenditures that are a “**want**” and can be **completely eliminated** from your weekly spending:

1. _____
2. _____
3. _____

List three expenditures that are a “**want**” and can be **reduced in amount** from your weekly spending:

1. _____
2. _____
3. _____

Do you balance your checking account weekly?	Yes	No
Do you reconcile your checking account monthly?	Yes	No
Do you add to a savings account monthly?	Yes	No
Do you review your credit card statements monthly?	Yes	No
Do you make purchases in cash?	Yes	No
Are you prepared to start and follow a budget?	Yes	No



LESSON 1: FINANCIAL BASICS

Potential Monthly Savings Worksheet

Evaluate all areas where you could save on a monthly basis. Be sure to include the items that you identified above.

Expense	Potential Monthly Savings
1. Auto, Homeowners, Boat, RV, Renters insurance <ul style="list-style-type: none">• Increase deductibles, bundle with same company, eliminate unneeded extras.	
2. Cable / Internet / Satellite TV <ul style="list-style-type: none">• Cancel pay TV altogether and replace with online services and over-the-air antenna.	
3. Eliminate landscaper or pool service.	
4. Stop or reduce eating out.	
5. Adjust your W4 deductions to increase cashflow.	
6. If you have an LLC, consult a CPA about IRS Form 2553, which will allow your LLC to be taxed like an S-Corp.	
7. Reduce energy consumption (electric, natural gas, etc...)	
8. Buy some groceries at a warehouse discount club.	
9. Pay off debts that are charging you interest.	
10. Refinance your house.	
11. Eliminate PMI with your Mortgage Lender (if possible)	
12. Cancel unneeded monthly subscriptions, such as newspapers, magazines, gym memberships, etc...	
13. Reduce online purchases (Amazon.com, etc...).	
14. Buy used cars.	
15. Ride share instead of 2 nd household car.	
16. Other:	
Total:	



LESSON 1: FINANCIAL BASICS

With the potential monthly savings listed above, you can start to make an impact on several different areas in your financial life.

What percentage of your Potential Monthly Savings would you be willing to use towards financial independence? _____%

Earning additional income and reducing expenses will help to increase your cash flow. List 3 ways to that you increase your cash flow:

1. _____
2. _____
3. _____

Notes



LESSON 1: FINANCIAL BASICS

Monthly Cost of Living Worksheet

My Monthly Gross Income: _____ My Spouse's Gross Income: _____

Payroll Taxes	
Federal	_____
State	_____
Local	_____
Other	_____
Total:	_____

Net Income After Taxes	
My Salary	_____
Spouse	_____
Rental Income	_____
Other Income	_____
Total:	_____

Savings / Investments	
Savings	_____
Emergency Fund	_____
Stocks / Bonds	_____
Mutual Funds	_____
401k / IRA	_____
College	_____
Other	_____
Total:	_____

Housing	
Mortgage / Rent	_____
Property Taxes	_____
Home Insurance	_____
HOA / Dues	_____
Total:	_____

Utilities / Maintenance	
Electricity	_____
Gas	_____
Water	_____
Garbage	_____
Sewer	_____
Cell Phone	_____
Home Phone	_____
Cable / Satellite	_____
Pool Service	_____
Landscaping	_____
Other	_____
Total:	_____

Food	
Groceries	_____
Eating out	_____
Other	_____
Total:	_____

Insurance	
Life	_____
Disability / LTC	_____
Other	_____
Total:	_____

School	
Tuition	_____
Other	_____
Total:	_____

Health	
Insurance	_____
Medicine	_____
Deductible	_____
Doctor	_____
Dentist	_____
Other	_____
Total:	_____

Personal	
Clothing	_____
Beauty	_____
Laundry	_____
Dry Cleaner	_____
Hair	_____
Alcohol	_____
Tobacco	_____
Other	_____
Total:	_____

Family	
Child Support	_____
Alimony	_____
Babysitter	_____
Daycare	_____
Tithing	_____
Sports	_____
Classes	_____
Other	_____
Total:	_____

Recreation	
Books	_____
Magazines	_____
Movies	_____
Sports	_____
Hobbies	_____
Gadgets	_____
Games	_____
Concerts	_____
Pet Care	_____
Adult Ed.	_____
Other	_____
Total:	_____

Transportation	
Auto Loans	_____
Insurance	_____
Registration	_____
Maintenance	_____
Other	_____
Total:	_____

Debt	
Credit Cards	_____
Student Loan	_____
Personal Loan	_____
Other	_____
Other	_____
Other	_____
Total:	_____

Income vs Cost of Living Expenses

Net Income: _____

Total Living Expenses: _____

Surplus or Deficit: _____

Net Cash Flow _____



LESSON 1: FINANCIAL BASICS

Net Worth Worksheet

	Assets	Liabilities	Net Worth
Real Estate			
1st Mortgage			
2nd Mortgage			
Line of Credit			
Rental Property			
Cars, Boats, RVs			
Liquid Assets			
Checking			
Savings			
Money Market			
Stocks			
Options			
Bonds			
Mutual Funds			
CDs			
Qualified Funds			
401b			
IRA			
403b / 457			
IRA			
Pension			
Annuity IRA			
Roth IRA			
Non-Qualified Money			
Annuity			
Life Insurance Cash Value			
Other Debts			
Credit Cards			
Student Loans			
Total			
Net Worth (Assets minus Liabilities) =			



LESSON 1: FINANCIAL BASICS

Living Debt Free

- The average household has credit card balances totaling \$16,425, while the average _____ debt is \$50,868.
- For many, the American Dream has become the American _____ due to being drowned in debt.

Credit Cards	Debt	Interest Rate	Monthly Interest ¹
VISA	\$1,500	22%	\$27.50
MasterCard	\$1,250	19%	\$19.79
Discover Card	\$500	17%	\$7.08
American Express Blue	\$250	8%	\$1.67
Department Store	\$8,000	19%	\$126.67
	\$11,500		\$182.71

¹ Interest rate divided by 12 months divided by the amount of the debt. For illustration purposes only.

- Credit card interest is _____ debt and interest charges are recalculated every _____ based on the outstanding balance.
- Credit card companies entice you to save interest charges by offering _____, however they include an upfront _____ that is added to your new balance.



LESSON 1: FINANCIAL BASICS

Credit Card Worksheet

Credit Card	Total Balance	Interest Rate	Monthly Interest	Minimum Payment	Actual Payment	Paid in Full Target Date



LESSON 1: FINANCIAL BASICS

In addition to interest charges, list 3 other charges that credit card issuers charge to their customers:

1. _____
2. _____
3. _____

- In today's digital world, it seems that you need a credit card for almost everything. Instead of a "credit" card, you could use a _____ card.
- You could also use a _____ card, which requires that you pay the balance off each month in full. These types of cards do not have interest charges but usually have an _____ fee.
- Two thirds of all bankruptcies in America are due to _____ debt.
- Credit cards and other loans without a specific term that charge interest on a monthly basis based on the current balances are known as a _____ credit line.

Avoiding the pitfalls of "plastic money" requires discipline. List 2 ways to freeze your credit line:

1. Contact the credit card issuer and _____ your credit line.
2. Take the physical credit card and _____



LESSON 1: FINANCIAL BASICS

Describe your plan to eliminate credit card debt:

Monitoring your credit report is important to do on a periodic basis. In fact, you do not need to pay for this service. You may receive a free annual copy of your credit report by visiting www.annualcreditreport.com. This is the only source for free credit reports, other than requesting it directly from the credit bureaus directly.

Notes



LESSON 1: FINANCIAL BASICS

The Magic of Compound Interest

- To determine the approximate number of years it takes for your money to double you take the number _____ and divide it by the interest rate that you are receiving on your money.
- This is known as the _____ of _____.

