THE BETTERWEALTH KEY
To Unlocking Intentional Living

An in-depth **wealth kit** to get clear on where you're at financially so you can track, model, and optimize your financial life.

BETTERWEALTH

THE BETTERWEALTH KEY

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THE FOUR-STEP PROCESS FOR ACHIEVING YOUR FINANCIAL GOALS

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ROAD TO RESULTS

THE FOUR-STEP PROCESS FOR ACHIEVING YOUR FINANCIAL GOALS

NEED A MAP FOR THE JOURNEY? CHECK OUT **"THE TOOLS" ON PAGE 9** FOR A LIST OF **FREE** RESOURCES!

01 CLARITY

Start by gaining clarity, conviction, and direction on where you want to head. **If money weren't an issue, what would you do with your life?**

02 TRACK

Start by gaining clarity, conviction, and direction on where you want to head. **If money weren't an issue, what would you do with your life?**

03 MODEL

Then, create a dynamic financial model to help answer these five questions about your financial life: Do you need to:

1. Make more?
2. Save more (consume less)?
3. Reduce your future lifestyle?
4. Create a better investing strategy?
5. Work longer?

04 OPTIMIZE

Finally, take everything you're doing now and figure out a better way to use your resources. Use your clarity statement from Step 1 as the metric to optimize your income, consumption, and investments.

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ROAD TO RESULTS

THE FOUR-STEP PROCESS FOR ACHIEVING YOUR FINANCIAL GOALS

01 CLARITY

This is the first imperative step that most people miss. Start by gaining clarity, conviction, and direction on where you want to head.

Thoughtfully consider this one question:

If money weren't an issue, what would you do with your life?

The answer to this question becomes the metric to guide the rest of the process; without it, nothing else matters.

02 TRACK

Next, get organized by tracking your current and projected cash flow. Develop a clear picture of what's coming in, going out, being saved, and being invested. Remember, garbage in equals garbage out, so try to be as accurate as possible.

Income

- Active Income: income that is dependent on your time/work (salaries, bonuses, etc.)
- Passive Income: income you make independent of time/work (pension, real estate income, investment income, etc.)

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Income

- Active Income: income that is dependent on your time/work (salaries, bonuses, etc.)
- Passive Income: income you make independent of time/work (pension, real estate income, investment income, etc.)

Savings/Investments

- Tax-deferred: 401k, IRA, pension, business, real estate, brokerage account
- Tax-free: ROTH IRA, ROTH 401k, HSA, cash value life insurance

Consumption/Spending

- Taxes
- Inflation
- Debt
- Lifestyle
- Investment Loss

03 MODEL

Then, with the data gathered in Step 2, calculate your cash flow ratio (money consumed/money saved). We tend to overcomplicate things, but our money can only ever do two things: be saved or be consumed. We'll use this ratio to model your future cash flow balance.

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Your model should be able to answer these five questions. Do you need to:

1. **Make more?**
2. **Save more (consume less)?**
3. **Reduce future lifestyle?**
4. **Create a better investing strategy?**
5. **Work longer?**

In addition, your model should be dynamic enough to factor in how certain life events impact your overall financial picture. Include things like:

- Buying a home
- Raising children
- Paying for college
- Starting/selling a business
- Receiving an inheritance
- Becoming disabled
- Dying

These questions, along with every other financial decision, can and should be modeled.

PRO TIP

Make your life easier by using a spreadsheet, financial calculator, or software to model various scenarios.

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04 OPTIMIZE

Optimize: to make the best or most effective use of (a situation, opportunity, or resource).

Finally, look at everything you're doing now and figure out a better way to use your resources. Analyze these three areas:

- **Income:** in what ways can you increase your active and passive income? What time and effort is required to do so?
- **Consumption:** are there ways to eliminate inefficiencies in your consumption, such as through tax planning, debt restructuring, or cutting expenses?
- **Investing:** are you best maximizing your wealth through saving and investing?

PRO TIP

Perform a periodic self-assessment of your progress. Take your clarity outcome statement from Step 1 and make sure it's the metric you're using to determine whether or not you're fully optimizing an aspect of your finances.

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THE TOOLS

Need some direction on how to optimize your wealth? Here's a complete wealth kit with everything you need to start your journey towards getting results.

- **The Cashflow Checklist -** for maximizing cash flow efficiency
- **The And Asset™ Checklist -** for giving your dollar multiple jobs
- **The Investment Assessment Checklist -** for results-focused compounding
- **The Tax Hack Checklist -** for not overpaying on taxes
- **The Homebuyer's Home Run Checklist -** for the best way to buy a home
- **The Debt Domination Checklist -** for strategic debt elimination
- **The Wealth Protection Checklist -** for peace of mind for you and your family

THE RESULT

How will you know you're succeeding?

You're living the very best version of your life!

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THE CASHFLOW CHECKLIST

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THE CASHFLOW CHECKLIST

There are 3 areas in your life where you can improve your cash flow.

- **INCOME** -Increase the money that is coming in today
- **ASSETS** - Have better investing and saving strategies
- **CONSUMPTION** - Optimize how you buy what you buy throughout your life.

1 INCOME

> "The more you learn the more you earn." - **Warren Buffet**

Make a list of all your incoming cashflow now and in the future. This could consist of salaries, side hustles, rental income, investment income, social security, pensions, trust income, etc.

CURRENT	FUTURE

Do a SWOT analysis of your current and future income and cash flow.

STRENGTHS	WEAKNESSES

OPPORTUNITIES	THREATS

2 ASSETS

> "An asset is anything that puts money in your pocket."
> - **Robert Kiyosaki**

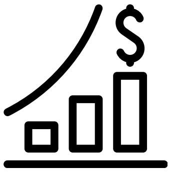
> "An asset is something that helps you live more intentionally."
> - **Caleb Guilliams**

What results to you want from your savings and investing activities?

On a scale of 1 to 10 how confident are you in getting the results you want?

1 2 3 4 5 6 7 8 9 10

Why did you give yourself this rating?



Below are 9 ideal benefits you can use when comparing which asset fits with the results you want. Note: No investment will have everyone of the 9 ideal benefits. This list is designed to help you evaluate the optimal financial tools to store and grow your money.

01	Low Risk	YES	NO
02	Liquidity	YES	NO
03	Growth	YES	NO
04	Cash-Flow	YES	NO
05	Leverageable	YES	NO
06	Private	YES	NO
07	Tax Deductible	YES	NO
08	Tax Deferred	YES	NO
09	Tax Free Access	YES	NO

3 CONSUMPTION

Every dollar we don't save and/or invest for the future is consumed. Consider this: Once you spend a dollar you don't just lose the value of that dollar, you lose what that dollar could have done for the rest of your life.

Below is our consumption checklist. We use these to help clients optimize how they buy what they buy and recover cashflow.

01 TAXES

- Do you have a tax plan? Here is a list of potential tax benefits you might be able to take advantage of.
    - Deferral - Does it make sense to postpone your tax?
    - Deductions - Are you best utilizing tax deductions?
    - Tax Credits - Are you best utilizing tax credits?
    - Entity structure - is your business set up the best way?
    - Giving - Do you have a strategy to help you best give money?
    - Estate planning - Do you have the best estate legacy plan?

02 MORTGAGES

- Can you be more efficient with how you buy your home?
- Can you increase cashflow through mortgage efficiencies?
- Can you leverage the value of your home to increase cash, reduce risk, and decrease the overall debt drag on your cashflow?

03 DEBT

- Do you have the best strategy to pay off debt?

04 PROTECTION & INSURANCE

- How often do you conduct an audit of your coverages?
- Have any major life events happened since you put your current coverage in place?

Disability Insurance	YES	NO	UNSURE	Life Insurance	YES	NO	UNSURE
Health Insurance	YES	NO	UNSURE	Auto Insurance	YES	NO	UNSURE
Critical Insurance	YES	NO	UNSURE	Home Owners	YES	NO	UNSURE
Long Term Care	YES	NO	UNSURE	Umbrella Insurance	YES	NO	UNSURE

05 LIFESTYLE SPENDING

- Do you have a system for tracking money?
- Are you spending your money on what you value most in life?

06 FUTURE LIFE EVENTS

- Here is a list of popular big purchases. The question is, do you have a plan to best pay for these activities?

