

MoneyTrax, Inc

Personal Economic Model®

The Circle Of Wealth® System, and Permanent Life Insurance

The Circle of Wealth® System is a third-party software system used to graphically illustrate many of the features and benefits of fixed, permanent life insurance, and how it might be used as a financial solution for a client's situation.

The Circle of Wealth® System is owned by MoneyTrax, Inc., which is independent of the companies of National Life Group®.

National Life wants to make the following key points known to our clients and prospective clients who are shown this software by one of our agents:

The primary purposes for purchasing permanent life insurance is for the death benefit protection that it provides.

Life insurance policies must be adequately structured and funded to take advantage of the cash value features mentioned in the Circle of Wealth system. Life insurance policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Surrender charges may reduce the policy's cash value in early years. If excessive withdrawals are taken from a life insurance policy, it puts the policy at risk of lapsing, which would cause the loss of the policy, and would cause the withdrawals that exceeded the premiums paid into the policy to be taxable.

For permanent life insurance policies, the amount of cash available in the policy is typically less than the total premiums paid into the policy during the early years. This should be taken into consideration when planning on the use of a life insurance policy's loan features.

All calculators are provided as a means to illustrate hypothetical financial principles. They should not be construed as a solicitation of any insurance, investment, or other financial product. Nor should these be considered financial advice. For advice concerning your own situation, please consult with a professional who is appropriately licensed to transact business and provide advice for the financial product being illustrated.

The information contained in this tool is not intended as tax or legal advice, and it may not be relied on for the purposes of avoiding any federal tax penalties. You are encouraged to seek tax or legal advice from an independent professional tax or legal advisor.

Note to Financial Representatives - As of March 21, 2017, National Life has approved the following modules: Circle Talk and all calculators within this module, Private Reserve Strategy, Personal Economic Model Online, Mortgage Master, Tax Master, all Estate Planning modules, Qualified Plans, Three Legged Stool (Compact), Market History, and Circle of Knowledge. Also approved are the Confidential Questionnaire, 10 Questions script, and What Keeps You Up at Night factfinder. All other materials have neither been reviewed or approved for use with consumers.

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Consumer Version Screen 1 - Disclosure

DISCLOSURE

Sample Disclosure

Demo Pro is an Investment Adviser Representative of DemoPro Financial Advisory.

Investment advisory services offered through DemoPro LLC, a registered investment adviser in the states of xx and xx.

The adviser may not transact business in states where it is not appropriately registered or exempt from registration. Individualized responses to persons that involve either the effecting of transactions in securities or the rendering of personalized investment advice for compensation will not be made without registration or exemption.

Representatives are licensed to offer insurance and annuities in xx and xx.

The Circle of Wealth® System is owned by MoneyTrax, Inc., which is independent of DemoPro Financial Advisory.

Projections are based on information and assumptions provided by the client, and the Investment Adviser Representative and are not guaranteed.

Actual results will vary, perhaps to a significant degree. All projected values are hypothetical in nature and for illustrative purposes only.

