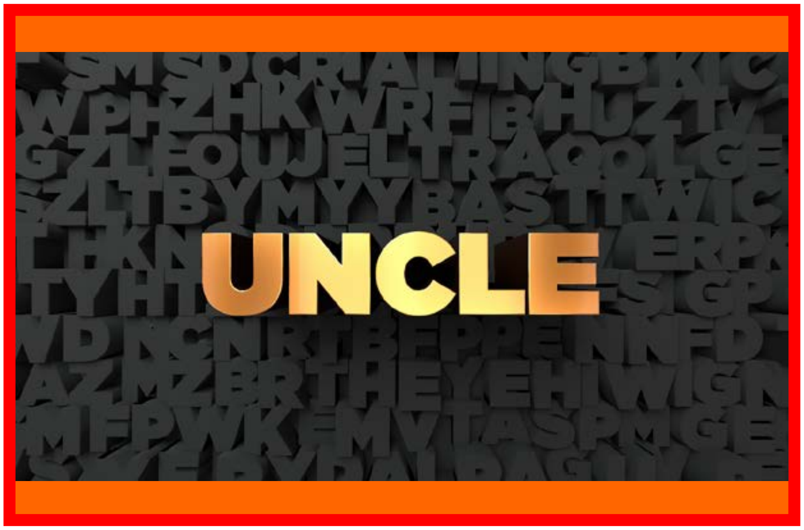
Certified Financial Services, LLC
600 Parsippany Road Suite 200
Parsippany, NJ 07054

Richard Aronwald
Financial Specialist
www.richardaronwald.com

Creative

wealth maximization strategies*

January 2017



Many American households are vexed by their financial condition. They feel like they don't have enough money, carry more debt than they should, are underfunded for retirement or their kids' college education, and aren't confident about their futures.

The financial experts – i.e., economists, researchers, and policymakers - will point to behavior flaws, a culture of consumption, financial illiteracy, misguided government policies, globalization, technology, systemic inequalities, the "one-percenters," and a hundred other external factors as causes of this distress.

But offering hundreds of reasons why things are the way they are doesn't add up to one solution. If you want to improve your financial standing right now, you might be ready for a conversation with someone who can tell it to you straight, and give you a no-nonsense blueprint for financial progress. It's time to talk with a financial "Dutch Uncle."

Who's the Dutch Uncle?

The dictionary describes a Dutch Uncle as "a person giving firm but benevolent advice." Another source adds these details:

A Dutch Uncle is someone who has close enough standing to speak plainly and severely without too fine a regard for the listener's feelings. However, the admonishment or education is given with sincerity and often with benevolent intent, as though from an elder relative, or "uncle."

The term originated in the mid-1600s, when England and Holland engaged in several wars, and a "Dutch" adjective was a way for the English to disparage their enemy. Thus, a "Dutch Uncle" was the reverse of the avuncular stereotype; he was not indulgent and permissive. By the time the term became part of the American vernacular in the early 1800s, a Dutch Uncle had evolved into a generally positive connotation for someone who offers straightforward, often uncomfortable, and sometimes unsolicited commentary.

Some 'Firm but Benevolent Advice'

When it comes to personal finance, the Dutch Uncle isn't interested in who, or what, is to blame for your past money struggles. Instead, a financial Dutch Uncle cuts through the fluff to offer some "firm but benevolent advice" that can be acted on immediately. Here's where he begins:

You must structure your personal finances so that you are saving at least 15 percent of your Gross Income. If you can't get the "business" that is your personal finances to show a 15 percent profit, progress will be difficult, if not impossible.

Is 15 percent arbitrary? Not at all…15% is what is required to keep pace with Inflation, Taxes, Technological Change and Plan Obsolescence.

