EP 293- Financing Your Retirement with Other People's Money

Hello and welcome to today's video. My name is Adam Reyna and I'm honored to be sharing this information with you today. I know there's a lot of financial information that comes at you at hyper speed these days. One day, headlines are telling us that AI is leading the technology sector to the moon, then suddenly, inflation causes the Fed to raise rates again, and the stock market reacts. Not to mention there's that looming recession that experts are painting into our financial horizon over the next couple of years.

This information can be overwhelming. This is why it is more important now than ever that you work directly with your highly skilled advisor to help customize a true financial road map that you can follow to help you avoid those financial and retirement planning pitfalls as they arise. It's time to take matters into our own hands. With that said, let's get into our topic for the day.

Today, we're going to talk about financing. I'm sure you're thinking what does financing have to do with financial planning? I'm going to start with a question. Why did you finance your home as opposed to just simply paying cash for it? Now there's a lot of answers we have gotten back over the years when asking this question, but the most common reason people finance their home is that they simply want a larger house. Imagine if you took your $200,000 down payment and bought a house for two hundred $200,000 cash here in San Diego. That 200K would literally get you a shack down by the border of Mexico. However, if you put that same 200K down as a down payment on $1,000,000 home, now you're living large by the beach and a much bigger house.

In this example, we're using other people's money at the time of purchase, so we can get a larger house and make smaller payments over time to pay down that mortgage. Another reason people are using financing or other people's money is because they want to retain their capital. What that means is you're keeping control of your hard-earned dollars for other opportunities.

In our previous example, even if you had the means to buy a home for $1,000,000 cash, you most likely wouldn't because you don't want to put that much money to work in one asset class. You want to maintain diversification and use those same dollars to fund other things like retirement income planning or legacy planning for your family.

Another question for you. If it made sense to finance your home, you could get a larger house and retain that excess capital for other financial opportunities, wouldn't it make sense to use financing to fund your retirement income planning? What if you could use less money to accomplish more for retirement? What if you could use other people's money to finance your retirement income planning and get a bigger retirement paycheck and you could accomplish this all while retaining the excess capital you saved for other things like diversified investments or lifestyle spending?

That leads us into the product we're going to cover today, which is called Kai-zen. Kai-zen is a form of hybrid financing for tax free retirement income and legacy planning. Kai-zen uses cash value life insurance as the underlying chassis. The reason we use cash value life insurance, specifically index universal life, is that we can use after tax payments to generate tax deferred growth. Tax free distributions can eventually leave a tax-free death benefit to your heirs. These are all benefits you can only get while using a life insurance chassis.

Please understand that you can use IUL without financing, but like we discussed earlier, when we do use financing, we are able to simply buy a bigger policy using other people's money and retain that capital we would have otherwise used to fund the policy. Now the bigger the policy, the more income you can generate for retirement and the less money you use to fund the policy, the more you get to use elsewhere, right? It's a win win. Now, please remember to work with your trusted advisor to customize your plan for you and your specific scenario.

Without getting too much into the technical details, here's some of the mechanics. There are 10 premium payments that go into the life insurance policy, but they're paid by the bank, the lender. Number two, you're committing to just five years of contributions, which is only half of the total premium paid in the first five years. If the lender is paying 50K a year for ten years on your behalf, you only must contribute 25K a year for five years, and the rest is financed. Instead of funding the full 500,000, which was 50K a year for 10 years, you only fund 125,000 total which is 25K a year for five years. What we're doing is we're creating 3 to 1 leverage to provide a larger tax-free retirement paycheck that's ultimately going to provide you about 60-75% more growth in your policy.

Number three, after about 15 years, there's enough cash in the life insurance policy to pay back the bank using the cash value. It does take about 15 years before you can start your income, so the sooner you get started, the better. I want you to keep in mind even if you want to retire sooner than 15 years, it always helps to have a laddered retirement income strategy with different income buckets turning on at different times. Lastly, and one of the most important and unique features of the Kai-zen plan, is that unlike most other financing, there are no interest payments, no loan documents, no credit checks, and no personal guarantees. Unheard of.

To summarize, what we spoke about today, now we all know that there are lots of financial pitfalls we need to avoid in order to accomplish our retirement goals and working with the true financial professional to give us a road map will help us avoid those. We understand that using leverage and financing can provide us more benefit for the same out of pocket contribution and we know that if we can use less money to accomplish more, we can retain the excess capital we worked so hard to accumulate for other purposes.

Finally, we know that if we can use low risk financing to fund our cash value life insurance policy, we can provide up to 60% more tax free retirement income to supplement our other retirement income sources. If you have any questions, please reach out to the advisor that sent you this video and I hope you can use premium financing to help you enjoy the retirement you deserve. Thank you.