

H MONEY WORKS

A Common Sense Guide
to Financial Success



1. Pay yourself first

Paying yourself first means putting yourself and your family before any other demands on your money. Paying yourself first is a form of self-respect.

Deposit a set amount EACH AND EVERY MONTH into an investment program, no matter what other financial obligations you have. It's amazing how fast your money can grow if you invest even a small amount regularly, at a good rate of return.

2. Adjust your priorities

It's been said that:

If you make \$10 and spend \$9 = happiness
If you make \$10 and spend \$11 = misery

As you begin your journey to financial independence, remember this key point: It's not what you make, it's what you keep.

3. Change your thinking

The way you think about money is everything. Your mindset is a powerful thing – especially when it comes to money.

That explains why so many of the people who win the lottery ... end up losing it all.

It helps you understand how so many millionaires are self made.

What is the difference between the two groups? It's how they think.

If you think you don't deserve to be financially secure, you'll never be financially secure. However, if you "upgrade" your self-image and believe you deserve the freedom and peace of mind that financial security provides, you'll have a better chance at doing what needs to be done to obtain wealth beyond your dreams.

4. Adjust your lifestyle

Along with setting priorities comes one tough rule of life: you can't have everything. You have to make conscious decisions about every purchase.

An important concept to understand is want vs. need.

- A need is something you have to have, something you can't do without. You "need" food. You "need" shelter.
- A want is something you would like to have. You "want" ice cream. You "want" a bigger house.

If you want to achieve financial independence, you may have to make sacrifices for a period of time and go without some of your "wants." It's not that tough, but it is very, very important to your financial health.

5. Earn additional income

If your family income is very modest, things may be so tight that it's tough to invest more than \$50 a month. If you want to make significant progress, **consider taking a part-time job to get the extra income needed to start your investment program.**

6. Re-align your assets

This is another way to take control and free up income for savings. There are two major areas in which families are not getting their money's worth that are great areas to target for adjustment:

1. Low-interest savings accounts or accumulations with banks.

You can take money from a 1% savings plan and invest it in an area that has the potential for higher returns.

2. High-cost life insurance. You can replace your outdated, expensive cash value insurance policies with term insurance and potentially save thousands of dollars in premium over time! Both of these areas are covered in more detail later in this booklet.

7. Avoid the credit trap

Credit cards are good for convenience but that's it. **Be careful to avoid the pitfalls of "plastic money."** Pay your balance in full each month and you'll not only avoid interest charges but you'll prevent your balance from escalating out of control. To keep your monthly charges under control, pay with cash. You'll probably find you spend less when you have to hand your money over.

See how many options you have? You DO have a choice about your financial future.

8. Set goals and have a plan

You can't reach your destination if you don't know what it is. Setting goals gives you two things:

1. **An incentive to make the necessary sacrifices**
2. **Benchmarks along the way to gauge your progress**

After you've set your goals, you need a road map to get you there. You need a financial game plan. Together with your goals, **a game plan is the cement that holds together your financial foundation.**

You Cannot Control

The future of Social Security
Your employer
Taxes
Inflation
Rising costs
The risk of a single investment

But You Can Control

Saving for retirement
Other sources of income
Ways to reduce your taxes
Maximizing your savings
Saving more
Diversity of your investment choices



Diversification does not assure a profit or protect against loss.

It's Not What You Earn, It's What You Keep

Put yourself at the head of the line. Treat your savings like any other recurring bill that you must pay each month. Dedicate the appropriate amount from your paycheck and set it aside. While most people think nothing of sending enormous amounts of money to credit card companies on a regular and systematic basis, they balk at the idea of paying themselves first! Change that mindset. Cut up your credit cards and put those payments into your own savings. Make a commitment to pay yourself first!

Calculate how much you've earned – and how much you've saved.

Average annual income (estimate):	A)	<input type="text"/>
Times number of years worked:	X B)	<input type="text"/>
Equals total amount earned:	= C)	<input type="text"/>
Amount of personal savings:	D)	<input type="text"/>
Divide D by C:	= E)	<input type="text"/> %

This equals your percentage of income saved.

The Three Accounts You Need

To have a complete savings program, most people need three types of basic accounts.