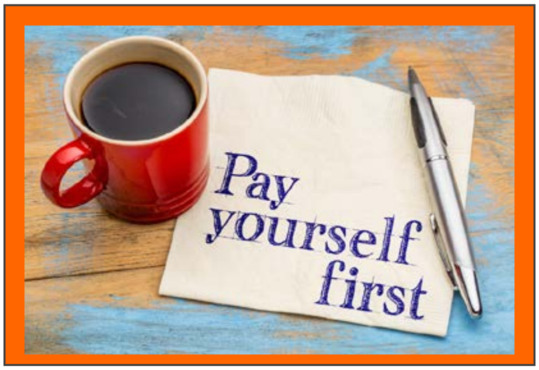
The Dutch Uncle knows that as soon as he establishes a financial benchmark, cynics will dispute its validity. The Dutch Uncle has heard it all before, and he's not fazed. In fact, he can pre-emptively dismiss these objections. For example…

In This Issue…

* The title of this newsletter should in no way be construed that the strategies/information in these articles are guaranteed to be successful. The reader should discuss any financial strategies presented in this newsletter with a licensed financial professional.

The Dutch Uncle knows that as soon as he says "save 15 percent of income," some wise guy will ask, "Well, what rate of return are you assuming? Or, it doesn't have to be of your Gross Income. It makes a difference, you know." This is a smokescreen, obsessing over details to avoid taking action.

"Saving" is money allocated for the long-term. This doesn't include the principal portion of your mortgage payment. Paying down debt is NOT a form of "savings". Home equity is not always liquid, and if the housing market goes south (remember 2008?), it won't be there. Same goes for the principal in your car payments. If you're driving it, it's not savings.



But the Dutch Uncle will include your whole life insurance premiums as part of your 15 percent. The cash value of whole life insurance is guaranteed.* Whole Life preserves and can help complete your saving plans if something goes awry. The Dutch Uncle is a realist: Plan A's don't always work, and you can't afford to operate without a Plan B.

This is basic stuff. But the Dutch Uncle knows a key element in successful financial management is having funds to manage. Saving 15 percent of Gross Income makes financial management possible.

Here's How

At this point, you concede. "Okay, I get it. *Not* saving 15 percent of my Gross Income probably has a lot to do with my lack of financial progress. So what do I do?"

Everyone should be able to save 15% of their Gross Income. You may think saving 15% of your Gross Income is impossible. You will be amazed how simple it is. Most of the time the reason you are not able to save 15% is because you have your debt set up in the banks best interest. Such as 15 year mortgages, car loans and/or credit card debt are a major contributor to reducing your ability to save 15%. If you are not able to save 15% of your Gross Income once your debt is set up in your best interest, then there is only one reason left as to why you can't save 15%…you are living above your means. It doesn't matter if you make $50,000 a year or $5 million. We all know people who were worth millions and lost everything…lived above their means. My own daughter lives in NYC…one of the most expensive places to live in the country. She earns less than $50,000 and yet is able to save 15% of her Gross Income. She shares a one bedroom with 2 roommates. She sometimes has to babysit Saturday nights to earn extra money instead of going out with her friends. She makes sacrifices to be independent and debt free.

Restructure your debt. In isolation, the choice between a 15- and 30-year mortgage seems simple; the 15-year mortgage may appear to be better but once you finish all of the calculations you will find it is often better to go with a 30-year mortgage. A 30-year mortgage provides you with greater control over your money by lowering your monthly commitment and providing a hedge against inflation with the ability to pay off debt over 30 years…if you so choose.

Make some hard lifestyle decisions. Every financial decision is a balancing act between immediate and delayed gratification. Some things are immediate and necessary – food, shelter, safety. Some things are immediate and non-essential – a movie, a night out, a vacation – but also worthwhile. A Dutch Uncle might seem like a hard nose, but he appreciates that not all gratification should be delayed. At the same time, the interplay between necessities and luxuries will always exist. Too much indulgence today can make necessities problematic in the future.

Get input from your financial professional. Whatever you're saving right now, you have income, housing and transportation costs, insurance, debt and more. Professional assistance might help you refinance your mortgage, decide to buy or lease the next car, maximize your insurance benefits, and restructure debt to lower-interest and lower payments. You might be surprised how a clean-up of your existing transactions can "find" money that can now be added to savings.

Some might disagree with the Dutch Uncle's focus on improving cash flow to save 15 percent of Gross Income. But be truthful about your own situation: Would your financial life improve if you were saving 15 percent? Yeah, the Dutch Uncle thought so.