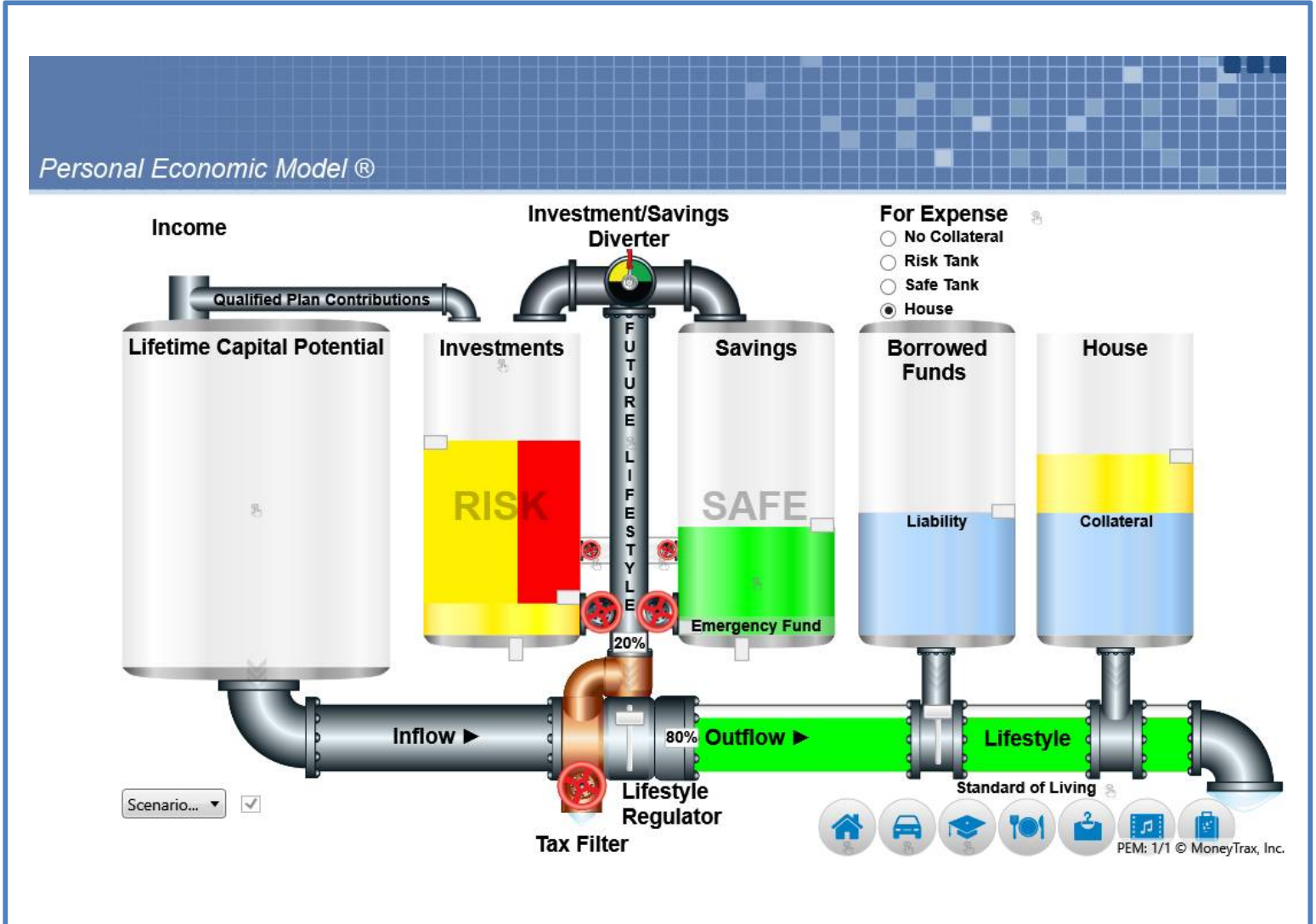
The information contained in this presentation is not intended as tax or legal advice, and it may not be relied on for the purposes of avoiding any federal tax penalties. You are encouraged to seek tax or legal advice from an independent professional tax or legal advisor.



