



H MONEY WORKS™



A COMMON SENSE GUIDE TO FINANCIAL SUCCESS

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WE BELIEVE A FINANCIAL EDUCATION SHOULD BE FREE.

Primerica has proudly distributed more than 30 million free copies of **How Money Works™** to help consumers find answers to their financial problems.

Ask yourself...

- How can I save for the future when I have so much debt?
- How much money is enough to retire? Is it possible to save enough if I got a late start?
- If I die prematurely, what becomes of my family?
- Can I ever truly become financially secure?

While we offer a wide variety of consumer-related financial solutions, this book is not intended as a sales solicitation, but as a general education guide to help consumers become independent thinkers who can make their own choices about the solutions that are right for their unique situation.

For more information on specific concepts or solutions, contact the Primerica Representative who gave you this book.

There is a common misunderstanding that average and ordinary people can't become financially independent. That couldn't be further from the truth.

The fact is, you have the power to become financially independent. Many people who have never earned a six-figure income become financially independent. How do they do it? Doesn't it take a high-level job with a big salary? Or a large inheritance? Or winning the lottery?

The answer is no. No matter what your income level, you can achieve financial security — if you take the time to learn a few simple principles from our **How Money Works™** materials.

**YOU CAN get out of debt.
YOU CAN build savings.
YOU CAN get on the path to financial independence.**

By applying the simple principles in this book, you can achieve financial security and ultimately reach your goals. But nobody else can make it happen.

**It's up to you.
You have the power to change your life forever.
Ready to get started?**



TAKE CONTROL

Did you know one of the biggest financial mistakes most people make is dependence? Dependence on others allows “outside” factors in people’s lives to control them. The secret to financial security is learning to control the things you CAN control.

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. You must start with the end in mind.

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

Know Your Financial Independence Number

Have you heard of a Financial Independence Number (FIN)? It's the amount of money saved that you'd need to retire or be able to stop working. The FIN factors in expenses you'll have at retirement, any income coming in, inflation, and the withdrawal rate of retirement savings. It's important to calculate your FIN so you can determine what you need to do to reach that number before retirement.

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.

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.**



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

**Who wouldn't like to retire early?
Retirement is an amount of money, not an age.**

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 of doing what needs to be done to start building wealth.

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.

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.**

Realign Your Assets

This is another way to take control and free up income for savings. There are two major areas in which families may not get 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 lower interest savings plan and invest it in an area that has the potential for higher returns.
2. **High-cost life insurance.** You can replace your expensive cash value life insurance policies with term life insurance and potentially save thousands of dollars in premium over time! Both of these areas are covered in more detail later in this book.

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. **You DO have a choice about your financial future.**

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:

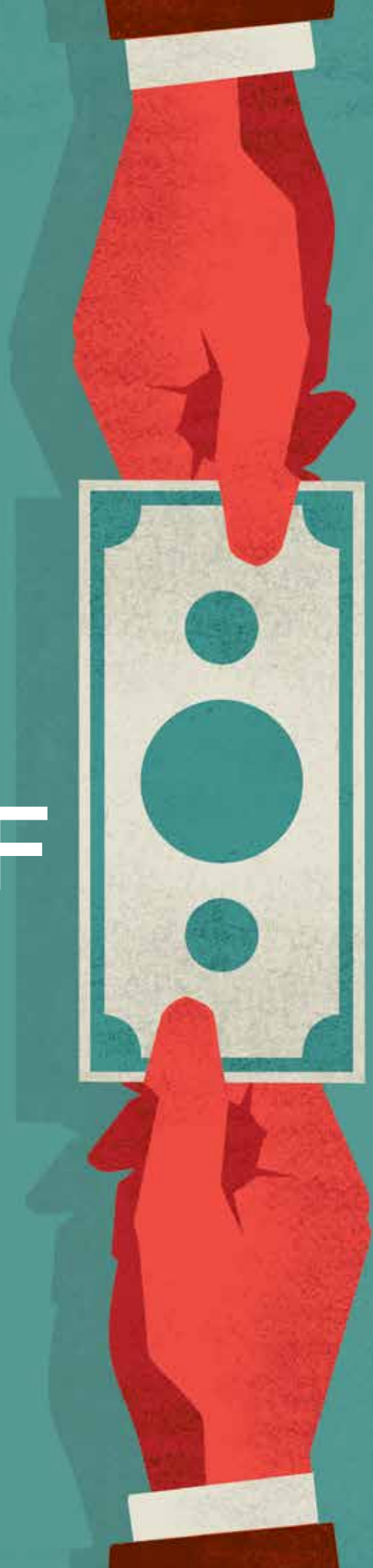
1. **An incentive to make the necessary sacrifices**
2. **Benchmarks along the way to gauge your progress**

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.

PAY YOURSELF FIRST

PROBLEM: At the end of the month, most people don't have anything left to save.

SOLUTION: At the first of the month, before you pay anyone else, commit to setting aside 10% of your income. Paying yourself first may be the single most important concept in this book.



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 many 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. Get rid of your credit card debt and put those payments into your own savings. **Make a commitment to pay yourself first.**

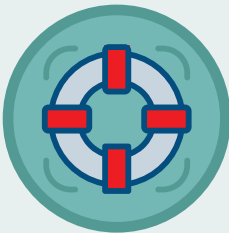
**CALCULATE
HOW MUCH
YOU'VE EARNED
AND
HOW MUCH
YOU'VE SAVED**

Average annual income (estimate)		A
Times number of years worked	X	B
Equals total amount earned	=	C
Amount of personal savings		D
Divide D by C	=	% E

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:**



EMERGENCY ACCOUNT

Goal: Minimum three months of income for purchases within 0-2 years.

- Emergencies
- Uncovered medical expense
- Major car repair



SHORT-TERM ACCOUNT

Goal: Minimum six months of income for purchases within 3-5 years.

- Reserve for unforeseen events
- Loss of job
- Down payment for a house



WEALTH BUILDING ACCOUNT

Goal: Enough money for you to retire in dignity and enjoy your life.

- Retirement income
- Long-term medical expenses
- Charitable giving
- Family legacy

PAY OFF DEBT

Of all the threats to your financial security, none is more dangerous than debt. In every family's quest to feel good financially, debt is the most common enemy.

The very fact that it is so common — who doesn't have debt? — makes it one of the biggest threats to your financial well-being.



The Bad News About Compounding

Compound interest is one of the most powerful financial forces in existence. When you are building savings, its power works in your favour. **However, when you have debt, the power of compound interest works against you.** When you pay just the minimum balance on your credit cards each month, interest charges are added to the remaining principal. This means your new balance is the principal PLUS the interest... and that amount gets compounded again and again. It's easy to see how small debts grow large quickly with compound interest.

DID YOU KNOW IF YOU MADE A ONE-TIME \$3,000 CREDIT CARD PURCHASE WITH AN 18% INTEREST RATE WITH NO NEW PURCHASES AND MADE THE MINIMUM PAYMENTS, IT WOULD TAKE AT LEAST 10 YEARS TO PAY OFF AND YOU WOULD END UP PAYING MORE THAN \$2,002 IN INTEREST CHARGES?



\$3,000
Credit Card
Purchase



\$2,002
In Interest
Charges



\$5,002
Total
Cost

Is the Power of Compound Interest working for you or against you?

Assumes 18% COB, and a minimum monthly payment of 3.5% of the balance or \$20, whichever is greater.

Revolving Debt vs. Fixed Debt

Credit card debt is what is known as “revolving” debt. The interest compounds daily instead of monthly, which means you can pay much more in interest. Because there is no fixed amount that you pay each month, your debt can go on forever. Additionally, your interest rate could change at almost any time and there is little a consumer can do beyond paying off the entire balance at once.

LOOK AT HOW REVOLVING DEBT CAN ERODE YOUR FINANCIAL SECURITY:

REVOLVING DEBT

\$17,000 @ 18%
\$595/month¹

\$12,500 in interest paid
17 years and 2 months to pay off

FIXED DEBT

\$17,000 @ 18%
\$595/month fixed²

\$5,370 in interest paid
3 years and 2 months to pay off

1. Assumes revolving payment (minimum) is 3.5% of the remaining balance or \$20, whichever is greater. First month's payment is shown and term assumes continued payment of minimum amount with no additional amounts paid. Also assumes no additional debt is incurred and payments decrease over time period. 2. Assumes payment of 3.5% of initial loan amount, no additional debt incurred and initial payment amount remains fixed throughout term of loan.

