CLIVE R. SWERSKY, LL.M (TAX)

Showing You The Way To The Financial Future You WantÔ

www.cliveswersky.com
email: mailbox@cliveswersky.com

140 Broadway, 22nd Floor
New York, NY 10005

Phone 914 274.8280
Fax 914 274.8280

"MUST-KNOW" INFO™ *SPECIAL REPORT*

The Nine Most Closely-Guarded Hidden Money Secrets The Financial Institutions Don't Ever Want Parents To Know!

While it is everyone's objective to achieve financial security, as a result of the evolution of financial products and the desire of financial institutions to derive profits from the financial products they provide, it has become glaringly apparent to me and others who share my perspective that far too many people end up with a combination of financial products and strategies that is far from optimum.

Financial products are generally complex and sold in such a way as to leave the financial institutions better off than the consumer. At the same time, conventional wisdom and misinformation tend to reinforce financial decisions that leave many consumers, who lack the time to research all aspects of their finances, with a financial structure that is not nearly as strong as it should be.

Since there is no instruction manual on how to arrive at the best combination of financial products and strategies and each individual is unique, what happens is that hard-working, well-meaning, consumers end up being duped by a false sense of financial security.

The result of being duped in this way is that wealth is lost either or both because of one or more unexpected but not necessarily unforeseeable incidents or over time. The wealth lost over each person's lifetime can amount to millions of dollars and shows up as a diminished sense of well being in later years.

Here are the nine most closely-guarded hidden money secrets the financial institutions don't ever want parents to know:

1. *Low deductibles on car and home insurance sold to consumers with little or no liability insurance allow property and casualty insurers to avoid millions of dollars worth of risk*

When car and home insurance policies are sold, purchasers are generally advised to choose low deductibles, e.g., $250 or $500, so that in the event of an incident that gives rise to a claim, the insured will not have to bear too big a cost. A large percentage of purchasers of car and home insurance, however, also have no liability or umbrella insurance. According to the article "Dogs and Teen Drivers Could Leave You Broke – Almost everybody needs extra liability," by Diane Brady, *Business Week*, September 16, 2002, "Despite the risks of going without, insurers say that only about 10% of holders of homeowner's and auto policies opt for an umbrella plan. Far too many people assume their existing coverage is adequate."

Often, people who select low deductibles, instead of a deductible of, say, $1,000, and don't have liability insurance, can easily afford to bear the extra $500 to $750 a couple of times a year, if need be, for the rest of their lives in the event they have to submit claims, but if they are involved in only one incident that results in a major lawsuit against them and don't have the maximum liability coverage they can obtain, they are vulnerable to a devastating financial setback from which they may never be able to recover.

If you choose high deductibles, the premiums for the car and home insurance you obtain will be lower. The savings can then be used to help you purchase the maximum liability insurance you can acquire so that the income you earn in the future and your savings and investments will be protected in the event you are sued.

There is more on this topic in my article in the **"Must-Know" Info™** section of my Web site, www.cliveswersky.com, entitled "Ready for Takeoff? What the gauges on the dashboard of the protection component of your [financial chessboard™] must first show."

2. Loading up on free or low-cost group term life insurance is likely to cost you a fortune in the future

You may be one of those employees who has been presented with a form that asks you to check the appropriate box to indicate whether you want an amount of life insurance, free, equal to one, two or three times your base salary. Since the life insurance being offered to you is free, the natural inclination is to choose three times your base salary, since that would enable your family to enjoy as comfortable a lifestyle as possible in the event of your premature demise. And you may have wondered why anyone would ever choose any other option.

Several potential concerns arise out of selecting the maximum group term life insurance offered by an employer.

Because there is a limit on the amount of life insurance that can be carried on your life, to the extent there is group term life insurance on your life, you are unable to have individually-owned life insurance on your life.

Since you have to pay for individually-owned life insurance while group term life insurance is free or extremely cheap, why not choose to have all the group term life insurance you can get?