Emergencies	YES	NO	Education	YES	NO
Kids	YES	NO	Weddings	YES	NO
Cars	YES	NO	Vacations	YES	NO

THE AND ASSET™ CHECKLIST

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THE AND ASSET CHECKLIST

In this checklist, we'll guide you through the three crucial steps towards structuring the most efficient life insurance policy:

- ☑ **COVERAGE**
  First, you need clarity on your traditional life insurance questions to determine the appropriate death benefit for your situation.
- ☑ **CONTRACT**
  Next, you need to strategically design your policy to maximize its living benefits, in addition to the death benefit. Are you properly leveraging beneficiary assignment, settlement options, overfunding strategies, and policy riders?
- ☑ **COMPANY**
  Lastly, once you've determined what coverage you need and how to design your contract strategically, you need to find a particular type of insurance company to sponsor your policy.

COVERAGE

The And Asset at its core is life insurance, so you must understand the amount of coverage you need for your unique situation.

- ☐ What do you currently have in place to support your loved ones financially? (e.g., emergency fund, retirement savings, life insurance through work)
- ☐ Do you have the right amount of coverage (if you were to die, would you leave your family with the lifestyle you want them to have)?
- ☐ Are your financial needs covered in the event of your death (i.e., mortgage, bills, child care, business expenses, college tuition, legacy, etc.?

DID YOU KNOW?

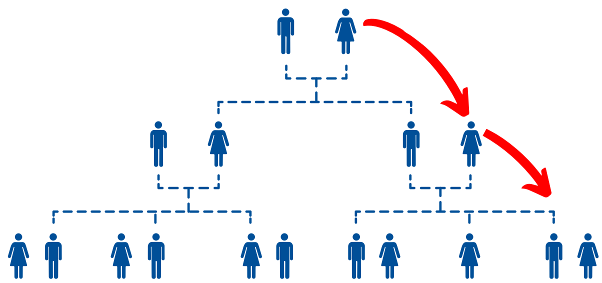
In 2020, only 54% of Americans owned life insurance (Statista). Maybe it's because more than half of Americans overestimate the cost of life insurance by as much as three-fold (LIMRA).

CONTRACT

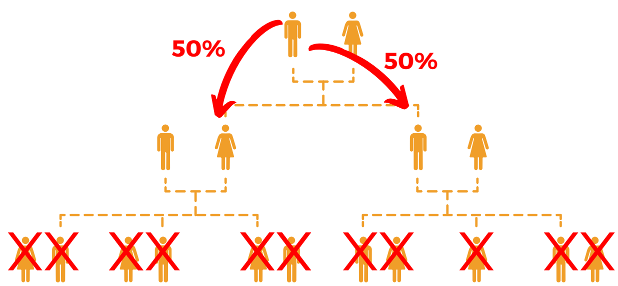
The magic of the "And Asset" is in its design. Here are few things to consider when structuring your policy:

- ☐ Do you understand the different types of insurance, and do you have the right kind of policy for you?
- ☐ Do you have any areas of exposure within your current policy?
- ☐ Do you have the proper beneficiary assignment with your policy?

PER STIRPES
If any of your beneficiaries aren't alive at the time of your death, the beneficiary's descendants take what their deceased parent would've taken.



PER CAPITA
All living beneficiaries will receive an equal share; a share won't be created for deceased members.



- ☐ Do you have settlement options defined on your death benefit?
  - Lump-sum payment
  - Interest income (also known as interest-only)
  - Interest accumulation
  - Fixed period
  - Fixed amount
  - Life income (also known as life-only or life annuity)

DID YOU KNOW?

HUMAN LIFE VALUE: *The present value of all future income you could expect to earn for your family.*

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☐ Do you understand how convertible term insurance works?

☐ Are you familiar with the various strategies for over-funding life insurance?
- Front-loading with a lump sum?
- The use of term riders?
- Using a flexible PUA (paid-up-addition)?
- Shortening premium terms?

☐ Do you understand the different benefits of riders in these contracts?
- Waiver of premium?
- Accelerated benefit riders?
- Chronic illness riders?
- Child policy rider?
- Buying more life insurance?

DID YOU KNOW?

Over one-third of all households in America said they would feel the unfortunate financial effects within one month if the household's primary breadwinner were to die.

COMPANY

When it comes to choosing a life insurance company, you have dozens of options. Don't make a decision based solely on initial price quotes alone. These are "must-haves" when it comes to choosing a life insurance company:

Is your insurance company:
- Mutually-owned?
- A multi-billion dollar company?
- An A-Rated insurance company?
- Well-established? (100-plus year history)
- Dividend-paying?

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STRATEGIES

You can use life insurance for so much more than a death benefit. Understand these strategies, and you'll unlock the full potential of these underutilized savings vehicles.

STRATEGY	USED FOR
CONTROLLED COMPOUNDING™	• Receiving compound interest and using your money simultaneously
VOLATILITY BUFFER (AND ASSET™ BUFFER)	• Avoiding withdrawal of retirement funds in a market dip
PENSION MAXIMIZATION	• Opting for highest possible annuity payout for one spouse's lifetime while using life insurance for the other spouse's income
REVERSE MORTGAGE	• Converting a portion of home equity into cash to put towards life insurance
ANNUITIES AND LIFE INSURANCE	• Using life insurance death benefit to Increase annuity payment options while covering the initial principal
DIVIDENDS ON CASH VALUE	• Supplementing retirement income with policy dividends
529 ALTERNATIVE	• Increased flexibility for college funding
USING LIFE INSURANCE LOANS IN RETIREMENT	• Utilizing tax-free policy loans rather than taxable retirement distributions
CHARITABLE REMAINDER TRUST	• Donating to a qualified charity with a partial tax deduction while producing a retirement income stream

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STRATEGY	USED FOR
THREE GENERATION LEGACY WATERFALL	• Passing on generational wealth via life insurance in a trust
SENIOR SETTLEMENT	• Selling an existing insurance policy to a third party for a one-time cash payment
VIATICAL	• For terminally/chronically ill to sell their life insurance policy at a discount for ready cash

THE INVESTMENT ASSESSMENT CHECKLIST

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THE INVESTMENT ASSESSMENT CHECKLIST

We tend to overcomplicate the money-making process, but it's pretty simple. There are only two ways to accumulate wealth: earned income or investment income. Since earned income can only get you so far, having a plan to rake in substantial investment income is crucial.

It's not uncommon for people to feel overwhelmed when they think about investing their money. What are the best investments? How much should I invest? Is it worth it to take on any risk at all with my money? These questions can be tough to answer, but luckily we have a list of some helpful hints that will make your investing experience a little easier. In this checklist, we'll cover:

ASSET CLASSES
What are the different types of assets you can invest in, and what are the potential benefits and risks associated with each?

RETIREMENT PLAN TYPES
What type of plan will provide the maximum tax benefit for you? What if you're self-employed or a business owner? And lastly, what are the rules for each plan?

INVESTMENT FUND TYPES
You have thousands of funds to choose from--mutual funds, index funds, exchange-traded funds--all with different fees, risks, and objectives. How do you know where to put your money?

THE SEVEN DEADLY SINS OF INVESTING
What mistakes do investors make most frequently, and how do you avoid them?

DID YOU KNOW?

A recent study showed that 39% of adults have no money invested in the stock market. When asked why, 56% said they didn't have the resources, and 32% said they didn't understand stocks.

