

# MILLION DOLLAR BABY™

## The gift of a future™

“The true meaning of life is to plant trees, under whose shade you do not expect to sit.”

- NELSON HENDERSON

If you look up ‘legacy’ in the dictionary<sup>1</sup> you will see a couple of meanings. One is — a gift by will/trust of money or other personal property. Another is — something transmitted by or received from an ancestor or predecessor or from the past.

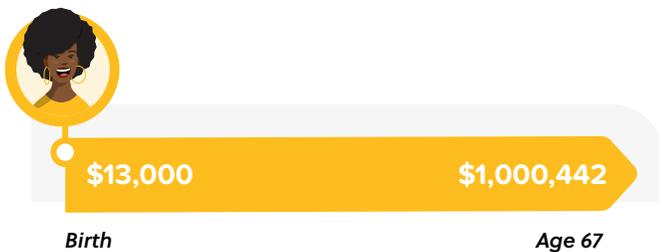
In the context of keeping your family’s wealth intact across multiple generations, what could the meaning of family legacy be? It could mean action today that carries forward to future generations to help those family members live better financial lives.

### What if parents and grandparents understood the power of compound interest and the time value of money?

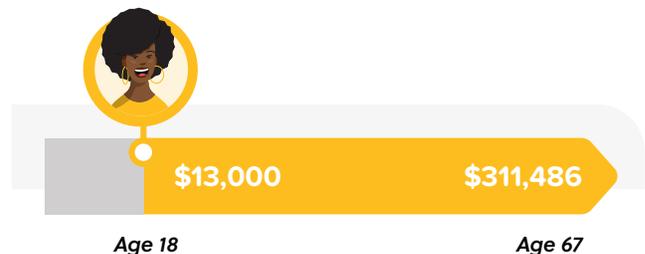
According to the Department of Agriculture,<sup>2</sup> the average cost to raise a child to age 18 is \$233,610. What if parents put aside just a fraction of that amount for each child before birth? \$13,000 works well, as we’ll see in a moment. If parents scraped, scrounged, worked extra hours, asked relatives for assistance – whatever it took– what could that do for a child’s future? And how much would a child lose if parents waited until after high school graduation to put away the money?

#### Consider this hypothetical illustration:\*

- Assumes a one-time lump sum of \$13,000 is put away
- Timeframe 1 shows the account growth for 67 years, starting at birth
- Timeframe 2 shows the account growth for 49 years, starting at age 18
- Assumes a 6.5% average annual interest rate, compounded monthly



**Timeframe 1**—A one-time \$13,000 lump sum that grows from birth to age 67



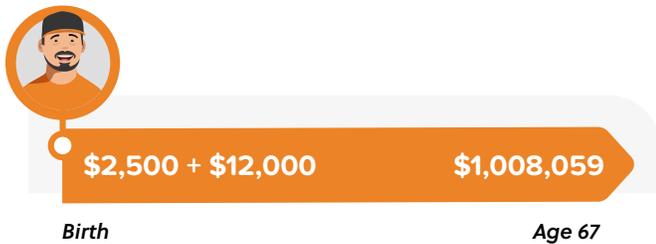
**Timeframe 2**—A one-time \$13,000 lump sum that grows from age 18 to age 67

If wrangling \$13,000 before a child is born isn’t feasible, parents can still leverage the power of compound interest and the time value of money. They could simply take a more incremental approach starting the month the child is born, setting aside \$2,500 and \$250 every month for 4 years.

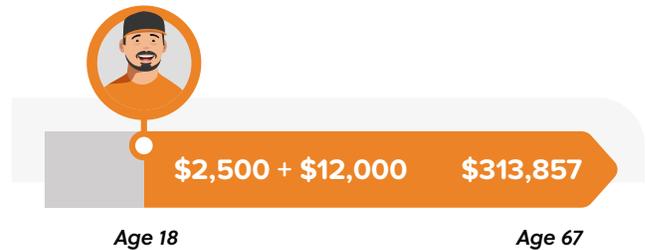
Would you like your child, grandchild, niece or nephew to have a chance at ONE MILLION DOLLARS at retirement? Take a look at the advantage of starting early. You decide whether saving money one time or starting monthly contributions works best for you.