Calculate the growth of a one-time investment \$15,000 at the various interest rates below:

2%		4%		8%		12%	
Money doubles every _____ years		Money doubles every _____ years		Money doubles every _____ years		Money doubles every _____ years	
Age	Amount	Age	Amount	Age	Amount	Age	Amount
29	\$15,000	29	\$15,000	29	\$15,000	29	\$15,000

Invested money will continue to _____ each year, even if it is in a taxable account. The only reason that growth of your investment in a taxable account would be affected would be if you _____ money in order to pay income taxes, however that _____ very likely in the early invested years.



LESSON 1: FINANCIAL BASICS

- While the Magic of Compound Interest can help you when you _____, it is working against you with _____.
- You may not need a lot of up-front money to become financially independent. All it takes is the right combination of _____, _____ and the “Magic of Compound Interest.”
- _____ people invest money, _____ people spend it.

There are two basic ways that interest compounds:

1. _____, which is paid on the original principal only.
2. _____, which accrues on the principal and the accumulated interest of the previous periods. It includes interest on _____.

Notes



LESSON 1: FINANCIAL BASICS

Market Losses Hurt You More Than Gains Help You

Fluctuations in the stock market have an impact on your investments. How do negative fluctuations affect the value of your investments?

$$\text{Actual Average Return calculation} = \frac{(\text{Start Value} - \text{End Value})}{\text{Start Value}}$$

Calculate the end value and the Actual Average Return:

	Start Value	Rate of Return	Gain/Loss	End Value
Year 1	\$10,000	-30%		
Year 2		+30%		

The Actual Average Return is _____%

	Start Value	Rate of Return	Gain/Loss	End Value
Year 1	\$10,000	+60%		
Year 2		-60%		

The Actual Average Return is _____%

	Start Value	Rate of Return	Gain/Loss	End Value
Year 1	\$10,000	-60%		
Year 2		+60%		

The Actual Average Return is _____%



LESSON 1: FINANCIAL BASICS

Inflation

When investing, we need to consider inflation as a part of our long-term planning.

- Inflation is defined as a rise in the _____ price level.
- When inflation increases, your purchasing power _____.
- When inflation decreases, your purchasing power _____.
- The average inflation rate is about _____%.
- Both the printing of money and the _____ of money causes inflation.

List the two types of inflation:

1. _____
2. _____

Notes



LESSON 1: FINANCIAL BASICS

Taxes

Taxes are one of your biggest threats to financial success. List the three main “buckets” of taxation: Tax-Now, Tax-Later and Tax-Advantaged.

- In Qualified Plans, the IRS requires Required Minimum Distributions (RMDs) beginning at age ____.
- If RMDs are not taken out, the IRS will levy a ____% _____ tax on the amount that should have been withdrawn.
- A penalty of ____% will be levied by the IRS if you withdraw money from a Qualified Plan prior to age ____.

Select the best answer for each of the following questions. Each may have multiple correct answers.

TN = Tax-Now

TD = Tax-Deferred

TA = Tax-Advantaged

- | | | | |
|--|----|----|----|
| • Contributions are before-tax dollars | TN | TD | TA |
| • Contributions are after-tax dollars | TN | TD | TA |
| • May offer tax-free income at age 45 | TN | TD | TA |
| • Growth is taxed each year | TN | TD | TA |
| • Included in the value of your estate | TN | TD | TA |



LESSON 1: FINANCIAL BASICS

List 3 account types from the Tax-Now bucket:

1. _____
2. _____
3. _____



List 3 account types from the Tax-Later bucket:

1. _____
2. _____
3. _____



List 3 account types from the Tax-Advantaged bucket:

1. _____
2. _____
3. _____



Notes



LESSON 1: FINANCIAL BASICS

Indexed Accounts

- Indexed accounts are linked _____ to the performance of a stock market index.
- The type of life insurance that has cash value linked to a stock market index is _____.
- In order to purchase an insurance or annuity contract with an indexed contract, you must find a professional that holds a(n) _____ license.
- The zero-loss guarantee is also referred to as a _____.

Indexed accounts, whether in an insurance policy or an annuity contract, have two main ways of crediting interest. Calculate the hypothetical interest rates for each Indexed Account below:

End of Year	S&P 500 Index Participation Rate: 60%		S&P 500 Index Cap Rate: 13%	
	Index Change ¹	Indexed Account ¹	Index Change	Indexed Account
2008	-37.00%		-37.00%	
2009	26.46%		26.46%	
2010	15.06%		15.06%	
2011	2.11%		2.11%	
2012	16.0%		16.0%	
2013	32.39%		32.39%	
2014	13.69%		13.69%	
2015	-1.38%		-1.38%	
2016	11.96%		11.96%	
2017	21.83%		21.83%	

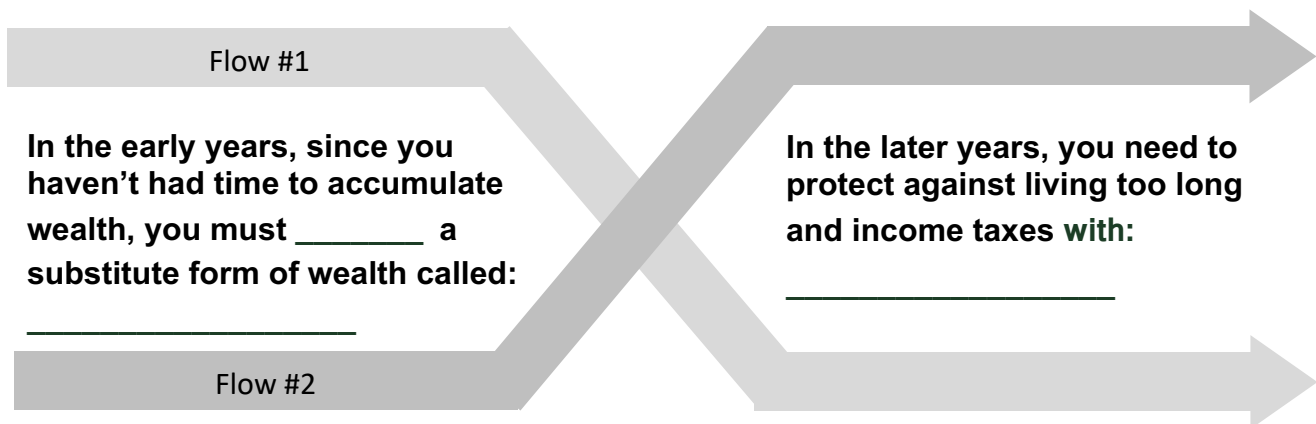
¹ Source: https://ycharts.com/indicators/sandp_500_total_return_annual



LESSON 1: FINANCIAL BASICS

The Wealth Flow Formula

This concept is a simple way to show the relationship between taking care of your responsibilities and building and preserving your wealth. The Wealth Flow Formula combines two concepts to address your changing long-term financial needs.



- The Theory of Decreasing Responsibility is Flow #_____.
- The Law of Building Equity is Flow #_____.
- During the primary income-earning years, a loss of income to a family would be _____.
- Loss of income could be due to _____ or _____.
- Using _____ insurance, you protect your _____ from _____.
- Life Insurance allows you the power of _____ and the ability to mitigate your risk.
- When you _____, you take the full economic risk.



LESSON 2: LIFE INSURANCE

The D.I.M.E.+ Method

Using this calculation, you can estimate the amount of life insurance protection that is needed for your family. The life insurance death benefit is sometimes called the _____.

	You	Your Spouse
D	_____	_____
I	_____	_____
M	_____	_____
E	_____	_____
+	_____	_____
TOTAL:	_____	_____

- When our liabilities and financial obligations are high, we should buy enough _____ insurance to ensure that all major financial obligations are satisfied.
- Life insurance is the only financial tool on the planet that can literally create an estate out of _____.
- Proceeds from a life insurance benefit will bypass _____ and will avoid _____.
- Cash Value is part of the _____ bucket.
- The primary purpose for life insurance is _____.