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ASSET CLASSES

PRIMARY ASSET CLASSES

	THE UPSIDE	THE DOWNSIDE
EQUITIES (STOCKS) *Represent the ownership of a fraction of a company. Shares of stock entitle their owner to a portion of the company's assets and profits.*	• Gains if stock sold above purchase price • Dividends • Potential for higher return than other investments • Liquidity (quickly converted to cash)	• Potential to lose entire initial investment • Volatility due to company performance, sentiment • Competition with more experienced traders • Market risk (also known as systematic risk)
FIXED INCOME (BONDS) *Loans from an investor to a borrower such as a company or government. The borrower uses the money to fund its operations in exchange for interest paid to the lender.*	• Typically less price volatility than stocks • Consistent payments • Considered less risky - paid first in the event of liquidation • Bonds have transparent bond ratings	• Historically lower return than stocks • Less liquid compared to stocks • Interest rate risk (if rates go up, bond values go down)
CASH & CASH EQUIVALENTS *Short-term commitments of temporarily idle cash; they have high credit quality and are highly liquid (easily convertible back into cash). These include treasury bills, commercial paper, marketable securities, money market funds, and short-term government bonds.*	• Highly liquid/accessible • Potential to outearn a bank deposit account • Less risky than stocks or bonds	• Very low interest relative to stocks and bonds • Possible deposit minimums • Lost opportunity costs

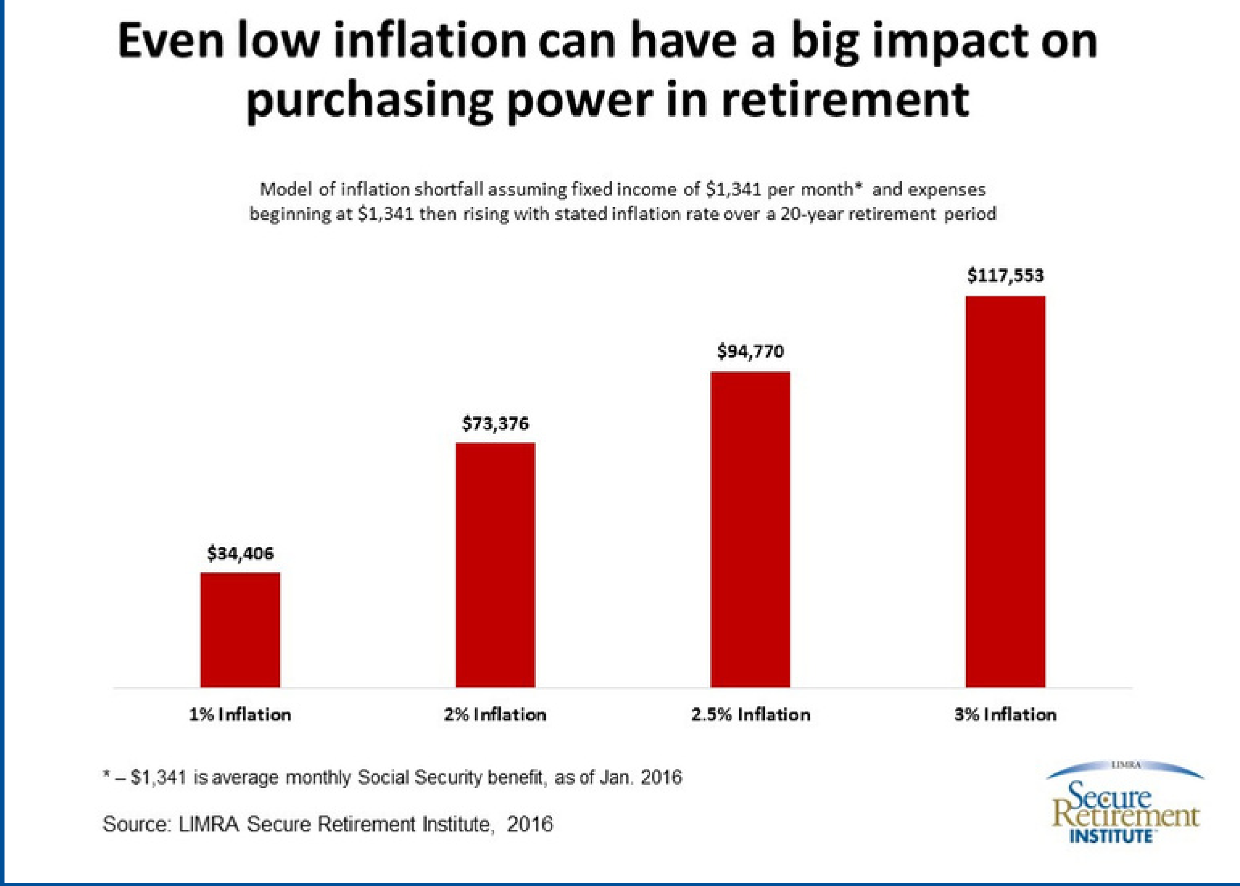
DID YOU KNOW?

Did you know? Over half (53%) of Americans don't believe their savings and investments will last if they live to be 90 years old. (LIMRA)

ALTERNATIVE ASSET CLASSES

	THE UPSIDE	THE DOWNSIDE
REAL ESTATE *Investment real estate is real estate that generates an income or is used for investment purposes rather than as a primary residence.*	• Predictable cash flow • Tax breaks (like depreciation) • Inflation hedge • Portfolio diversification	• Lack of liquidity • Unpredictability of the real estate market • May need to be a landlord • Negative cash flow after expenses
COMMODITIES *Essential goods used in commerce, usually in the form of natural resources or agricultural goods, that are often used as inputs into other processes. Examples of commodities include cows, corn, oil, and precious metals.*	• Low/negative correlation to stocks/bonds (portfolio diversification) • Inflation hedge (e.g., gold holds value well) • Can produce high returns	• Highly volatile (e.g., oil prices went negative during Covid due to decreased demand) • Not income generating • Typically less liquid than stocks or bonds
DERIVATIVES *Financial contracts that derive their value from an underlying asset, such as commodities, currencies, stocks, bonds, or interest rates. Forwards, options, and swaps are the most common forms of derivatives.*	• Can be used to hedge risk • Leverage can create magnified gains • Access to unavailable markets (e.g., interest rate swap providing better rate than direct lending)	• Highly volatile • Extremely difficult to value • Can be speculative
CRYPTOCURRENCY *Virtual currency in which transactions are verified and records maintained by a decentralized system using cryptography.*	• Bitcoin is a store of value immune to government manipulation, censorship • Designed to be deflationary, can act as inflation hedge • Decentralized (doesn't rely on bank or institution) • Markets open 24/7 worldwide	• Highly volatile with sharp price fluctuations • Possible to lose money forever if keys/passcodes are lost • Susceptibility to scams and "pump and dump" schemes

DID YOU KNOW?



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RETIREMENT PLAN TYPES (“TAX WRAPPERS”)

	CONTRIBUTION LIMIT	TAX STATUS	WITHDRAWAL RULES
401(K) *A retirement savings plan that employers offer. Contributions are automatically withdrawn from employee paychecks and invested in available fund options.*	• $19,500 for 2021 ($26,000 age 50+)	Tax-deferred	10% penalty tax younger than 59 ½ unless: • The employee dies or is disabled. • The employee reaches age 59½. • The employee experiences a specific hardship as defined under the plan • The plan is terminated
TRADITIONAL IRA *A type of individual retirement account in which the contributions are made before taxes are paid. In retirement, the owner pays income tax on withdrawals from a traditional IRA.*	• $6,000 for 2021 ($7,000 age 50+) • Applies to combined roth and traditional	Tax-deferred	10% penalty tax if withdrawn before age 59 ½, with exceptions; required minimum distributions begin year after year you turn 72
ROTH IRA *An individual retirement account in which money put in is taxable but grows tax-free, and withdrawals in retirement are tax-free.*	• $6,000 ($7,000 age 50+) for 2021 • Applies to all combined Roth and traditional IRA’s • Can’t contribute if MAGI is >$140,000 (single) or $208,000 (married filing jointly)	Tax-free	10% penalty tax if withdrawn before age 59 ½, with exceptions; no required minimum distributions

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	CONTRIBUTION LIMIT	TAX STATUS	WITHDRAWAL RULES
SEP IRA *A Simplified Employee Pension IRA is a traditional IRA for self-employed individuals and small-business owners.*	• Up to $58,000 in 2021 but can't exceed the lesser of 25% of comp. or $58,000 in 2021 • Employers must contribute on employees' behalf in an amount equal to their own • Eligible employees are age 21+, employed past three of five years, earned at least $600 • Can be combined with a traditional IRA or a Roth IRA	Tax-deferred	10% penalty tax if withdrawn before age 59 ½, with exceptions; required minimum distributions begin year after year you turn 72
SIMPLE IRA *Stands for savings incentive match plan for employees and is a retirement plan for small businesses with fewer than 100 employees. It is often considered the small business version of a 401(k) but easier to set up and administer than 401(k)s.*	• $13,500 ($16,500 age 50+) for 2021; employer's contributions mandatory	Tax-deferred	10% penalty tax if withdrawn before age 59 ½, with exceptions; additional 15% penalty tax in first two years of participation; can't borrow like with 401(k)

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	CONTRIBUTION LIMIT	TAX STATUS	WITHDRAWAL RULES
SOLO 401(K) *Essentially a one-person 401(k) plan for self-employed individuals or business owners with no employees, where the individual contributes as the employee and employer.*	• Employee contribution: lesser of $19,500 or 100% of earned income for 2021 • ($16,500 age 50+) for 2021 • "Employer" contribution: Up to 25% of compensation not to exceed $57,000 • Can't contribute if you have employees but can "hire" spouse • Employers must contribute on employees' behalf in an amount equal to their own • Eligible employees are age 21+, employed past three of five years, earned at least $600 • Can be combined with a traditional IRA or a Roth IRA	Tax-deferred or tax-free (Roth contributions permitted)	10% penalty tax if withdrawn before age 59 ½, with exceptions; required minimum distributions begin year after year you turn 72

DID YOU KNOW?

