

Investment Portfolio Considerations

Texas Snake, [04.04.20 14:16]

Investment Portfolio Considerations Using $1,000,000.00 Available Cash Reserve

Prior necessary considerations due to certain requirements involving the initial investment consideration as it includes a Mutual Life Insurance policy that is high cash value sensitive and requires at least 4 of the first 7 years premiums to be paid with new funds and not cash value loans. This to maintain the true Life Contract and not automatically converted to a Modified Endowment Contract,

The vehicles will be A Whole Life Policy, then a combination of Immediate and Deferred Annuity Contracts, then a continuing monthly investment in an accumulation Tax Free Municipal Bond Fund with the monthly accumulation of additional units to increase with each successive year's cash value loan following the initial steps creating additional monthly cash flow. Finally lump sum investments in a quality Mutual Fund Family with those funds constantly under a practice known as Market Timing which depending on the overall portfolio value has a floating fee based upon assets under management.

This entire portfolio will be owned by a Living Trust which will be owner of each individual asset contained in the portfolio.

Since the 4 out of 7 rule applies, the funding of the insurance premium will be $200,000.00 per year totaling a commitment of $800,000.00 over this time line. The agent you choose to engage should you follow this concept will be in a position to get into paid up additions and how they allow you to place more cash into the policy from the beginning of the contract. You should be in a position to get close to 500,000.00 sunk into the cash values in that first year. Now I took my time and set this plan up over a 3 or 4 year period but since these funds will be available my presumptions are to accelerate the timeline.

We have close to $500,000.00 remaining give or take. You take those funds and purchase $300,000.00 in an immediate annuity which will create a monthly check being issued starting approximately 30 days after the policy is in force with that monthly benefit being determined on your age at issue and the type of guarantees you elect. Ten Years Certain and Life, Fifteen Years, Twenty Years etc. Remember the Trust is the owner as well as recipient of this monthly cash. With the remaining $200,000.00 you purchase a Deferred Annuity with a portfolio with 10 to 15% cash, approximately 30 t0 35% Bonds or Fixed Assets, with the remaining approximately 60% invested in Equity Assets. The annuity has professional fund managers and will have an existing portfolio modeling these percentages. Now here is where you hire the firm that conducts market timing on the equity side of this portfolio giving them Limited Power of Attorney to sell and purchase the equity assets within this contract using what is known in the industry as a Market Limit Order. This basically places a Limit Order to sell the common stocks or mutual funds held by the Portfolio Managers if the equities positions break through this limit order due to weakness in the market causing it to fall and your stock [position loses money. They sell you out and place all the values into an existing money market fund within the annuity contract. These stop loss limit orders are monitored each day the markets are open and if your portfolio appreciates in value the market timing company moves the stop loss limit order up to just a few dollars below where the portfolio is trading. As an example you buy into the portfolio @ $30.00 per unit. The stop loss limit would be around $28. If your unit value goes from $30. your basis to $40.00 the would move your limit order automatically up to between $38 to 38.50 per unit thereby capturing any gain should the market turn down you would go to cash and they would reposition you into the account once the market stabilizes and establishes a new floor.

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The Trust would be sure either through cash flow or a combination of selling a portion or creating a partial liquidation of the Deferred Annuity to fund the Life Policy next $200,000.00 premium when due. The agent will provide the best course of action but now you have $400,000.00 of premiums in the policy with a fair amount of cash over and above the Death Benefit. The beauty of cash value Life if they guarantee a floor earnings rate on the cash. A 4.5% yield is not unusual for Mutual Carriers plus whatever Dividends they declare as you. In addition to being a policy owner you are also an owner in the carrier and are entitled to your share of their annual dividends. These carriers also guarantee to loan you 95% of your cash surrender values at an interest rate never to exceed ½ of 1% over the floor earnings so in this illustration you would earn 4.5% and pay 5% interest on the loan so your cost is 1/2%.

Now you take these loaned dollars and purchase more annuities and as your monthly cash flow increases you begin to purchase units in the Tax Exempt Municipal Bond Accumulation Account and in approximately 30 to 45 days your Trust will begin receiving additional monthly income for use by the trust. These amounts will increase a little each month as the immediate annuity you initially purchased is generating cash flow that the Trust can begin to accumulate towards the next insurance premium of $200,000.00 will be due in a year. You follow this path until all 4 premium payments have been satisfied.

