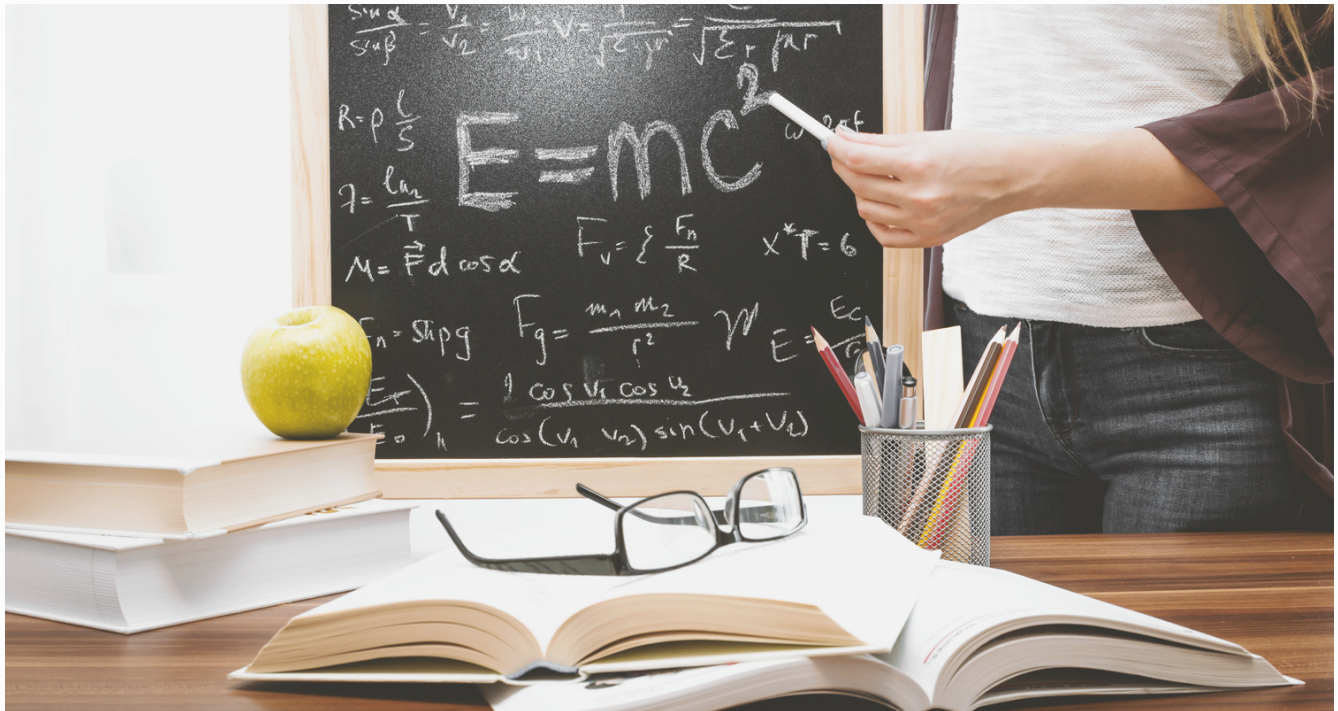


HOW ALBERT EINSTEIN
WOULD HAVE
EXPLAINED

Tax Deferral

HE WON THE NOBEL PRIZE, HOW ABOUT QUANTUM ANNUITIES?

Albert Einstein was ahead of his time. He revolutionized the thinking of physics and his theory beginning with the breakout year of 1905 is still the basics of quantum physics today, over 100 years later. When Einstein is remembered for his work it is almost always $E = mc^2$, the theory of relativity. However, I think a more interesting part of Einstein's life was his view on compound interest.



ALBERT EINSTEIN CALLED COMPOUND INTEREST "THE
GREATEST MATHEMATICAL DISCOVERY OF ALL TIME."

The Power of Tax Deferral

Compound interest allows the account to grow by earning interest on the original investment and any accumulated interest. Here is a generally accepted definition of compound interest.