Suppose you qualify for the Solo 401(k). In that case, you can invest up to $57,000 (or more if you're 50 or older) per year and invest in any asset allowed by the IRS, including real estate, private equity, cryptocurrency, small businesses, and conventional loans.

INVESTMENT FUND TYPES
INVESTMENT FUND TYPES

INDEX FUND	A type of mutual fund or exchange-traded fund whose holdings match or track a particular market index, such as the Standard & Poor's 500 Index (S&P 500).
ETF	An exchange-traded fund is a basket of securities that track an index (like the S&P 500), sector (like U.S. Technology), commodity (like gold), or particular asset, and trades on an exchange like a regular stock.
MUTUAL FUND	Mutual funds are investments that pool money from investors to purchase stocks, bonds, and other assets. The aim is for the fund managers to create a diversified portfolio beyond what the average investor can build on their own or buy themselves.
HEDGE FUND	Hedge funds are investment arrangements where professional fund managers invest a pool of money contributed by pre-qualified investors. They tend to have stricter shareholder requirements, more aggressive trading strategies, less regulation, and higher performance-based fees.
TARGET DATE FUND	A target-date fund is a class of mutual funds or ETFs that changes their asset allocation to maximize returns for predetermined time frames. They are often used as the default fund option in retirement plans, using the employee's estimated retirement date as the target.
MONEY MARKET FUND	A fund that invests in various short-term securities such as government bonds or bank certificates of deposit.

DID YOU KNOW?

Only 23% of all active funds outperformed their passive rivals over the ten years ended December 2020 (Morningstar).

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THE SEVEN DEADLY SINS OF INVESTING AND HOW TO AVOID THEM

1. Ignoring lost opportunity costs - Any time you decide to save or spend your money somewhere, you're essentially saying "no" to another option. When you spend a dollar, you're giving up the lifetime earning potential of that dollar.

- ☐ Have you calculated the combined rate of return of ALL your assets?
- ☐ Do you have a large amount of cash sitting in a bank account earning very low interest?
- ☐ Have you calculated the opportunity cost of paying down low-interest debt (like paying extra on a mortgage) vs. investing?
- ☐ Are your current investments maximizing the efficiency of your savings?
- ☐ Are you factoring in inflation when projecting future investment performance?

2. **Paying excessive fees** - a 2% investment fee might seem like a small price to pay, but when you compound what you could've earned on that 2% over time, the impact is massive.

- ☐ What are your all-in fees?
  - ☐ Expense Ratio:
  - ☐ Marketing Costs (12B-1 Fee):
  - ☐ Custodian Fees:
  - ☐ Front-end Load:
  - ☐ Back-end Load:
  - ☐ Commissions:
  - ☐ Account Maintenance:
  - ☐ Advisory Fee:
  - ☐ Trade Fees:
  - ☐ Statement Fees:

DID YOU KNOW?

This chart shows how investment costs can eat away at your savings. If you have $100,000 invested, it could grow to $430,000 without any investment costs. But if you pay only 2% a year in costs, it could grow to only $260,000. You would lose about $170,000 to fees.

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3. **Tax inefficiencies** - Taxes are inevitable but partially avoidable with the right investment strategies. Ensure you're not overpaying on your investment gains.

"Tax Wrappers"

- ☐ Are your investments in tax-sheltered accounts? (IRAs, 401(k)s, HSAs, etc.)
- ☐ Do tax laws limit your contributions? Have you considered other tax-advantaged accounts?
- ☐ If you are self-employed or own a business, do you have the most advantageous retirement account for your situation?
- ☐ Do you expect to be in a higher tax bracket in the future?
- ☐ Have you considered how economic and political factors may increase taxes in the future?
- ☐ Should you be making pre-tax or post-tax investments?
- ☐ Are you leveraging life insurance for tax-free investment growth?
- ☐ Are you eligible for and benefit from a Health Savings Account (HSA)?

Capital Gains/Losses

- [ ] Are you paying short-term capital gains over long-term?
- [ ] Do you use investment losses to offset your investment gains (tax-loss harvesting)?
- [ ] Does your portfolio benefit from the tax advantages of real estate investments?
- [ ] Are you invested in funds with a low turnover to avoid excess capital gains?
- [ ] Should you invest in municipal bonds to reduce your federal and state tax liability?

4. **Not knowing your risk tolerance** - How much are you willing to lose for the potential to gain X? Asking this simple question can prevent you from making risky bets.
   - [ ] Do you have clearly defined investment goals?
   - [ ] Is your goal to save for retirement? Accumulate wealth? Pay down debt?
   - [ ] Save for college? Create consistent income? Save for a short-term goal?
   - [ ] Are you currently invested in assets that carry an amount of risk that coincides with your investment goals?
   - [ ] Have you completed a research-based risk assessment to identify your risk tolerance?
   - [ ] What amount of potential upside are you willing to sacrifice for the safety of a particular outcome?

5. **Investing with Emotion** - Investors who invest purely on emotion instead of logic tend to buy high and sell low.
   - [ ] Do you make investment decisions based on greed or fear?
   - [ ] Do you understand what constitutes a bull market vs. a bear market?
   - [ ] Do you buy based on others ' euphoria when you hear about investments from news stories, social media, friends, co-workers, or family?
   - [ ] When your investments see sharp decreases in value, do you tend to panic sell?

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6. **Failing to Diversify -** You've heard the term "don't put all your eggs in one basket." This is the foundational principle of diversification and helps mitigate risk while increasing potential upside.

Stocks:

- [ ] Are you diversified across sensitive, cyclical, and defensive stocks?
- [ ] Do you have a variety of company sectors in your portfolio?
- [ ] Does your portfolio contain stocks from a diverse group of company sizes/market capitalization?
- [ ] Do you have an appropriate mix of growth, value, and income-oriented stock?
- [ ] Does a large portion of your portfolio consist of a few individual stocks?

Bonds:

- [ ] Does your portfolio integrate bonds from various issuers (Treasurys, municipal bonds, corporates, etc.)?
- [ ] Are you diversified across bond rating/credit quality following your risk tolerance?
- [ ] Do you hold bonds with varying maturity terms?
- [ ] Are you aware of how bond ratings and durations affect default and interest rate risk, respectively?

Alternatives:

- [ ] Do you hold investments that typically negatively correlate to traditional asset classes (real estate, gold, cryptocurrency, etc.)?
- [ ] Is your percentage of alternative assets proportionate to your risk tolerance?

7. **Investing without Understanding -** There's little chance of meeting your investment goals if you're simply following popular opinion rather than using data to make informed decisions with your money.

Before investing in any kind of asset, ask yourself these questions:

- [ ] What objective am I trying to achieve with this investment?
- [ ] Do I understand how this investment works?
- [ ] What are the risks of this particular investment, and am I willing to take those risks?
- [ ] How much do I realistically expect to earn on this investment?
- [ ] How long do I expect to hold this investment?
- [ ] When and why would I sell this investment?
- [ ] What are the costs/fees associated with making this investment?
- [ ] Does this investment fit with the investments that I already own?
- [ ] How do I **feel** about buying this investment?
- [ ] What is the expertise and/or motivation of the person recommending this investment?

GENERAL PORTFOLIO QUESTIONS

- ☐ Do you have all investments property documented and organized somewhere?
- ☐ What annualized rate of return are you/your advisor basing the success of your financial plan on?
- ☐ Are you happy with the current performance of your investments?
- ☐ Do your investments properly reflect your values and fit into your overall financial plan?
- ☐ Do you know the person responsible for generating the returns of your investments?
- ☐ Do you have enough knowledge about the markets you are in to know when to exit if certain indicators are triggered?
- ☐ Do your investments produce consistent cash flow?
- ☐ Have you applied risk mitigation/management strategies to your investments?
- ☐ Do you fully understand the economics of your investments?
- ☐ Have you minimized the expenses of your investments to include: administrative fees, legal fees, fund manager fees, account fees, etc.?
- ☐ Do you know how your investments will benefit you now and in the future?
- ☐ Do you have clarity and peace of mind because you are confident in what you are doing with your investments?
- ☐ Do you have a strategy to deal with market fluctuations?
- ☐ Do you have a reason other than the potential rate of return that you invested in your current positions?

