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Rockefeller Waterfall Method - Generational Wealth

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What is the Waterfall Method?

The Waterfall Method revolves around the strategic use of permanent life insurance policies to create a self-perpetuating wealth cycle. Here's how it typically unfolds:

1. Permanent Life Insurance Basics:

This type of insurance guarantees coverage for the insured's entire life, provided premiums are paid. It includes a cash value component, which grows over time and can be borrowed against.

2. Building Cash Value:

Premiums paid into the policy contribute to both the death benefit and the policy's cash value. This cash value can be accessed through loans, used for various personal or investment purposes, effectively serving as a personal bank.

Cash values which accrue inside a permanent life insurance contract are deferred from income tax and the gains in those policies are ultimately income tax-free if held to maturity - death under IRC. Sec. 101.

3. Utilizing the Cash Value:

Policyholders can borrow against the cash value for needs such as home purchases, education funding, or retirement planning, often at favorable interest rates compared to traditional loans. By using indexed universal life contracts, you can borrow the funds at a set interest rate while leaving the funds invested in the market.

In effect, the life insurance policy can be a family bank that it utilized over and over again to access funds which can then be utilized for other investments while retaining the life insurance coverage.

4. Repaying Loans:

These loans can be repaid flexibly, allowing the policyholder to manage their financial flow without impacting other investments or savings.

And by managing those policy loans, you can retain all of the benefits originally projected. You don't lose your gain in the policy if the policy loan is managed properly.

5. Generational Wealth Transfer:

Upon the death of the policyholder, the death benefit (minus any outstanding loans) is passed to the beneficiaries, ensuring a financial legacy.

This method not only preserves wealth within a family but also amplifies it over generations through strategic reinvestment and careful financial management.

By having the life insurance contract pay as a death benefit, the "inevitable gain" in the life insurance contract is completely income tax-free.

How It Helps Build & Maintain Generational Wealth

The Waterfall Method excels in its ability to perpetuate wealth through multiple generations. It employs life insurance not just as a safety net but as a proactive financial tool. This strategy ensures that:

Wealth Preservation:
The cash value and death benefits act as a financial reservoir that can support the family in times of need or opportunity.

Tax Advantages:
Growth within the policy and payouts are tax-advantaged, providing a more efficient way to manage and transfer wealth.

Both the gain in the cash value during the life of the insured and the death benefit upon death are paid income tax-free.

Family Banking Concept:
By borrowing and repaying the cash value, families can finance their ventures and needs internally, reducing reliance on external banks and creditors.

By designing the life insurance contract to magnify the accumulation in the contract, the portfolio behind the contract will then grow the value of the cash reserve income tax-free.

Estate Planning:
Integrating these policies into estate plans can streamline wealth transfer, avoiding probate and reducing estate taxes.

For high net worth families who are interested in preserving generational wealth, life insurance has been long seen as a strategic part of an overall estate plan.

Incorporating Trusts into the Waterfall Method

Using trusts in conjunction with the Waterfall Method enhances control and protection over the transferred wealth:

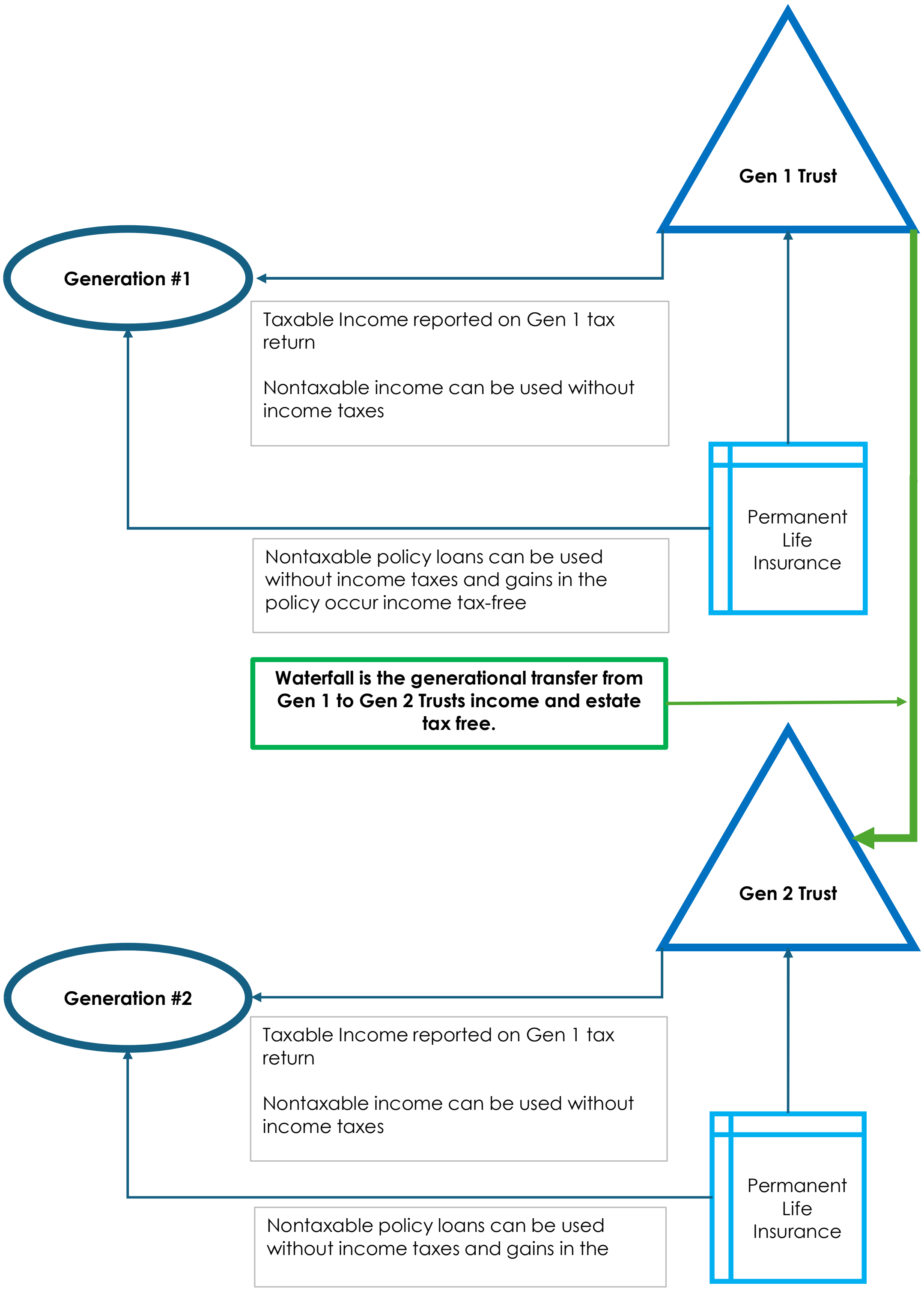
Trust Formation and Management:
Trusts hold the life insurance policies, allowing the grantor to control how the proceeds are used by future generations, ensuring that the wealth is managed according to their wishes.