Saving 15% of your Gross Income will insure you will be able to keep up with taxes, inflation, plan obsolescence and technological change…as well as all of your future financial obligations. ❖

*Whole life insurance is intended to provide death benefit protection for an individual's entire life. With payment of the required guaranteed premiums, you will receive a guaranteed death benefit and guaranteed cash values inside the policy. Guarantees are based on the claims-paying ability of the issuing insurance company. Any loans or withdrawals reduce the policy's death benefits and cash values, and affect the policy's dividend and guarantees.

This Video Should

This entire article is intended to get you to click on a link and watch a two-and-a-half minute video.

Here's the link:
https://glic.wistia.com/medias/blateobmza

Alternately, you can watch it on YouTube:
https://www.youtube.com/watch?v=4gfHVKzPsSY&t=3s

If you've clicked and viewed, you probably don't have to read any further. But, just in case, here's additional information, to persuade you to watch, or provide some background commentary.

Disability Is Real

The video, "Better Together," is from The Guardian Life Insurance Company of America® (Guardian), a prominent disability insurance provider in the medical professional marketplace. Guardian posted this video on YouTube in November 2015, and more than a year later, there have been less than 600 views. Frankly, that's a shame.

Dr. Vincent Tullos is a doctor from Baton Rouge, Louisiana, who in August 2013 experienced a stroke. The impact of this life-changing health incident is reflected in Dr. Tullos' speech which, combined with his Southern drawl, makes his story even more poignant. Several points stand out:

First, the video is a dramatic testament to the impact of a life-altering medical event. A common after-effect of a stroke is greater emotionality, so when Dr. Tullos speaks, you get an almost visceral feel for the turmoil that comes from a disabling incident. For some people, disability is hard to imagine, something "that won't happen to me," or "won't keep me from working." In the first 30 seconds of Dr. Tullos' story, that abstraction is gone. Viewers "feel" the sobering reality of what a disability is like.

Second, the video illustrates the incalculable benefit of income protection in the form of life and disability insurance. Sure, there is a dollar amount that defines the monthly benefit. But when you see and hear Dr. Tullos express his gratitude for his disability and life insurance protection, it's obvious the real benefit is peace of mind. Of all the struggles Dr. Tullos has faced, and will face, post-stroke, earning an income isn't one of them.

Third, if it hadn't been for the sincere persistence of Travis St. Pierre, Dr. Tullos might not have purchased the insurance. When Dr. Tullos said he couldn't afford the premiums, Mr. St. Pierre insisted "you can't afford not to." The skeptical might dismiss St. Pierre's response as a pat line intended to close a sale, but the rest of the conversation on the video speaks otherwise; Mr. St. Pierre comes across as a dedicated professional who has not only Dr. Tullos' gratitude but respect.

A long-held principle in the insurance industry is that people don't buy insurance, it has to be sold. In this situation, a financial professional took the time to not only present the product, but persuade Dr. Tullos that this purchase was essential for his financial well-being.

Are you someone who should have individual disability insurance?

The disability income protection referenced in this video was provided by an individual policy, not group coverage from an employer. And while individual policies may be more expensive, they also contain different definitions of disability, and are typically non-cancellable and guaranteed renewable, meaning as long as the premiums are paid, the protection cannot be changed or terminated.

If your career track includes the likelihood of changing employers as you advance, individual disability protection can be invaluable; wherever you go, the policy goes with you. Medical professionals are perhaps the largest market for individual disability insurance, but high-level executives, business owners and other self-employed professionals are candidates for individual policies as well. In some instances, they are the only disability option available.

Individual disability insurance is a customized product. You select the waiting period, benefit period, occupational definitions, and whether benefits will adjust for inflation. And while disability coverage probably doesn't require constant monitoring, it should be reviewed regularly. Many policies have options to increase coverage at regular intervals; you want to be sure your protection continues to match your earnings. To get the personalization right, professional assistance is recommended.