THE TAX HACK CHECKLIST

BETTERWEALTH

RELAX, IT'S JUST TAX

A Checklist for Better Tax

FIRST THINGS FIRST

Do you have self-employment income?

We'll start here since this could dramatically impact your tax situation.

The IRS defines "self-employment" as "carrying on a trade or business as a sole proprietor or independent contractor, or participating in a partnership that carries on a trade or business."

If you own a business or receive 1099 income from your employer, you likely qualify as self-employed. You may be surprised by what activities may pass the self-employment test. For example, do you:

- ☐ Sell homemade goods or crafts? (Etsy, Shopify, Popup Shops)
- ☐ Rent out your home or space in your home for >2 weeks of the year? (Airbnb, VRBO)
- ☐ Drive for a rideshare company or food delivery service? (Uber, Lyft, Doordash, Grubhub)
- ☐ Profit from content writing, creating logos, taking photos, performing live?

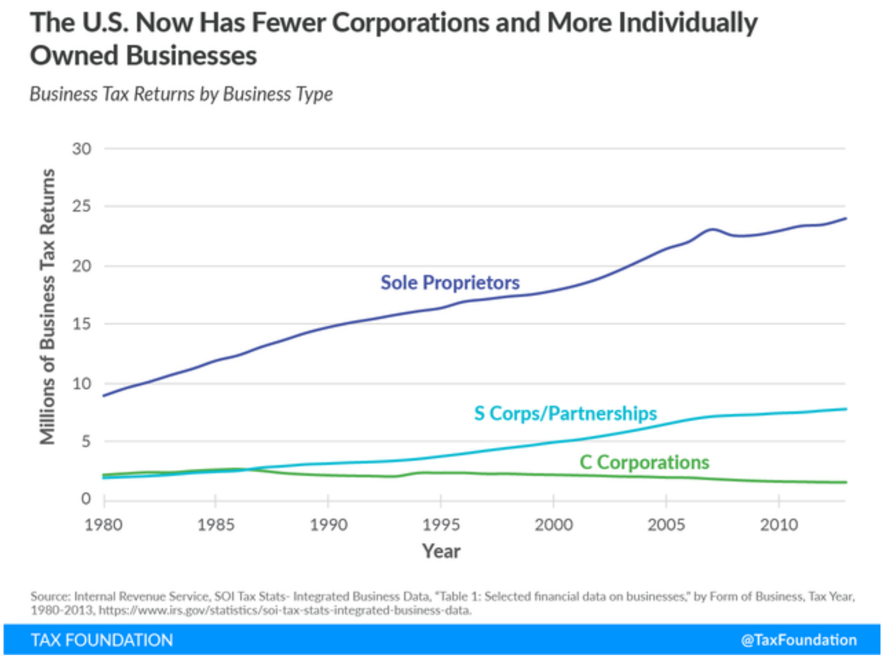
If you're sure you don't make self-employment income, feel free to skip ahead to the "All Taxpayers" section.

SELF-EMPLOYED TAXPAYERS

Is your business optimally structured from a tax and legal perspective?

- ☐ Are your personal assets protected from all potential debts, claims, liens, and lawsuits?
- ☐ Are you strategically minimizing the amount of self-employment tax you pay?
- ☐ Does your business adhere to local, state, and federal compliance laws?
- ☐ Is filing as a sole proprietorship, partnership, S corporation, LLC, or C corporation most advantageous?

DID YOU KNOW?



Are you taking full advantage of tax breaks for the self-employed?

Intelligent tax planning starts with understanding the pros and cons of specific entity structures.

- ☐ Do you have tracking and bookkeeping systems to facilitate business expense tracking?
- ☐ Are you familiar with the nuanced rules surrounding the most common business deductions? (mileage, meals and entertainment, home office deduction, etc.)
- ☐ Are you properly recognizing depreciation for property, machinery, equipment, furniture, etc.?
- ☐ Do you know which items are 100% tax-deductible?

DID YOU KNOW?

On the federal level, pass-through businesses are subject to a top marginal tax rate of 44.6 percent. This means that, in most U.S. states, pass-through businesses can face marginal tax rates that exceed 47 percent. (Tax Foundation)

ALL TAXPAYERS

Are you proactive or reactive with your taxes?

There's a big problem in the professional tax world. The majority of CPAs and tax software programs focus on the past, not the future. Having a forward-looking approach can save you thousands.

- [ ] Are you proactively, before the tax year ends, looking at strategies that you could incorporate to save taxes?
- [ ] Do you have a defined tax plan or strategy?
- [ ] Does your accountant or tax prep software suggest ways to save on taxes going forward?
- [ ] Do you know which tax bracket you're in and how much income you can make before hitting the next one up?
- [ ] Are you cutting your paychecks short because you're withholding too much?

DID YOU KNOW?

In 2018, the top 50 percent of all taxpayers paid 97.1 percent of all individual income taxes, while the bottom 50 percent paid the remaining 2.9 percent. (Tax Foundation)

Did you overpay in taxes in prior years?

Don't sweat it. Most people do. Luckily, that money may not be gone forever.

- [ ] Have you reviewed previous years' tax returns with someone other than your current accountant to see if there's a possibility to amend returns and recapture overpayment of taxes?
- [ ] Are you taking advantage of ways to defer your tax liability?

DID YOU KNOW?

If you made a mistake involving filing status, income, deductions, or credits, you can file an amended return on Form 1040X within three years of the date you filed your original return.

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Are you maximizing your applicable deductions and credits?

The standard deduction nearly doubled in 2017, and for 2021 it's $12,550 for singles and $25,100 for married couples. Itemizing may still make sense with careful tax planning.

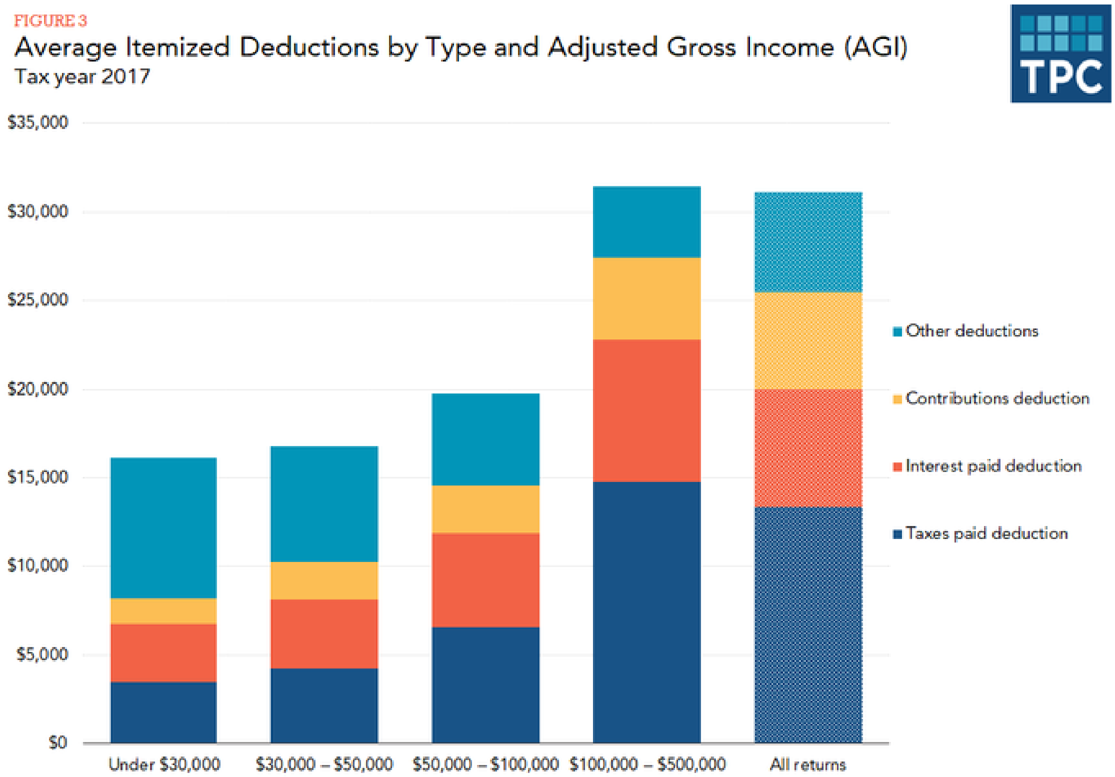
- ☐ Have you searched for tax credits you might qualify for?
- ☐ Do you qualify for the higher child tax credit under the American Rescue Plan?
- ☐ Are you making charitable contributions in a tax-efficient manner?
- ☐ Are you utilizing a Health Savings Account?