Advantages of Trusts:
Trusts bypass probate, reduce estate taxes, protect assets from creditors, and allow the grantor to impose specific conditions on the distribution of assets, fostering responsible wealth management across generations.

For Use as Grandparent or Parent:
Parents and grandparents can keep control of the life insurance policy through the Trust.

You can reduce the income tax liability on some of the other investments by redirecting them into a tax-advantaged life insurance policy which accrues income tax-free.

Rockefeller Waterfall Method - Building Generational Wealth



Funding the Contract up to Modified Endowment Contract Limits

1. **Alternative Asset in the overall Asset Allocation.**

2. **Portion of Portfolio which is not correlated with other Asset Classes.**

3. **Utilizing the Cash Value by Using Policy Loans at a set low interest rate while keeping Cash Reserve invested in the Index Accounts.**

4. **Repaying Loans by Either Investment Returns or by Death Proceeds.**

5. **What Taxable Rate of Return is Required to Match the Life Insurance Contract?**

Cash Reserve earning 6.5% would require what ROR with capital gains at 30%	9.29%
Death Benefits which had IRR of 7.5% would require what rate with capital gains at 30%	10.71%

6. **What is the Combined Taxable Rate of Return is Required to Match the Life Insurance Contract in Trust?**

Cash Reserve earning 6.5% would require what rate with capital gains at 30% & estate taxes at 40%	15.48%
Death Benefits which had IRR of 7.5% would require what rate with capital gains at 30% & estate taxes at 40%	17.86%

Summary of Benefits

Building Cash Value and Utilizing the Cash Value and Death Benefits:
Premiums paid into the policy contribute to both the death benefit and the policy's cash value. This cash value can be accessed through loans, used for various personal or investment purposes, effectively serving as a personal bank.

Cash values which accrue inside a permanent life insurance contract are deferred from income tax and the gains in those policies are ultimately income tax-free if held to maturity - death under IRC. Sec. 101.

Rate of Return Illustrated:	6.33%	(This illustrated rate of return is based upon AG49 which is an insurance regulation.)
Rate of Return S & P from 1935 w Floor & Cap:	7.02%	(This is the rate of return using a 0% floor and a cap of 12% less Expense Load.)
Rate of Return S & P from 1935 w Floor & No Cap:	12.45%	(This is the rate of return using a 0% floor without a cap which is available in these products less Expense Load.)
Expense Loan v. No Load:	0.24%	(This is the rate differential between current load and no load rates of return.)

(Technically, there is no such fund as a no load mutual fund or no load index fund. For example the Vanguard Total Stock Market ETF has a .03% load on it.)

Year	Premium Deposit	Illustrated Accumulated Value	Illustrated Death Benefit	Rate of Return on Cash Value	Rate of Return Income Tax Free Equivalent	Rate of Return Income and Estate Tax	Illustrated Accumulated Value with Floor and Cap	Illustrated Accumulated Value with Floor
		6.33%			40.00%	40.00%	7.02%	12.45%
1	1,282,020	1,046,074	31,046,074	0.00%	0.0000%	0.0000%	1,371,987	1,441,648
5	1,282,020	5,925,674	35,925,674	0.00%	0.0000%	0.0000%	7,892,712	9,241,040
10	1,282,020	15,224,460	45,224,460	3.10%	5.1667%	8.6111%	18,971,759	25,857,661
20	0	28,071,550	58,071,550	5.12%	8.5333%	14.2222%	37,381,775	83,605,140
30	0	52,273,682	82,273,682	5.62%	9.3667%	15.6111%	73,656,695	270,319,095
40	0	97,420,508	127,421,000	5.84%	9.7333%	16.2222%	145,132,454	874,018,188
50	0	185,249,000	214,249,000	6.01%	10.0167%	16.6944%	285,967,613	2,825,948,325
60	0	345,943,000	375,943,000	6.09%	10.1500%	16.9167%	563,467,877	9,137,091,243

Notes:
The summary above is to illustrate the potential of the product by breaking out the Expense Load on the product and applying the rates of return available with and without a cap on the S & P return. Refer to the page entitled - " Historical S & P 500 Rates of Return."

The illustrated rates of return are calculated by taking the gross rate of return