



Spring Newsletter 2015

ALLE-LU-YA IT'S SPRING!!!

Hello from all of us here at **Pate and Smith Investment Group**. We hope all is well with you, your family and friends. I am so glad that spring is here. I feel like I can finally go outside and enjoy life. In the spring there is nowhere I would rather be than in North Carolina. I don't know about you but the older I get the more I realize that we only have a certain number of springs left in this life. Of course that includes the other seasons as well. Realizing this makes me appreciate them more and thankful for each and every one.

✓ Speaking of enjoying life, a few years ago my wife and I along with two other couples went on vacation. We rented a house on the beach about 50 miles south of Cancun. If you haven't ever rented a house on a trip like this you should try it. The house was on the crystal clear water of the Caribbean, separated by 20 yards of powdery white sand. It was a beautiful Spanish styled house with a pool and a maid. It cost us about \$50.00 per couple per night. One of the days while we were there we went snorkeling. The barrier reef was about 250 yards just off shore and out back of the house. This is where most of the beautifully colored fish and other creatures hang out. My wife doesn't swim so she stayed at the house. The two other couples are our good friends and are two sisters married to two brothers. The two sisters are very good swimmers. The two brothers are not so good and decided to wear life vests because of the long swim to the reef. When we headed out to the reef we headed out together. I was at the reef in a flash. I love snorkeling and under the right circumstances I think I could do it every day for the rest of my life but there is one thing you should never do. Never go alone! This is exactly what happened that day. Because of the life vests and their slow swim out, the other two couples wound up far from where I was. I hadn't really noticed because I was so mesmerized with all of the beauty. I was enjoying floating weightlessly watching the brightly colored fishes swim all around me and the warmth of the sun on my back. As I was making a turn to follow a fish I noticed something big out of the corner of my eye. It was the biggest barracuda I had ever seen pointed directly at me. You have to realize, I have snorkeled a lot in the Caribbean and I have seen a lot of barracuda. I had never seen one pointed directly at me. They are coy, kind of like a cat. They just ignore you. Once when I was snorkeling with my daughter we saw one about 15 feet below us. She swam

down toward it. That was not something I would have advised if she had asked me but again the barracuda just ignored us. This time was different. I'm staring at a barracuda that is bigger than any I have ever seen. I didn't know they could even get that big and he is staring back. I immediately tried to understand what was different and then it hit me. It's my necklace. I had forgotten to take off my necklace.

My necklace itself has a story. A number of years ago my friend Miguel that lives in Tulum, Mexico found a relic and gave it to me. It is a stone carving of an Olmec face on one side and it's flat on the other. The Olmec race disappeared over 2000 years ago and can be traced back over 4000 years. Needless to say, this little relic is very old and very important to me. So I decided to wear it on a necklace. I asked a friend that is jeweler to make me a gold plate, attach the relic to it and hang it from a gold necklace. The gold plate and relic are about one inch by an inch and a half. You have probably never noticed it because I wear it under my shirt. I wear it to remind me of my connection to the beauty of southern Mexico, the people that once lived there and the friends that still do.

Now back to the monster barracuda. The one thing that turns a barracuda on is something shiny. Here I am with one of the shiniest fishing lures possible hanging from my neck swinging back and forth and reflecting the bright Caribbean sun thru the crystal clear water into the eyes of a huge barracuda. I immediately grabbed it to try to conceal it and swam slowly away and around him hoping he would just go away. Instead he turned and moved closer. Now, a bit concerned, I decided it was time to head toward shore. In an attempt to hide as much of the necklace as possible I rolled over on my back and used my flippers to move toward shore. I was concerned where the barracuda was; because, I could no longer see him. After I had swam 20 to 30 yards I couldn't resist the urge to roll over and look back to see if he was still there. Not only was he still there he was now 6 feet from my flippers. Well, that was it. I rolled over on my back laying my necklace on my chest I swam with my arms and legs as fast as I could toward shore. I must have looked like an Evinrude churning the water. And all I could think about was that this thing could easily take off my leg and no one is close by. I rolled over and looked one more time and he was still there and just off my flipper. I swam even faster. Thankfully I still have both legs and my heart held out. I made it back to shore safely that day. I told my friend that lives there about what happened and he just laughed and said: "Oh, he was just escorting you in."

