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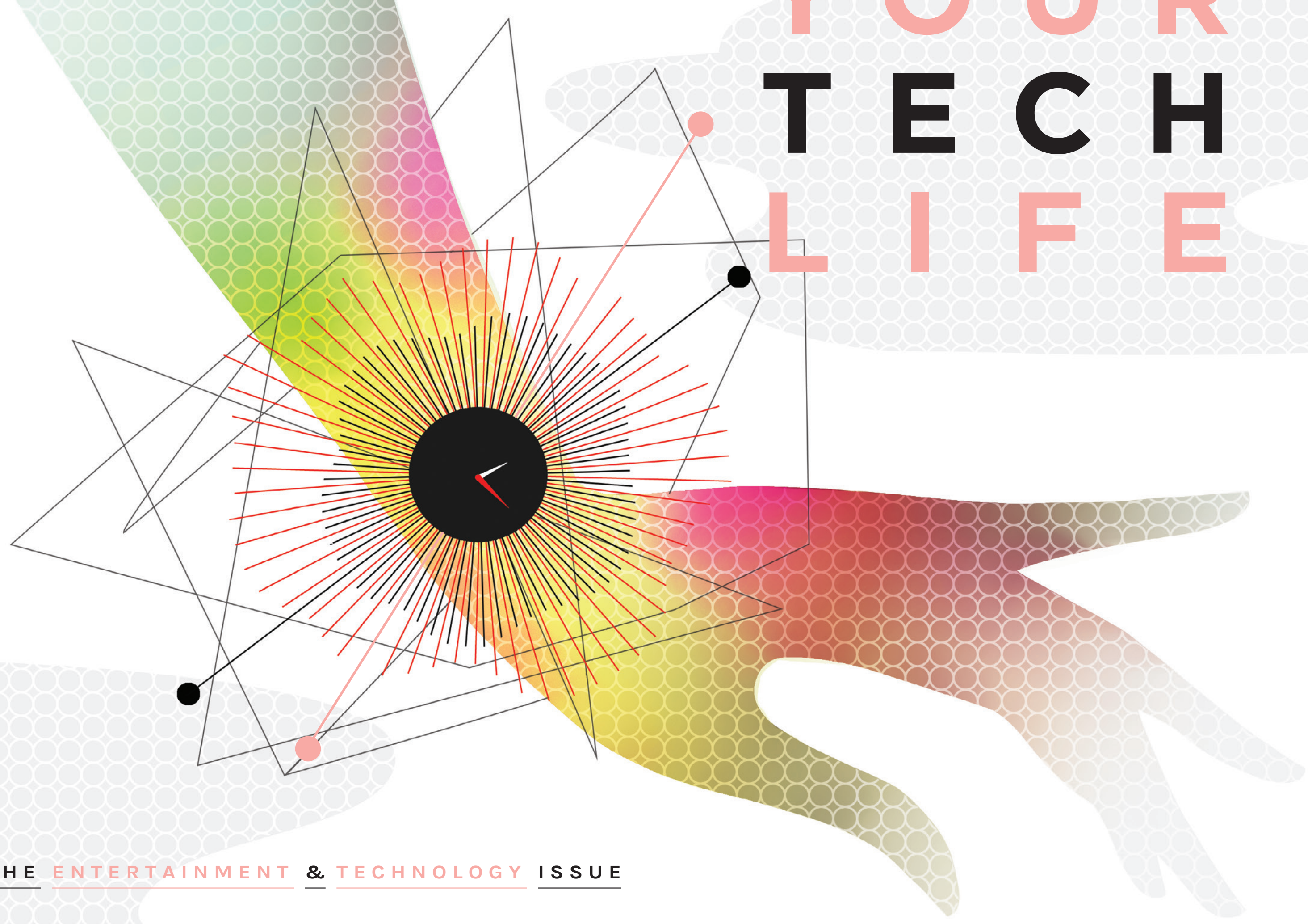

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Western International Securities
Marlin Smith, Wealth Manager, Corporate Services and Benefits
Tim Tanner, Wealth Manager, Corporate Services and Benefits
Les Brockhurst, Wealth Manager, Corporate Services and Benefits
Michael Gorak, Wealth Manager, Corporate Services and Benefits
W. Steven Temple, Wealth Manager, Corporate Services and Benefits

"How can I keep my retirement funds intact if there is another downturn?"

By Marlin Smith

Recovering losses from inevitable market downturns that all long-term investors will face is difficult enough. Taking withdrawals from retirement accounts during those downturns makes recovery from those down years even more daunting.

All markets and investments experience periods of volatility and downturns. And diversification may help smooth over some of these down years. But losses in the initial years of retirement are especially devastating for a retirement portfolio.

Traditionally, advisors look to diversify with a mixture of equity and fixed income to protect against market volatility. However, in a retirement plan, cash-value life insurance is regularly overlooked as a powerful diversification tool. By strategically timing tax-free withdrawals and loans from the cash value in a life insurance policy during down years, investors can avoid locking in losses in primary retirement accounts, giving them time to recover.

Assume a retired 65-year-old executive has $3 million invested in an equity heavy portfolio. The executive plans on an annual withdrawal of $210,000 (plus an inflation rate increase of 1 percent per year). It's important to remember that these distributions from capital gains, dividends and interest are taxable.