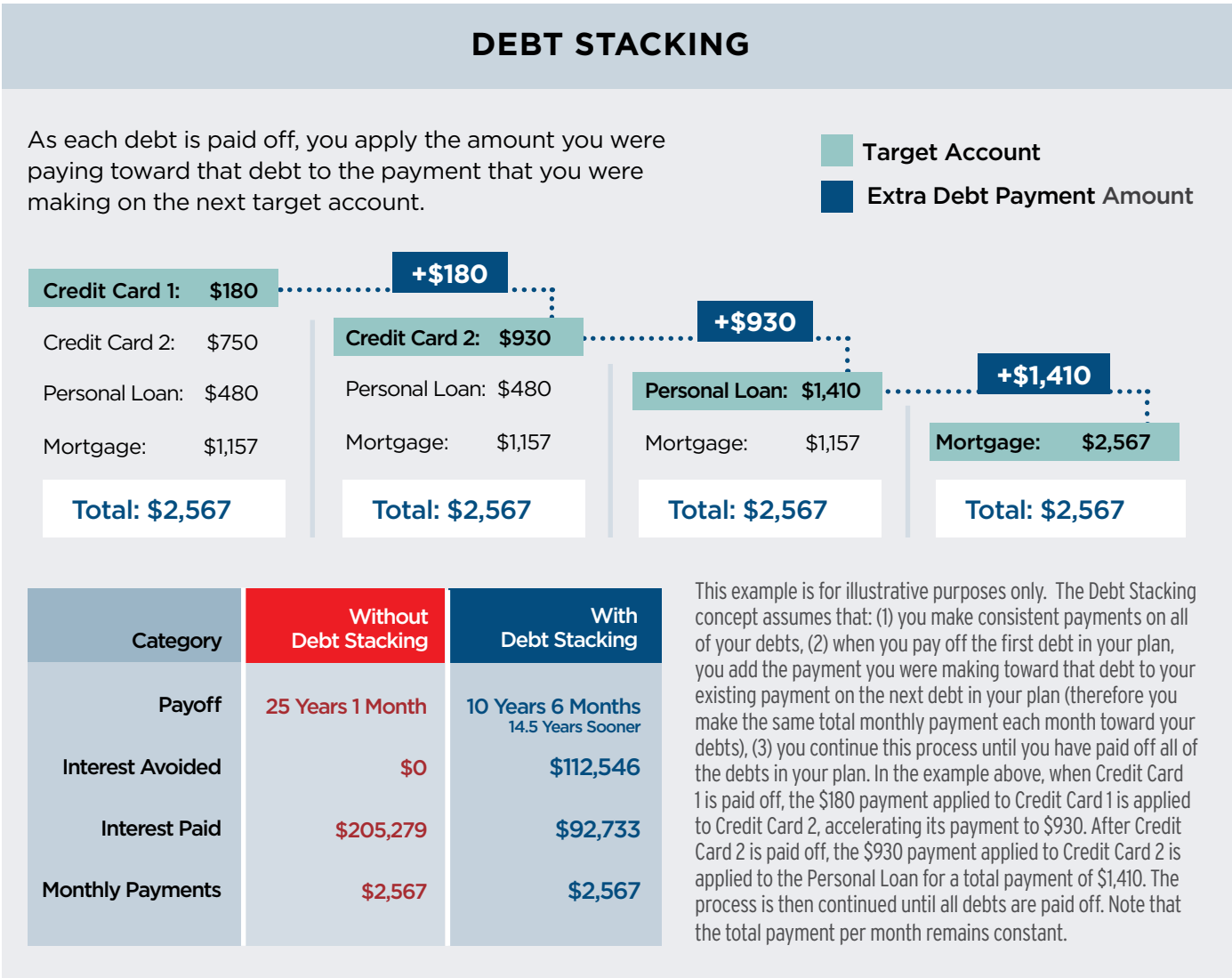
Debt Stacking Can Lead to Debt Freedom

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. 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 \$2,567 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 toward your debt toward creating wealth and financial independence.**



AVOID THESE COMMON CREDIT MISTAKES

Not Valuing Your Credit Good credit is a valuable commodity in today's world. Bad credit, including a bad credit record, late payments, etc., can create a negative financial profile that can surface when you have a legitimate need to borrow.

Maxing Out Your Cards No matter what your credit limit, it's never a good idea to use it all. Running up a large credit card balance can impact your credit score, lead to debt, and make it harder to borrow money in the future. The best practice is to pay your balance off monthly.

Not Monitoring Your Credit Score A good credit score can determine whether you will be approved for credit, the interest rate on your loans, the cost of your homeowner's and auto insurance or whether you will be approved to rent a house or an apartment.

Not Knowing Your Interest Rate and Fees Fees vary widely among credit cards. Always make sure you know what the interest rate and annual fees are before you accept the card.

Not Being Aware of Your Total Debt Too much debt can keep you from realizing some of your other financial goals, so it pays to be aware of the total debt you owe, pay it off as fast as you can and not accrue additional debt along the way.

5 TIPS TO RAISE YOUR CREDIT SCORE

Know Your Score First and foremost, know and keep an eye on your credit score. FICO scores can range from Excellent (800 and higher), to Very Good (740 to 799), to Good (670 to 739), to Fair (580 to 669), to Poor (579 and lower).

Don't Skip a Payment Having a good payment history is essential to having a good credit score, so don't miss any loan or credit card payments. Late payments can stay on your credit report for up to seven years. Set up automatic payments when you can and avoid having your credit score take a dive.

Catch Up Overdue Accounts If you're behind on a bill, bring the balance up to date. This can help improve your credit score. Plus, it can help you avoid late fees and having additional late payments added to your credit score.

Keep a Low Balance on Your Credit Card Not utilizing all the credit given to you can help improve your credit score. This shows lenders that you can manage your credit. Having low balances on revolving credit accounts also helps.

Don't Apply for Credit Often While you need some accounts open to establish and maintain your credit score, limit how often you submit applications for new lines of credit as too many inquiries can add up and have a negative effect on your credit score.

DISCOVER THE RULE OF 72

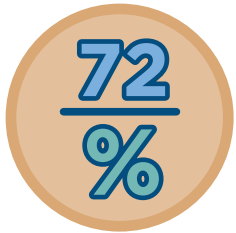
Albert Einstein called compound interest the most powerful force in the universe. Why weren't we taught this in school? You can't win the game if you don't know the rules.



Do You Know The Rule of 72?

Divide the rate of return into 72 to find the approximate 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

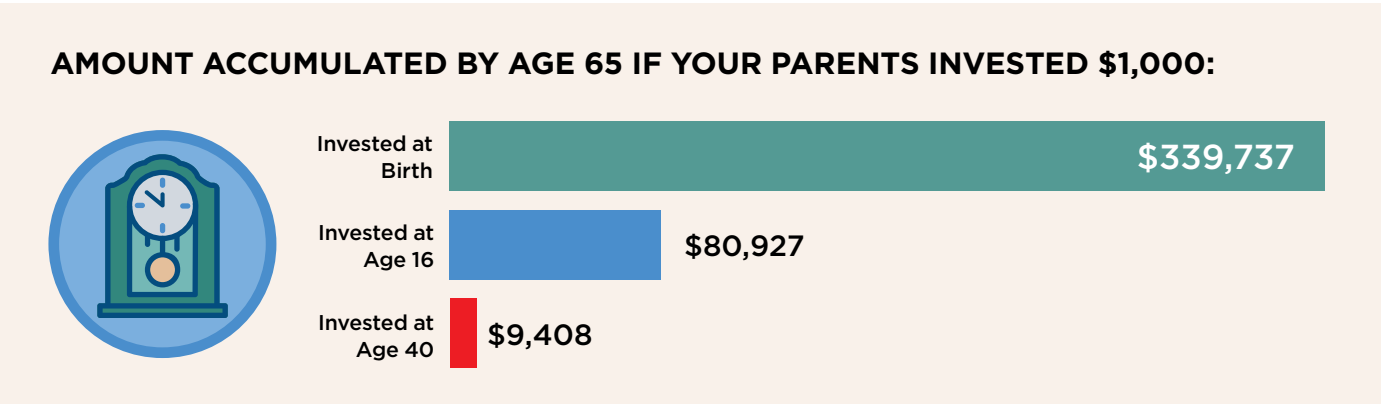


Based on The Rule of 72, a one-time contribution of \$10,000 doubles six more times at 12% than at 3% over 48 years.

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 most 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.

It Pays to Start Investing Early

Suppose your parents had invested **\$1,000** on the day you were born. Applying The Rule of 72, if you left the account untouched until you turned 65, that **\$1,000** could grow to **\$339,737** at a **9% annual rate of return** — without you ever having to add another penny!



For illustrative purposes only to demonstrate the principal of compound interest using The Rule of 72 formula. The chart uses constant rates of return, unlike many types of investments which will fluctuate in value. This example uses a constant 9% rate of return and assumes that no distributions were made. The illustration does not include fees and taxes that would lower results. The 9% rate of return is a hypothetical interest rate compounded on a monthly basis. It is unlikely that an investment could grow at 9% or more on a consistent basis. Investing entails risk, including loss of principal. Shares, when redeemed, may be worth more or less than their original value.

Use Time and Consistency

It has been said that the only two things life gives you are opportunity and time. Time, combined with rate of return and consistency, are powerful keys to achieving financial security.

You've seen how time can be the best friend of growth. But most people don't have \$1,000 to invest 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.

