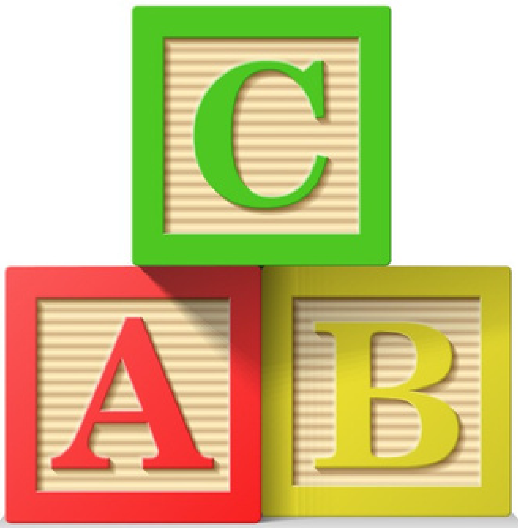
CHILD ASSET

Builder



Child Asset Builder

Leaving a generational legacy

JONDA KNOWS™

Transforming how people think about money

The magic of compound interest. Compound Interest is the addition of interest to the principal sum of a deposit. In other words, interest on interest.

What if you could use the magic of compound interest for decades (i.e., a child policy), yet never pay taxes above basis because you take distributions as a loan?

It is not deemed as income, is not subject to required minimum distributions, and will not effect taxation on social security if in a life insurance policy. Death benefits are tax free as well.

As a parent or grandparent, you can leave a legacy by using the magic of compound interest.


Compound
interest

According to the Federal Reserve,

> “Over one-half of Americans could not come up with $400 in an emergency.”

That's unnerving, to say the least. All of us love our children/grandchildren, but we might not be around to protect them through financial failures. What if part of your legacy was built around helping them get a head start on savings?

I recently came across a 45-year-old man whose father taught him the value of savings. His dad told him to put 25% of every dollar into savings when he took his first part- time job in school. He never stopped setting aside this percentage, and his income has grown through the years. Today, at a relatively early age, he's a multimillionaire. But, as you know, he's an exception to the rule.

One of the problems is that we're not taught financial responsibility when we're in kindergarten, grade school, high school, or even college. And many times, what we do learn about savings is simply not true. What if you could give your children a head start with the knowledge of how to take care of money? What a legacy that would be.

The Magic of Compound Interest Combined With Time. Add tax-free distributions with flexibility and you have a child asset builder