In any rolling 20-year period since 1950, the S&P 500 has had at least four years of losses. The period from 1973–1993 had five down years, two of which were negative years that occurred in the initial two years of that cycle. Combining early losses with annual withdrawals during this time, our executive would have had $1,334,373 left in the retirement account after 20 years. This is 56 percent less than the starting amount of $3 million.

Now, look at what would have happened had the executive prepared for these downturns 20 years ago. By utilizing strategic insurance planning, the executive would have allocated $21,000 per year to a $1.5 million cash-value life insurance policy, which would have resulted in an accumulated cash value of approximately $700,000.

With this plan in place, our executive may now take tax-free withdrawals from the insurance policy's cash value, not from retirement accounts. By taking the after-tax equivalent amount of $151,200 (using a 28 percent effective tax bracket) from the policy and not tapping into retirement accounts in those five down years, our executive's outcome has significantly improved, from $1,334,373 to $10,761,000.

In addition to protecting your family from catastrophic loss during your working years, a cash value insurance policy may provide an alternative to help you avoid tapping into retirement accounts during market downturns and provide added flexibility.

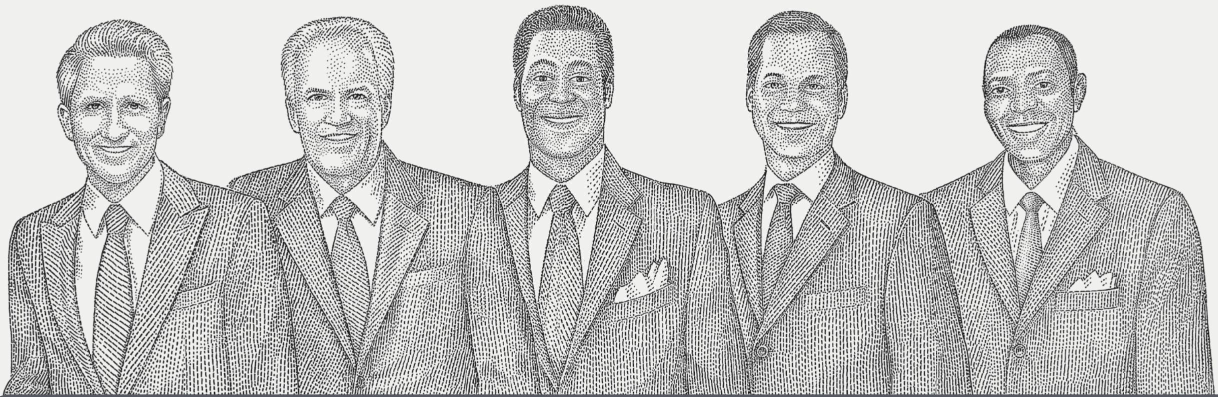
For the illustration, the hypothetical model assumes the retirement accounts were invested 100 percent in the S&P 500 index. Investors cannot invest directly into the S&P 500 index. Model adapted from "Smooth Sailing on Uncertain Waters," AXA Advanced Markets, March 2014. The policy premium and death benefit amounts used for this case are intended only to help demonstrate the planning concept discussed and not to promote any specific product. The values are broadly representative of rates that would apply for a policy of this type and size for the insured's health and age. Individual circumstances will differ. Under current federal tax rules, you generally may take federal income-tax-free withdrawals up to your basis (total premiums paid) in the policy or loans from a life insurance policy. Certain exceptions may apply. Please consult your tax and insurance professional. Past performance is not a guarantee of future results. Benefits received are subject to the claims paying ability of the insurance company.

"Cash-value life insurance is regularly overlooked as a powerful diversification tool."

—Marlin Smith

How to reach Marlin Smith

For more information about how we can help you or your organization, please call any member of our team at 888.793.7717 *or contact Marlin by email at* msmith@wisdirect.com.



Left to right:
Tim Tanner,
Les Brockhurst,
Marlin Smith,
Michael Gorak,
W. Steven Temple

About Marlin Smith

Marlin Smith has held managerial positions in the investment and financial planning industry since 1994. His team works with executives, business owners and family offices to design wealth preservation and tax minimization strategies. They also implement 401(k), insurance, money management and supplemental benefit platforms for businesses, non-profits, civic institutions and their employees. Prior to Western, Marlin was a wealth manager at Citigroup-Smith Barney, specializing in corporate clients. Before Citigroup, Marlin worked with international accounts at JP Morgan in New York and London. Marlin earned his BA from Harvard University. After graduating from Harvard with honors, he graduated from the London School of Economics with both MSc and MPhil degrees, specializing in international relations, economics and finance. He and his wife met in London and now have three children.

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Primary Custodian for Investor Assets Pershing

Email msmith@wisdirect.com
ttanner@wisdirect.com
lbrockhurst@wisdirect.com
mgorak@wisdirect.com
stemple@wisdirect.com

ILLUSTRATION BY KEVIN SPROULS

Western International Securities | 70 South Lake Avenue, 7th Floor, Pasadena, CA 91101 | 626.529.2357

Marlin Smith
Wealth Manager, Corporate Services and Benefits

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Wealth Manager, Corporate Services and Benefits

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W. Steven Temple
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70 South Lake, 7th Floor
Pasadena, CA 91101
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