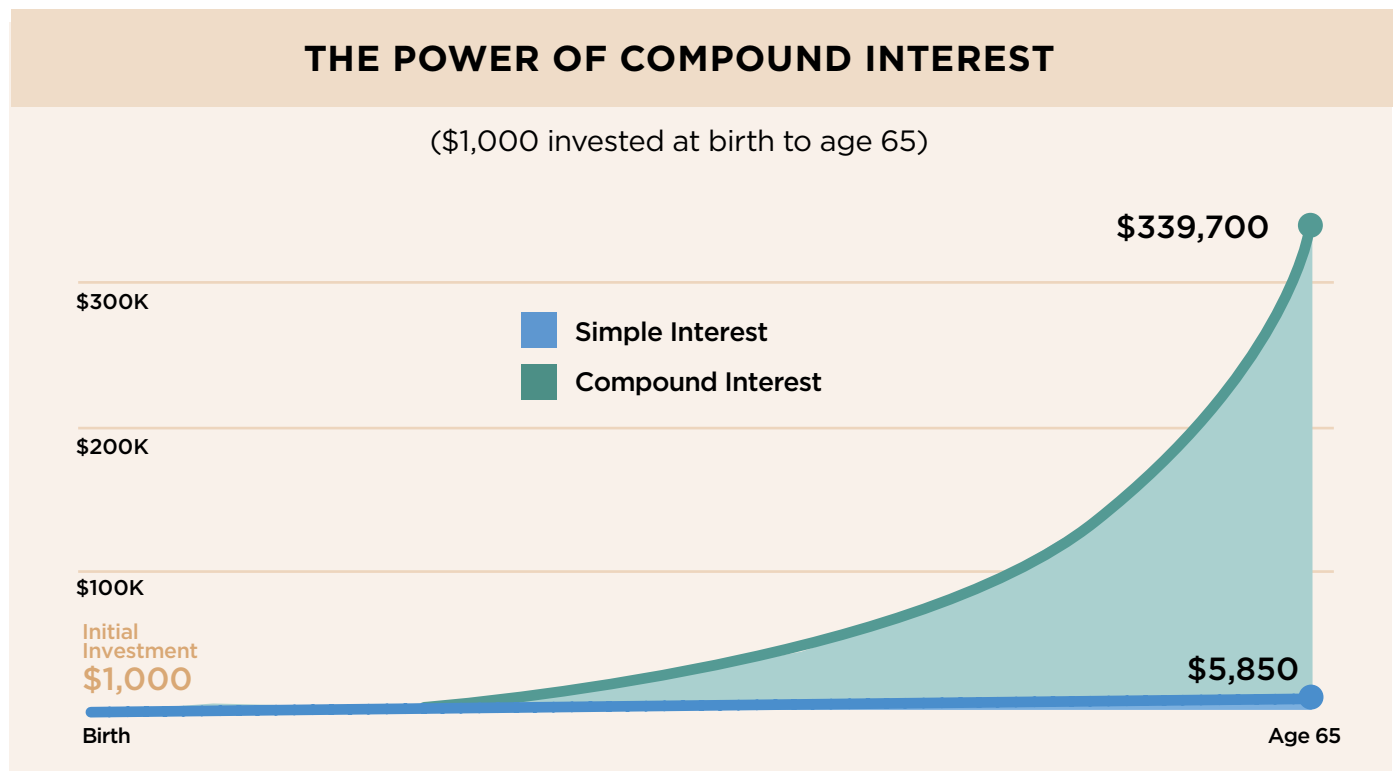
The Power of Compound Interest

Remember your parents who invested \$1,000 at a hypothetical rate of return of 9% when you were

born? The simple interest would be \$90 (and \$90/year, when multiplied by 65 years, is \$5,850 in total interest). Then how did you withdraw \$339,700 at age 65? 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 earnings on the investment, 9% or \$93.81, was added to the balance of \$1,000 to make \$1,093.81. The next year, \$102.61 was earned on the \$1,093.81. The total in the account was then \$1,196.42. As the account grew each year, the return was calculated on the total in the account, including all the past earnings. **The compounding of the interest is how \$1,000 grew to \$339,700.**

With the power of compound interest at work for you, you'll be amazed at how a few hundred dollars can become a thousand. See The Rule of 72 at work in the chart below.

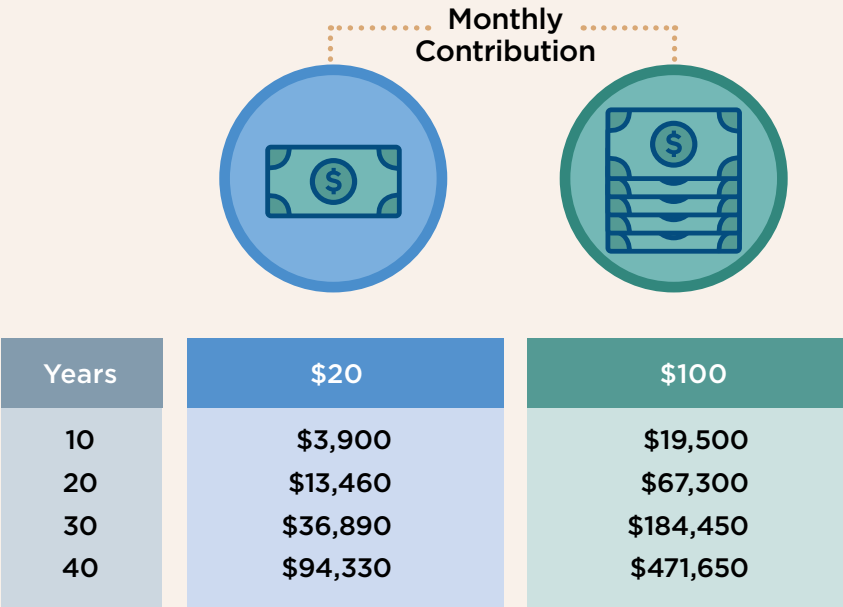


This table serves as a demonstration of how the Power of Compound Interest concept works from a mathematical standpoint. It is not intended to represent an investment. The chart uses constant rates of return, unlike most investments which will fluctuate in value and is based on the principal of compound interest with no distributions. It does not include fees or taxes, which would lower performance. It is unlikely that an investment would grow 9% or more on a consistent basis.

**JUST A LITTLE MORE
HAS A BIG IMPACT**

Take a look at 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.



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.

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 don't have a choice — you must start now. One thing is certain: **You can't afford the high cost of waiting.**

IF YOUR GOAL IS TO SAVE \$1,000,000 FOR RETIREMENT AT AGE 65, LOOK AT THE DIFFERENCE TIME MAKES:			THE SOONER YOU BEGIN TO SAVE, THE GREATER THE GROWTH ON YOUR INVESTMENT:		
Monthly Savings Required			The High Cost of Waiting (\$100/month at 9%)		
Begin	Save	Cost to wait	Begin	Total at Age 65	Cost to wait
Age 25	\$213	—	Age 25	\$471,640	—
Age 35	\$543	2.5 times more	Age 26	\$430,040	\$41,600
Age 45	\$1,487	7 times more	Age 30	\$296,380	\$175,260
Age 55	\$5,130	24 times more	Age 40	\$112,950	\$358,690

These examples serve as a demonstration of how the Power of Compound Interest concept works from a mathematical standpoint. It is not intended to represent an investment. The chart uses constant rates of return, unlike many types of 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 9% or more on a consistent basis.

The Importance of Rate of Return

There's another critical key to building financial security that's often overlooked. It's the rate of return (sometimes referred to as the interest rate). 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 for 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 savings as possible. **You can reach the same objective in one of two ways:**

1. **Save more**  **and accept a lower** 

OR

2. **Save less**  **at a higher** 

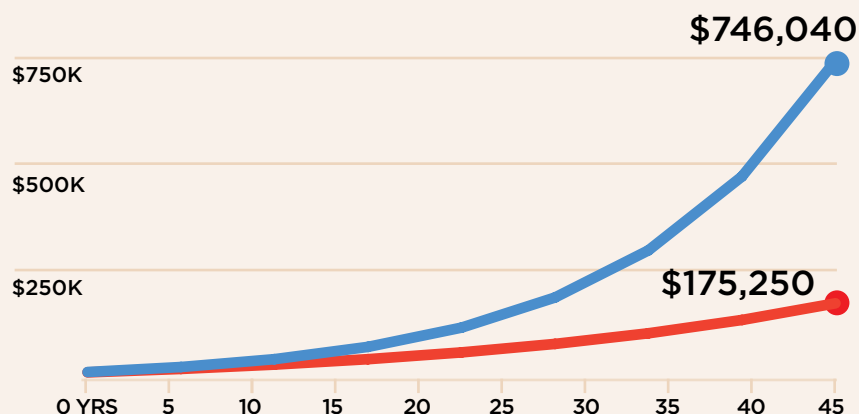
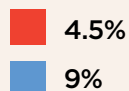
A ONE-TIME \$1,000 INVESTMENT WITH A 3%, 6% AND 9% RATE OF RETURN:

We'll use the example of your parents investing \$1,000 at your birth on page 15. Let's look at their one-time \$1,000 investment with a 3%, 6% and 9% rate of return. Look at what you could have withdrawn at age 65 at various rates of return.



HOW DOUBLING YOUR RATE OF RETURN CAN QUADRUPLE YOUR SAVINGS

\$100 per month at:



These examples serve as a demonstration of how the Power of Compound Interest concept works from a mathematical standpoint. It is not intended to represent an investment. The chart uses constant rates of return, unlike many types of 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 9% or more on a consistent basis.

SAVING AND INVESTING

1

“Saving and investing are both ways of setting money aside for the future. Both involve growing your money. And both should involve goals that make sense for your personal situation.”

GetSmarterAboutMoney.ca, “Saving-versus-Investing,” Viewed: May 25, 2023

2

“It is critical for people to feel comfortable with capital markets and to optimize investing their savings to support a financially healthy retirement or other financial goals.”

OSC.ca, “Investors-vs-savers: Attitudes towards investing,” September 29, 2022

3

“It’s never too early to start saving for retirement. This may make saving and planning for retirement easier than starting to save later in your career.”

Canada.ca, “Saving for retirement,” Viewed: May 25, 2023

4

“Those who prioritize retirement savings and make wise investing decisions feel they will enjoy the lifestyle they are hoping for.”

Fidelity.ca, “The 2022 Fidelity Retirement Report,” November 2022

5

“Unless you are independently wealthy, setting aside money today to see that you have enough for the years down the road by starting a retirement fund is not an option — it’s mandatory.”

Investopedia.com, “Retirement Fund: How to Start Saving,” December 7, 2022

BUY THE RIGHT KIND OF LIFE INSURANCE

One of the most important expenditures the average family should make is life insurance. It is also one of the most misunderstood. It is absolutely critical that you make the right decision about the kind and amount of life insurance to buy. In fact, the wisdom of your life insurance purchase could make a major difference in your family's security, should you die, and your quality of life if you don't.