LESSON 2: LIFE INSURANCE

- Life insurance on children will help prevent a _____
_____ and will allow parents time away from work to properly grieve.
- Purchasing life insurance on a single adult or on a child _____
their future _____.
- The Cost of Insurance is also called the _____
_____.
- A life insurance policy _____ be held in an IRA or Roth IRA.
- Life insurance cash value is not considered on the _____ for
Financial Aid.
- Employer-sponsored group life insurance is generally only 1 or 2 times your
salary and, unlike personally owned life insurance, the entire death benefit
may be _____ to the beneficiary.

Notes



LESSON 2: LIFE INSURANCE

Mortality Charges

Cost per \$1,000 of Face Amount

Steve is 35 years old and in excellent health. Based on his D.I.M.E. analysis, it is determined that he needs a \$1,250,000 life insurance benefit. Calculate the annual premium.

Age	COI per \$1,000	\$1,250,000 Policy Annual Premium
35	\$1.05	
36	\$1.12	
37	\$1.18	
38	\$1.27	
39	\$1.35	
40	\$1.49	

Life Insurance Premiums are based on:

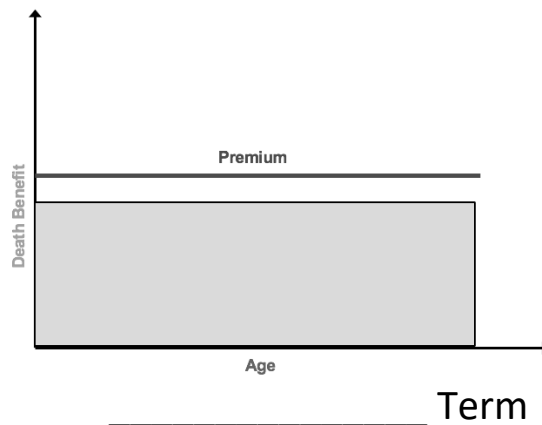
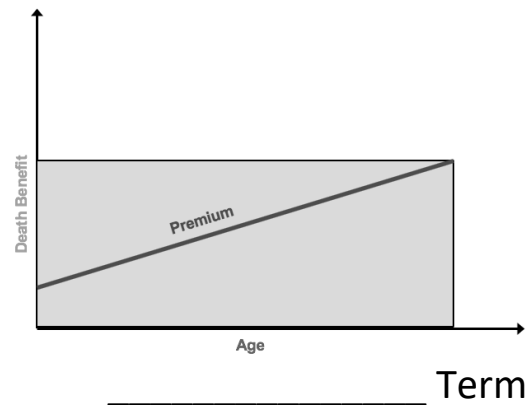
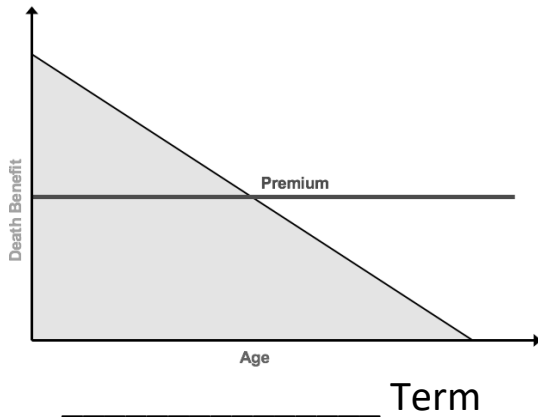
- Height
- Weight
- Family History
- Prescription Medication Use
- Health Issues
- Tobacco Use (*Includes vaping, e-cigarettes, smokeless tobacco*)
- Driving Record
- Criminal Record
- High Risk Activities (*Auto racing, scuba diving, sky diving, etc...*)
- High Risk Occupations
- Insurance companies use a _____ which shows the Life Expectancy for a person.



LESSON 2: LIFE INSURANCE

Term Insurance

Based on the illustrations below, determine the term insurance type:



Term Type	Annual Premium	Death Benefit
	Increases	Level
	Level	Decreases
	Level	Level



LESSON 2: LIFE INSURANCE

Term Insurance Example Illustration 20 Year Level Term

Sex: Male	Underwriting Class: Preferred Plus
Age: 30	Chronic Illness: Yes
Face Amount: \$1,000,000	Critical Illness: Yes
Payment Mode: Monthly EFT	Terminal Illness: Yes

<u>Policy Year</u>	<u>Guaranteed Annualized Premium</u>	<u>Guaranteed Death Benefit</u>
1	\$461	\$1,000,000
2	\$461	\$1,000,000
3	\$461	\$1,000,000
4	\$461	\$1,000,000
5	\$461	\$1,000,000
6	\$461	\$1,000,000
7	\$461	\$1,000,000
8	\$461	\$1,000,000
9	\$461	\$1,000,000
10	\$461	\$1,000,000
11	\$461	\$1,000,000
12	\$461	\$1,000,000
13	\$461	\$1,000,000
14	\$461	\$1,000,000
15	\$461	\$1,000,000
16	\$461	\$1,000,000
17	\$461	\$1,000,000
18	\$461	\$1,000,000
19	\$461	\$1,000,000
20	\$461	\$1,000,000
21	\$6,150	\$1,000,000
22	\$6,773	\$1,000,000
23	\$7,644	\$1,000,000
24	\$8,548	\$1,000,000
25	\$9,701	\$1,000,000



LESSON 2: LIFE INSURANCE

Term Insurance Example Illustration 20 Year Level Term

Sex: Male	Underwriting Class: Standard Non-Tobacco
Age: 30	Chronic Illness: Yes
Face Amount: \$1,000,000	Critical Illness: Yes
Payment Mode: Monthly EFT	Terminal Illness: Yes

<u>Policy Year</u>	<u>Guaranteed Annualized Premium</u>	<u>Guaranteed Death Benefit</u>
1	\$887	\$1,000,000
2	\$887	\$1,000,000
3	\$887	\$1,000,000
4	\$887	\$1,000,000
5	\$887	\$1,000,000
6	\$887	\$1,000,000
7	\$887	\$1,000,000
8	\$887	\$1,000,000
9	\$887	\$1,000,000
10	\$887	\$1,000,000
11	\$887	\$1,000,000
12	\$887	\$1,000,000
13	\$887	\$1,000,000
14	\$887	\$1,000,000
15	\$887	\$1,000,000
16	\$887	\$1,000,000
17	\$887	\$1,000,000
18	\$887	\$1,000,000
19	\$887	\$1,000,000
20	\$887	\$1,000,000
21	\$11,880	\$1,000,000
22	\$12,814	\$1,000,000
23	\$14,060	\$1,000,000
24	\$15,399	\$1,000,000
25	\$17,173	\$1,000,000



LESSON 2: LIFE INSURANCE

Term Insurance Example Illustration 20 Year Level Term

Sex: Male	Underwriting Class: Preferred Tobacco
Age: 30	Chronic Illness: Yes
Face Amount: \$1,000,000	Critical Illness: Yes
Payment Mode: Monthly EFT	Terminal Illness: Yes

<u>Policy Year</u>	<u>Guaranteed Annualized Premium</u>	<u>Guaranteed Death Benefit</u>
1	\$1,780	\$1,000,000
2	\$1,780	\$1,000,000
3	\$1,780	\$1,000,000
4	\$1,780	\$1,000,000
5	\$1,780	\$1,000,000
6	\$1,780	\$1,000,000
7	\$1,780	\$1,000,000
8	\$1,780	\$1,000,000
9	\$1,780	\$1,000,000
10	\$1,780	\$1,000,000
11	\$1,780	\$1,000,000
12	\$1,780	\$1,000,000
13	\$1,780	\$1,000,000
14	\$1,780	\$1,000,000
15	\$1,780	\$1,000,000
16	\$1,780	\$1,000,000
17	\$1,780	\$1,000,000
18	\$1,780	\$1,000,000
19	\$1,780	\$1,000,000
20	\$1,780	\$1,000,000
21	\$14,807	\$1,000,000
22	\$16,146	\$1,000,000
23	\$17,952	\$1,000,000
24	\$20,039	\$1,000,000
25	\$22,623	\$1,000,000



LESSON 2: LIFE INSURANCE

20 Year Term

Based on the previous \$1,000,000 example term life insurance examples, enter the premium amounts below:

Rate Class	20 Year Monthly Premium	20 Year Premium Total	25 Year Premium Total
Preferred Plus			
Standard Non-Tobacco			
Preferred Tobacco			

Choose the correct answers

Term insurance should be part of most families' financial plan. True False

Most term insurance policies can be converted into permanent. True False

Term insurance is a waste of money for wealthy people. True False

At the end of the term, the policy automatically ends. True False

Evidence of insurability is required to renew the term after the initial guaranteed term period has expired. True False

You can skip term insurance premiums after the first year. True False

Notes



LESSON 2: LIFE INSURANCE

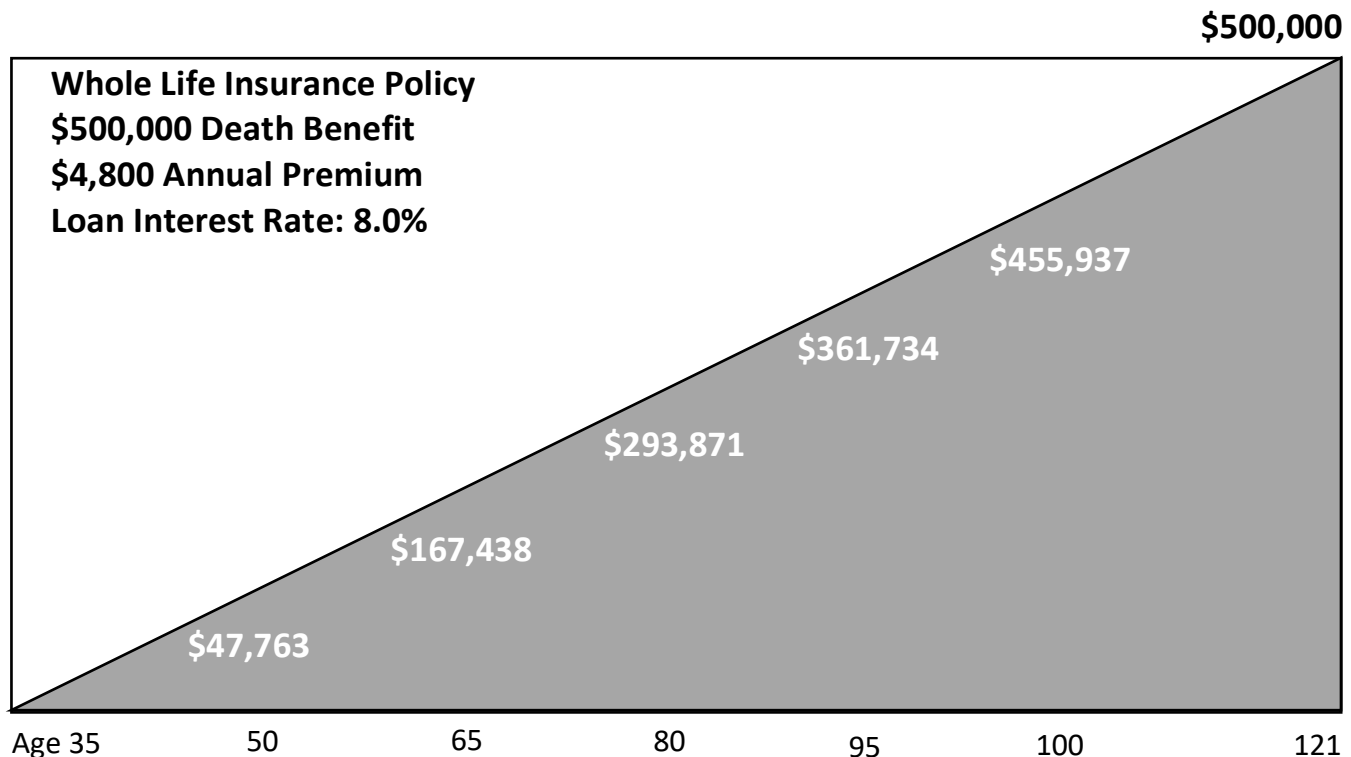
Permanent Insurance

- An insurance company that is owned by stock holders is called a _____.
- If an insurance company is owned by policyholders, it is called a _____ and it may pay dividends.
- A life insurance dividend is defined as a partial return of a _____ overcharge of premium and therefore _____ taxed.
- Premiums are usually based on age _____.
- The type of Permanent Insurance that invests in mutual funds is _____.
- The type of Permanent Insurance that lets you skip premium payments and usually pays a minimum interest rate is _____.
- A Permanent Insurance policy with guaranteed premiums for 10 years is called a _____ whole life.
- The amount of cash value available for loans is called the cash _____.
- Ordinary income taxes are due when a life insurance policy is surrendered and the cash value amount received is in excess of the _____.



LESSON 2: LIFE INSURANCE

Whole Life



At age 65, the policyowner has \$167,438. He decides to borrow \$50,000 from his policy. Enter the impact to the policy:

- Remaining Cash Value: _____.
- Death Benefit Proceeds at Age 65: _____.
- Death Benefit Proceeds at Age 80: _____.
- Annual Loan Charge: _____.
- Annual Premium + Loan Charge: _____.
- If the policy is canceled at age 65, income will be charged on \$ _____.
- If the \$50,000 loan is fully paid back and the client dies at Age 80, the Death Benefit Proceeds are: _____.



LESSON 2: LIFE INSURANCE

Dividends paid on a life insurance policy are not taxable since they are simply a partial return of an overcharge. However, these dividends can be used in several ways. One option is to take the dividends and use them to purchase Extended Term Insurance. List two other options that a policyowner may choose to use his dividends for:

1. _____
2. _____

Choose the correct answers

Whole life insurance has guaranteed cash value.	True	False
As long as there is enough cash value, you can skip premium payments in a whole life policy.	True	False
Whole life is the most cost-effective form of life insurance.	True	False
Whole life policies can be paid in full prior to age 65.	True	False

Notes



LESSON 2: LIFE INSURANCE

Universal Life

There are characteristics of Universal Life that are the same, regardless of the version (*Traditional UL, Indexed Universal Life, Variable Universal Life*).

List three benefits that all Universal Life policies have that are different than whole life policies:

1. _____
2. _____
3. _____

Most Universal Life policies have 2 Death Benefit Options; some have 3. Describe each of the Death Benefit Options.

1. Option A: _____
2. Option B: _____
3. Option C: _____

Choose the correct answers

Option B generally has faster cash value buildup than Option A. True False

The underlying term insurance in Option A acts like decreasing term. True False

UL has both a current and guaranteed Cost of Insurance rate. True False



LESSON 2: LIFE INSURANCE

- IUL provides the flexibility of Universal Life with the ability to participate in the success in the market by linking cash value interest credits to a stock market index such as _____.
- When a policy is surrendered in the early policy years, a _____ will be applied against the cash value. Whatever is remaining will be remitted to the policyowner.

Mark the correct features for each type of Life Insurance below:

Features	Term	Whole Life	Universal Life	Indexed Universal Life	Variable Universal Life
Fixed Premium					
Interest-Sensitive					
Can Increase Death Benefit					
Tax-Deferred Growth					
Flexible Premiums					
Guaranteed Death Benefit					
May invest in mutual funds					
Tax-Free Death Benefit					
Has a Minimum Floor					
Tax-Free Loans					
Indirect Market Participation					
Volatile Cash Value					
Convertible					
Guaranteed Cash Value					



LESSON 2: LIFE INSURANCE

Other Uses for Life Insurance

Mark the life insurance use on the left with the description on the right:

Joint Life Insurance	_____	A. Primarily used for funeral costs
Key Employee Insurance	_____	B. A survivorship policy
Final Expense	_____	C. Premature death of a business partner
Buy/Sell Agreement	_____	D. Funds an outstanding business loan balance
Business Loan Collateral	_____	E. Discriminatory program offered to key employees
Executive Bonus Plan	_____	F. Premature death of an important employee

- Regardless of the use for life insurance, the beneficiary must always have an _____ in the life of the insured.
- Final expense policies usually have a limited benefit for the first _____ years of the policy.
- If an employee accesses the cash value from an Executive Bonus Plan, it will be taxed as _____.
- If an insured is married and has cancer, the type of Joint Life Insurance that should be considered is a _____-to-die policy.