Compound Interest

+

Time

+

Tax-Free

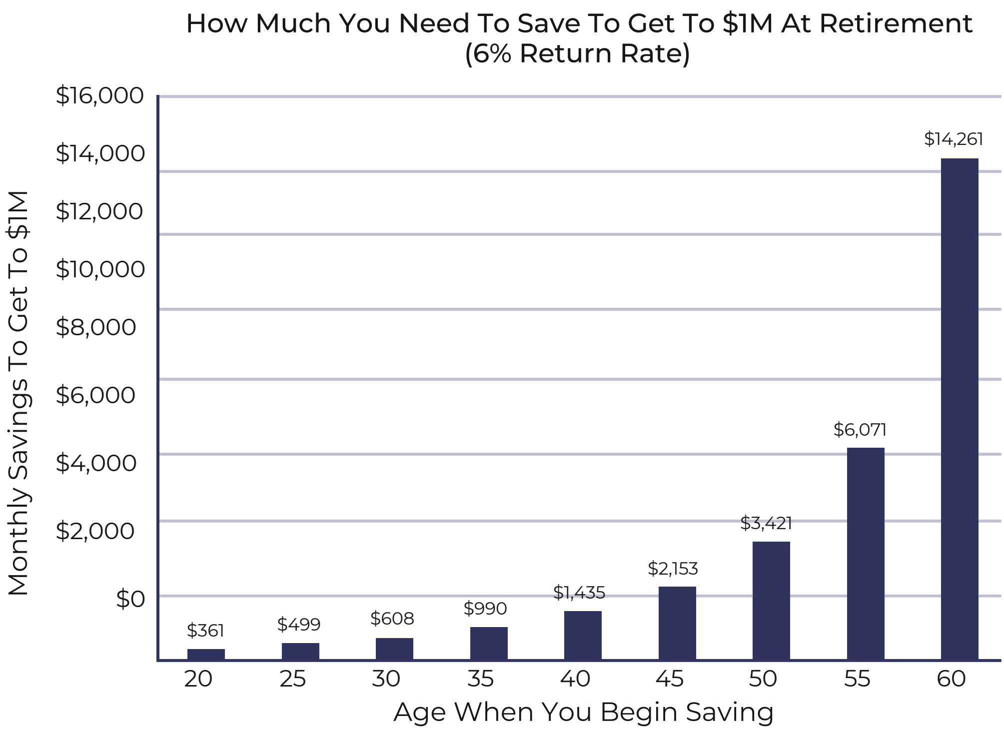
Distributions With Flexibility

=

Child Asset Builder

Remember, compound interest is the addition of interest to the principal sum of a deposit. In other words, interest on top of interest.

As the years go by, this method of accruement can develop into a sizable amount of money. This is great, but the problem is that interest is always taxable when you take a distribution.



When we talk about a checking, savings, or even a CD account, we already know that the gain, if any, is taxed at the end of the year. For traditional IRAs and 401k's, 100% of that money is taxed at distribution.

There are only two methods that are never taxed: Roth IRA or life insurance when distributed through loans that are properly designed.

How assets are taxed

Tax Now	Tax Later	Tax Never
Checking	IRA	Roth
Savings	401k	Life Insurance
Money Market	Pension	
CD's	Profit Sharing	
Stocks	Annuities	
Mutual Funds		
Brokerage		

Every time I tell the Child Asset Builder story, I get more and more excited. The concept isn't new, but with today's products, it can be highly enhanced. Today, our program can include life insurance with critical, chronic, and terminal illness coverage. The owner can even use the money as needed as the child reaches maturity.

In January, 2021 Congress made a revision of the 7702 regulation that makes this concept for accumulation even more powerful.

But why would you purchase life insurance? The number one factor is future insurability. Once you're approved, it's locked in as long as your policy doesn't lapse. Think about that for a second. Being able to purchase life insurance at a young age, when costs are low, makes perfect sense. No matter what happens in life, your child is insured.

How many parents or grandparents make the costly mistake of not taking care of this simple decision?

Later in life, that insurance can be a great asset, as you know, to help secure loans. There is so much flexibility in this plan. It may also become the most valuable asset a family can ever have, helping a family pay debts and ensuring future income. This Child Asset Builder plan could become a college savings account. In addition, the policy comes with critical, chronic, and even terminal illness riders. I call this the risk management of our plan.

Simply put, our plan is self-completing no matter what occurs.

Now, let's look at the primary reason for the Child Asset Builder: accumulation. This is why so many grandparents and parents love this plan. It makes sense: if we systematically put money away for a few years when the child is young, we can eventually stop payments and just let it build. If we're able to credit interest in most years, the concept/magic of compound interest could really take hold for us.

But here's the real beauty of this plan: it's not in the market. After expenses, the carrier puts the remainder of the premium in their general accounts, which are generally fixed assets. They then purchase options on behalf of the policy. For instance, if we chose a crediting strategy of a one-year point to point, we would see if the index had any gains one year later. If it did, we would exercise our option and take the gain at 100% up to the cap that the carrier offered. Then, we would lock in that gain and reset for our next crediting period.

On the other hand, if the index did not achieve a gain, we would simply not exercise the option. Thus, we lose no money in our crediting strategy. We would reset at the lower index mark and begin again.

Now, here's a moment that seems almost too good to be true. We are simply using the rules and laws of life insurance to make this happen with an overfunded Indexed Universal Life plan.

I mention the rules and laws of life insurance because we are using a concept called leverage to maximize our return. We are using a variable loan where the carrier loans the money without going into your cash account. It continues to work inside the crediting strategy.

One concern you might have is that when the child turns 25 and she has control of the account, she may see money that she could access. You may no longer be around, and guidance may be at a minimum.

To accompany the Child Asset Builder I'd encourage you to write a personal handwritten letter to the child. This letter would explain the details and importance of the plan. I have to tell you, I think they would think twice before terminating the policy.

The Love Letter

Lucy,

I love you with all my heart. Back in 2015 when you were only two years old, I felt that the greatest gift that I could give you would be this policy. It was meant to be a lesson to you about love and prudence. Life is not easy, and how I wish to be with you today as you face this financial challenge. This policy is a partnership between you and me. It is to be carried with you throughout your life. And, it's here to help you maneuver through the rivers of life. If you need money, take it from here as a loan. Only enough to get you through what challenge you face. Be prudent, put it back as quickly as you can. If you do, it will take care of you throughout your life. It will make your life and retirement a little bit easier. I love you baby. Make good choices.