- 1. Emergency Fund:** This is your reserve fund in the event of an unforeseen emergency, job loss or an unexpected expense. A good rule of thumb: Set a goal of having three to six months' salary in your emergency fund.
- 2. Short-Term Savings:** This account is for money that you set aside for expenses you want to purchase within a short-term time frame. For example, here is where you would save for a new computer or perhaps a vacation.
- 3. Long-Term Savings/Investments:** This is where your retirement savings, college fund and other long-range savings will go. Because these savings have more of a long-term time horizon, you can use investment vehicles with potential for a higher rate of return, such as equity mutual funds.



Investing entails risk including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

It Pays to Start Investing Early

Suppose your parents had deposited \$1,000 on the day you were born. If you left the account untouched until you turned 67, that \$1,000 would have grown to \$406,466 – without your ever having added another penny!

Amount Accumulated by Age 67

If they invested when Paul was born

\$406,466



If they invested when Paul was 16 years old

\$96,822

If they invested when Paul was 40 years old

\$11,256



Above rate values are at age 67 and for illustrative purposes only and do not represent an actual investment. This example uses a constant rate of return. Actual investments will fluctuate in value. The illustration does not include fees and taxes that would lower results. The 9% rate of return is a nominal interest rate compounded on a monthly basis. Investing entails risk, including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

Don't Pay the High Cost of Waiting

If you're like most people, you don't have a lot of money. That's why time is so critical. When you're young, you can save small amounts and still end up with thousands of dollars. If you wait to begin saving, you must save much more. If you want to be financially independent, you have no choice – you must start now, or later you must save more. One thing is certain: you can't afford the high cost of waiting.

If your goal is to save \$500,000 for retirement at age 67, look at the difference time makes:

Monthly Savings Required

Begin at	Save	Cost to wait
Age 25	\$89	
Age 35	\$224	more than 2 times more
Age 45	\$602	nearly 7 times more
Age 55	\$1,926	more than 21 times more

The sooner you begin to save, the greater the growth on your investment.

The High Cost of Waiting \$100/month at 9%

Begin saving at:	Total at age 67:	Cost to wait
Age 25	\$566,920	
Age 26	\$517,150	\$49,770
Age 30	\$357,240	\$209,680
Age 40	\$137,780	\$429,140

These examples assume a hypothetical 9% constant rate of return. Rate of return is a nominal interest rate compounded on a monthly basis. Actual investments will fluctuate in value. The illustration does not include fees and taxes which would lower results. Investing entails risk, including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

Add Consistency to Time

You've seen how time can be the best friend of growth. But most people don't have \$1,000 to deposit all at once. They must depend on smaller amounts, invested on a schedule, to build wealth. If that's your situation, consistency can be the fuel that makes your investment grow exponentially.

The Power of Compound Interest

Remember the parents who deposited \$1,000 at a hypothetical rate of return of 9% when their child was born? The annual interest would be \$90. And \$90/year, when multiplied by 67 years, is \$6,030. Then how did Paul withdraw more than \$406,000 at age 67? Because of one of the most important keys to wealth you can ever learn: the power of compound interest. Here is how it works.

The first year's interest on the investment, 9%, or \$90 was credited to the \$1,000 to make \$1,090. The next year \$98 was earned on the \$1,090. The total in the account was then \$1,188. As the account grew, each year the interest payment was calculated on the total in the account, including all the past interest payments. The compounding of the interest is how \$1,000 grew to more than \$406,000. With the power of compound interest at work for you, you'll be amazed at how quickly a few hundred dollars can become a thousand.

Just a Little More Grows Even Faster

The chart on the right illustrates the difference between saving \$20 a month versus \$100 a month. While saving \$80 more a month may be a challenge financially, the increased dollar amount definitely pays off. Just \$100 a month compounding at a hypothetical 9% rate totals more than \$470,000 after 40 years.

Years	Monthly Contribution	
	\$20	\$100
10	\$3,900	\$19,500
20	\$13,460	\$67,300
30	\$36,890	\$184,450
40	\$94,330	\$471,650

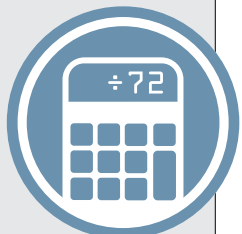
This is hypothetical and does not represent an actual investment. Actual investments will fluctuate in value. It does not include fees and taxes which would lower results. Rate of return is a constant nominal rate, compounded monthly. Investing entails risk, including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

**Albert Einstein has often been quoted as saying
"Compound interest is the most powerful force in the universe."**

Do You Know the Rule of 72?