LESSON 2: LIFE INSURANCE

Life Insurance Riders

Choose the correct answers

A life insurance rider is usually included at no additional cost.	True	False
To be eligible for Waiver of Premium, an insured must be disabled for at least 90 days.	True	False
Waiver of Monthly Deduction is available on most term policies.	True	False
Guaranteed Renewability is usually a no-cost rider on term.	True	False
Paid-Up Additions is an option that can be used when a dividend is paid by a stock insurance company to a policyholder.	True	False
The Waiver of Specified rider will remain in force for the entire duration of the policy as long as it is paid for.	True	False
Not all riders are available in all states.	True	False
A Lifetime Income Option rider is available only on UL.	True	False

Notes



LESSON 2: LIFE INSURANCE

Life Insurance Living Benefits

Some companies have a rider called Accelerated Living Benefits (*also called Accelerated Benefit Riders*), which allows access to the death benefit for a qualifying insurable event.

List the three main qualifying conditions for an Accelerated Living Benefit rider to pay a claim:

1. _____
2. _____
3. _____

When you lose two or more of your Activities of Daily Living (ADL), it is considered a _____ and may be eligible for a living benefits claim.

List the six Activities of Daily Living (ADLs):

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____



LESSON 2: LIFE INSURANCE

List three main qualifying Critical Illness conditions that may be eligible for a Living Benefits claim:

1. _____
2. _____
3. _____

Life insurance Living Benefits proceeds are generally income tax free, providing that they follow the IRS' daily per diem rules provided under IRC Section 7702B(d), which in 2018 is a maximum of \$10,800 per month. An exception to this rule is a qualifying Terminal Illness, in which there are no per diem limits. Terminal Illness claims may be given in a large lump-sum without any tax implications.

Solve the Problem

John has a \$1,000,000 life insurance policy with Living Benefits. The insurance company will pay a Critical Illness claim at a rate of 2% of the Face Amount per month. According to IRC Section 7702B(d), how much of the monthly benefit payments will be taxable to the policyowner? _____.

Choose the correct answers

- | | | |
|---|------|-------|
| Living Benefit Claims are always income tax-free. | True | False |
| A Terminal Illness is based on the date that the illness was first diagnosed. | True | False |
| Pneumonia is a qualifying Critical Illness. | True | False |
| Accelerated Living Benefits claims are paid on a reimbursement basis. | True | False |



LESSON 2: LIFE INSURANCE

When a Living Benefit claim is made, the benefit offer is based on the severity of the condition and the age of the insured. The offer will be less than the claimed amount based on severity and age. If an offer is accepted, the life insurance premium payment will be reduced and adjusted for the new remaining Face Amount of the policy.

If the Living Benefit claim is made against a Permanent Policy, the Cash Value is also proportionately reduced by the amount of the claim (*NOT the amount of the accepted offer*).

Consider the following example:

An insured has a \$500,000 life insurance policy with \$150,000 of cash value and a \$500 per month target premium. He makes a \$100,000 living benefits claim against his policy and is offered \$63,000 in *exchange* for \$100,000 to be removed from the Face Amount. The insured accepts the \$63,000 benefit.

- What is new the Face Amount after the claim? _____.
- What is the new Cash Value after the claim? _____.
- What is the new monthly premium after the claim? _____.
- If this was a Critical Illness claim, how many months must the claim be spread across in order to the IRS' per diem rate? _____.

Accelerated payments made under the limits defined by IRC Section 7702B(d) to someone other than the insured are also income tax-free providing that the beneficiary has an insurable interest.



LESSON 2: LIFE INSURANCE

Life Insurance Tax Advantages

The IRS defines what is considered life insurance and how it is taxed. Life insurance policies may receive several tax advantages as long as the “rules” are followed. Disbursements from a life insurance policy are generally made on a **First-In First-Out (FIFO)** basis, meaning that you first withdraw your cost basis, and once that is exhausted, you begin to take policy loans against the gains in your policy.

- What is the name of the Act that the life insurance policy must fall under in order to be considered “Life Insurance”? _____.
- Life Insurance premiums are paid with _____-tax dollars.
- If a life insurance policy is _____ and the value of the cash value is greater than the sum of the premiums paid, it will cause a taxable event.

Select the best appropriate tax qualification for each item below.

T = Taxable

TD = Tax-Deferred

TF = Tax-Free

- | | | | |
|------------------------------------|---|----|----|
| • Policy withdrawals of cost basis | T | TD | TF |
| • Policy loans against gains | T | TD | TF |
| • Cash value earnings | T | TD | TF |
| • Death benefit proceeds | T | TD | TF |



LESSON 2: LIFE INSURANCE

Consider the following example:

Sammy is 50 years old and has \$100,000 in cash value inside his \$500,000 Indexed Universal Life policy with Living Benefits. When purchasing the policy, he chose the Option B death benefit option. He also has a 401k with a \$200,000 balance. After thinking about it for years, Sammy wants to pay off the rest of his mortgage, which has a \$50,000 balance. He is currently in the 28% federal tax-bracket. His life insurance policy has a “wash-loan” feature for policy loans. Compute the impact of making the \$50,000 withdrawal from both the IUL and the 401k.

	IUL	401k
Income Tax Due:		
IRS Early Withdrawl Penalty:		
Net Policy Loan Interest Charge:		
Total Cost to Access Money:		

After Sammy paid off his mortgage, he contracted a temporary Chronic Illness which has left him disabled. He needed \$15,000 for expenses that health insurance did not cover. Since the IRS does not grant hardship exceptions for temporary disability, he decided to place a Living Benefits claim against his IUL.

- If he decided to use his 401k to pay for the medical expenses, how much in taxes and penalties would it have cost him? _____.

Even if Sammy decided to use a policy loan that charged him 8%, wouldn't that be much less than the income tax and penalties that he would have to pay the IRS for early distributions from his 401k? _____.

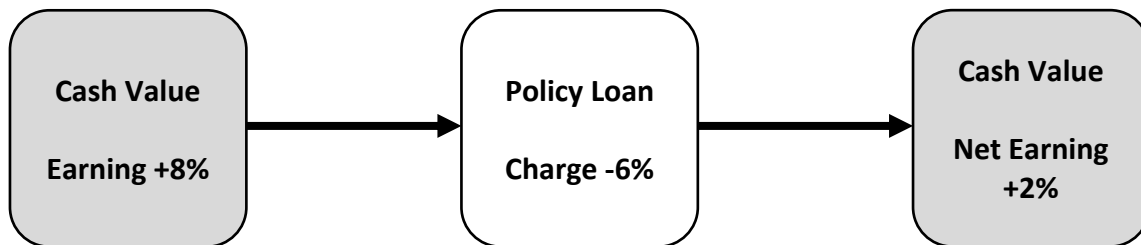
Even if Sammy was 59 ½ and was not subject to the IRS 10% early withdrawal penalty, and if he was charged 8% on the policy loan, the 401k would still cost him a net charge of 20% in income taxes!



LESSON 2: LIFE INSURANCE

Infinite Banking - Be Your Own Bank

You can leverage the cash value inside a life insurance policy to fund large purchases, such as cars and homes. Since you are borrowing the assets and the life insurance policy is still in force, there will be no taxes due. Plus, if you were borrowing against a policy that was earning more than the policy loan rate that the insurance company charges, that would place you in an _____ position.



- Unlike a traditional loan from a bank, an insurance policy loan does not need to be _____.
- If the interest rate credited to the cash value is greater than the policy loan charge from the insurance company a _____ loan should be taken out against the policy.
- If the interest rate credited to the cash value is less than the policy loan charge from the insurance company a _____ loan should be taken out against the policy.