DID YOU KNOW?

FIGURE 3

Average Itemized Deductions by Type and Adjusted Gross Income (AGI)

Tax year 2017



Source: Internal Revenue Service. Statistics of Income. Table 2.1. "Returns with Itemized Deductions: Sources of Income, Adjustments, Itemized Deductions by Type, Exemptions, and Tax Items, Tax Year 2017 (Filing Year 2018)," September 2019.
Note: This figure omits the "Over $500,000" AGI class due to scaling; average itemized deductions for those with AGI over $500,000 is about $248,000.

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Are you optimizing your investments from a tax perspective?

For most people, tax on retirement savings is the number one wealth eroder, but that doesn't have to be the case.

- ☐ Do you have an exit strategy (from a tax perspective) for your retirement plans, stocks, real estate, or other investments?
- ☐ Have you harvested capital losses to offset capital gains in your taxable accounts?
- ☐ Do you have a liquid emergency fund, so you don't have to draw money from a taxable account for unexpected expenses?
- ☐ Have you converted your traditional IRAs to Roth?
- ☐ Are you set up to minimize estate taxes in the future?
- ☐ Are you taking advantage of the numerous tax deductions available to rental property owners?

DID YOU KNOW?

Tax expenditures for retirement savings were over $250 billion in 2019 and will likely exceed $1.5 trillion over the 2019 - 2023 period. (Tax Policy Center)

Are you keeping up in an ever-changing tax landscape?

How might Biden's tax proposals affect you or your business?

- ☐ Will you be in the top marginal tax rate that went from 37% to 39.6%?
- ☐ Will your long-term gains and qualified dividends be taxed as ordinary income?
- ☐ Will your unrealized gains be taxed at death?
- ☐ Will your 1031 exchanges and be limited?
- ☐ Will your pass-through income be subject to the 3.8% net investment income tax?

DID YOU KNOW?

The tax code has been changed or amended over 5,000 times in the last ten years?

THE HOMEBUYER'S HOME RUN CHECKLIST

BETTERWEALTH

LET’S GET REAL WITH REAL ESTATE

PURCHASING A PRIMARY HOME?

Congrats! Home buying can be one of the most emotionally involved purchases we ever make - after all, it is where we eat, sleep, and live. Here are some essential things to consider in the process:

What should your down payment be?

Financial advisors, real estate experts, and loan officers will tell you to make a down payment of at least 20% down on a house. But there are cases where that might not make sense.

- [ ] How much do you have saved for a down payment?
- [ ] Have you done the math on the optimal amount of financing vs. cash payment?
- [ ] What is the opportunity cost of locking up a large portion of capital/net worth in your home? (rather than investing or saving those funds)
- [ ] What’s the spread between what you’d reasonably earn in interest vs. pay in interest?

How much house can you afford?

One of the biggest blunders people make when buying a home is biting off more than they can chew. Mortgage lenders will often offer a bigger loan than what should be considered comfortable, so you should come prepared with a specific number based on these questions:

- [ ] How much is your down payment?
- [ ] What are your monthly obligations? (think child care, car loans, credit card debt, student loans, alimony, etc.)
- [ ] Does your annual household income comfortably cover your mortgage payments, property taxes, HOA fees, homeowners insurance, etc.?

Have you factored in “hidden” costs?

- [ ] Have you factored in how much your closing costs will be?
  Closing costs typically range from 2% to 5% of the loan amount. The seller could pay for a portion of the closing costs.

- [ ] Do you have money available for moving and move-in expenses?
  Renting a truck or moving service can add up quickly. Once you move in, there may be immediate upgrades, furnishes or repairs needed.

- [ ] How much will you pay in property taxes?

- [ ] Will you have to pay HOA or condo fees?

- [ ] How much will you pay for homeowners’ insurance?
  Homeowners’ insurance is required by law, therefore not a “hidden” cost. However, “acts of God” (floods, hurricanes, earthquakes, etc.) may not be covered in your policy, which can be a nasty surprise.

- [ ] Are the roof, HVAC system, electrical system, and plumbing in good shape?
  These often get overlooked but can result in costly repairs.

Have you done all you can to get the best price?

Yes, it can be a pain putting in all this work up front, but it could save you tens of thousands in the long run.

- [ ] Have you done everything to improve your credit score?
  - Your credit score is relied upon heavily during the loan approval process and when determining your mortgage interest rate.

- [ ] Have you explored all mortgage options available to you?
  - A variety of mortgages are available with varying down payment and eligibility requirements.

- [ ] Have you compared mortgage rates and fees?
  - Once you’re clear on the type of loan you’re seeking, request mortgage estimates from multiple lenders to see how they compare.

- [ ] Are you eligible for first-time homebuyer assistance programs?
  - Many states and some cities and counties offer first-time homebuyer programs.

- [ ] Have you applied for a preapproval letter from your lender?
    - A preapproval letter shows home sellers and real estate agents that you're a serious buyer and can give you an edge over home shoppers who don't have one.

- [ ] Do you have a knowledgeable real estate agent that you trust?
    - An excellent real estate agent will scour the market for homes that meet your needs and guide you through the negotiation and closing process.

THE MORTGAGE MATRIX

There are many more mortgage types than the well-known "30-year" fixed and "15-year" fixed. We've saved you a ton of Google searching by laying them out here.

MORTGAGE TYPE	INTEREST RATE	MONTHLY PAYMENT	BEST FOR
30-YEAR FIXED	• Higher than 15-yr. • More interest paid • Never changes	• Lower than 15-yr.	• Low monthly payment • Longer time frame • Flexibility to add to payment
15-YEAR FIXED	• Lower than 30-yr. • Less interest paid • Never changes	• Higher than 30-yr.	• Lower total interest • Pay off/build equity fast • Common for refinancing
ADJUSTABLE-RATE	• Fixed first, then adjusts • Initial lock - 1, 5, 7, 10 yr	• "Teaser rate" lower initial monthly payments than fixed	• Short-term mortgage • Believe interest rates will be lower in future
INTEREST-ONLY	• Adjustable rate • 3 to 10 yr. Intro rate then converts	• Lower initially • Only interest, no principal	• Discipline to pay off principal • In home short-term • High monthly cash flow
JUMBO	• Fixed or adjustable • Potentially higher rates • Higher closing costs	• 10% or more down • High monthly payment	• Higher-priced homes • 700+ credit score (generally) • Above traditional loan limits
VA	• Low interest rate • No mortgage insurance	• No down payment minimum	• Military service members • Veterans
USDA	• Low interest rate	• Low or zero down payment	• Buyers in rural/suburban area • Low income and low credit
FHA	• Requires mortgage insurance	• Down payment as low as 3.5%	• Credit score as low as 500 • Modest income

DISCLAIMER: Statements regarding interest rates, interest payments, monthly payments, down payments, credit scores, etc., being "higher," "lower," "fixed," "variable," etc. should not be construed as guarantees, as these variables differ on a case by case basis.

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THE DEBT DOMINATION CHECKLIST

BETTERWEALTH

THE DEBT CHECKLIST

“Debt”--it’s a four-letter word that can invoke feelings of fear, shame, and even desperation. The majority of people perceive all debt as “bad” and even some personal finance gurus suggest avoiding all debt at all cost. The wealthy don’t view debt in terms of “good” or “bad”, but as a leverage point for controlling capital. This checklist is your starting point for eliminating non-productive debt and leveraging productive debt, through a four-step process:

ORGANIZE
Who do you owe money to? What do you owe it for? How much do you owe? Answer the big-picture questions first before drilling down to each debt.

ANALYZE
Crunch the numbers to determine which of your debts are putting money back in your pocket and which aren’t. It would help if you also analyzed your attitudes, behaviors, and feelings toward debt.

PRIORITIZE
The “shotgun approach” doesn’t work too well here. Determine which debt-payoff method works best for your situation and prioritize accordingly.

TAKE ACTION
Finally, take action! Strategically pay off your debts, avoid missing future payments, and spend intentionally to avoid adding new debt.