Interest which is calculated not only on the initial principal but also the accumulated interest of prior periods. Compound interest differs from simple interest in that simple interest is calculated solely as a percentage of the principal sum.

Compound interest is offered by banks and saving institutions and is also referred to as **Double Compounding**. The downside is when the interest is credited to your account it comes with tax liability. The interest is credited but it is taxable.

Insurance companies offer products that allow for tax deferral and compounding but under certain situations can also defer the tax liability. These products are called annuities and life insurance. As long as the accumulated funds are left untouched, the tax liability is deferred.

This concept is referred to as **Triple Compounding**

If some of your savings are placed in an annuity, the benefit of tax deferral provides for:

- Interest on your principal
- Interest on your interest and
- Interest on your tax savings...because your interest is free from current income tax in an annuity, it can all continue to compound instead of being withdrawn for tax payments.

THE POWER OF COMPOUNDING AND HOW TO ILLUSTRATE THE BENEFITS IN AN ANNUITY.

solid tip

“The Power of Compounding.”

A Traditional Investment Account Has **Double** Compound Interest

- *Definition: Interest on the Original Principal and Interest on Accrued Interest.*

A Tax Deferred Investment Account Has **Triple** Compounding Interest

- *Definition: Interest on Principal, Interest on Interest and Interest on Tax Savings*

Who takes advantage of Tax Deferral? Smart Money People, That's Who!

TAX DEFERRED VS TAX DIMINISHED

Corporate America thrives on tax deferral and anytime taxes can be delayed it is a winner. Anytime you can send a tax liability to the future you will reduce the net out of pocket because the actual tax will be reduced by inflation.

THE POWER OF TAX DEFERRED COMPOUND AND THE EFFECTS OF TAXABLE INVESTING

Here is an explanation that explains the power of tax deferral. Consider you have an investment of one penny, and it is going to be invested in tax deferral for one month. In our test each day, the penny will be doubled, one column doesn't pay taxes until the end of the month. The other pays the taxes every day.

Daily for a Month	Double \$.01 Daily Without Taxation	Double \$.01 28% Tax Bracket
1	\$0.01	\$0.01
2	\$0.02	\$0.02
3	\$0.04	\$0.03
4	\$0.08	\$0.05
5	\$0.16	\$0.09
6	\$0.32	\$0.15
7	\$0.64	\$0.26
8	\$1.28	\$0.45
9	\$2.56	\$0.77
10	\$5.12	\$1.32
11	\$10.24	\$2.27
12	\$20.48	\$3.90
13	\$40.96	\$6.70
14	\$81.92	\$11.53
15	\$163.84	\$19.83
16	\$327.68	\$34.11
17	\$655.36	\$58.68
18	\$1,310.72	\$100.92
19	\$2,621.44	\$173.58
20	\$5,242.88	\$298.57
21	\$10,485.76	\$513.53
22	\$20,971.52	\$883.28
23	\$41,943.04	\$1,519.24
24	\$83,886.08	\$2,613.09
25	\$167,772.16	\$4,494.51
26	\$335,544.32	\$7,730.56
27	\$671,088.64	\$13,296.57
28	\$1,342,177.28	\$22,870.10
29	\$2,684,354.56	\$39,336.57
30	\$5,368,709.12	\$67,658.90
31	\$10,737,418.24	\$116,373.32

NOW PAY THE TAXES AT THE END OF THE MONTH,
COMPARE THE NET AFTER TAX AMOUNT WITH THE
COLUMN THAT IS TAXED DAILY.

Is that all there is? No! There is also Quantum Compounding.

Quantum Compounding is building on **Triple Compounding** by adding features only found on certain insurance company annuities.

- Bonus of 5% to 10% of funds deposited, immediate and guaranteed
- Long term care benefits
- Lifetime income provisions
- Annual moveable minimum guarantees
- Complete safety, full guarantees against loss and risk`
- Enhanced benefits for the beneficiary
- Probate avoidance

Consider the use of Quantum Annuities for added benefits and added value to yourself and your clients.