The Importance of Life Insurance



How much is
your car worth?
Do you insure it?



How much is
your house worth?
Do you insure it?



How much is
your life worth?
Probably a lot more than
your car or your house!

Can you afford NOT to insure your life?

What's Its Purpose?

Life insurance should really be called “**income protection**” because its purpose is to protect the family against the premature death of a breadwinner or a caregiver. It acts as a substitute for income. Remember when you calculated how much you’ll earn in your lifetime? It was a fortune, wasn’t it? The potential risk of losing that earning power is what makes life insurance a necessity.

Who Should Buy It?

Mainly **people who have others depending on them** for income support. If you have a non-earning spouse and/or children, or some other significant financial obligation, you need life insurance. Your spouse may also need coverage, even if he or she doesn’t work, if child care or other expenses would result from the spouse’s death. If you’re single or have significant cash resources, you probably don’t need it.

What Should You Buy?

Inexpensive term life insurance. A common misconception about life insurance is that it is a permanent need for each family. Most financial experts see it as a way to simply “buy time” until you accumulate savings, not as a permanent fixture in your financial program.

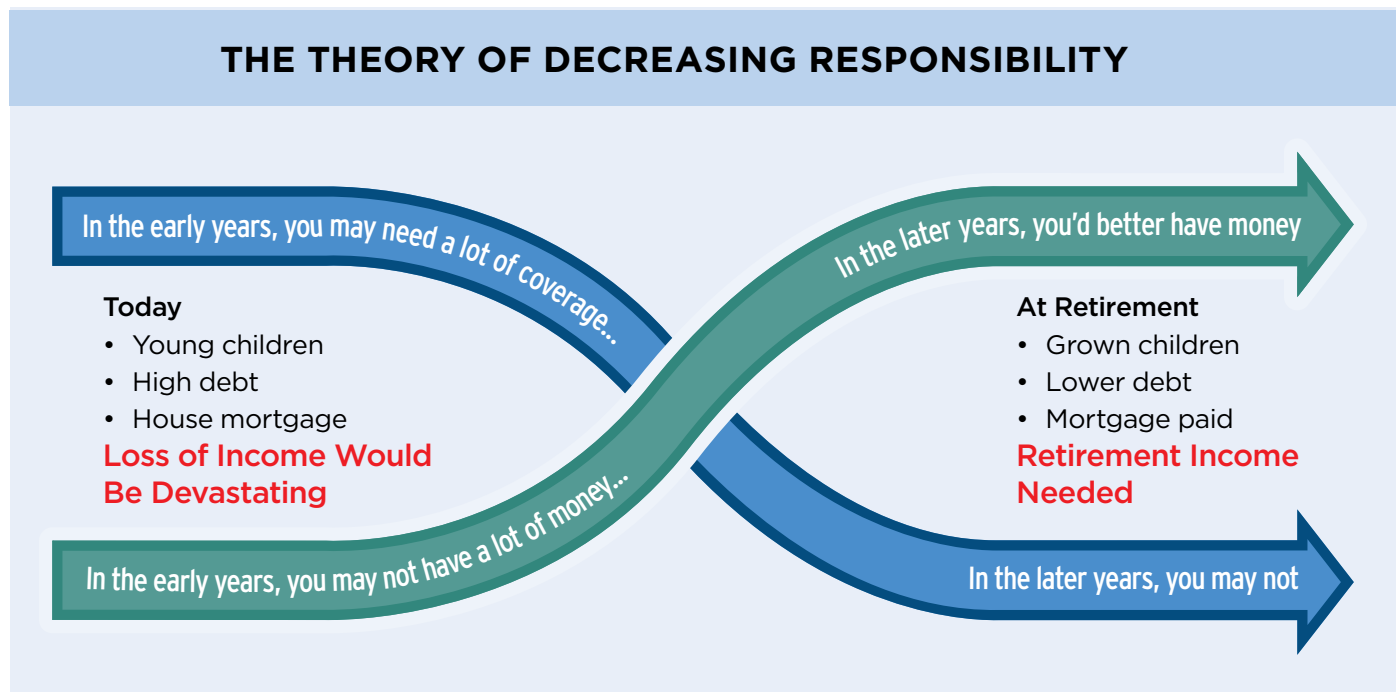
All Life Insurance Is Not Created Equal

Group life insurance can be a wonderful benefit from your employer, **but did you know?**

- You don’t **OWN** your group life policy, so if you are no longer a full-time employee for any reason, you may no longer be covered and your family is at risk of losing those benefits.
- There may be full-time work provisions on your group life insurance that could force you to lose your coverage if you have to go on short-term or long-term disability.

How Life Works

According to the Theory of Decreasing Responsibility (illustrated below), your need for life insurance mirrors family responsibilities. When you're young, you buy low-cost death protection, term life 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. When you reach retirement age, there really is no substitute for cash.



How Much Is Enough?

If you're like most Canadians, probably more than you have! **Ten times your annual salary is a good rule of thumb.**

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 from your investments.

REMEMBER: Do not combine your savings with your life insurance.

Concerns About Cash Value

When it comes to life insurance, you have two basic choices: some form of cash value life insurance (including universal life) and term life insurance. In cash value insurance, as a “bundled” policy, you buy both your death benefit and a cash value feature. However, this doesn’t enable you to maximize the benefits of the Theory of Decreasing Responsibility. These concerns have led many leading financial experts to direct consumers away from cash value life insurance.

Buy Term and Invest the Difference

With the “Buy Term and Invest the Difference” model, you have greater control over your benefits. Because protection and savings are completely separate, you can better control the death benefit and the investment portion. Buying term insurance typically allows you to get more insurance coverage for less money. Then you can use that money you’ve saved to invest for the future, pay down debt or use toward achieving other financial goals.



CASH VALUE

Typically **higher** initial premium

Includes an investment component

In traditional plans, you can receive your cash value OR your life insurance, **NOT BOTH**.
In certain plans only, you can get your cash value **IF** you pay extra fees.



TERM

Lower initial premium

No investment component
(You can control your investment on your own.)

Pure death protection

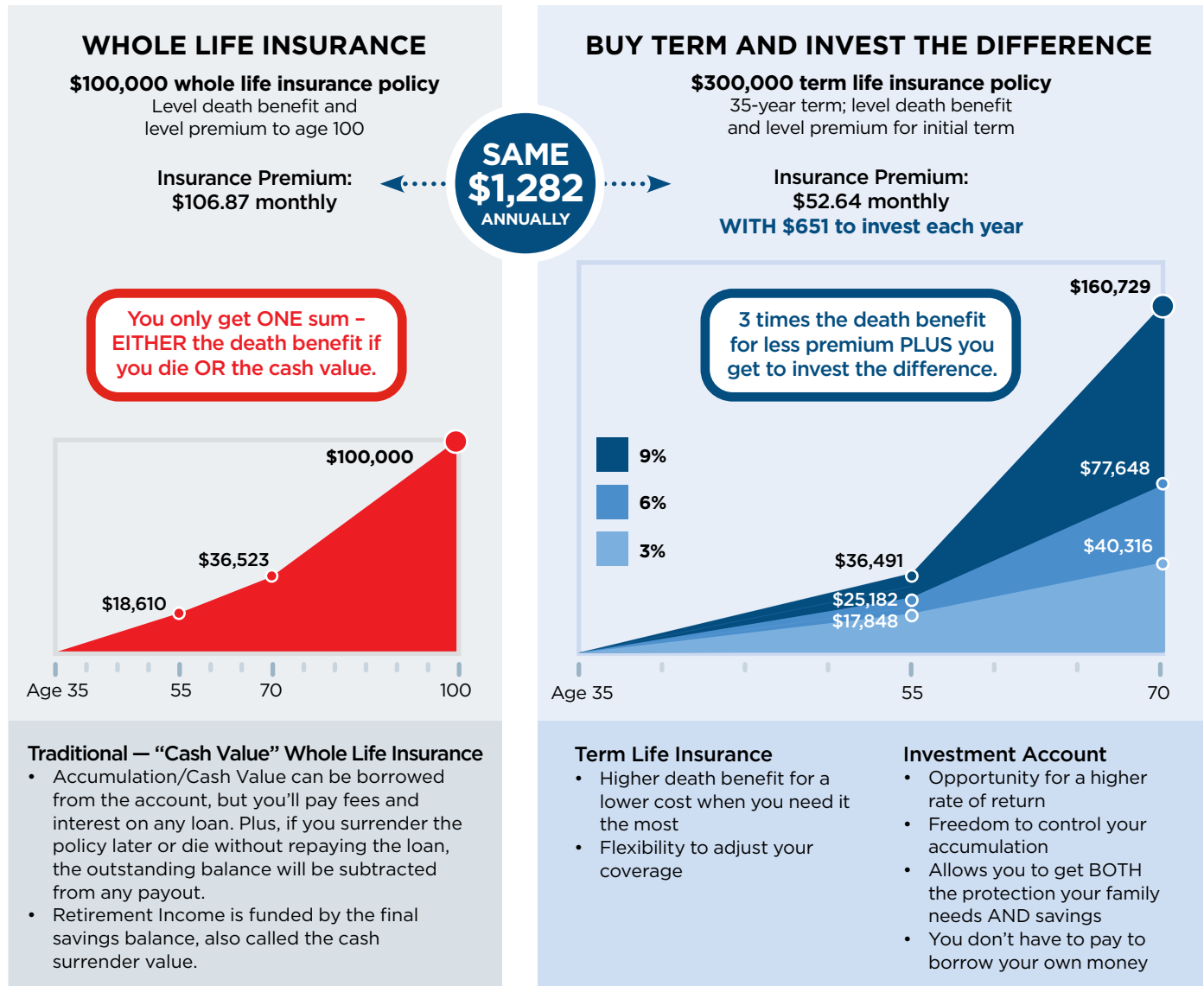
Cash value life insurance can be universal life, or whole life and may contain features in addition to death protection, such as dividends or cash value available for a loan or upon surrender of the policy. Cash value insurance usually has level premiums for the life of the policy. Term insurance provides a death benefit and its premiums increase after initial premium periods and at certain ages.

