

Episode 295: The Greatest Wealth Transfer

Hello everyone. My name is Michael Clementi. And first of all, I want to thank you for attending today's Money Script Monday episode. Today we're talking about the greatest wealth transfer and how to potentially expand your legacy.

For this episode, I want you to imagine a different time in your life. Think of a time when you and your spouse are in your late 70s, maybe early 80s, and both have worked incredibly hard and are living the retirement lifestyle that you always dreamed of. All the years of preparation and proper planning have finally paid off because you get to keep that same lifestyle you had when you were both working at those full-time careers. Well, now that you and your spouse are taken care of financially and you're getting a little older, the question arises. What is our legacy going to be and what will we leave to our kids and our grandkids?

Over the next 25 years, \$84 trillion will transfer from retirees to their children, whether they are ready for it or not. For most parents, there isn't anything they wouldn't do for their children. However, they may not feel comfortable leaving them a large lump sum of money with no control over how it will be spent. Anytime someone receives a large lump sum of money, no matter where it comes from, it almost imitates winning the lottery. And a quick stat about lottery winners is that 7 out of 10 lottery winners lose all that money within five years. They've spent it and depleted it without any plan in place to sustain it.

So, I asked the question to you. Would you rather leave \$250,000 in cash, or use that same amount of cash to put in a strategy that has the potential to generate \$1.4 million of death benefit, \$75,000 of retirement income, with a total tax-free benefit of \$2.6 million? Many retirees like to have a plan that allows their gift to provide a long-term meaningful benefit over the course of their children's lifetime.

The strategy is no secret. What I'm referring to is a unique life insurance premium financing strategy that we call Kai-zen hybrid financing. Now, Kai-zen provides you an opportunity to significantly enhance the gifts you were going to give your children. You take those gifts and make five annual payments as gifts to your children, which are used to fund a unique cash-accumulating life insurance policy. Your contributions are then used as a sole collateral combined with leverage adding up to three times more money to the benefit you are going to give them.

When we look at the source of where this money or gifts are coming from, it typically comes from accounts that you don't really need income from. You may take an RMD for that money, pay the taxes on it, and it kind of gets annoying because you don't need that money. So we're using that money, in this case, \$250,000 as that gifted premium to your kids. Now, what is the benefit they are getting with the Kai-zen hybrid financing strategy?

The first benefit is the life insurance benefit. Day one, you get a death benefit that is completely tax-free. Not only are you protecting your kids and their spouse, but now that next generation of your grandkids. That death benefit isn't just a death benefit, it could be used for a living benefit if there's any chronic, critical, or terminal illness involved in their lives. That's step one.

Step two. The excess cash that goes in there goes into a cash value bucket which can grow over time, and that money can be used as a tax-free retirement income source for your children. Not only are you helping out the grandkids with that insurance benefit, but you are also helping out your children with that retirement need so they get that same lifestyle you get to enjoy right now.

Lastly, this money is a 0% floor product. We're not going to be losing any money to stock market volatility as you see on those 401K's, IRA's, and assets under management. And then, there is some sort of time limit built

in there. Instead of getting all those benefits up front, your kids do have to wait 15 years to plan what they will be using this for. It can be used for really anything major capital purchases like paying for that wedding, paying for college, buying that house, and really anything to get your kids ahead in life.

In conclusion, if you or your spouse are in a similar situation where you are thinking about how you can expand your legacy, I highly recommend you get with your financial advisor and ask them how you can be a part of the greatest wealth transfer. Again, my name is Michael Clementi, and I want to thank you for your time today. We'll see you next week.