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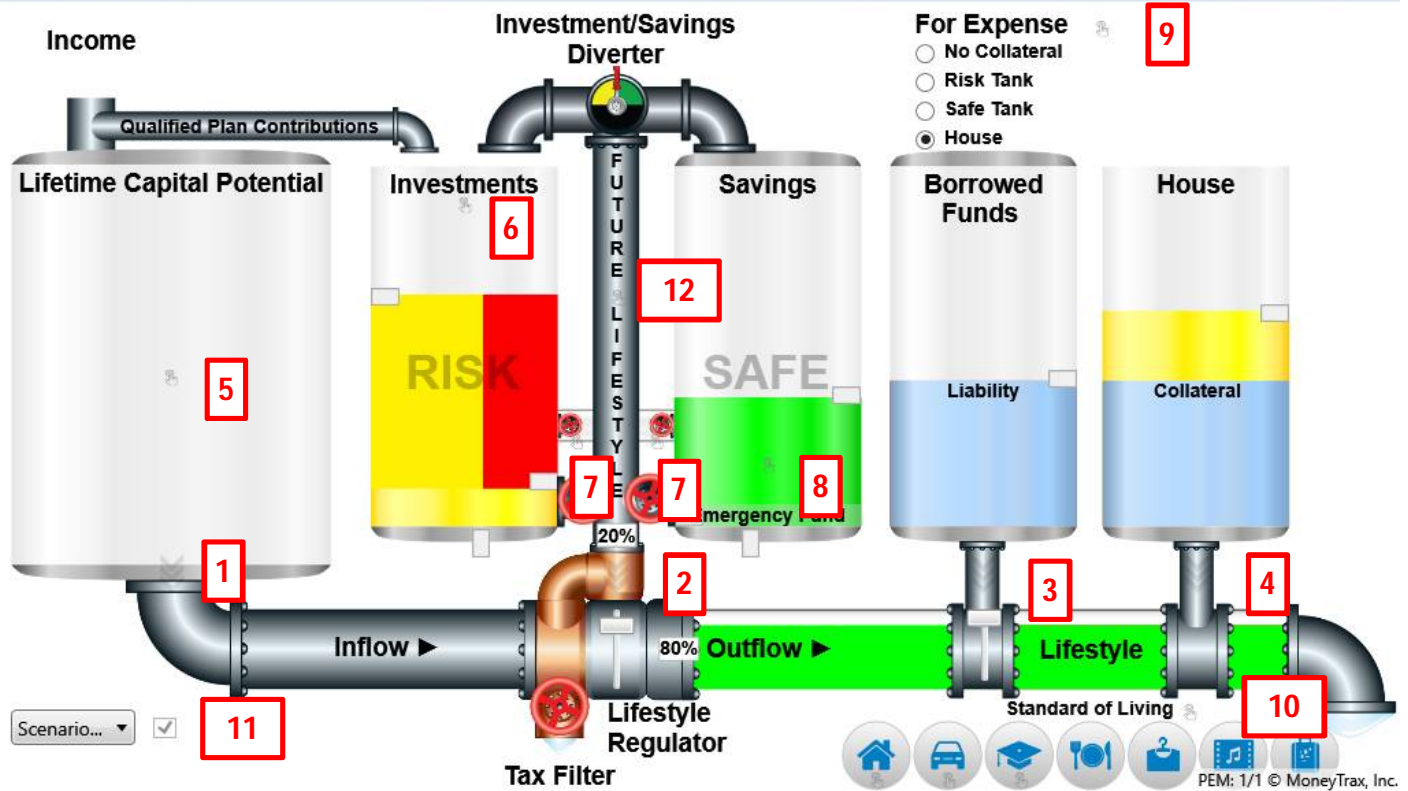
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Consumer Version Screen 2 – Personal Economic Model