QUESTION: With cash value life insurance, how do you know what you are paying for insurance?

ANSWER: This can be hard to determine in a bundled product, especially with universal life. In addition to the cost of death protection, cash value policies may have significant fees. And with the “two-in-one” approach, it’s difficult to separate the cost of insurance from the other elements of the policy. This makes it difficult to comparison shop. **Any time you’re not sure what you’re paying, you risk making a bad decision.**

Never Buy Life Insurance as an Investment — Buy Term and Invest the Difference

We believe saving should never be bundled with a life insurance policy. Compare what you get with whole life insurance to term life insurance **and a separate investment account**.



Monthly premium and accumulated cash value for whole life policy is an average of whole life policies from four Canadian life insurance companies for male, age 35 and standard risk. Monthly premium for term life policy is an average of term life policies from four Canadian life insurance companies for male, age 35 and standard risk.

Cash value life insurance can be universal life, whole life, etc., and may contain features in addition to death protection, such as dividends, or cash value available for a loan or upon surrender of the policy. Cash value insurance usually has a level premium for the life of the policy. Term insurance provides a death benefit only and its premiums increase after initial premium periods and at certain ages.

Hypothetical investment assumes a constant 9% rate of return, compounded monthly, and is not indicative of any specific investment. Any actual investment may be subject to taxes and fees, which would lower performance. This example shows a constant rate of return, unlike many types of investments which will fluctuate in value. It is unlikely that an investment would grow 9% or more on a consistent basis. Investing entails risk including loss of principal.

This material is intended only for general educational purposes and is not a solicitation for purchasing a life insurance policy.

WARNING: CASH VALUE LIFE INSURANCE MAY NOT BE WHAT YOU THINK IT IS

1

Cash value life insurance may not be right for you. Be careful with these types of “products:”

- Cash Value Life Insurance
- Whole Life Insurance
- Permanent Life Insurance
- Universal Life Insurance
- Insured Retirement Plan

2

Cash value grows
“tax deferred”
NOT “tax free.”

3

“Living Benefits”
are not exactly what
you might think.

4

It takes the average policy many years to build cash value – and once it does, the surrender value in the first few years is generally a fraction of the money you have already paid into the policy.

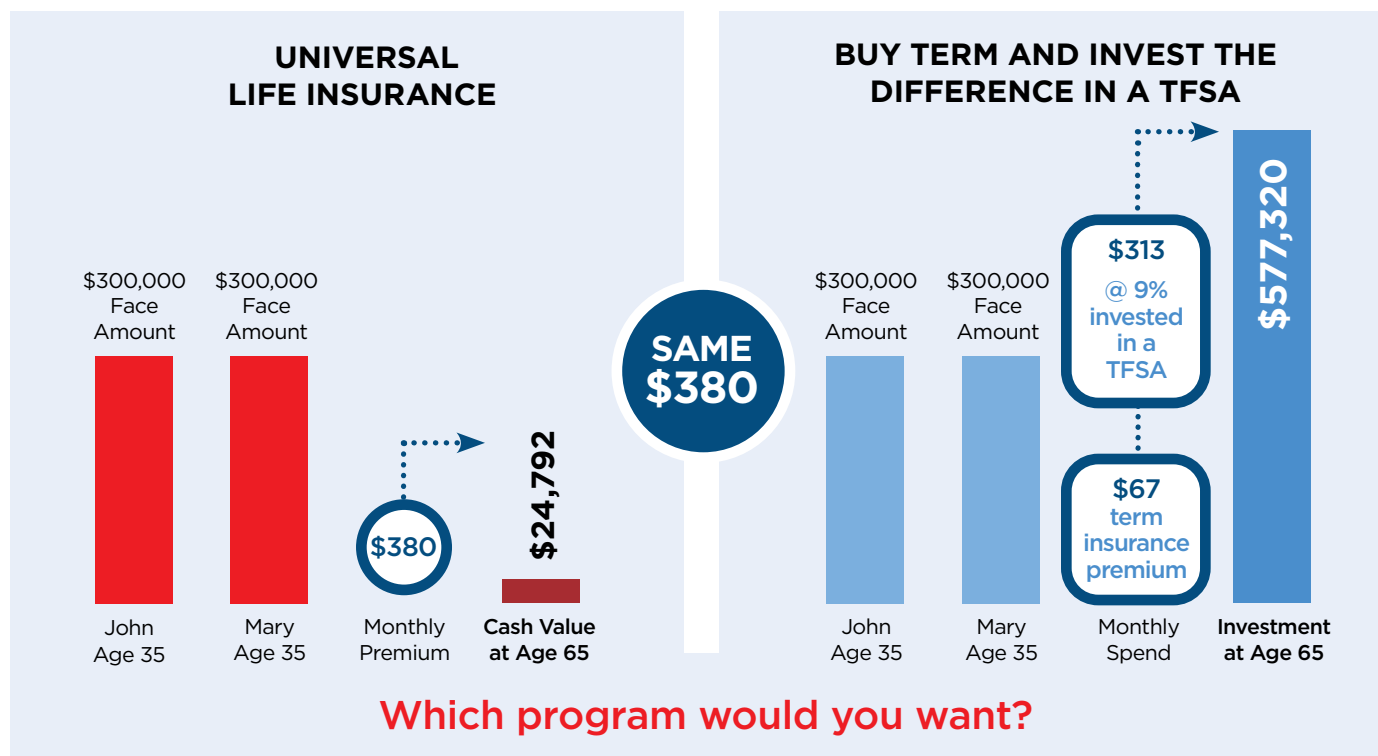
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If you own any of the products listed above, or are approached by someone marketing these products, you need to get the facts.

Four Problems with Cash Value Life Insurance

1. It is an expensive form of life insurance, and typically provides less coverage for your family.
2. You have to borrow your own money.
3. It typically has a low rate of return.
4. You lose your cash value if you die, with traditional policies. In certain plans only, you can get your cash value **IF** you pay extra fees.

What about Universal Life?



Universal life insurance (UL) premiums and cash value may vary based on a number of factors including the cost of insurance and guaranteed and non-guaranteed assumptions. Hypothetical UL policy premiums and cash value in this example are based on an average monthly premium from four insurance companies for male and female (both age 35 and standard risk) and assume an interest rate of 5.21%, non-guaranteed. UL policies may have benefits such as cash value available for a loan or upon surrender of the policy.

Monthly premium for term life policy is an average of term life policies from four Canadian life insurance companies for male and female, both age 35 and standard risk, 30 year term. Term insurance provides a death benefit only and its premiums increase after initial premium periods and at certain ages.

Hypothetical investment assumes a constant 9% rate of return, compounded monthly, and is not indicative of any specific investment. Any actual investment may be subject to taxes and fees, which would lower performance. This example shows a constant rate of return, unlike many types of investments which will fluctuate in value. It is unlikely that an investment would grow 9% or more on a consistent basis. Investing entails risk including loss of principal.

OUR PHILOSOPHY: The Three “Nevers” of Buying Life Insurance

- NEVER #1:** ❌ Never buy any kind of “cash value” or whole life insurance, including universal life.
- NEVER #2:** ❌ Never buy life insurance as an investment.
- NEVER #3:** ❌ Never buy a life insurance policy that pays dividends.

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WHAT THE EXPERTS SAY

“

Term insurance is pure protection, like fire insurance or auto insurance, its sole function is to support your family if you die. You can buy large amounts of coverage for modest amounts of money — and big policies are what your spouse and children need.

Jane Bryant Quinn, *Making the Most of Your Money Now*, 2009

”

“

In my opinion, there is only one kind of life insurance that makes sense for the vast majority of us: term life insurance.

Suze Orman, *The Road to Wealth: A Comprehensive Guide to Your Money*, 2009

”

“

Experts typically recommend term life insurance over both universal and whole life insurance.

Time.com, “What Is Universal Life Insurance: A Complete Guide,” January 14, 2022

”

“

Term life insurance is cheaper than whole life and covers you for a set period of time.