LESSON 2: LIFE INSURANCE

Buy Term and Invest the Difference

This financial strategy is used as an alternative to permanent insurance. Using the full premium that you would use for a permanent insurance policy, you instead purchase a term life insurance and invest the remaining amount into a

_____ or _____
_____.

Usually the investment will be in a Qualified Plan such as an IRA but could be placed in a Roth IRA as well.

Consider the following example:

Tim is 45 years old and has \$500 per month for financial planning – including life insurance and savings. He wants a \$500,000 death benefit with Living Benefits. The mutual fund Roth IRA and the cash value are paying an average of 7.4%. The term insurance is \$70 monthly for 20 years. Help Tim compare the two options.

	BTID with a Roth IRA	IUL “Option B”
Initial Death Benefit:	\$500,000	\$500,000
Roth IRA / Cash Value in 10 Years:	\$72,650	\$46,000
Roth IRA / Cash Value at Age 65:	\$221,552	\$145,000
Death Benefit at Age 65:	\$500,000	\$642,754
Beneficiary Total at Age 65:	\$721,772	\$642,754
Roth IRA / Cash Value at age 66:	\$243,186	\$158,000
Death Benefit at Age 66:	\$0	\$662,000
Beneficiary Total at Age 66	\$243,186	\$657,816
Estate-Tax Free Transfer of Cash?	No	Yes
Guaranteed Zero-Loss?	No	Yes
Maximum Annual Contribution:	\$5,500 to Roth IRA	\$24,600 To IUL



LESSON 2: LIFE INSURANCE

Select the best answer for each item below.

BTID = Buy Term & Invest the Difference

IUL = Indexed Universal Life

- | | | |
|---|------|-----|
| • More cash accumulation in the earlier years | BTID | IUL |
| • Penalties for access to gains prior to age 59 ½ | BTID | IUL |
| • Will pay a living benefit at age 66+ | BTID | IUL |
| • Cash proceeds will be added to the value of the estate | BTID | IUL |
| • Will count against your qualification for Financial Aid | BTID | IUL |
| • Potential losses are up to 100% | BTID | IUL |
| • Has a minimum guaranteed interest rate | BTID | IUL |

**Who could a Buy Term and Invest the Difference strategy be best used for?
Describe an example.**



LESSON 2: LIFE INSURANCE

Buy Term and The Rest in Perm

This financial strategy is very similar to Buy Term and Invest the Difference, except the “difference” is placed into a permanent insurance policy, such as IUL.

- The term insurance period should extend to age _____ if possible.
- Which death benefit option may keep the internal policy expenses low, depending on age and insurance company? _____.
- Living Benefit claims should be placed against the _____ policy first, if possible.

Consider the following example:

Tim has decided to compare Buy Term and Invest the Difference with Buy Term and The Rest in Perm, utilizing the same \$500 per month as in the previous example.

	BTID with a Roth IRA	Buy Term & The Rest in Perm
Initial Death Benefit:	\$500,000	\$500,000 (\$250K 20 YT, \$250K IUL)
Roth IRA / Cash Value in 10 Years:	\$72,650	\$54,178
Roth IRA / Cash Value at Age 65:	\$221,552	\$175,175
Death Benefit at Age 65:	\$500,000	\$675,175
Beneficiary Total at Age 65:	\$721,772	\$675,175
Roth IRA / Cash Value at age 66:	\$243,186	\$193,363
Death Benefit at Age 66:	\$0	\$443,363
Beneficiary Total at Age 66	\$243,186	\$443,363
Estate-Tax Free Transfer of Cash?	No	Yes
Guaranteed Zero-Loss?	No	Yes
Maximum Annual Contribution:	\$5,500 to Roth IRA	\$12,374 To IUL



LESSON 2: LIFE INSURANCE

Select the best answer for each item below.

BTID = Buy Term & Invest the Difference

TPERM = Term & Perm

- | | | |
|--|------|-------|
| • Provides more opportunity for long-term savings | BTID | TPERM |
| • Can have a judgement placed against the assets | BTID | TPERM |
| • Can protect your cash if there is a living benefit claim | BTID | TPERM |
| • No IRS Penalties for access to gains prior to age 59 ½ | BTID | TPERM |
| • Has no downside market risk | BTID | TPERM |
| • You can “be your own bank” | BTID | TPERM |
| • Has more “after-tax” money at all ages | BTID | TPERM |

Who could a Buy Term and the Rest in Perm strategy be best used for? Describe an example.



LESSON 2: LIFE INSURANCE

Life Insurance Worksheet

You may think that you have the right amount of life insurance and that you have the correct amount, but it's time to take a detailed look and evaluate your current strategy. Do not include employer-sponsored group life insurance in this worksheet.

Life Insurance Company	Face Amount	Estimated Cash Value	Issue Year	Policy Type	Living Benefits	Monthly Premium

Group Life Insurance

Group life insurance that is sponsored from an employer is term insurance. The base benefit is usually only one times your base salary and is paid by the employer. Any death benefit proceeds on the base amount may be 100% taxable to the beneficiary. You may purchase additional amounts, however the entire amount that you can purchase will not be enough to cover your complete life insurance needs.

If you were to leave your current employer, you would have to convert the group term insurance into whole life insurance, which will be much more expensive than you are used to paying. Most people do not keep it for this reason.

Do you own employer-sponsored group life insurance?

Yes

No



LESSON 3: OTHER INSURANCE

Long-Term Care Insurance

- By the time you reach 65, chances are about _____% that you will have expenses related to long-term care.
- In order to sell long-term care insurance, you must have a _____ license.
- Long-term care insurance can be sold as a stand-alone policy or can be added as a _____ on some life insurance policies.

Mark the term on the left with the correct description on the right:

Medicare	_____	A. Bathing, continence, dressing, eating, toileting and transferring
Activities of Daily Living	_____	B. You would need to spend down your assets to \$2,000 to qualify
Medicaid	_____	C. Covers many of the costs of a nursing home, assisted living or in-home care
LTC Policy	_____	D. Does not cover custodial or intermediary care



LESSON 3: OTHER INSURANCE

Disability Insurance

Disability insurance covers your earned income in case you become disabled.

Disability may be short-term or long-term. Short-term disability typically covers 3-6 months of disability, while long-term disability covers 6 months or more.

List the two main types of disability policies and describe each:

1. _____ Occupation – which pays if you are unable to do any type of work
2. _____ Occupation – which covers your specific occupation

Choose the correct answers

Disability insurance pays for disabilities occurred on-the-job.	True	False
Waiver of Specified Premium is a type of disability coverage.	True	False
You must have a health license to sell a disability policy.	True	False
You must have a health license to sell a disability rider on a life insurance policy.	True	False



LESSON 4: ANNUITIES

An annuity is a financial instrument purchased through an insurance company. An annuity is the “opposite of life insurance”, meaning you are “betting” the insurance company that you will live longer than your _____.

- The only type of annuity that can have distributions prior to age 59 ½ without a 10% IRS early withdrawal penalty is a _____ annuity.
- A non-qualified annuity _____ subject to the 10% IRS early withdrawal penalty.

Mark the correct features for each type of Annuity below:

	Fixed Annuity	Indexed Annuity	Variable Annuity
Has a guaranteed floor:			
Fixed rate of return:			
Cash value is not guaranteed:			
Linked to a stock market index:			
Must have a securities license to sell:			

Choose the correct answers

Annuities can provide a guaranteed income for life. True False

You can roll over life insurance cash value to an annuity. True False



LESSON 4: ANNUITIES

Match the annuity settlement options on the left with the correct definition on the right.

Joint & Survivor _____

Period Certain _____

Cash Refund _____

Installment Refund _____

Life Only _____

Life and Period Certain _____

- A. Income for your lifetime. After your death, payments continue to your beneficiary until payments equal what was originally paid, minus any received payments.
- B. Income during your lifetime or a specified period, whichever is longer
- C. The highest income option of all options.
- D. Income payable for the lifetimes of both you and your spouse
- E. Income for a fixed number of years with payments continuing to a named beneficiary in the event of your death.
- F. Income for your lifetime. After your death, a lump sum is paid to your beneficiary equal what was originally paid, minus any received payments.