Another important concept in understanding the power of compound interest is the Rule of 72. Your money will double at a certain point determined by dividing 72 by the percent of interest.

Dividing 72 by the interest rate



equals the number of years it takes your money to double.

Years	3%	6%	12%
0	\$10,000	\$10,000	\$10,000
6			\$20,000
12		\$20,000	\$40,000
18			\$80,000
24	\$20,000	\$40,000	\$160,000
30			\$320,000
36		\$80,000	\$640,000
42			\$1,280,000
48	\$40,000	\$160,000	\$2,560,000

This table serves as a demonstration of how the Rule of 72 concept works from a mathematical standpoint. It is not intended to represent an investment. The chart uses constant rates of return, unlike actual investments which will fluctuate in value. It does not include fees or taxes, which would lower performance. It is unlikely that an investment would grow 10% or more on a consistent basis.



Based on the Rule of 72, a one-time contribution of \$10,000 doubles six more times at 12% than at 3%.

The Importance of Rate of Return


There's another critical key to building financial security that's often overlooked. It's the interest rate (sometimes referred to as the rate of return). The difference of a few percentage points may seem minor, but the impact of the rate of return when combined with time is significant. You might think that if you could earn a 9% rate of return instead of 4.5%, your money would double. Not so! Remember the "power of compound interest?" That 4.5% difference adds up to much more over time – and can mean thousands of dollars to you and your family.

Rate of Return in Action

Now you can see why the rate of return you receive on your savings or investment account is so important. Your main objective in saving is to accumulate as much cash as possible. You can reach the same objective in one of two ways:

Save more  and accept a lower 

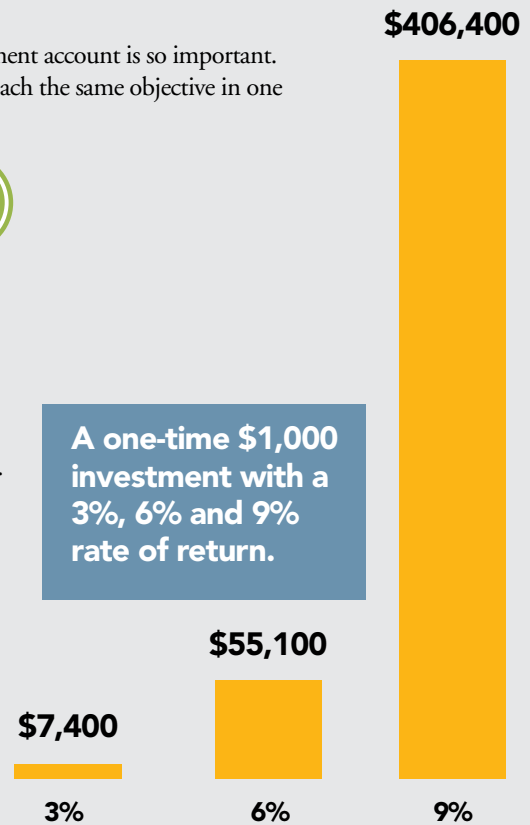
OR

Save less  at a higher 

We'll use the example of Paul's parents investing \$1,000 at his birth on page 9. Let's look at their one-time \$1,000 investment with a 3%, 6%, and 9% rate of return. Look at what Paul could have withdrawn at age 67 at various rates of return.

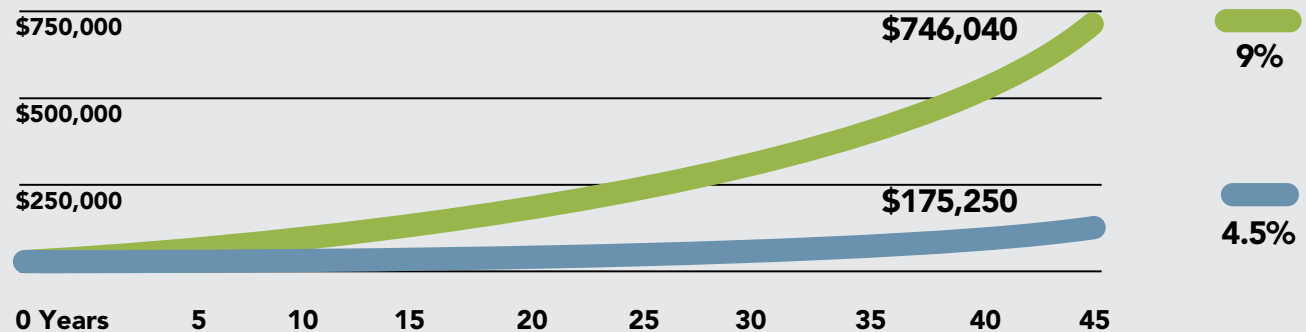
A one-time \$1,000 investment with a 3%, 6% and 9% rate of return.