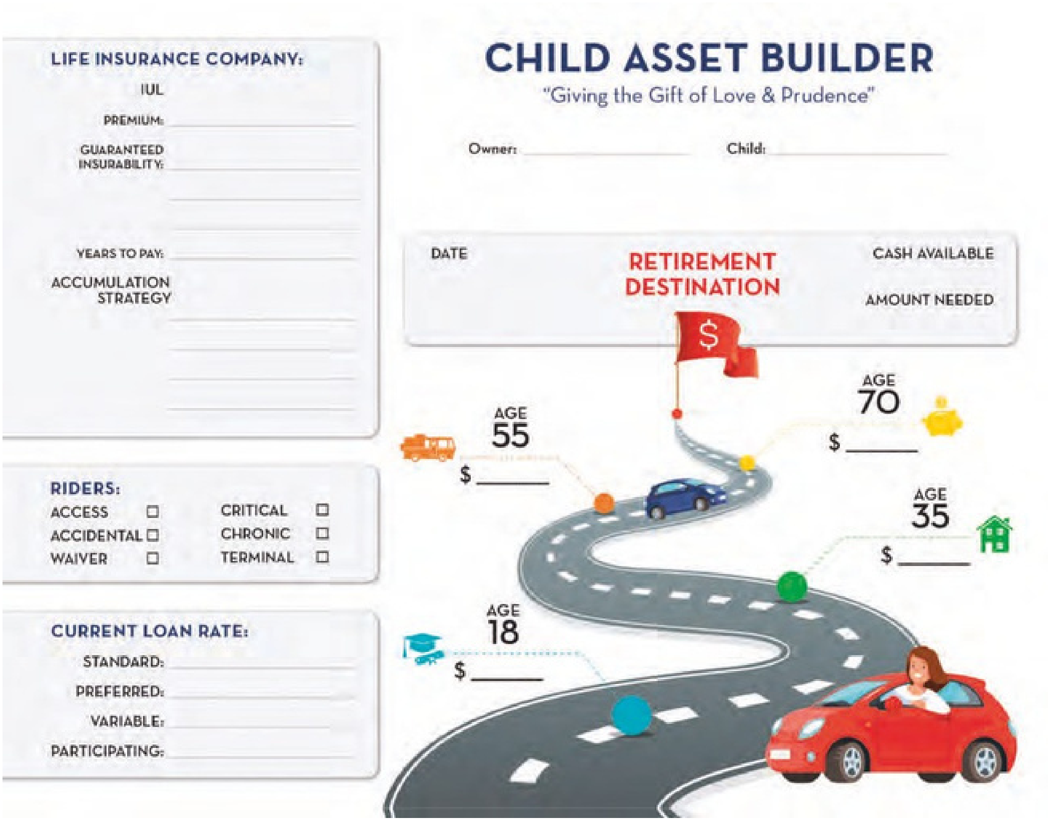
Papa

I think you would agree that proper planning is a must for life and retirement.

You know, social security was never meant to cover more than 40% of your income when you move into retirement.

Let's take this deeper. I'm a firm believer that it's almost impossible to get to your destination unless you have a plan, a process, a roadmap. Why leave anything to chance when you can chart a blueprint to your goal?

Child Asset Builder Roadmap



- GUARANTEED INSURABILITY
- AN OPPORTUNITY FOR COLLEGE FUNDING
- EMERGENCY FUNDING
- A SOURCE OF SUPPLEMENTAL INCOME
- TAX DEFERRED ACCUMULATION

GRANDPARENTS CURRENT LIFE INSURANCE

GRANDMOTHER	GRANDFATHER	
		FACE AMOUNT
		TYPE OF INSURANCE
		CASH VALUE

PARENTS CURRENT LIFE INSURANCE

MOTHER	FATHER	OTHER	
			FACE AMOUNT
			TYPE OF INSURANCE
			CASH VALUE

The Love Letter

My name is Jonda Lowe, owner and president of JondaKnows. Jondaknows is a Wealth and Tax Management firm built to serve the needs of individuals, business owners, and their families. With over 30 years of experience, we create tailor made, tax-efficient plans to meet the needs of people like yourself. Our dedication to best-in-class service is rooted in our never-ending commitment to put your interests first.

Jonda Lowe

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