We all have barracudas in our lives - things like being critically ill, a sickness, the death of a family member or a friend. It could be the loss of a job, coming up on retirement without enough money or any number of things that scare us. Some of these things we can prepare for with a financial plan and some can only be prepared for by living God's plan. I want to talk to you about the things we can prepare for with a financial plan.

✓ Visions and Planning

I am a designer and builder at heart. I don't play golf or hunt and although I like to, I rarely go fishing. Designing and building are my passion. When I plan a project I make every important cut, nail every important nail and screw every important screw in my mind. I have a complete vision of the construction and the finished project. In my spare time I have designed and built things my whole life - things like rooms, decks, spiral staircases, waterfalls, a concrete swimming pool, landscapes, a chalet we call the tree house in the mountains of North Carolina, a restaurant in Tulum, Mexico and much more. I love designing and building. I put the same passion and vision into the financial plans that I design and build for my clients. I have found that designing a financial plan intimidates a lot of people. Don't let this happen to you. Planning is very important. A financial plan can be as simple as planning for one thing or as comprehensive as you would like. Just do it. I can help. One of the wisest men that ever lived said: "Where there is no vision the people perish: but he who keepeth the law, happy is he." I think King Solomon was trying to tell us about a law of the universe irrevocably decreed in heaven that is just as real as the law of flight. Just like we can expect to fall if we don't obey the law of flight we can expect to fail if we don't obey the law of visions. We need to plan and be able to visualize how we are going to successfully complete what we want to accomplish and have faith that we can. We all remember what Jesus said we could do with just a tiny bit of faith in Matthew 17:20.

Plan to live to 100.

I have enough money to retire comfortably for the rest of my life.
Problem is, I have to die next week.

-Anonymous

Only a few of our clients have been able to picture living to one hundred. This is understandable being the average life span is currently just a little over 80. The problem with not planning to live well above the average is that this thinking could cause you to run out of money. Actually technology is now advancing at a rapid pace. Researchers can already create human body parts from your own skin cells using 3D printing. The next ten years are expected to bring even more amazing discoveries that could extend our lives.

Lifetime Income Stream Key to Retirement Happiness.

-TIME, July 30, 2012

The best way to prepare for a long life financially is to have guaranteed lifetime income. We will need our money to last as long as we do. This can be done with the hybrid investments that we help our clients implement. If you haven't locked in a guaranteed lifetime income stream yet be sure to call us.

Tony Robins

The following are paragraphs from the pages of Tony Robin's great new book "Money Master the Game: 7 Simple Steps to Financial Freedom." You have probably seen Tony on television. For the past three decades Anthony "Tony" Robins has served as an advisor to leaders around the world. If you go to his website you will see numerous famous people give their testimonials for his wise council and strategic intellect. Steve Forbes of Forbes magazine said this book is "a goldmine of money making information!" In his book he describes the vehicle we use most to invest and protect our client's money.

Taken from page 408.

One of the more exciting structures for locking down income has other powerful benefits as well. **It is the only financial vehicle on the planet that give you the following:**

- 100% guarantee on your deposits.* (You can't lose your money, and you keep total control.)
- Upside without the downside: your account value growth will be tied to the market, so if the market goes up, you get to participate in the gains. But if the market goes down, you don't lose a dime.

- Tax deferral on your growth. (Remember the dollar-doubling example? Tax efficiency was the difference between having \$28,466 or more than \$1 million!)
- A guaranteed lifetime income stream where you have control and get to decide when to turn it on.
- Get this: the income payments can be made tax free if structured correctly.
- No annual management fees.