Hypothetical percentage rates and values. Rate of return is a nominal interest rate compounded on a monthly basis. These results are not indicative of any specific investment and show a constant rate of return, where an actual investment will fluctuate in value. It does not include fees and taxes, which would lower results. Investing entails risk, including loss of principal. Shares, when redeemed, may be worth more or less than their original value.



How Doubling Your Interest Can Quadruple Your Savings

\$100 per month at 4.5% and 9%



Hypothetical percentage rates and values. Rate of return is a nominal interest rate compounded on a monthly basis. These results are not indicative of any specific investment and show a constant rate of return, where an actual investment will fluctuate in value. It does not include fees and taxes, which would lower results. Investing entails risk, including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

Debt Stacking Can Lead to Debt Freedom

If the idea of paying off your debt seems overwhelming, consider debt stacking. They say you can eat an elephant – one bite at a time. Well, the same concept works with paying off your debt! By taking into account the interest rate and amount of debt, debt stacking identifies an ideal order for you to pay off your debts. You begin by making consistent payments on all of your debts.

The debt that debt stacking suggests that you pay off first is called your target account. There are programs you can enroll in that will automatically select your target account for you using a variety of criteria to help you get out of debt faster.

When you pay off the target account, you roll that payment into the payment that you were making on the next target account. These extra dollars help you reduce the effect of compound interest working against you. As each debt is paid off, you apply the amount you were paying to that debt to the payment that you were making on the next target account.

Debt stacking allows you to make the same total monthly payment each month (in the example it is \$2,720 each month) toward all of your debt and works best when you do not accrue any new debts. You continue this process until you have paid off all of your debts. When you finish paying off your debts, you can apply the amount you were paying towards your debt toward creating wealth and financial independence!

Debt Stacking

Target Account

Extra Debt Payment Amount

Retail Card 1 \$220			+\$220			
Credit Card 2 \$353	Credit Card 2 \$573			+\$573		
Car Loan \$551	Car Loan \$551	Car Loan \$1,124			+\$1,124	
Credit Card 1 \$303	Credit Card 1 \$303	Credit Card 1 \$303	Credit Card 1 \$1,427			+\$1,427
Mortgage \$1,293	Mortgage \$1,293	Mortgage \$1,293	Mortgage \$1,293	Mortgage \$2,720		
Total \$2,720	Total \$2,720	Total \$2,720	Total \$2,720	Total \$2,720	Total \$2,720	

As each debt is paid off, you apply the amount you were paying to that debt to the payment that you were making on the next target account.

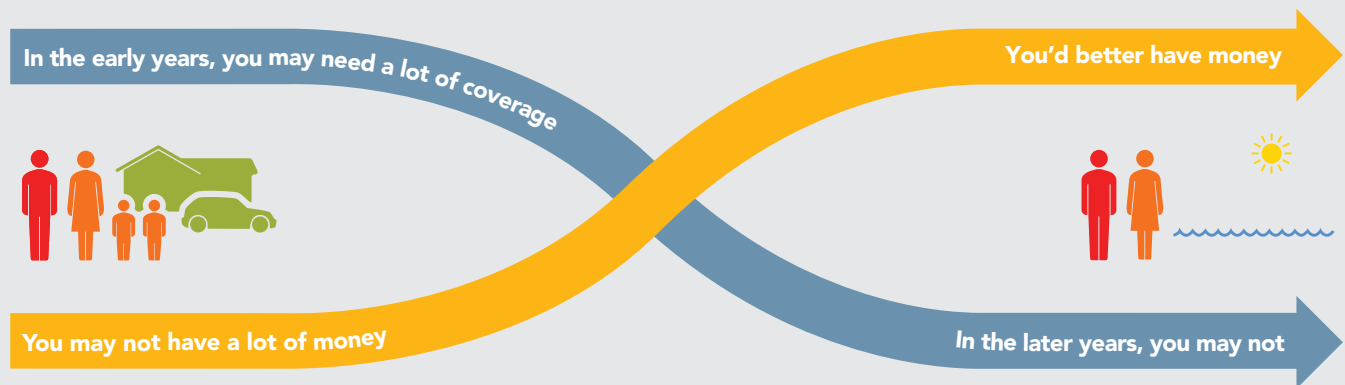
	Without Debt Stacking	With Debt Stacking
Payoff	23 years	9 years 14 years sooner
Interest Saved	\$0	\$130,643
Interest Paid	\$214,442	\$83,799
Monthly Payments	\$2,720	\$2,720