One reason is that you have no assurance that the same employer will employ you for the rest of your life. If and when you leave your current employer, it is likely you will lose your existing group term life insurance and your new employer may not offer as much or any group term life insurance. Moreover, you have no assurance that your health will remain sound and you will continue to be insurable. Furthermore, you may want to start your own business and the absence of life insurance on your life may make it harder for you to arrange lines of credit. In addition, if you are insurable when you are older, you will be required to pay higher premiums for the life insurance you do acquire.

So it is best to obtain as much individually-owned life insurance as you can as soon as possible. Moreover, when you review your financial position with the aid of the financial chessboard™ and system described on my Web site, www.cliveswersky.com, you're likely to discover how to acquire the maximum amount of life insurance you can obtain for the rest of your life with no or little additional out-of-pocket outlay.

3. Buying term life insurance and investing the difference is a profitable strategy for the financial institutions but is guaranteed to erode your wealth

A common misconception that exists among financial advisors and journalists is that people should buy term insurance and invest the difference. The pitfalls and exorbitant hidden costs of this strategy are described in my article in the **"Must-Know" Info™** section of my Web site, www.cliveswersky.com, entitled "Should you buy term and invest the difference?" in which I make the following observation:

> "If one were to attempt to determine the strategy that is responsible for the most wealth erosion and the loss of the most benefits in the U.S. today, the strategy known as 'buy term and invest the difference' would be a top contender for this dubious distinction."

Those who buy term and invest the difference are destined to go to bed one night in the future with their life insurance and wake up the next morning without it. They are therefore destined to stay Person A and never to enjoy the benefits of being Person B, as described in the article in the **"Must-Know" Info™** section of my Web site, www.cliveswersky.com, entitled "Why Person A Would Love To Be Person B." Since life insurance that endures acts like any other income-producing financial asset such as a certificate of deposit or bond, and enables other assets to be spent down over time in later years rather than relied on for income only, every effort should be made to ensure that life insurance does not disappear and that you never have to experience so costly a night of sleep.

4. When you own universal or variable life insurance and expect it to endure, your life insurance carrier transfers its burden of risk to you

Because of the perception that the premiums payable for whole life insurance represent a high cost for life insurance and that funds that could be made available for whole life insurance could be put to better use in more productive investments, consumers have been persuaded to acquire universal and variable life insurance policies.

The lure of universal life insurance is that the life insurance policy can remain in force for a long time even though the premiums required are much lower than they would be for an equivalent amount of whole life insurance. And the lure of variable life insurance is that the lower premiums that are paid into the policy are also invested in the stock market where supposedly they will earn a higher return than if they were paid into a whole life insurance policy.

The flaws in these strategies have been explained in detail in my articles in the **"Must-Know" Info™** section of my Web site, www.cliveswersky.com, entitled "Universal Life Insurance – There is no such thing as a free lunch," and "Variable Life Insurance – A good way to ensure your uncertainty remains fixed."

The most troublesome consequences of this thinking are that the insured assumes the risks and therefore faces the threats that the annual premium could be raised because of an increase in mortality charges or a decline in the earnings in the policy, and that the death benefit could vanish. As a result, the insured cannot be certain that he or she will be in a position to enjoy the benefits available to Person B that are outlined in the article in the **"Must-Know" Info™** section of my Web site, www.cliveswersky.com, entitled "Why Person A Would Love To Be Person B."

Those who are aware of the advantages of whole life insurance, as outlined in the article in the **"Must-Know" Info™** section of my Web site entitled "On your financial chessboard™, are you playing your game of financial chess™ without The Queen of Personal Wealth Maximization?" are generally extremely reluctant to acquire universal or variable life insurance instead of whole life insurance.

5. *Owning government, corporate or municipal bonds while relying on the movement of money through different financial vehicles in your personal financial economy will enhance the returns on your investments*

People who own government, corporate or municipal bonds are generally primarily concerned, as Will Rogers said, with the return "of" their principal rather than the return "on" their principal. The problem with these types of investments, though, is that the returns are generally low and their value is eroded by inflation over time.

The returns on these types of investments, however, can be enhanced to a significant degree with no additional risk by the movement of money through different financial vehicles in a person's personal financial economy.