You get all of these benefits by using a modern version of a 2000 year-old financial tool! How is this possible? I am sure it sounds too good to be true, but stick with me. It's not! I use this approach, and I am excited to share the details with you.

Taken from page 406.

In 1952 Edmund Hillary led the first expedition to successfully climb Mount Everest, a feat once thought to be impossible. The Queen of England promptly knighted him, making him "Sir" Edmund Hillary for his famous trek.

Despite his accomplishment, many people believe Sir Edmund Hillary may not have been the first person to reach the peak of Everest. In fact, it is widely believed that George Mallory may have been the first person to reach the peak nearly 30 years prior!

So, if George Mallory reached the peak of Mt. Everest in 1924, why did Edmund Hillary receive all the fame-including being knighted by the Queen?

Because Edmund Hillary didn't just make it to the peak, he also successfully made it back down the mountain. George Mallory was not so lucky. Like the vast majority of those who have died on Everest, it was coming down that proved fatal.

Taken from pages 408 & 409.

As we have highlighted throughout the book, the financial future that you envision is very much like climbing Mount Everest. You will work for decades to accumulate your critical mass (climbing to the top), but that's only half the story. **Achieving critical mass, without having a plan and strategy for how to turn it**

into income that will last the rest of your lifetime will leave you like George Mallory: dead on the back side of a mountain.

*Insurance guaranty associations provide protection to insurance policy holders and beneficiaries of policies issued by an insurance company that has become insolvent and is no longer able to meet its obligations. **All states, the District of Columbia and Puerto Rico have insurance guaranty associations.** Insurance companies are required by law to be members of the guaranty association in states in which they are licensed to do business. Each state has its own maximum amount that you are covered up to, and in most states, that varies per person up to \$300,000 to \$500,000.

✓ **Prepare in the event you die tomorrow**

How can you prepare in the event you die tomorrow? Life can bring unwanted surprises. My father was in perfect health when a man ran a stop sign and slammed into his car. Dad lived a day and a half. Our financial plans should include preparations for the sudden death of a family member. Be sure to update your beneficiaries. There are three important documents to have in place. First is an up to date will. A will can save you a lot of headaches when dealing with a death. Some of them you might never imagine. Two other important documents are durable power of attorney and health care power of attorney. The durable p.o.a. can especially be helpful in the days, weeks or months prior to the death. Of course having enough life insurance is important as well. We often are asked how much is enough? To arrive at the correct amount you need to understand your income worth.

✓ **How much are you really worth?**

Have you ever stopped to think about how much you are really worth? There are 3 different types of worth: Net worth, Income worth, and Love worth. Let's explore.

Net worth – total everything you own in dollars then subtract what you owe.

Income worth – the amount of investment it would take to guarantee your present income for life. Example: Joe is 60 years old and his gross income is \$70,000. To guarantee Joe \$70,000 in income he would need to invest \$1,400,000

(\$70,000 divided by .05). Joe's income worth is \$1,400,000. If Joe dies his family needs that much to generate a replacement income of the same amount that would be guaranteed for life. If they need 75% of his income they would need a tax free death benefit of \$1,050,000. Other things are involved when deciding how much life insurance is needed as well like paying off the mortgage and other debt. Let's assume that Joe has no debt that needs paying off at his death. He needs \$1,050,000 life insurance until his pension and social security kick in at 66. At that time he only needs to protect one half or \$35,000. He could buy \$525,000 guaranteed for life coverage and a cheaper term policy to age 66 for the same amount and drop it at age 66. Or, if he were fortunate and his retirement income was sufficient to satisfy the needs of his family if he died, he may even choose to discontinue all of the life insurance at 66. If you can't afford to insure for your full income worth, insure as much as you can.

Love worth – this number depends on the person quoting that value. If you have children or grandchildren and they really love you a lot, they might say you are worth a google dollars (a one with a thousand zeros and 333 commas). If you wife is mad with you she might say your love worth is in the red or that you are not worth a red cent.

✓ How to avoid paying taxes on inherited money.