The above example is for illustrative purposes only. The Debt Stacking concept assumes that: (1) you make consistent payments on all of your debts, (2) when you pay off the first debt in your plan, you add the payment you were making toward that debt to your existing payment on the next debt in your plan (therefore you make the same total monthly payment each month toward your debts) (3) you continue this process until you have eliminated all of the debts in your plan. In the example above, when the retail card is paid off, the \$220 is applied to credit card 2, accelerating its payment to \$573. After credit card 2 is paid off, the \$573 is applied to the car loan for a total payment of \$1,124. The process is then continued until all debts are paid off. Note that the total payment per month remains constant.

How Life Works

According to the Theory of Decreasing Responsibility (illustrated below), your need for life insurance peaks along with your family responsibilities. *When you're young*, you buy low-cost death protection, term insurance, enough to protect the loss of your earning power, and put the maximum amount you can afford into a promising investment program. *When you're older*, you may have much less need for insurance coverage. If you've saved and invested wisely you should have a significant amount of accumulated cash. You've become "self-insured" and eliminated your need for life insurance.

The Theory of Decreasing Responsibility



Today

1. Young children
2. High debt
3. House mortgage

Loss of income would be devastating

At Retirement

1. Grown children
2. Lower debt
3. Mortgage paid

Retirement income needed

How Much Is Enough?

If you're like most Americans, probably more than you have! Five to 10 times your annual salary is a good rule of thumb. Whatever coverage you choose, buy only one policy, and put the entire coverage amount on that policy. Separate policies mean separate fees and could cost far more!

Consumer Tip: Buy life insurance exactly like you buy other kinds of insurance – auto, homeowners, health – for protection only.

Wouldn't you think it was silly if someone tried to sell you auto insurance that included a long-term savings plan? The same is true for life insurance. It pays to buy your insurance separately.

Remember: Never, never combine your savings with your life insurance.

The Power of Tax-Deferred Savings¹

As you begin “paying yourself first” you can invest money you’ve earmarked for your long-term goals through a tax-deferred retirement account. This allows you to postpone paying taxes on your earnings. That means more money is allowed to compound and work for you than if income taxes were taken out of each year’s earnings. Take a look at the power of tax deferral:



Note: You should consider your personal investment horizon or income tax bracket, both current and anticipated, when making a decision that could impact the results of this comparison. This chart represents a hypothetical investment and is not intended to represent the performance of any investment. Assumes a federal 25% tax bracket. Lower tax rates on capital gains and dividends would make the investment return on the taxable investment more favorable, thereby reducing the difference in performance between the investments shown. Any tax-deductible contributions are taxed and tax-deferred growth may be taxed upon withdrawal. Earnings on the investment are at 9% constant nominal rate, compounded monthly. Actual investments will fluctuate in value. The above amounts are based on monthly contributions of \$458.33 (earned income, adjusted for taxes). Investing entails risk, including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

Deductibility vs. Deferrability

A **deduction** is an amount of money you can subtract from your gross income before you calculate taxes. The more you can reduce your gross income with deductions, the less the amount you’ll pay income taxes on. It PAYS to deduct. Remember to consult your tax advisor regarding your personal tax situation.

A **deferral** means that you can “postpone” payment of current taxes until a later date in the future, commonly at retirement. The great thing about deferring taxes to retirement is the likelihood that you will be in a lower tax bracket when you do have to pay taxes on the money.

¹ Neither Primerica nor its representatives offer tax planning services. For related questions, please refer to an appropriately licensed professional.