To determine how you can benefit from the movement of money through different financial vehicles in your personal financial economy, you must first request and complete a Confidential Questionnaire, or provide the information it would contain, so that you can see your personal financial information on your own financial chessboard™. Thereafter you will realize how you will benefit from the system described on my Web site, www.cliveswersky.com, and enhance the returns on your safe money.

6. Relying on group long-term disability insurance without adequate supplemental individual coverage puts you in danger of having to lower your standard of living in the event you become disabled

In another article in the **"Must-Know" Info™** section of my Web site, www.cliveswersky.com, entitled "The Twelve Most Overlooked Deficiencies of Group Long-Term Disability Insurance – A Dozen Traps for the Unwary," I point out the major concerns you should have as you review your group long-term disability insurance program. The dozen deficiencies, each of which are explained in the article, are as follows:

1. Two-year only own occupation protection;
2. No benefits if first partially disabled;
3. Integration with social security and worker's compensation;
4. Benefits capped and taxable;
5. Covered compensation excludes bonus;
6. Rates not guaranteed to stay constant;
7. Policy may be cancelable;
8. Portable? Not!
9. Elimination period longer than 90 days;
10. No presumptive disability provision;
11. Benefits fixed to age 65;
12. Mental or nervous disorder limitation.

As noted in the conclusion to this article, when you review your long-term disability coverage, you should check to determine not only whether the amount of income your policy would provide would be adequate in the event you suffered a long-term disability, but also whether the provisions of your policy provide the security you require. A poor long-term disability policy is like an inflatable rubber tire – from which the air is slowly leaking – you rely on to keep you afloat while leave a sinking ship. It might provide you with temporary relief, but eventually when all the air escapes, you're in real trouble. What you need to escape a sinking ship is a sturdy lifeboat.

Most employees do not check the provisions of their long-term disability insurance provided by their employer when they begin a new job or thereafter. They are understandably preoccupied with too many other issues. In addition, they'd probably be unable to negotiate for changes to the provisions of the long-term disability insurance provided by their employer even if they considered them inadequate. It is, however, essential to review the terms of the coverage and determine whether the coverage provided by the employer should be supplemented by coverage that can be acquired individually.

7. There are innovative ways to pay for college other than with funds accumulated in Section 529 plans and similar accounts

The financial information that is generally available relating to saving for college relies on the accumulation of money over an extended period so that it can ultimately be disgorged to the college selected by the student and his or her family. Section 529 plans were created for this very purpose. Assumptions are made as to expected rates of return and no attention is paid to the ripple effects, related costs, possible stock market declines and the loss of other benefits that inevitably accompany the accumulation of money in an account to pay for college.

Section 529 plans have been sold on the basis that the money accumulating in the plans grows on a tax-deferred basis, and can be withdrawn tax-free if it is used for the college expenses.

Some disadvantages of Section 529 plans, however, must be noted:

- After the year 2010, the earnings in the plan may be taxable upon withdrawal even though the money is used for college expenses;

- Since Congress recently lowered the tax rate applicable to dividend income and capital gains to 15%, the tax benefits of accumulating money in Section 529 plans, particularly over a period as short as seven years, have been reduced;

- No additional benefits are obtained from the money in the Section 529 plan and the money is essentially illiquid;

- The money earmarked for college will create a large hole in the retirement funds of the parents, since the parents will lose not only the money paid for college, but also the lost earnings on that money; and

- With recent declines in the stock market and prevailing low rates of return available on fixed income securities, it may no longer be practical, feasible or affordable for you to disgorge large lump sums to the college.

Through innovative techniques and strategies that become apparent through the use of the financial chessboard™ described on my Web site, www.cliveswersky.com, you will discover that you may in effect be able to retain or recover much of this huge chunk of wealth, thus creating a more comfortable retirement.

8. When you rely exclusively on a qualified retirement plan or IRA to accumulate funds for retirement, you're unlikely to maximize the funds you'll have available for your retirement

The big benefit of contributing savings to qualified retirement plans or IRAs is that money grows tax-deferred. Since no tax is paid while the money is growing, no lost opportunity costs are incurred either.