**An alternative hypothetical illustration:\***

- Assumes a one-time lump sum of \$2,500 and \$250 monthly for 4 years
- Timeframe 1 shows the account growth for 67 years, starting at birth
- Timeframe 2 shows the account growth for 49 years, starting at age 18
- Assumes a 6.5% average annual interest rate, compounded monthly



**Timeframe 1**—\$2,500 + \$250 per month. for 4 years that grows from birth to age 67



**Timeframe 2**—\$2,500 + \$250 per month. for 4 years that grows from age 18 to age 67

**Which of these 3 scenarios is most likely to be possible?**



**Set aside money later in life to pass on a \$1 million inheritance**



**Set aside \$13,000 at birth**



**Set aside \$2,500 at birth + save \$250 per month for 4 years**

Each of the three scenarios could create a million dollar foundation by retirement, but 2 and 3 are less costly by far. Why? Because they leverage the power of compound interest and the time value of money. Your financial professional can help you design a strategy for each of your children or grandchildren.

According to data from the United Nations, 250 children are born in the world every minute.<sup>3</sup> Imagine how different their lives would be if every family created a savings plan for their children that couldn't be touched until retirement age.

With children having so much of their lives ahead of them, you can set up a strategy that will take advantage of all that time. Actions you take now can become the backbone of your family's financial legacy.

In order for your future family to benefit from you financially, you should plan for the legacy that you want to leave to your descendants.

## How to Reach \$1,000,000 by Age 67

This hypothetical illustration assumes a 6.5% average annual interest rate, compounded monthly<sup>4</sup>

STARTING AGE	MONTHLY PAYMENTS	ONE-TIME PAYMENT	YEARS TO RETIREMENT
0	\$71.31	\$12,994.26	67
1	\$76.16	\$13,864.51	66
2	\$81.33	\$14,793.04	65
3	\$86.87	\$15,783.76	64
4	\$92.78	\$16,840.83	63
5	\$99.11	\$17,968.69	62
6	\$105.88	\$19,172.08	61
7	\$113.12	\$20,456.07	60
8	\$120.86	\$21,826.05	59
9	\$129.15	\$23,287.78	58
10	\$138.02	\$24,847.41	57
11	\$147.51	\$26,511.49	56
12	\$157.68	\$28,287.01	55
13	\$168.57	\$30,181.45	54
14	\$180.24	\$32,202.75	53
15	\$192.74	\$34,359.43	52
16	\$206.13	\$36,660.55	51
17	\$220.50	\$39,115.77	50
18	\$235.91	\$41,735.43	49

## Payment Needed at Birth to Reach \$1,000,000 at Age 67

This hypothetical illustration assumes different average annual interest rates, compounded monthly<sup>4</sup>

INTEREST RATE	ONE-TIME PAYMENT	INTEREST RATE	ONE-TIME PAYMENT
9.0%	\$2,460.23	6.5%	\$12,994.26
8.5%	\$3,430.93	6.0%	\$18,133.70
8.0%	\$4,785.27	5.5%	\$25,309.36
7.5%	\$6,675.16	5.0%	\$35,329.39
7.0%	\$9,312.72	4.5%	\$49,323.19

## Are you outcome driven or performance driven?

People who are outcome driven target a specific return tailored to their investment needs and risk tolerance. Those who are focused on performance typically seek to match or beat a benchmark, most often the S&P 500 Index.

We recommend you place your focus on the outcome you desire, then choose a strategy with your financial professional that makes sense for you and your family.

You may not be a Rockefeller, but with a strategy like this you allow for compounding interest and the time value of money to work for you in pursuit of leaving a meaningful legacy for your family.

1. Merriam-Webster Online Dictionary, 2020, <https://www.merriam-webster.com/dictionary/legacy>
2. U.S. Department of Agriculture, "The Cost of Raising a Child," 2020, <https://www.usda.gov/media/blog/2017/01/13/cost-raising-child>
3. "With 250 babies born each minute, how many people can the earth-sustain," The Guardian, 2018, <https://www.theguardian.com/global-development/2018/apr/23/population-how-many-people-can-the-earth-sustain-lucy-lamble>
4. Financial Calculator, <https://www.fncalculator.com/financialcalculator?type=interestAdvancedCalculator>

*\*This is a hypothetical scenario for illustration purposes only and does not represent an actual product and there is no assurance that these results can actually be achieved. The hypothetical scenario does not take into account for certain risks and expenses associated with an actual product such as performance risks, expenses, fees, taxes or inflation, if it had the results would be lower. Rate of return is an assumed constant nominal rate, compounded monthly. It is unlikely that any one rate of return will be sustained over time. Numbers are rounded to the nearest dollar in some cases. Retirement needs vary by income and cost of living - \$1 million isn't an adequate goal for every saver.*