The "Time Value" of Money

It can't be stressed enough: **the sooner you start to save, the less you will have to put away.** Look at how opening an IRA today can help you secure a comfortable retirement.

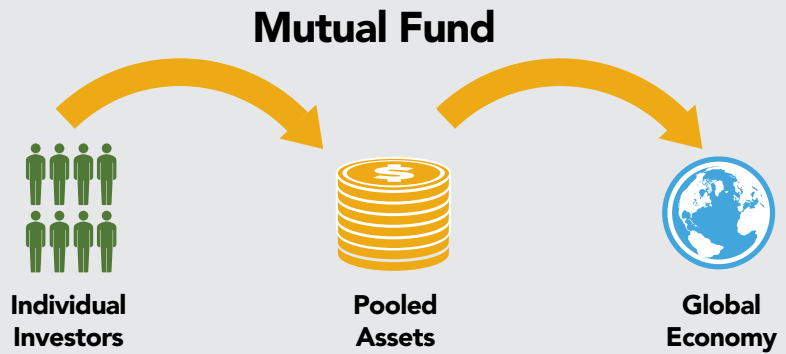
	Individual A			Individual B			
	Age	Annual Payment	Accumulation End of Year	Age	Annual Payment	Accumulation End of Year	
Individual A:	Started Contributing at Age 22						
	22	\$5,500	\$6,020	22	0	0	
		23	5,500	12,600	23	0	0
		24	5,500	19,790	24	0	0
		25	5,500	27,670	25	0	0
		26	5,500	36,280	26	0	0
		27	5,500	45,700	27	0	0
	Stopped Contributing at Age 29	28	5,500	56,000	28	0	0
		29	5,500	67,270	29	0	0
		30		73,580	30	\$5,500	\$6,020
		31		80,480	31	5,500	12,600
		32		88,030	32	5,500	19,790
		33		96,290	33	5,500	27,670
		34		105,320	34	5,500	36,280
		35		115,200	35	5,500	45,700
		36		126,010	36	5,500	56,000
		37		137,830	37	5,500	67,270
		38		150,760	38	5,500	79,590
		39		164,900	39	5,500	93,080
		40		180,370	40	5,500	107,820
		41		197,290	41	5,500	123,950
		42		215,790	42	5,500	141,600
		43		236,040	43	5,500	160,900
		44		258,180	44	5,500	182,010
		45		282,400	45	5,500	205,100
		46		308,890	46	5,500	230,350
		47		337,870	47	5,500	257,980
		48		369,560	48	5,500	288,190
		49		404,230	49	5,500	321,240
	50		442,150	50	5,500	357,390	
	51		483,620	51	5,500	396,930	
	52		528,990	52	5,500	440,190	
	53		578,610	53	5,500	487,490	
	54		632,890	54	5,500	539,240	
	55		692,260	55	5,500	595,840	
	56		757,200	56	5,500	657,750	
	57		828,230	57	5,500	725,470	
	58		905,920	58	5,500	799,540	
	59		990,900	59	5,500	880,560	
	60		1,083,860	60	5,500	969,170	
	61		1,185,530	61	5,500	1,066,110	
	62		1,296,740	62	5,500	1,172,130	
	63		1,418,380	63	5,500	1,288,100	
	64		1,551,440	64	5,500	1,414,950	
	65		1,696,970	65	5,500	1,553,700	
	66		1,856,160	66	5,500	1,705,460	
	67		2,030,280	67	5,500	1,871,460	
Total Contributions		\$44,000			\$209,000		
Total Accumulation at Age 67		\$2,030,280			\$1,871,460		

The hypothetical 9% nominal rate of return, compounded monthly, and tax-deferred accumulation shown for both IRA accounts are not guaranteed or intended to demonstrate the performance of any actual investment. Unlike actual investments, the accounts show a constant rate of return without any fees or charges. Any tax-deductible contributions are taxed and tax-deferred growth may be taxed upon withdrawal. Withdrawals prior to age 59½ may be subject to a 10% penalty tax. Assumes payments are made at the beginning of each year. Investing entails risk, including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

What Is a Mutual Fund?

A mutual fund is an opportunity for you, together with many other investors, to pool your money.