The funds in these plans, however, are essentially illiquid, since one must incur a penalty of 10% (unless certain limited exceptions apply), in addition to tax at ordinary income tax rates, on them before one can use and enjoy them. In addition, if a participant in the plan becomes disabled, there generally is no provision for that person's annual contribution to the plan to be continued in the future.

Furthermore, having funds in a qualified retirement plan is like being a limited partner in a partnership in which the general partner, the government, can unilaterally claim an increasing share of the partnership's profits at any time. As noted in my article in the **"Must-Know" Info™** section of my Web site, www.cliveswersky.com, entitled "Tax-Deductible Plans – Take stock of your potential future shock," in light of the demographics in this country, the current deficit incurred by the government as a result of the efforts to combat terrorism and the war against Iraq, and the looming Social Security and Medicare crises, one can derive little comfort from surrendering control over such a limited partnership interest to a general partner facing these financial obligations.

What most people don't realize, moreover, is that, in light of the tax that is payable when these funds are withdrawn, after age 50 – just when taxpayers are being encouraged by the government to pour as much money as possible into these plans – the benefit of adding additional funds to these plans begins to diminish rapidly, unless the taxpayer is properly positioned at or near retirement to withdraw on a tax-free basis the funds that have been growing tax-deferred.

To be properly so positioned, you must have received the insights you will obtain from the coordination and integration of the various financial products and strategies available to you through the system described on my Web site, www.cliveswersky.com, so that you don't ultimately have to relinquish too large a portion of the funds you have been saving for retirement to the government.

9. Owning a second-to-die life insurance policy in an irrevocable trust is usually the costliest way to address concerns about estate taxes

A second-to-die life insurance policy owned in an irrevocable trust has the potential to create a multi-million dollar financial disaster and several administrative nightmares for a family that decides to implement this strategy. The adverse consequences of this approach are succinctly described in the article in the **"Must-Know" Info™** section of my Web site, www.cliveswersky.com, entitled "After You See Estate Plan B, You'll Want To Stay Away From Estate Plan A."

The idea of having second-to-die life insurance owned in an irrevocable trust has gained favor through misguided reasoning and misconceptions. For example, the thinking goes, why insure the life of just a husband or a wife or both separately, when you can insure both for half the price required to insure one? On the surface, it seems logical, but when you dig deeper, you realize just how faulty this reasoning is. Another justification is that by using this strategy, you are in effect paying your estate taxes with heavily discounted dollars. This conclusion is equally spurious.

There may be occasions when it makes sense for second-to-die life insurance to be acquired and owned in an irrevocable life insurance trust, but such occasions are rare.

All the issues relating to this topic are addressed in the above-mentioned article, in which you will discover how Estate Plan B outshines Estate Plan A and which you simply must read if you or someone you know is contemplating the purchase of second-to-die life insurance in an irrevocable trust.

Conclusion

These, then, ladies and gentlemen, are the nine most closely-guarded hidden money secrets the financial institutions don't ever want you to know. You want to do all you can to be sure you and people you know become aware of them as quickly as possible, and avoid the dangers they pose.

The best course of action you can follow is to see your personal financial information on your own financial chessboard™ so you can have the assurance of knowing that you are making the best possible personal financial decisions for your future with the aid of the system described on my Web site, www.cliveswersky.com.

In order for you to see your personal financial information on your own financial chessboard™, you must first provide me with your personal financial information on my Web site or by requesting and completing a Confidential Questionnaire.

To obtain your Confidential Questionnaire, go to my Web site, www.cliveswersky.com, click on Special Free Offer, take me up on my IMPROVED NO-RISK SPECIAL FREE OFFER, and Begin, To Win.

In addition, you should note that after you have completed your Confidential Questionnaire and met with me (or one of my colleagues) to review your financial information on your own financial chessboard™, you will receive the password not only to all the above-mentioned articles in the

“Must-Know” Info™ section of my Web site, www.cliveswersky.com, above, but also to all the others.

After your financial information has been placed on your own financial chessboard™, you will discover how to avoid the dangers posed by the nine most closely-guarded hidden money secrets the financial institutions don’t ever want you to know!