You then have cash in 3 places at the same time all without tax, a tax deduction for the Trust and in some secure investments. I say that for the following reasons. Insurance carriers for the most part are very conservative as they tend to let mortality tables dictate their risk reward ratios. Secondly what some may not know they all practice a thing called Re Insurance. Many think this only applies to Casualty Carriers so should a hurricane destroy an area say that Allstate was the largest insurer, the total damage could put them out of business, hence the reinsurance where they may retain 25% and sell the remaining 75% to a dozen other casualty companies thereby spreading the risk. Well Life Insurance carriers do the exact same thing.

A fact not known to many but in 1929 over 5,000 US Banks failed and their depositors did not recover their funds until shortly after the beginning of WWII. During that same timeline not one insurance policyholder lost one dime in their insurance cash values. In my personal experience I had just under 5 million invested in Deferred Annuities thru First Pyramid Life in N. Little Rock Ark, they failed and were taken over by the Ark Insurance Commissioner. This at a time we were selling these annuities with a 17% yield. Not one policyholder lost any interest or principal and those contracts remained active until they matured. The policies were taken over by Security Benefit Life who was the largest of First Pymard's ReInsurance Group.

Now let's presume we are into this structured portfolio concept for 5 years, your options are to begin paying back the initial loans made against the life policy. You do this to increase your annual earnings on the cash, to decrease the loan expense as well as replenishing the loan capabilities to say purchase an airplane, or a ranch, or a new boat, you now know of much cheaper for you to be your own banker vs paying outright or borrowing money from a banker at the prevailing interest rates.

The next process is now that the trust has a fairly substantial monthly cash flow you should begin considering other vehicles, such as Real Estate Limited Partnerships, Equipment Leasing programs, such as over the road equipment, or oil and gas drilling platforms, or college location apartment complexes, etc.

[Investment Portfolio link](https://docs.google.com/document/d/1ZWY2gjeMk8xQS_dkv6NzYKDVsdYHuC3uKeI0eIWVPDA/edit?usp=sharing)

HOW TO PREPARE for a FINANCIAL ADVISOR MEETING

by Texas Snake

I am going to present a list of items in a moment that anyone who is serious about creating a financial plan and providing those with the experience and expertise to take this information and assemble the beginning of a financial plan and then recommending and redefining those investment vehicles suited to achieving your goals and objectives

My recommendation being you may wish to copy and save this document in another window and truly begin thinking of the items included.

I required these items from anyone I worked with. I would produce a study consisting anywhere from 15 to 80 pages of alternatives and suggestions on what the prospect needed to consider to achieve his goals depending on the current achieved assets then accumulated.

Now please understand that numerous techniques have been developed over the years to allow salesmen to attempt to separate you from your money in order to collect commissions by selling you products that are more economically beneficial to them than they will ever be to you. So a red flag should raise whenever they begin to speak of products categorized under the general descriptions as: Limited Partnerships, Equipment Leasing (Oil & Gas, Public Storage Units, Section 8 Housing Units) or anything that does not have a readily accessible secondary resale marketplace) for you to get back to cash in a regular settlement environment. That's five business days.

Also please understand some improved techniques may have been developed since I sold my practice and broker/dealer company but the procedures I followed and trained over 50 registered representatives over the years which served me and our clients very well over the years.

I required of my potential clients

A Family Census including names, dates of birth, ages, and anticipated educational expectations for each child;

Current Net Worth statement;

A monthly budget of income to expenses;

Declaration pages for all Life, Health, and Disability Insurance Contracts issued on the principals;

The most recent statements on all current retirement plans i.e. Qualified Pension or Profit Sharing Plans, 401k Plans, IRA Plans, Non-Qualified Deferred Compensation Plans, Keogh Plans, or Defined Benefit Plans;

The last three years of tax returns.

And then to identify those:

Immediate, interim, and long term goals they wish to accomplish for investment;

Life Cycle choices including

 education requirements,

 housing expectations,

 vehicle and entertainment expectations,

 retirement projections and expectations,

 any specific obligations such as care for dependent relatives.

Anything which would be considered out of the ordinary and necessary scope of family obligations.

The final and most difficult item to develop is

Each spouses’ individual goals and objectives in the order of importance and prioritization.

The resulting study would show an anticipated end value and success ratio should they do nothing different, an anticipated end result based upon prior experience in the market place were they to adopt 30% of our recommendations; 70% of our recommendations; and 100% of our recommendations, with the final question to the prospect being

“Based upon this possibly more extensive review of where you are currently and where you wish to be in 5,10, 20, and during your retirement years. If you don't do anything differently, will you be satisfied?”

I add that last question as all projected investment planning studies are developed to get you as a client but that does not mean a good financial professional will not make you more successful than where you will end up doing everything on your own.

I was never fired and still can communicate with every client I ever had, at least to those still living.

Good Luck, Thanks for Reviewing, and GOD BLESS