NerdWallet.com, “Term Life vs. Whole Life Insurance: Differences and How to Choose,” March 20, 2023

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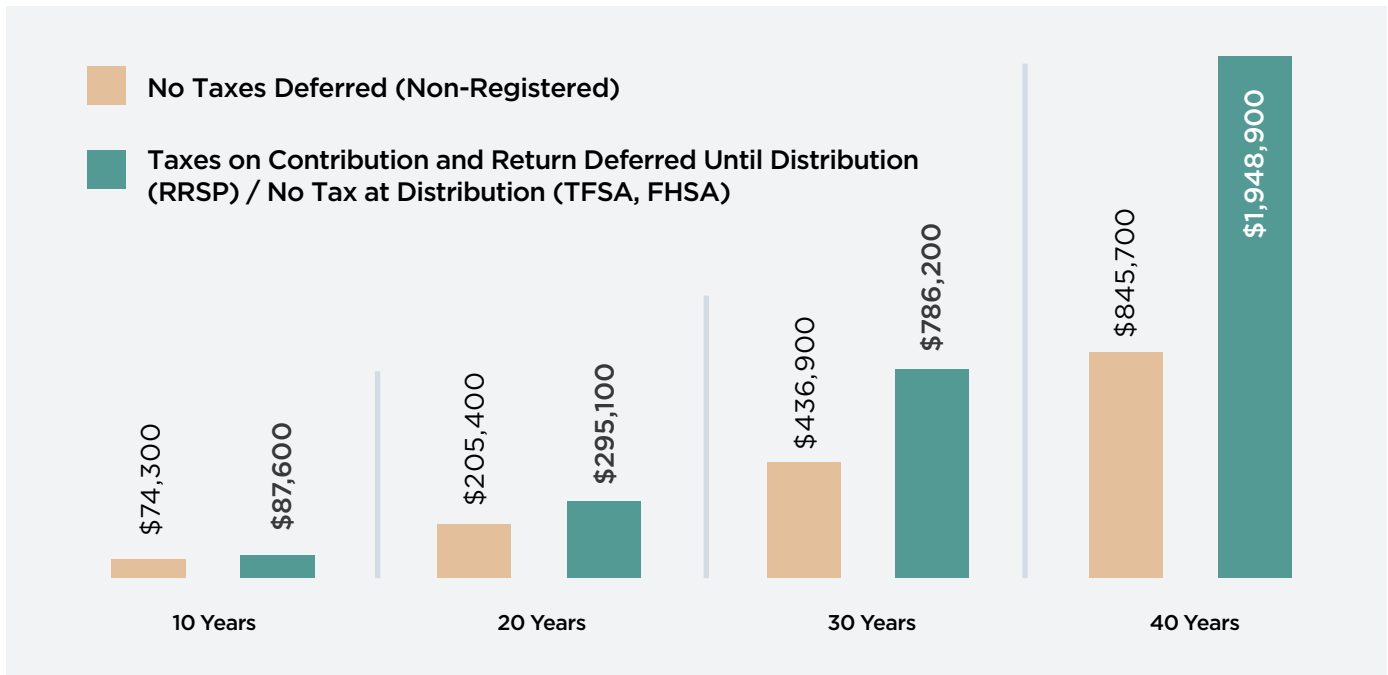


DEFER TAXES

Do you have a job? If yes, then you have a tax problem! The harder you work to get ahead and build your income, the more taxes you pay. In order to have the maximum cash at retirement, you need to find a way to minimize taxes.

The Power of Tax-Deferred Savings

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 35% tax rate. Lower tax rates on capital gains and dividends would make the investment return on the taxable investment more favourable, thereby reducing the difference in performance between the investments shown. Earnings on the investment are at a 9% constant nominal rate, compounded annually. Actual investments will fluctuate in value. The above amounts are based on monthly contributions of \$458.00 made at the beginning of the month. Allowable maximum contributions may be more or less based on each individual's personal circumstances. Does not take into account fees, which would reduce returns. Deferred taxes will need to be paid when they retire or latest age 71 and withdraw the amount from the RRSP, potentially in a lower marginal tax bracket.

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 expectation that you will be in a lower tax bracket when you have to pay taxes on the money.

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

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Tax Deferral (RRSP) or Tax Free (TFSA). Which Do You Prefer?

You have a few choices when it comes to Registered Plans. Which one works best for your situation?

REGISTERED RETIREMENT SAVINGS PLAN (RRSP)	RRSPs have always been a good way to save money for retirement because of their tax-favoured status. By establishing an RRSP, you can defer paying taxes on your RRSP earnings. Since these earnings grow without being taxed, more money is allowed to compound and work harder for you than if income taxes were taken out of each year’s earnings.
TAX FREE SAVINGS ACCOUNT (TFSA)	Introduced in 2009, this new, flexible plan allows you to save money each year without paying any tax on the investment income (interest, capital gains or dividend income) you earn. By using your TFSA to invest in a variety of products available, you have the potential to earn more tax-free investment income over the long term than if you invested in a high-interest savings account or GIC, magnifying the advantages of the plan.

PRODUCT FEATURES	RRSP	TFSA
Annual Contribution Limit	\$30,780* of earned income in previous year minus pension adjustments (up to annual limits set by Canada Revenue Agency)	\$6,500** per year (plus unused contribution room)
Deductibility	Deductible	Non-Deductible
Contribution Carry Forward	Yes	Yes
Earnings	Tax-Deferred	Tax-Free
Withdrawals	Withholding tax applies at time of withdrawal and added to income on tax return	Tax-Free
Maximum Age for Contribution	Yes (71 years old)	No
Re-contribution of Withdrawals	No (except for Home Buyer’s Plan and Life Long Learning Plan)	Yes (in subsequent calendar year)

*2023 RRSP Contribution Limits, Source: Canada Revenue Agency. 2024 RRSP Contribution limit = \$31,560

**2023’s Annual contribution limit of \$6,500 is subject to a maximum total contribution limit of \$88,000 if you reached 18 years of age in 2009.

Source: Canada Revenue Agency. Please consult your independent tax advisor for more details.

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The High Cost of Waiting

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 RRSP today can help you secure a comfortable retirement.

THE "TIME VALUE" OF MONEY

Individual A: Contributes from Ages 22-29				Individual B: Contributes from Ages 30-65			
Age	Annual Contribution	End-of-Year Accumulation		Age	Annual Contribution	End-of-Year Accumulation	
22	\$5,000	\$5,470	Started Contributing Age 22	22	\$0	\$0	
23	\$5,000	\$11,450		23	\$0	\$0	
24	\$5,000	\$17,990		24	\$0	\$0	
25	\$5,000	\$25,150		25	\$0	\$0	
26	\$5,000	\$32,980		26	\$0	\$0	
27	\$5,000	\$41,540		27	\$0	\$0	
28	\$5,000	\$50,900		28	\$0	\$0	
29	\$5,000	\$61,150	Stopped Contributing Age 29	29	\$0	\$0	
30	\$0	\$66,890		30	\$5,000	\$5,470	Started Contributing Age 30
31	\$0	\$73,160		31	\$5,000	\$11,450	
32	\$0	\$80,030		32	\$5,000	\$17,990	
33	\$0	\$87,530		33	\$5,000	\$25,150	
34	\$0	\$95,750		34	\$5,000	\$32,980	
35	\$0	\$104,730		35	\$5,000	\$41,540	
36	\$0	\$114,550		36	\$5,000	\$50,910	
37	\$0	\$125,300		37	\$5,000	\$61,150	
38	\$0	\$137,050		38	\$5,000	\$72,360	
39	\$0	\$149,910		39	\$5,000	\$84,620	
40	\$0	\$163,970		40	\$5,000	\$98,020	
41	\$0	\$179,350		41	\$5,000	\$112,690	
42	\$0	\$196,180		42	\$5,000	\$128,730	
43	\$0	\$214,580		43	\$5,000	\$146,270	
44	\$0	\$234,710		44	\$5,000	\$165,460	
45	\$0	\$256,730		45	\$5,000	\$186,450	
46	\$0	\$280,810		46	\$5,000	\$209,410	
47	\$0	\$307,150		47	\$5,000	\$234,520	
48	\$0	\$335,960		48	\$5,000	\$261,990	
49	\$0	\$367,480		49	\$5,000	\$292,040	
50	\$0	\$401,950		50	\$5,000	\$324,900	
51	\$0	\$439,660		51	\$5,000	\$360,850	
52	\$0	\$480,900		52	\$5,000	\$400,170	
53	\$0	\$526,010		53	\$5,000	\$443,180	
54	\$0	\$575,350		54	\$5,000	\$490,220	
55	\$0	\$629,330		55	\$5,000	\$541,670	
56	\$0	\$688,360		56	\$5,000	\$597,960	
57	\$0	\$752,930		57	\$5,000	\$659,520	
58	\$0	\$823,560		58	\$5,000	\$726,850	
59	\$0	\$900,820		59	\$5,000	\$800,510	
60	\$0	\$985,320		60	\$5,000	\$881,070	
61	\$0	\$1,077,750		61	\$5,000	\$969,190	Stopped Contributing Age 65
62	\$0	\$1,178,860		62	\$5,000	\$1,065,570	
63	\$0	\$1,289,440		63	\$5,000	\$1,171,000	
64	\$0	\$1,410,400		64	\$5,000	\$1,286,320	
65	\$0	\$1,542,700		65	\$5,000	\$1,412,450	
Total Contributions:		\$40,000		Total Contributions:		\$180,000	
Total Accumulation at Age 65:		\$1,542,700		Total Accumulation at Age 65:		\$1,412,450	

Would you rather be Individual A or Individual B?

The hypothetical 9% nominal rate of return, compounded monthly, and tax-deferred accumulation shown for both 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. Tax-deferred growth and any tax-deductible contributions are taxed upon withdrawal. Assumes payments are made at the beginning of compounding period with a 9% rate of return compounded monthly. Withdrawn amount may be subject to taxes.

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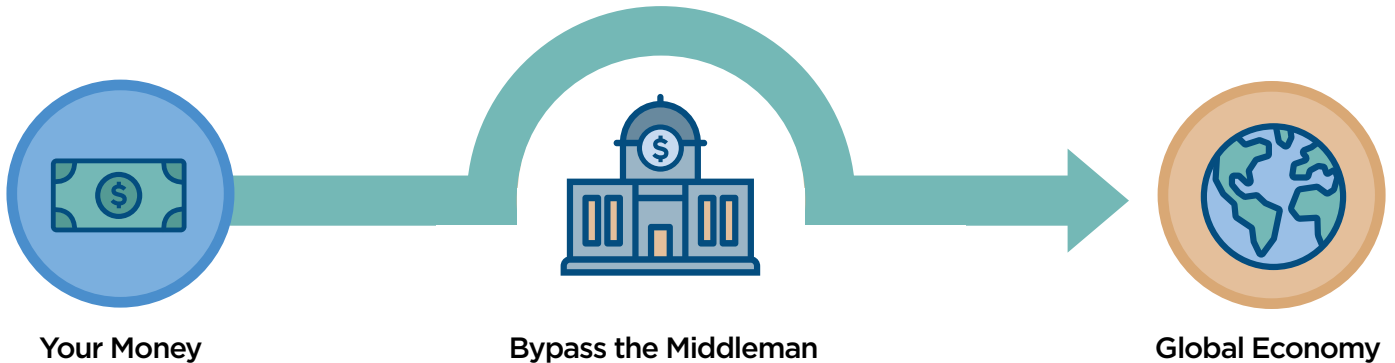
BECOME AN OWNER, NOT A LOANER

Many people fail financially because they don't understand the key concept of becoming an owner, not a loaner. Most people are "loaners." They deposit their money in what they consider to be "safe" investments, usually a local bank or credit union. But here's what happens.