ORGANIZE

Before you can do anything else, you need to see all of your debts in one place. You may need to log in to or create an online account with your lender.

- [ ] Have you created a list of all of your debts?
    - Credit cards
    - Student loans
    - Auto loans
    - Medical bills
    - Personal loans

- [ ] Do you have up-to-date information on all of your debts?
    - Name of the lender
    - Total amount owed
    - Interest rate
    - Minimum payment due each month
    - Actual payment each month
    - Terms

ANALYZE

This step has two parts: 1) analyzing your debts from a numerical perspective and 2) analyzing your debts from a behavioral perspective. Are your debts a positive or negative leverage point?

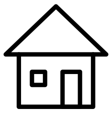
Leverage is the use of borrowed money (debt) to finance the purchase of assets with the expectation that the income or gain from the new asset will exceed the cost of borrowing.

Numerical Analysis

- [ ] Have you identified which of your obligations are "good" debts and which are "bad"?

GOOD DEBTS

Debts that put money back into your pocket. In general, this includes things like



Mortgages

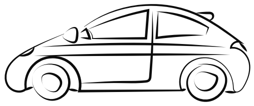
Business Loans

SOME 0% Loans

BAD DEBTS

Debts that do NOT put money back into your pocket. Typically, this could include things like

Credit Cards



Auto Loans

REMEMBER

Debts are not inherently "good" or "bad", but should be thought of in terms of positive and negative cash flow. For instance, a car loan could cost you thousands of dollars in interest OR, assuming you could get under 2% interest on an auto loan, you could put your money to work elsewhere earning 5 - 7% interest.

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- [ ] Have you cut out all unnecessary expenses?
    - Do you pay on time every month?
    - Are you making minimum payments every month?
    - Have you contacted your creditors to negotiate the repayment schedule or interest rate?
    - Have you negotiated with collection agencies to reduce your total amount owed?

Behavioral Analysis

- [ ] If you have "bad" debts, have you reflected on how you ended up in this situation?
- [ ] What was this money used to purchase? Did this purchase move you, your family, and/or your business towards your hopes and dreams or away from them?
- [ ] Have you honestly reflected on what your core attitudes, behaviors, and feelings are towards debt?
- [ ] In this reflection, did you identify any attitudes, behaviors, or feelings that are keeping you from achieving your "return on result"

- [ ] Are you committed to taking extreme ownership of your finances?

PRIORITIZE

Here is where you have to be very strategic with your debt. What debts should you pay off first? Should you order them by interest rate, balance, or cash flow impact?

- [ ] Are you familiar with each debt repayment strategy and how each works?

- [ ] Do you understand the pros and cons of each debt repayment strategy?
- [ ] Have you strategically chosen a debt repayment strategy appropriate for your situation?
- [ ] Have you created a Cash Flow Scorecard to determine the efficiency of each of your debts?

$$\text{CASH FLOW SCORECARD FORMULA} = \frac{\text{DEBT BALANCE}}{\text{MINIMUM PAYMENT}}$$

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TAKE ACTION!

You've got this! Your future self will thank you for having the discipline to regain control of your capital. No matter what your strategy is, stick to it!

- ☐ Do you have a clearly defined debt repayment timeline that includes dates and amounts?
- ☐ Do you have a plan for obtaining funds to repay your debts?
- ☐ Have you considered a secured loan for debt consolidation?
  - A single monthly payment can help you chip away at your debt faster. And if you make all your payments on time, your credit will improve.
- ☐ If you're paying a HIGHER INTEREST RATE on your loans than you're receiving on your investments, have you considered cashing out your investments to pay off debts?
- ☐ Have you considered how you could use debt to create positive leverage and put money back into your pocket?

THE WEALTH PROTECTION CHECKLIST

BETTERWEALTH

TERM INSURANCE CHECKLIST

Google search "life insurance," and you are bound to come across multiple threads debating which is better: term vs. permanent life insurance. The truth is, one isn't "better" than the other. That's like saying buying a home is "better" than renting a home. At its core, life insurance is about protecting your #1 Asset: YOU.

In this checklist, we give you all the questions you should be asking about term life insurance, including:

- **TERM VS. PERMANENT**
  What is term life insurance? What is permanent Life Insurance? What are the pros and cons of both term and permanent life insurance?
- **CONVERTIBLE TERM**
  What is convertible term life insurance and what does it accomplish?
- **COVERAGE**
  How much life insurance do you want (at BetterWealth, we believe this is a "want" item because you certainly don't need life insurance.
- **CONTRACT**
  When you factor in term lengths, riders, settlement options, beneficiary assignments, etc., there are countless ways to structure your policy. Which structure allows you to get the results you desire?
- **COMPANY**
  There's no shortage of life insurance companies. How do you pick a carrier, and what should you expect in terms of pricing?

TERM VS. PERMANENT

We believe the effectiveness of all financial tools can be evaluated by the results they provide. As such, let's look at what both term and permanent life insurance can do. From there, you will be more able to assess whether you desire to add one or both to your financial model.

TERM LIFE INSURANCE	Provides coverage for a specific time period--generally 1, 10, 15, 20, or 30 years. It's a lot like signing a lease agreement for an apartment, where both parties agree upon the benefit and price for a certain amount of time. Most companies will continue to offer you insurance past that term, but the price will most likely change. If you die within your term, your beneficiaries will receive the agreed-upon tax-free benefit. If you do not die, the policy lapses and has no remaining value.
PERMANENT LIFE INSURANCE	An umbrella term for insurance policies that consist of a death benefit and a savings portion, or cash value. There are two primary types of permanent insurance: whole life and universal life. • **WHOLE LIFE INSURANCE** is designed to cover you for your "whole life," hence the name. It has guarantees, a cash value that can grow tax-free and can be paid up before you die. • **UNIVERSAL LIFE INSURANCE** is built on the term life frame and is combined with a growth account designed to offset the insurance price. These policies can accumulate cash value and have certain guarantees.

TERM LIFE INSURANCE

PROS
- Easy to understand
- Lower premiums
- Term flexibility
- Convert to permanent insurance

CONS
- No cash value
- Loss of capital control
- Lost opportunity cost

PERMANENT LIFE INSURANCE

PROS
- Cash value
- Tax-free growth
- Maintain control of capital
- Lifetime coverage
- Cost recovery of premiums

CONS
- More complex
- Higher premiums

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CONVERTIBLE TERM INSURANCE

As mentioned above, most people approach this as an either/or decision, but it certainly is not. Remember, there are three key questions to ask yourself when considering where to put your money:

1) what result do you want?
2) what tool does that thing? and
3) what is the most efficient way to get from point A point B?

Convertible term insurance grants its holders greater flexibility in achieving their desired results.

CONVERTIBLE TERM INSURANCE	Convertible term insurance is a particular type of term insurance that allows you to switch to any currently offered permanent policy without going through the health qualification process again.

Already have a convertible option?

That's great! Here are a few things to consider:

- [ ] Is this a company from which you would want to buy a permanent life product?
- [ ] What are the conversion guidelines per your policy?
- [ ] Can you convert to any product?

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HUMAN LIFE VALUE

How much life insurance do you want to ensure the lifestyle of your loved ones is secure? Death benefit calculations vary widely, so here are some tips on calculating the right amount for your desired results.

- [ ] Have you calculated your human life value number?

HUMAN LIFE VALUE	A term used to describe your maximum financial potential. You'll hear this A LOT from us: "you are your greatest asset." Your ability to earn an income today and in the future is your greatest financial asset.

- [ ] What do you currently have in place to support your loved ones financially? (e.g., emergency fund, retirement savings, life insurance through work)
- [ ] Do you have the right amount of coverage (if you were to die, would you leave your family with the lifestyle you want them to have)?
- [ ] Are your financial desires covered in the event of your death (i.e., mortgage, bills, child care, business expenses, college tuition, legacy, etc.)?

POLICY STRUCTURE

Not all insurance contracts are created equal, which is why it is crucial to understand all of your options and whether or not they help you achieve your desired result.

- [ ] Do you understand the different benefits of riders in these contracts?
    - Waiver of premium?
    - Accelerated benefit riders?
    - Chronic illness riders?
    - Child policy rider?
    - Guaranteed insurability rider?

- [ ] How will my hobbies affect my health underwriting?
    - Rock climbing?
    - Flying planes?
    - Marijuana use?
    - Skydiving?
    - Travel?