Annuities can be both qualified and non-qualified. On non-qualified annuities, the **Exclusion Ratio** is a percentage with a dollar amount equal to the payback on an initial investment or your **cost basis**. The excluded amount is a return of your cost basis, while the remaining amount is taxable at Ordinary Income rates.

- When you are contributing to an annuity, this period is called the _____ phase.
- When you begin taking annuity payments, this period is called the _____ phase.



LESSON 4: ANNUITIES

Annuity Example Illustration Non-Qualified Single Premium Immediate Annuity

Sex:	Male	Option:	20 Year Period Certain
Age:	65	Premium:	\$500,000
Qualified:	No	Tax-Exclusion Ratio:	78.40%
Monthly Benefit Amount:	\$2,656.48		

Answer the questions below based on the above annuity.

- What is the monthly taxable amount? _____.
- What phase is this annuity in? _____.
- What is the monthly benefit amount in the 21st year? _____.

Annuity Example Illustration Qualified Single Premium Immediate Annuity

Sex:	Male	Option:	Life Only w/Cash Refund
Age:	65	Premium:	\$500,000
Qualified:	No	Tax-Exclusion Ratio:	N/A
Monthly Benefit Amount:	\$2,504.35		

Answer the questions below based on the above annuity.

- What is the monthly taxable amount? _____.
- The annuitant has received 82 monthly payments and dies. How much does his beneficiary receive? _____.



LESSON 5: TRADITIONAL INVESTMENTS

Most people are familiar with traditional investments, such as stocks, bonds and mutual funds. Most employer-sponsored retirement plans such as a 401k are invested in these types of vehicles.

Mark the term on the left with the correct description on the right:

Bond	_____	A. An investment fund that tracks an index and has low costs
Mutual Fund	_____	B. An instrument that signifies an equity ownership in a corporation
Stock	_____	C. A professionally managed fund with a pool of different securities
ETF	_____	D. An instrument of debt which is a promise to pay

A stock market index is a measurement of a section of the stock market. It is computed from the prices of selected stocks. It is a tool used by investors and financial managers to describe the market, and to compare the return on specific investments.

List two of the most well-known stock market indexes in the United States:

1. _____
2. _____

List the two largest stock market exchanges in the United States:

1. _____
2. _____



LESSON 5: TRADITIONAL INVESTMENTS

Asset Allocation

Asset allocation is a strategy to balance out your risk by _____ your investments among different investment strategies.

List the three considerations that an investor should use to determine how to allocate his/her investment portfolio into different types of investments, such as fixed income securities and large growth stocks:

1. _____
2. _____
3. _____

Consider the following example:

David has \$100,000 and wants to allocate his investments equally across 5 separate investments for 5 years. Assuming the same **simple interest** return each year and calculate the value of the portfolio.

Allocation	Starting Value	Rate of Return Each Year	Year 1 Value	Year 2 Value	Year 3 Value	Year 4 Value	Year 5 Value
ABC Technology (Stock)	\$20,000	-100%	\$0	\$0	\$0	\$0	\$0
Money Market	\$20,000	0%	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Municipal Bond	\$20,000	5%					
Growth Stock	\$20,000	8%					
Aggressive Growth Stock	\$20,000	15%					
Value of all allocations after 5 years:							



LESSON 5: TRADITIONAL INVESTMENTS

Active Money Management

Unlike the traditional asset allocation strategy or using exchange traded funds, which are passive strategies, active money management uses the expertise of an active manager or an active management team to actively manage a fund's portfolio.

These active managers make buy, hold and sell decisions based on analytical research, forecasts, and their own judgement and personal experience. An active money management fund is not bound by the "rules" of a mutual fund. For example, a mutual fund cannot move all of its assets into cash when the market is headed down because the rules state that most of its total investment must be in securities that are part of the fund's stated objective.

These active money funds will have a stated methodology, guidelines, and may invest in a variety of holdings.

Example Strategy:

- 30% of the portfolio is generally invested in global stock ETFs, to provide a strong return during bull markets and periods of prosperity.
- 25% of the portfolio is generally invested in long-term treasury bond ETFs, which generally do well during periods of prosperity and during periods of deflation.
- 25% of the portfolio is generally invested in short-term 1-3 year treasury bond ETFs. Much like cash, this allocation hedges against periods of "tight money" in a recession or depression.
- 20% of the portfolio is generally invested in gold & precious metals ETFs to provide protection during periods of inflation.



LESSON 5: TRADITIONAL INVESTMENTS

Dollar Cost Averaging

Dollar cost averaging is a strategy that involves _____ investing each month to help offset the market risk associated with purchasing _____ investments, such as stocks, mutual funds or other equity investments.

Choose the correct answers

Dollar cost averaging can be used when purchasing bonds. True False

Dollar cost averaging always results in a lower cost per share. True False

Consider the following example:

Calculate the total number of shares purchased and the average cost per share.

Month	Monthly Contribution	Share Price	# of Shares Purchased
January	\$400	\$40	
February	\$400	\$50	
March	\$400	\$80	
April	\$400	\$100	
May	\$400	\$80	
June	\$400	\$50	

Total Contributions: \$2,400

Average Cost per Share: _____

Total Shares Accumulated: _____



LESSON 6: ALTERNATIVE INSTRUMENTS

Alternative instrument classes are becoming increasingly popular these days because they are allowing individuals to have access to tangible assets such as real estate, land and precious metals.

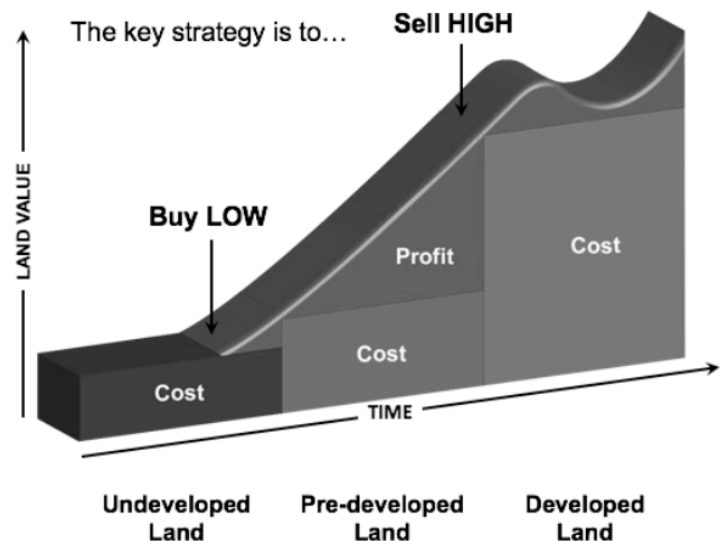
List three financial assets that are considered Alternative Instrument classes:

1. _____
2. _____
3. _____

If you are directly soliciting the sale of one of these alternative instrument classes, state law may require you to obtain some type of _____.

Have you ever seen a strip mall go up “overnight” and wished you knew 5 or 10 years ago so you could have invested? Basically, that is what **Land Banking** is.

To be successful you want to purchase land that is already in the path of _____, hold it for 7 to 10 years, and then sell it for a profit.





LESSON 6: ALTERNATIVE INSTRUMENTS

List three of the ten key indicators that should be used when considering a Land Banking investment:

1. _____
2. _____
3. _____

- A _____ certificate is a certificate of claim against a property that has a lien placed upon it as a result of unpaid property taxes.
- _____ is a loan that is given to small and medium-sized businesses as an alternative to a bank loan.
- An alternative instrument class that has incredible tax benefits is _____ & _____.
- A _____ is a promissory note that pays the investor fixed monthly interest payments.
- A Life Settlement gives an investor the right to receive from a _____ party a portion of the death benefit.
- A stream of income purchased at a discount from the original annuitant of a structured settlement is called a _____ market annuity.