Bypass the Middleman

Banks usually pay a low interest rate on their customers' deposits and then loan that money out or invest that money directly in the economy. The bank gains a higher rate of return on its investments and is happy to pay you a lower interest rate for the use of your money. As a general rule, what you really have there is a "loaning" account, rather than a "savings" account. You are lending money to the bank and they are making a profit off your money. You have no choice but to reverse the situation if you want to make your money work for you. **You must become an "owner," not a "loaner."** You must learn to "bypass the middleman."



Are You Earning a Guaranteed Loss?

Even though you may feel comfortable with the fact that deposits in banks and trust companies are "guaranteed" against loss by the CDIC, what you are purchasing with that kind of "guarantee" is something you hadn't counted on — a guaranteed loss in buying power.

YOU DEPOSIT \$10,000 AT A 1% INTEREST RATE AT YOUR LOCAL BANK...

You earn interest for the year:	\$100
But you pay \$25 in taxes on that interest at 25%:	-\$25
So, your net earnings are:	\$75
Your resulting balance would be:	\$10,075
...but if inflation is 4%, your buying power would be reduced to:	\$9,688

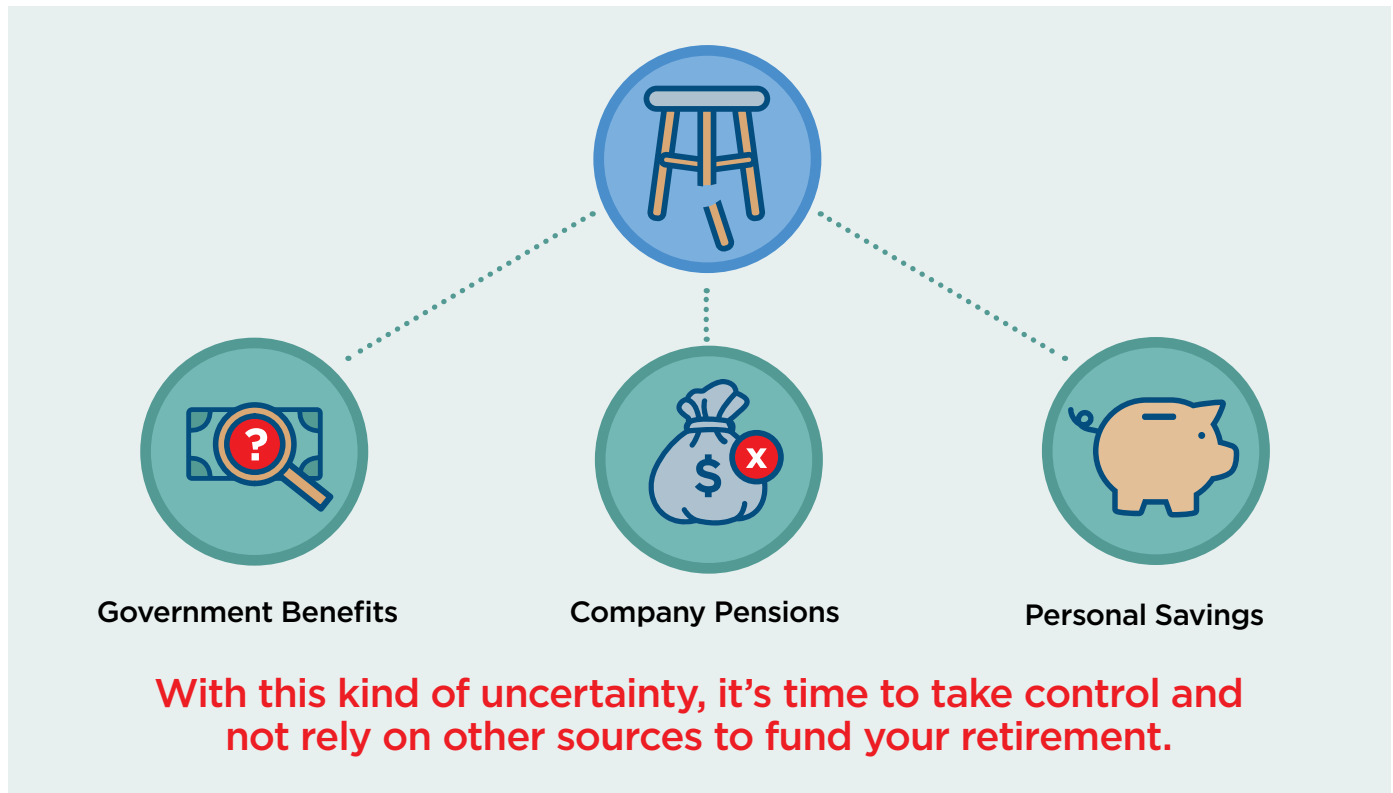
You would have actually LOST buying power. Never underestimate inflation risk. Remember, the key is what your money can buy.

This 25% tax rate is hypothetical. A different tax rate will change the result. Savings and chequing accounts are generally CDIC insured up to \$100,000.

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The Broken Three-Legged Stool

For years, financial experts used the analogy of a three-legged stool to demonstrate the primary sources that provide retirement income. However, gone are the days when you can count on a pension from your employer. Plus, government benefits doesn't seem so "secure" anymore. Altogether, these three "legs" used to represent a stable source of income, but not anymore. **Simply put, it's up to you to fund your retirement.**



Don't Just Save, Invest

QUESTION: With the problem of low returns in "safe" investments, where can you go to have the opportunity to get the kind of rate of return you need to keep ahead of the savings game?

ANSWER: Equity investments (the stock market). Investing in the market takes you out of the "savings" mode and into the "investing" mode.

QUESTION: Are stocks guaranteed?

ANSWER: No. There is always a potential for loss, as well as gain. **But for a greater potential rate of return, many investors are willing to accept a greater degree of risk.**

Remember what you've learned about being an "owner" versus a "loaner." If you want a "guarantee" on your money, be willing to accept a relatively low return.

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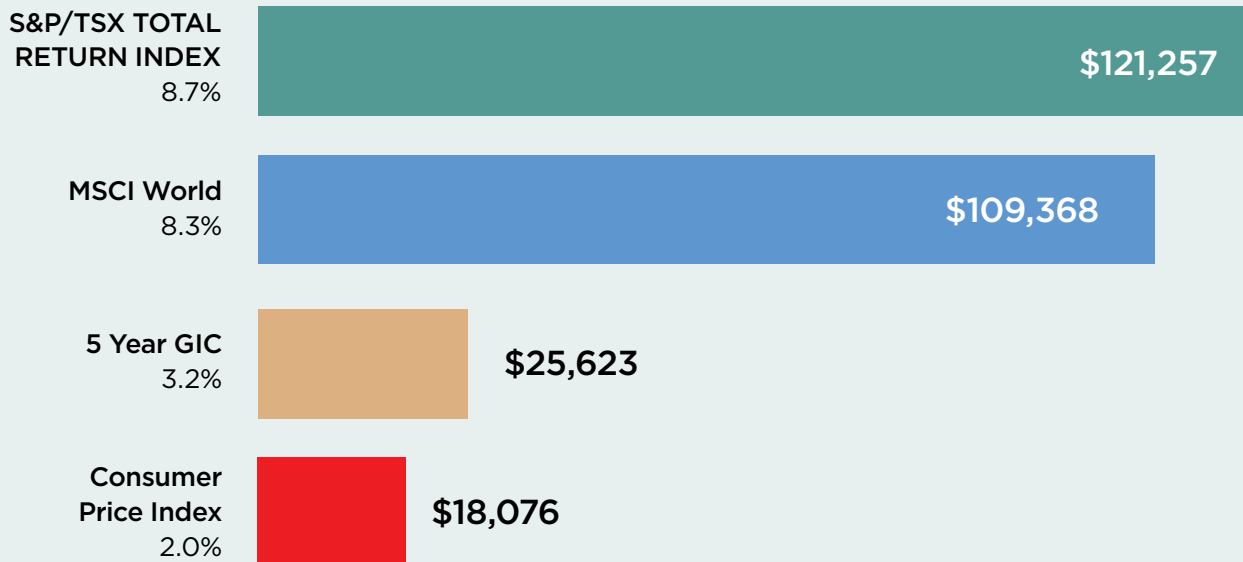
Rate of Return Is the Key

While saving is important, that alone won't typically be enough to see you through your retirement years. **Investing is one of the best ways to grow wealth over time.**

How you choose to invest your money is also important, as some investment vehicles offer greater potential for growth and potentially higher risks. The rate of return (the amount of growth on your initial investment) will be different depending on how you decide to invest, so make sure you choose an investment strategy that suits your goals, timeline and risk tolerance.

GROWTH OF A \$10,000 INVESTMENT AT DIFFERENT RATES OF RETURN

(December 31, 1992 to December 31, 2022)



What kind of return do you need to reach your goals?