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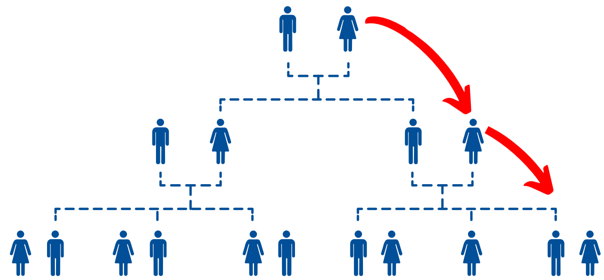
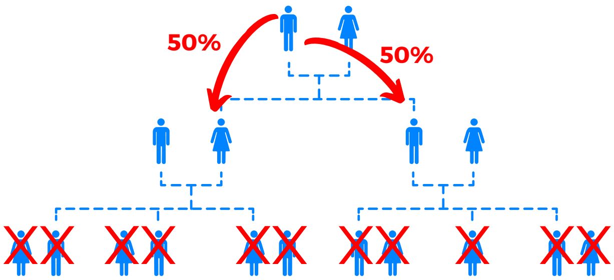
☐ Do you have the proper beneficiary assignment with your policy?

PER STIRPES
If any of your beneficiaries aren't alive at the time of your death, the beneficiary's descendants take what their deceased parent would've taken.



PER CAPITA
All living beneficiaries will receive an equal share; a share won't be created for deceased members.



☐ Does your estate plan match the beneficiaries on your current life insurance plans?

☐ Do you have settlement options defined on your death benefit that provide your loved ones the results you desire for them?

- Lump-sum payment
- Interest income (also known as interest-only)
- Interest accumulation
- Fixed period
- Fixed amount
- Life income (also known as life-only or life annuity)

COMPANY STRUCTURE

Not all insurance contracts are created equal, which is why it is crucial to understand all of your options and whether or not they help you achieve your desired result.

☐ Is your insurance company:

- A multi-billion dollar company?
- An A-Rated insurance company?
- Well-established? (100-plus year history)
- Historically reliable in paying out death benefits?

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THE INCOME PROTECTION CHECKLIST

Over 1-in-4 of today's 20-year-olds will be out of work for at least a year due to a disability.[1] One year of being totally disabled could wipe out up to 10 years of savings.[2]

Here at BetterWealth, one of our core beliefs is "you are your greatest asset." Without you, your whole financial model can be thrown entirely out of whack. Income protection prevents this from happening. After completing this checklist, you'll be able to answer these five questions:

- What is income protection?
- What are the chances of you becoming disabled?
- What are the most common disability claims?
- How would a disability impact you financially?
- What should you look for in an income protection strategy?

WHAT IS INCOME PROTECTION

Income protection, or disability insurance, provides a weekly or monthly cash benefit to the policyholder when they cannot work due to an illness or injury.

WHAT ARE THE CHANCES OF YOU BECOMING DISABLED?

Imagine you have a money machine in a room in your home that, every month, prints an amount of money equal to your monthly income. If the machine breaks, it has no spare parts and cannot be repaired. How much would you pay to insure this money machine? By the way, the money machine is you.

So, what is the likelihood of suffering an illness or injury that prevents you from supporting your family? According to these statistics[3], it's pretty high.

[1] SSA.gov
[2] Affordable Insurance Protection
[3] Simply Insurance

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- We're five times more likely to become disabled than die.
- 90% of long-term disability claims are caused by illness, not accidents.
- 37 million Americans are considered disabled, which is about 12% of the population.
- 5.6% of Americans in the workforce will experience a short-term disability every year.

LIKELIHOOD OF BECOMING DISABLED BY AGE [4]

AGE	CHANCES OF BECOMING DISABLED*	AVERAGE LENGTH OF DISABILITY (YEARS)
25	58%	2.1
30	54%	2.5
35	50%	2.8
40	45%	3.1
45	40%	3.2
50	33%	3.1
55	23%	2.6

*Chances of becoming disabled for 3 months or longer before age 65.

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WHAT ARE THE MOST COMMON DISABILITY CLAIMS?

Many people falsely assume that income protection only comes in handy in the case of a freak accident. In reality, 90% of long-term disability claims are caused by illnesses that prevent a person from working.[2]

The Two Types of Income Protection

First, you should understand that there are two types of income protection:

- **Short-term disability insurance** typically protects a more significant portion of your income than long-term disability--sometimes up to 70%--for a term anywhere between 3-6 months.

- **Long-term disability insurance** usually pays 40-70% of your income over more prolonged periods: 5, 10, 20, or even until retirement age.

	PREGNANCIES	MUSCULOSKELETAL DISORDERS affecting the back and spine, knees, hips, shoulders, and other parts of the body	INJURIES fractures, sprains, and strains of muscles and ligaments	DIGESTION DISORDERS such as hernias and gastritis	MENTAL HEALTH ISSUES including depression and anxiety	CANCER
THE MOST COMMON REASONS FOR SHORT-TERM DISABILITY CLAIMS	25%	20%	7.5%	7.8%	7.7%	✕
THE MOST COMMON REASONS FOR LONG-TERM DISABILITY CLAIMS	9.4%	29%	9%	✕	9.1%	15%

[4] Simply Insurance
[5] Simply Insurance

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HOW WOULD A DISABILITY IMPACT YOU FINANCIALLY?

Well, it depends. The potential financial effect will vary depending on several factors, such as the severity of your illness or injury, the length of time you're unable to work, your amount of income, and your level of coverage. Here's the same table presented above with some back-of-the-envelope dollar estimates based on averages:

PROBABILITY-WEIGHTED FINANCIAL IMPACT FROM DISABILITY

AGE	CHANCES OF BECOMING DISABLED*	AVERAGE LENGTH OF DISABILITY (YEARS)	MEDIAN HOUSEHOLD INCOME**	POTENTIAL FINANCIAL IMPACT***
25	58%	2.1	$70,283	$85,605
30	54%	2.5	$70,283	$94,882
35	50%	2.8	$88,858	$124,401
40	45%	3.1	$88,858	$123,957
45	40%	3.2	$92,221	$118,043
50	33%	3.1	$92,221	$94,342
55	23%	2.6	$75,686	$45,260

*Chances of becoming disabled for 3 months or longer before age 65 (Simply Insurance)
**Median household income in the U.S. in 2019, by age of householder (Statista)
***Methodology: Average length of disability in years multiplied by median household income; multiply total by chances of becoming disabled. Numbers are estimates based on averages. Your situation will vary depending on these variables.

WHAT SHOULD YOU LOOK FOR IN AN INCOME PROTECTION POLICY?

We believe, like G.I. Joe, that knowing is half the battle. Once you know the potential implications of an injury or illness to your financial model, you can make an informed decision on how you want your strategy to be structured.

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The Basics

- ☐ Do you have a short-term or long-term disability policy?
- ☐ Is your policy individual or employer-sponsored?
- ☐ What is your tax liability on the monthly benefit?
- ☐ Do you know how long your benefit period is?
- ☐ Do you know how long you would have to wait before you are eligible for benefits (also called an elimination period?
- ☐ Do you have an elimination period consistent with minimizing premiums per how long you can survive without an income?
- ☐ Is your policy noncancellable?
- ☐ Is your policy guaranteed renewable?

DID YOU KNOW?

***HINT**: You can find much of this information in your employee handbook or in your Human Resources (HR) portal!*

Level of Coverage

- ☐ Are benefits paid if you are unable to complete the duties of your own occupation?
- ☐ Are benefits paid if you are unable to perform the main duties of your own occupation but could perform duties in another line of work?
- ☐ Are benefits paid only if you cannot complete the duties of any occupation for which you are reasonably qualified by training, experience, and education?
- ☐ Can you receive a benefit if you are unable to earn a specified percentage of your salary?
- ☐ Is the policy benefit a percentage of your regular income or a flat amount? How long are the benefits for disabilities from mental illness or substance abuse?

Riders & Provisions

- [ ] Do you have a cost of living rider to assist with the effects of inflation?
- [ ] Do you have a future purchase option to ensure that you can buy more disability insurance if you have a higher income in the future regardless of health or injury?
- [ ] Do you have a residual rider to cover partial disability?
- [ ] Do you have a return-to-work or rehabilitation provision?
- [ ] Do you have a hospice care benefit?
- [ ] Does your policy suspend premiums during periods of unemployment?
- [ ] Do you have a catastrophic disability rider?
- [ ] Do you have a student loan protection rider?
- [ ] Do you have a retirement protection rider?
- [ ] Do you have a social insurance substitute rider?

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