Professional money managers invest the “pool” for you, keeping the investments under constant supervision. The money managers use their knowledge of securities and changing market conditions to invest the pooled assets in many different companies within a variety of industries.



The Three “Ds” of Investing

A good way to keep your focus on your goals is to remember the three “Ds” of investing: Dollar-Cost Averaging, Discipline and Diversification.

Dollar-Cost Averaging

Dollar-cost averaging means investing a certain fixed amount each month, regardless of what’s happening in the stock market. This eliminates having to predict when to invest as you will be able to take advantage of the market highs and lows – by purchasing fewer units when the prices are high and more units when the prices are low.

While dollar-cost averaging can’t assure a profit or protect against loss, it does show how a systematic investing plan, sustained over a period of time has the potential to pay off, relieving your worries about whether the market is up or down.

Discipline

By staying focused and staying invested through all market activity, you can increase your long-term potential because missing even a handful of the best-performing days in the market over time can considerably diminish your returns. Experts say market “timing” is

a bad way to invest. The key is to maintain a long-term view and stay focused on your goals.

Diversification

Because there is no single, perfect investment, take advantage of the next best thing which is to build your portfolio by balancing a variety of investments. Together these investments help you achieve your goals and reduce your portfolio’s risk. This may also work to increase returns by offsetting losses in one asset class with an opportunity for gains in another. Diversification does not assure a profit or protect against loss.

Investing entails risk including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

Systematic Investing

Who Do You Think Earned More Money?

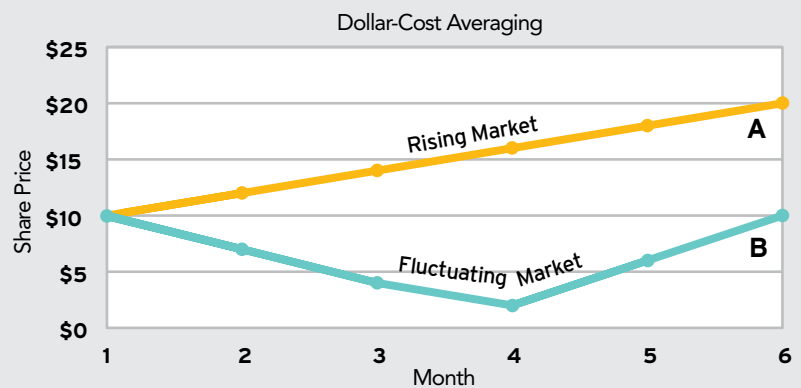
Investor A began purchasing his shares as the market soared. Right after Investor B started purchasing his shares, the market fell and then recovered to where it was at the beginning of his investment period.

If you picked Investor A, you’re wrong! Investor B was able to take advantage of the downturn in the market and use his \$100 monthly investment to purchase shares at a lower price, which meant more shares purchased. With his \$600 investment he purchased 125.95 shares at an average price of \$4.76 per share.

Investor A’s \$600 investment purchased 42.28 shares at an average price of \$14.19 per share. **In a fluctuating market, Investor B was able to accumulate more shares at a lower price than Investor A did in a rising market.**

That’s the power of dollar-cost averaging!

Dollar-cost averaging is a technique for lowering average cost per share over time. Dollar-cost averaging cannot assure a profit or protect against loss in declining markets. Investors should consider their ability to continue to invest in periods of low-price levels. These values are hypothetical and not intended to reflect any specific market period.



	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Number of Shares Accumulated
Investor A							
Invests \$100/month	Per share: \$10.00	\$12.00	\$14.00	\$16.00	\$18.00	\$20.00	42
	# of shares: 10.00	8.33	7.14	6.25	5.56	5.00	
Investor B							126
Invests \$100/month	Per share: \$10.00	\$7.00	\$4.00	\$2.00	\$6.00	\$10.00	
	# of shares: 10.00	14.29	25.00	50.00	16.67	10.00	

	Amount Invested in 6 months	Number of Shares Accumulated	Avg. Cost Per Share
A	\$600	42.28	\$14.19
B	\$600	125.95	\$4.76

Securities offered by PFS Investments Inc.

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An investor should consider a mutual fund's risks, investment objectives, and fee expenses carefully before investing. The prospectus contains this and other information about the mutual fund. You may obtain a prospectus from your PFS Investments representative or by contacting PFS Investments at 770-381-1000. You should read and consider the prospectus carefully before investing.

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