Source: Morningstar. Past performance is no guarantee of future results. This chart is for illustrative purposes and does not represent an actual investment. Further, the returns do not reflect the past or future performance of any specific investment. All investments involve risk including loss of principal. The figures in the chart above assume reinvestments of dividends. They do not reflect any fees, expenses or tax consequences, which would lower results. MSCI World is a Morgan Stanley International index that includes stocks traded in Europe, Australia, the Far East, plus the U.S., Canada and South America, weighted by capitalization and calculated in Canadian dollars with gross dividends. The S&P/TSX Composite Index is a capitalization-weighted index designed to measure market activity of stock and trusts listed on the Toronto Stock Exchange. It is an index of stocks that are generally considered to represent the Canadian equity market. 5-Year Average GIC Index is a calculated index, derived by using the month-end 5-year Trust Company Guaranteed Investment Certificate rate as provided by the Bank of Canada. The index assumes monthly re-investments of the interest and capital. It should not be construed as the actual return of an investment in a 5-year GIC. Consumer Price Index (CPI) All items is an index representing the rate of inflation of Canadian Consumer prices as determined by Statistics Canada. The effects of income and capital gains are not demonstrated. The chart is for illustrative purpose only and does not indicate past or future performance of any investment. Investors cannot invest directly in any index.

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INVEST WITH PROFESSIONAL MANAGEMENT

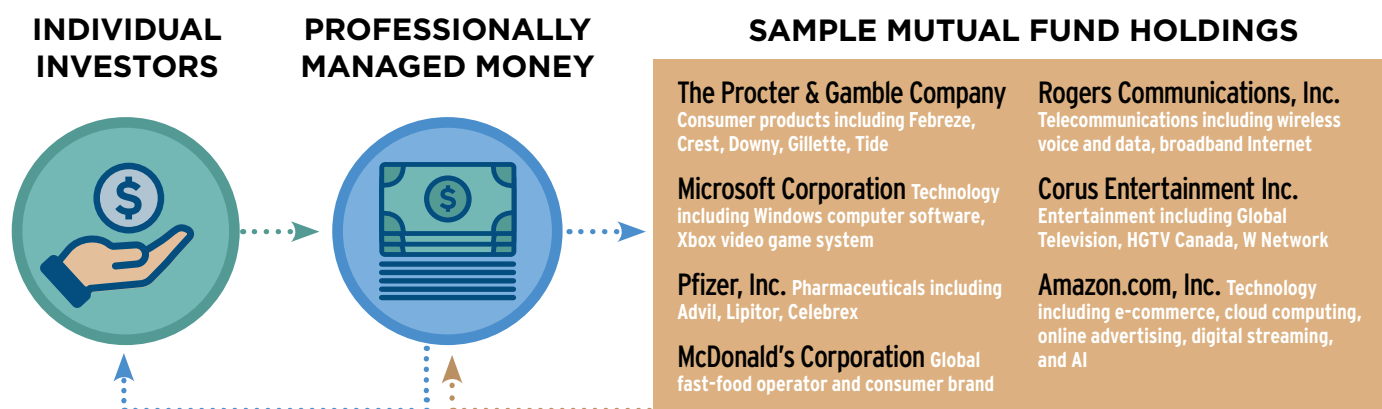
Mutual funds are a great way to become an “owner,” not a “loaner.” They give average families the advantage of investing in the economy, with the opportunity to reduce risk with professional management and diversification. There’s no doubt that there is risk — after all, you’re buying a little piece of the economy, and the economy is influenced by many factors. But, as you’ve learned here, in exchange for that risk, you have the potential for a higher rate of return.

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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 professional 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.



Did you know fund investing is an affordable way to share in the performance of many companies?

The Sample Mutual Fund Holdings example above is a hypothetical example and does not represent the holdings of an actual mutual fund. Each mutual fund invests differently. Please read the prospectus for a mutual fund's current holdings before investing. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The Three “Ds” of Investing

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.

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.

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.

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Who Do You Think Earned More Money?

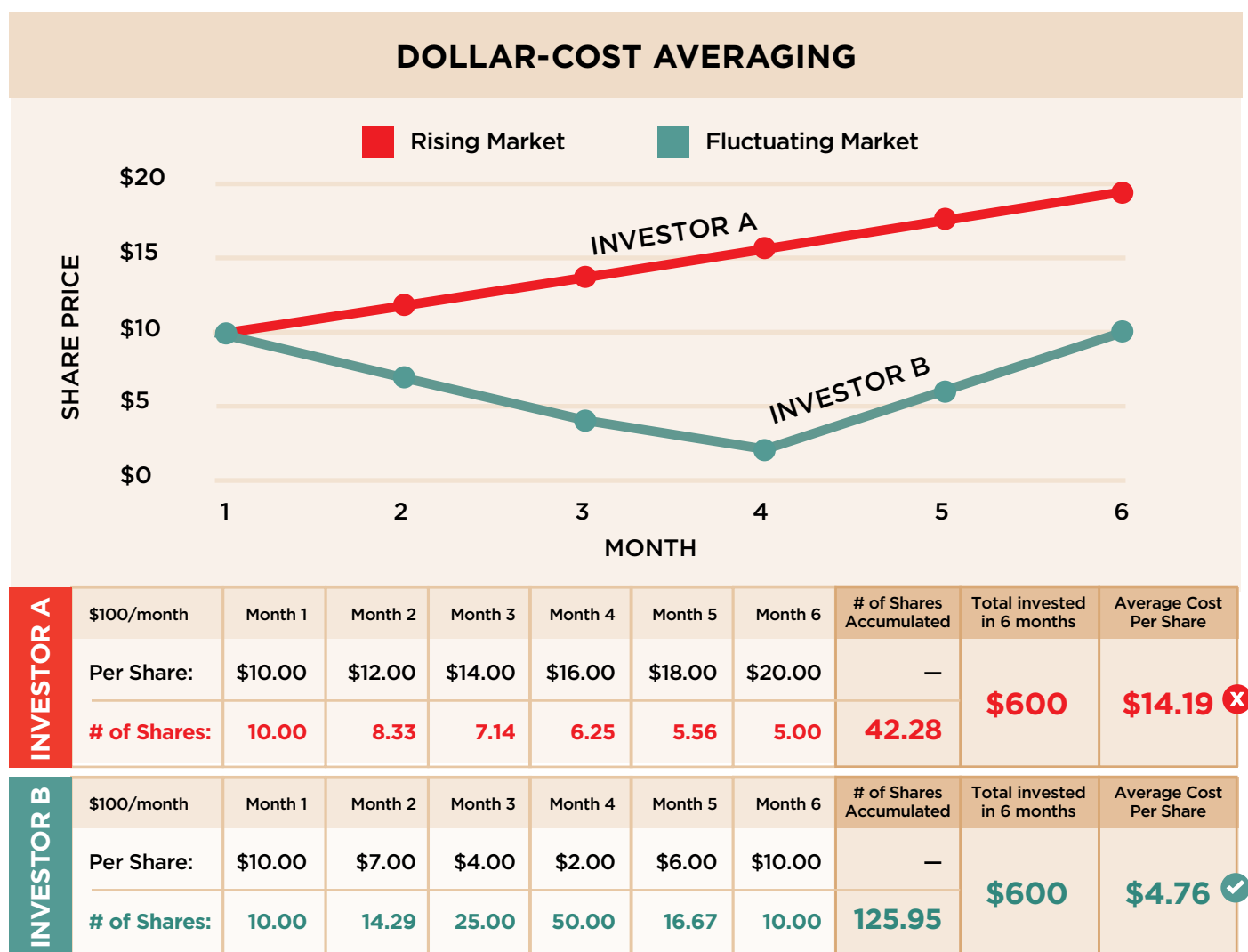
Dollar-cost averaging is one of the most important **How Money Works™** principles.

Investor A began purchasing his units as the market soared. Right after **Investor B** started purchasing his units, 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 units at a lower price, which meant more units purchased. With his \$600 investment he purchased 125.95 units at an average price of \$4.76 per unit.

Investor A's \$600 investment purchased 42.28 units at an average price of \$14.19 per unit. In a fluctuating market, **Investor B** was able to accumulate more units 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 unit 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.

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YOU CAN DO IT

At first glance, achieving financial security may seem overwhelming. But, as you've seen in these pages, the path to financial independence starts with understanding a few basic concepts — and implementing them in your life. Winning the financial “war” is the result of winning tiny battles day to day. Something as seemingly insignificant as choosing a glass of water over a \$5.00 latte, or saying “no, thanks” to an impulse purchase can add up faster than you could ever imagine. The basic concepts of money management aren't obscure or difficult to understand. They're based on common sense and can put financial success within your reach. While it may be tempting to hope for a financial miracle, it's much wiser instead to bet on a sure thing, and follow the proven principles that have already worked for so many families.

Most of all, whatever your present situation, it's important to get started today. If you put together a simple game plan and follow it, you'll be amazed at the progress you can make.

Think about it. Are the retired people you know living life on their own terms? Did they have to work longer than they wanted and put off retirement until it was too late to really enjoy that time? Do they wish they had started earlier with a financial game plan for their golden years? Don't make that mistake. Get started now and take control of your future.



**Scan this code or visit
TheRealHowMoneyWorks.ca
to learn more.**

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Mutual funds are offered by PFSL Investments Canada Ltd., Mutual Fund Dealer, Head Office: Mississauga, Ontario.

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 PFSL Investments Canada Ltd. representative or by contacting PFSL Investments Canada Ltd., Mutual Fund Dealer at 905-812-2900. You should read and consider the prospectus carefully before investing.

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