In the event of a disability, one of the most important activities is filing a claim and getting those checks, which is not a do-it-yourself project. In a moment of vulnerability, you want to know you will be working with someone you trust to facilitate the delivery of the benefits you paid for and deserve. Dr. Tullos had a trusted professional in Mr. St. Pierre.

If you've read this far, do one last thing...

If you haven't already, watch the video once on YouTube, just to bump the view count. Then, if you remember, check back some time in February, and see if the views have crossed 1,000. This great story and powerful message deserves broader recognition. ❖

Individual disability income products underwritten and issued by Berkshire Life Insurance Company of America (BLICOA), Pittsfield, MA. BLICOA is a wholly owned stock subsidiary of and administrator for The Guardian Life Insurance Company of America (Guardian), New York, NY or provided by Guardian. Product provisions and availability may vary by state.

In May 1961, President Kennedy announced an initiative to safely land an American on the moon before the end of the decade, and before the Russians. The National Aeronautics and Space Administration's Apollo space flights were scheduled to meet that deadline, but encountered some serious setbacks, the worst of which came in January 1967, when a cabin fire during a launch rehearsal killed all three astronauts on board. Now, after several redesigns and tests, NASA was ready in 1968 to resume manned space flights. But before heading into space, NASA had a pragmatic financial problem to resolve.

As proven by the cabin fire, space travel was a dangerous activity, so much so that someone suggested the Apollo astronauts might want to consider getting flight insurance, sort of like the type offered at kiosks in airports. It was a good idea, but there were two problems: Insurance companies either didn't want to assume the risk, or the premiums they quoted were prohibitive.

True to their engineering spirit, someone at NASA came up with a work-around: autograph covers. In an August 2012 article on *NPR*, space historian Robert Pearlman explained an ingenious way the astronauts turned the risk of not surviving a space flight to their financial advantage.

In the 1960s, astronauts were national heroes, whose fame far exceeded most entertainers or athletes. Successful space flights were followed by ticker tape parades, visits to the White House, and appearances on the "Ed Sullivan Show." This notoriety, along with the public's awareness of the dangers of space flight created a unique "insurance" opportunity.

Prior to launch, each astronaut crew from Apollo 11 through 16 was given hundreds of postcards to sign. As famous people, **their signatures were valued by collectors**. Pearlman notes that "These astronauts had been signing autographs since the day they were announced as astronauts, and even though eBay didn't exist back then, they knew that there was a market for such things."

An "autograph cover" is a signed postcard that has been postmarked to coincide with a significant event. Before launch, the astronaut gave his stack of postcards to a friend, with instructions: On important days during the mission – the liftoff, the day the astronauts landed on the moon, the reentry, etc., --- a portion of the cards were to be postmarked, then given to the astronaut's family.

In the event of a fatality, autograph covers from the date of the tragedy would have immense value to collectors. "If they did not return from the moon, their families could sell them – to not just fund their day-to-day lives, but also fund their kids' college education and other life needs," says Pearlman. **It was life insurance in the form of autographs.**

Fortunately, these "life insurance covers" were not needed. Although there were some tense moments during the Apollo 13 mission, all the Apollo astronauts returned safely. And during their lifetimes, Pearlman guesses the Apollo astronauts probably signed tens of thousands more autographs, for free. Yet despite the abundance of astronaut autographs in circulation, Pearlman reports that in the 1990s some of the space flight autograph covers started showing up in memorabilia auctions, and today, an Apollo 11 insurance autograph cover (from the mission that featured the first lunar landing) has a sale price of $30,000.

Besides being an interesting bit of life insurance trivia, the Apollo insurance covers represent a unique outside-the-box solution to protecting an individual's economic value. In the case of the astronauts, it wasn't poor health that disqualified them from getting life insurance, but the dangers of their occupation. And ironically, it was the high likelihood of dying that made this "insurance" viable.

Autograph covers are a vivid example of the lengths people will go to "make insurance" when they find they can't get it any other way, and confirms the adage, "By the time most people recognize the value of insurance, it's often too late to get it." ❖

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Financial Specialist
raronwald@cfsllc.com

600 Parsippany Road Suite 200
Parsippany, NJ 07054
973 263-0622