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The Six Steps to Financial Independence

1. Cash Flow
   - Earn additional income
   - Manage expenses

2. Debt Management
   - Consolidate debt
   - Strive to 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
   - Strive to outpace inflation & reduce taxes
   - Professional money management

6. Preserve Wealth
   - Reduce taxation
   - Build a family legacy

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

1. The Rule of 72 is a mathematical concept that approximates the number of years it will take to double the principal at a constant rate of return compounded over time. Although it is useful for illustrative purposes only, it can reflect the real impact on changes associated with inflation. The performance in not an indication of future performance. This is a simplified model for illustration purposes. Actual results may vary significantly from this model. All figures are for illustrative purposes only, and do not reflect the risks, expenses or charges associated with an actual investment. Past performance is not an indication of future performance. Results are rounded for illustrative purposes. Actual results in each case are slightly higher or lower. This illustration does not reflect any taxes, or fees and charges associated with any investment. If they had been applied, the period of time to reach a $1 million retirement goal would be longer. Also, keep in mind, that income taxes are due on any gains when withdrawn.

2. The most basic elements of an estate plan include, but are not limited to: a will; assignment of power of attorney; and a living will or health-care proxy (medical power of attorney). For some people, a trust may also make sense. When putting together a plan, you must be mindful of both federal and state laws governing estates.

3. How much does probate cost and how long does it take?, law.freeadvice.com

4. “Estate and Gift Tax Exemptions for 2015-2016,” Kay Bell, Bankrate.com. Tax laws may change. Tax and/or legal advice not offered by WFG, its affiliated companies or associates/representatives. Please consult with your personal tax and/or legal professional for further guidance.


Your financial future depends on how you address your individual circumstances. There is no one way of preparing for the future that is right for everyone, but there are common elements. Your World Financial Group (WFG) financial professional can assist you in determining your particular needs and guide you in making the necessary financial arrangements to help you achieve your goals. It all begins with understanding these six steps to financial independence.
Establishing Yourself in your 30s

As your income grows, perhaps along with the start of a young family, you can begin to look beyond debt to building wealth and protecting loved ones with proper insurance coverage.

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

Notice how a $5,000 investment at age 29 doubles faster as the rate of return increases.

Hitting Your Stride in your 40s & 50s

As you become free from consumer debt and increase your disposable income, your full focus should be on building wealth for your future and for your children’s education. Estate planning and long term care are also on your mind.

The Impact of Losses
Proper insurance coverage can help you guard against the impact of losses. At this stage losses are magnified because you not only have to recoup what was lost, but catch up to the progress you were making.

This chart shows why a 50% loss in an account then requires a 100% gain just to get even.

Starting Out in your 20s

Responsibilities such as student loans and credit cards are often at their highest when your cash flow is at its lowest. It’s important to have a strategy to manage or eliminate your debt.

The X-Curve

That’s exciting to think about. But consider the interest rate on your credit card. Is it 18%? Higher? The Rule of 72 can work against you just as powerfully as it can work for you. Debt management is still important.

The Rule of 72 doesn’t consider taxes. Taxes can increase the amount of time it takes for money to double. Your financial professional can help you develop a strategy that considers the impact of taxes.

The Cost of Waiting
Just as loss can be expensive, so can waiting. Perhaps it’s taking you longer than expected to pay off your consumer debt. Circumstances like these and others, such as the rising cost of living, can keep you from thinking about the future.

This chart shows how much you need to set aside each month to reach a $1 million retirement goal, based on a monthly compounded rate of return in a hypothetical 8% tax-deferred account. No matter where you are in life or in building a financial strategy, the key is to begin saving now.

Living On Your Terms in your 60s & up

After years of careful planning and commitment to your goals, you’ll continue to discover that financial independence still requires work in the form of estate planning and deciding how to enjoy each day in retirement.

Having an estate plan in place will help:

- Avoid probate costs (3-7% of your total estate value)
- Manage estate taxes. Current tax law exempts estates valued up to $5.45 million from estate taxes, but estates valued more than that can be taxed up to 40%.
- Ensure your legacy reaches your intended heirs

Establishing a Solid Financial Foundation

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The Three-Legged Stool

The Three-Legged Stool refers to the traditional retirement income model which was composed of a Social Security check, a company pension, and your personal savings. When Social Security started there were 42 people working for every one retired. Currently it is less than three to one.

Pensions are becoming a thing of the past, which leaves personal savings as the only leg left.

With the 3-legged stool of retirement all but crumbled, there has been a shift to personal responsibility. It’s important to learn the right balance between what you spend now and what you save for later.

Working with your financial professional is the best way to prepare for the future and for how you’ll live on your terms.