Life insurance is free from federal and state taxes. Money in annuities can move to the beneficiary without paying taxes if handled properly. Most people understand that accounts like IRA's and 401k's can be easily moved into the name of the spouse. Few people know that many other accounts can be moved to beneficiaries other than the spouse without paying the huge tax bill if the appropriate paperwork is filled out. We do this all the time. Don't make the mistake of not checking with us.

✓ Tax Free Planning

I want to talk to you about the importance of using Roth IRA's. There are few things left that we can use to invest tax free. Even if you are contributing to a 401k at work as long as you and your spouse make less than \$183,000, you can make a maximum contribution to a Roth. If you are under 50 that is \$5,500 each, if you are over 50 you can invest \$6,500 each. You can invest it into pretty much anything you want. If you are over 70 ½, still working and still invest you should

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be investing in Roth IRA's. We currently have one of the best guaranteed investments that we have ever been able to offer and it works great for Roth's, traditional IRA's, and 401k rollovers. If you or someone close to you are investing money for future income and want a good return and income guaranteed for life you really need to talk to us as soon as possible. If you know someone who need to rollover an underperforming or high risk investment call us.

Recently we worked with client's that wanted to leave money to their children tax free. He is 66 and she 62. They wanted to invest \$100,000 and get the maximum tax free benefit to their children possible. This was much more than we could get into a Roth. In designing the plan for them we found that the best vehicle to accomplish what they wanted was a hybrid life insurance policy. You may not have heard that term before because it's kind of new. With hybrid life policies you don't have to die to be able to cash in on the death benefit money. In life we never know what might happen. We may need to alter our plan and the hybrid policy gives us a lot more options. You can access the death benefit if you get cancer, have a heart attack a stroke or a number of other critical illnesses. You can also access it for long term care. This is truly life insurance for the living. Our client wanted to get the most out of his \$100,000 investment. The following is what he gets:

Tax free

1. Guaranteed death benefit of \$298,702 starting immediately and guaranteed for life
2. LTC protection of \$71,688 a year
3. CI \$50,000 per year per occurrence
4. Terminal illness \$149,351

Using historical numbers the following are the increasing death benefits and cash values at the following ages:

Age	Death benefit	Cash value
83	\$315,572	\$300,544
85	\$435,340	\$414,609
90	\$649,587	\$618,654
95	\$934,172	\$924,923
100	\$1,402,944	\$1,402,944
120	\$7,790,858	\$7,790,858

Is it a good time to invest in the stock market.

The average bull market for the S&P is 933 days. As I write this the current bull market has lasted over 2200 days. That alone sounds risky. Investing in the stock market is a gamble. For every trade there is a winner and a loser. When you play this game you are playing against expert that have the time, talent, training, tools and temperament to win. Some say that the game is even rigged in their favor. They are so good they can take money out of the market when it goes up and when it goes down. Luck is an important part of this game as well. From December 1999 to December 2012 the S&P (leading indicator of the stock market) lost money. If you were unlucky and invested in the S&P during that period of time you would have had less money than you started with after 13 years of investing your money. Could the next down period be longer? You have to ask yourself. Are you lucky? Are you a skilled investor? Are you average or below average? If you google average investor you will find that the average stock market investor earns between 2 and 4% depending on how he diversifies. Your skill can be improved with assistance but no one can help you with your luck. If you are going to invest in the market talk to us about dollar cost averaging.

If you are over 50 years old you should be very careful investing your retirement money in the stock market. I had a friend that was a wise old man. He once told me "don't invest your biscuit money in the stock market." If you decide to let us help you with more money or new money from yourself, family or friends understand that protecting your assets is and will always be our highest priority.

Again we want to thank you for your business, your trust and your friendship. We greatly appreciate those of you that referred your friends and family to us. There is no better compliment that you could give us.

All the best from Ron, Eugene, Janice, George, Jerry, and Frank!

Ron Pate

Call us at 919-734-4075 or toll free 1-888-738-4731