LESSON 7: RETIREMENT

List the two types of retirement plans:

1. Defined _____ plan
 2. Defined _____ plan
- An IRA or a 401k is a defined _____ plan.
 - All IRAs require you to fund it with _____ income. It cannot come from interest, rents or royalties.
 - In retirement, it's not what you have saved that's the most important, it's how much you _____ after taxes.

Will taxes be higher or lower when you retire? Explain your opinion below:



LESSON 7: RETIREMENT

Some new limitations will apply to retirement plans and other benefit plans in 2019 as a result of cost-of-living adjustments made by the IRS and the Social Security Administration.

Account Types		2018 Limit	2019 Limit
IRA	Traditional and Roth IRA contribution limit	\$5,500	\$6,000
	Catch-up limit for individuals age 50 and older	\$1,000	\$1,000
SIMPLE IRA	Elective deferral limit	\$12,500	\$13,000
	Catch-up limit for individuals age 50 and older	\$3,000	\$3,000
	Maximum employer match (\$1 for \$1 match on the first 3% of employee compensation deferred).	\$12,500	\$13,000
	Maximum employer non-elective contribution (2% of employee's compensation, up to \$270K in 2017 and \$275K in 2018)	\$5,500	\$5,600
	Catch-up deferral is also matched by employer if individual is age 50 or older.	\$3,000	\$3,000
SEP IRA	Maximum SEP contribution	\$55,000	\$56,000
	SEP compensation exclusion	\$600	\$600
401(k), SARSEP, 403(b) and 457(b)	Elective deferral limit	\$18,500	\$19,000
	Catch-up limit for individuals age 50 and older	\$6,000	\$6,000
Profit Sharing, 401(k) and Money Purchase Pension	Defined contribution limit (415(c) limit)	\$55,000	\$56,000
	Employee annual compensation limit	\$275,000	\$280,000
401(k), SARSEP, 403(b) and Governmental 457(b)	Highly compensated employee limit (no requirement for 5% owner)	\$120,000	\$125,000
Profit Sharing, 401(k) and Money Purchase Pension	Top-heavy plan key employee compensation limit	\$175,000	\$180,000
Defined Benefit	Maximum annual benefit at retirement	\$220,000	\$225,000



LESSON 7: RETIREMENT

Rollover Chart

		ROLLOVER TO								
		401(k) Plan	403(b) Plan	457(b) Gov't Plan	457(b) Non-Profit	SEP IRA	Traditional IRA	SIMPLE IRA	Roth IRA	Designated Roth Account (401k/403b/457b) In-Plan Rollover
ROLLOVER FROM	401(k) Plan	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
	403(b) Plan	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
	457(b) Gov't Plan	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
	457(b) Non-Profit Plan	No	No	No	Yes	No	No	No	No	No
	SEP IRA	Yes	Yes	Yes	No	Yes	Yes	No	No	Yes
	Traditional IRA	Yes	Yes	Yes	No	Yes	Yes	No	Yes	No
	SIMPLE IRA ¹	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No
	Roth IRA	No	No	No	No	No	No	No	Yes	No
	Designated Roth Account (401k/403b/457b) In-Plan Rollover	No	No	No	No	No	No	No	No	Yes ²

For informational purposes only and is not legal, tax or investment advice. You should consult a tax advisor for more information. ¹Rollovers from SIMPLE IRAs are allowed after 2 years of participation. ²Only if it is a direct trustee-to-trustee transfer.

Can a federal employee participate in a 457 plan?	Yes	No
Can an employee make contributions to a SIMPLE IRA?	Yes	No
Can you rollover a Roth IRA into a Traditional IRA?	Yes	No
Can you rollover a Traditional IRA into a Roth IRA?	Yes	No
Can you rollover a SIMPLE IRA into a SEP IRA?	Yes	No
Can you rollover a SEP IRA into a SIMPLE IRA?	Yes	No



Traditional IRA _____

Roth IRA _____

403(b) _____

SEP IRA _____

SIMPLE IRA _____

- ## Notes

[illegible]



LESSON 8: SOCIAL SECURITY

Social Security is an important part of the Old-Age, Survivors, and Disability Insurance (OASDI) program. This is a social welfare and insurance plan managed by the U.S. federal government that pays benefits to retirees, as well as to workers who become disabled and to survivors of deceased workers.

List three benefits paid by Social Security:

1. _____
2. _____
3. _____

Social security is taxed based on your Provisional Income and your _____ status.

Provisional Income – Enter the missing items:

- All earned income
- Distributions from _____
- Required _____ Distributions
- 1099 Income
- Pension Income
- _____ Income
- Interest from _____
- One-half of your _____ income



LESSON 8: SOCIAL SECURITY

Provisional Income Thresholds (Married Filers)

Provisional Income	Percent of Social Security Subject to Tax
Under \$32,000	0%
\$32,000 to \$44,000	50%
Over \$44,000	85%

Provisional Income Thresholds (Single Filers)

Provisional Income	Percent of Social Security Subject to Tax
Under \$25,000	0%
\$25,000 to \$34,000	50%
Over \$34,000	85%

Consider the following example:

Bob and Helen are both 64 and retired. Bob is taking \$24,000 in annual distributions from his 401k and \$10,000 from his Roth IRA. He is receiving \$18,000 per year in Social Security. Helen is receiving \$20,000 per year in Social Security.

- How much is their Provisional Income? _____.
- What percent of their social security is subject to tax? _____.



LESSON 9: ESTATE PRESERVATION

Everything that you own is part of your estate. Excluding your home, list three items that are included in your estate:

1. _____
2. _____
3. _____

Estate Preservation allows you the ability to more effectively transfer your possessions upon your death and will help to reduce the number of decisions that a probate court may need to make due to the lack of planning. It also involves you giving a named person permission to make major life decisions on your behalf in case you are unable to do so, due to incapacitation or for other reasons.

Choose the correct answers

A Roth IRA is considered to be part of your estate.	True	False
A trust is not part of your estate and may be subject to probate.	True	False
Even without a will, life insurance proceeds will bypass probate.	True	False
Life insurance cash value is part of your estate.	True	False
You may only select a lawyer as an Attorney-In-Fact.	True	False
An annuity is not part of your estate and will bypass probate.	True	False
You cannot offset potential estate taxes with life insurance.	True	False
Only wealthy people need estate planning.	True	False



LESSON 9: ESTATE PRESERVATION

Estate Preservation Tips

1. Last Will & Testament

Everyone should have a will, especially if you have children. Control what happens to your possessions and children in the event of your death.

2. Living Trust

It's designed to allow for the easy transfer of the trust creator or settlor's assets, while bypassing the often complex and expensive legal process of probate.

3. HIPAA Authorization

A document that designates a person who may receive another person's private medical and mental health information.

4. Living Will

This document instructs your physicians and loved ones as to your intentions relative to life support.

5. Power of Attorney

This document names and authorizes a person to make financial decisions, property decisions or medical decisions for another person.

6. Healthcare Surrogate Designation

A document naming a person to make health care decisions for another person (*the principal*) when the principal is no longer able to do so.

7. Permanent Life Insurance

Cash value inside a life insurance policy is excluded from your estate and will pass to a named beneficiary and can be used to offset potential estate taxes.



LESSON 10: SUMMARY

6 Steps to Financial Security

The lessons that you have learned have prepared you to be able to help your clients to conquer their financial future. All clients are provided with a free Financial Needs Analysis (FNA) from their HGI associate, and based on their unique situation, you will be able to provide them with financial education and potential solutions by guiding them through our 6 Steps to Financial Security.

**1**

Increase Cash Flow

Earn additional income
Manage expenses

**2**

Debt Management

Consolidate debt
Eliminate debt

**3**

Emergency Fund

Save 3-6 months' income
Prepare for unexpected expenses

**4**

Proper Protection

Protect against loss of income
Protect family assets

**5**

Build Wealth

Outpace inflation
Active money management

**6**

Preserve Wealth

Avoid probate
Reduce taxation

[illegible]

Financial Education Workbook

FIRST EDITION



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