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Personal Economic Model®

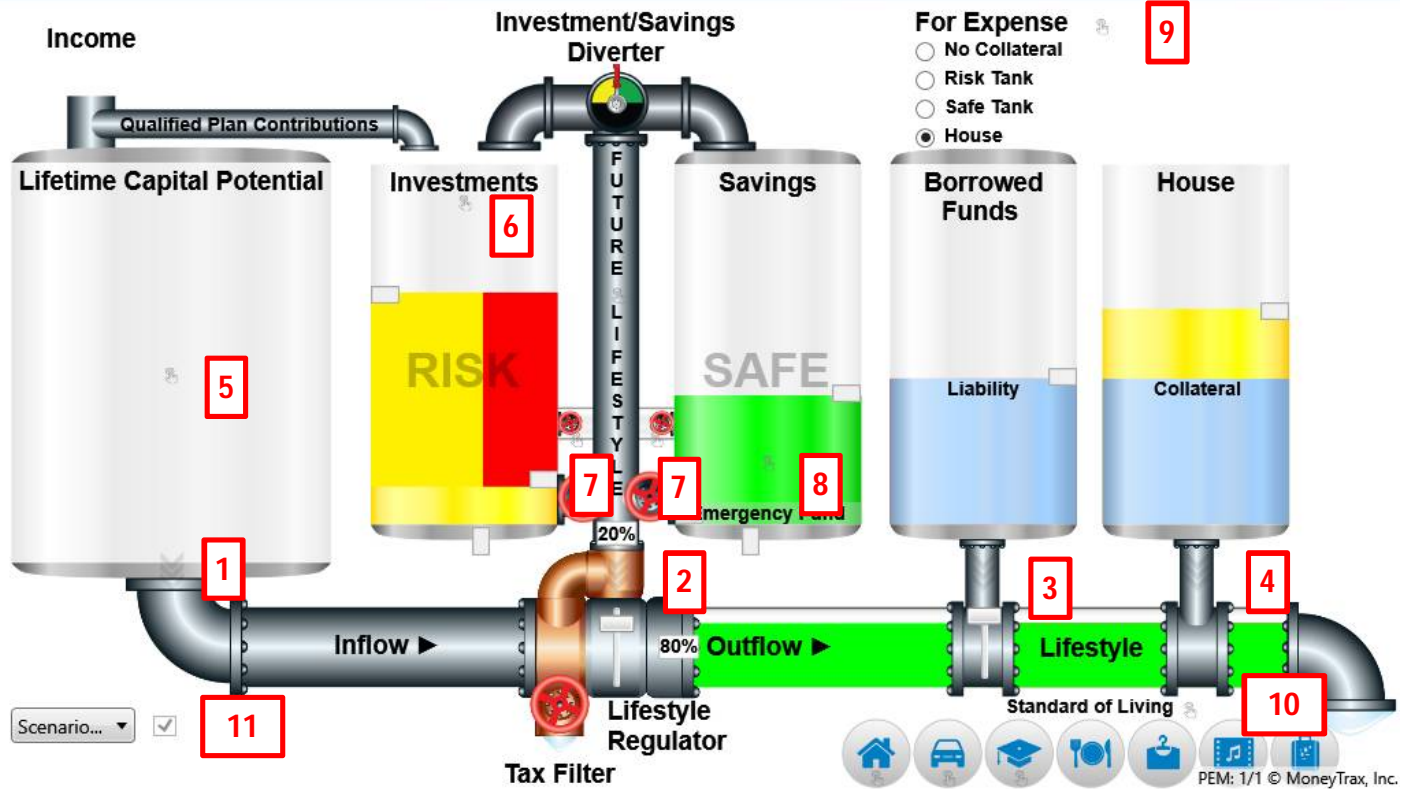


Click in the numbered areas to display the following:

1. Toggle Display on/off of Lifetime Capital Tank
2. Toggle Display on/off of Investments and Savings Tanks
3. Toggle Display on/off of Borrowed Funds Tank
4. Toggle Display on/off of House Tank
5. Toggle Display on/off of Five Questions before you buy
6. Toggle "Investments" Title to "Your Business" Title
7. Display Cross Tank Flow between Investments – Savings
8. Toggle "Savings" Title to "Permanent Insurance" Title
9. Toggle "For Expense" Title to "For Opportunity" Title
10. Toggle "Standard of Living" icons to "Protection" icons
11. Toggle screen titles on/off
12. Toggle "Future Lifestyle" Title to "Extra Cashflow" Title

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Personal Economic Model®



Script

I would like to introduce you to an interactive software program we call the Personal Economic Model®.

This model will provide a visual platform to discuss the flow and storage of your money.

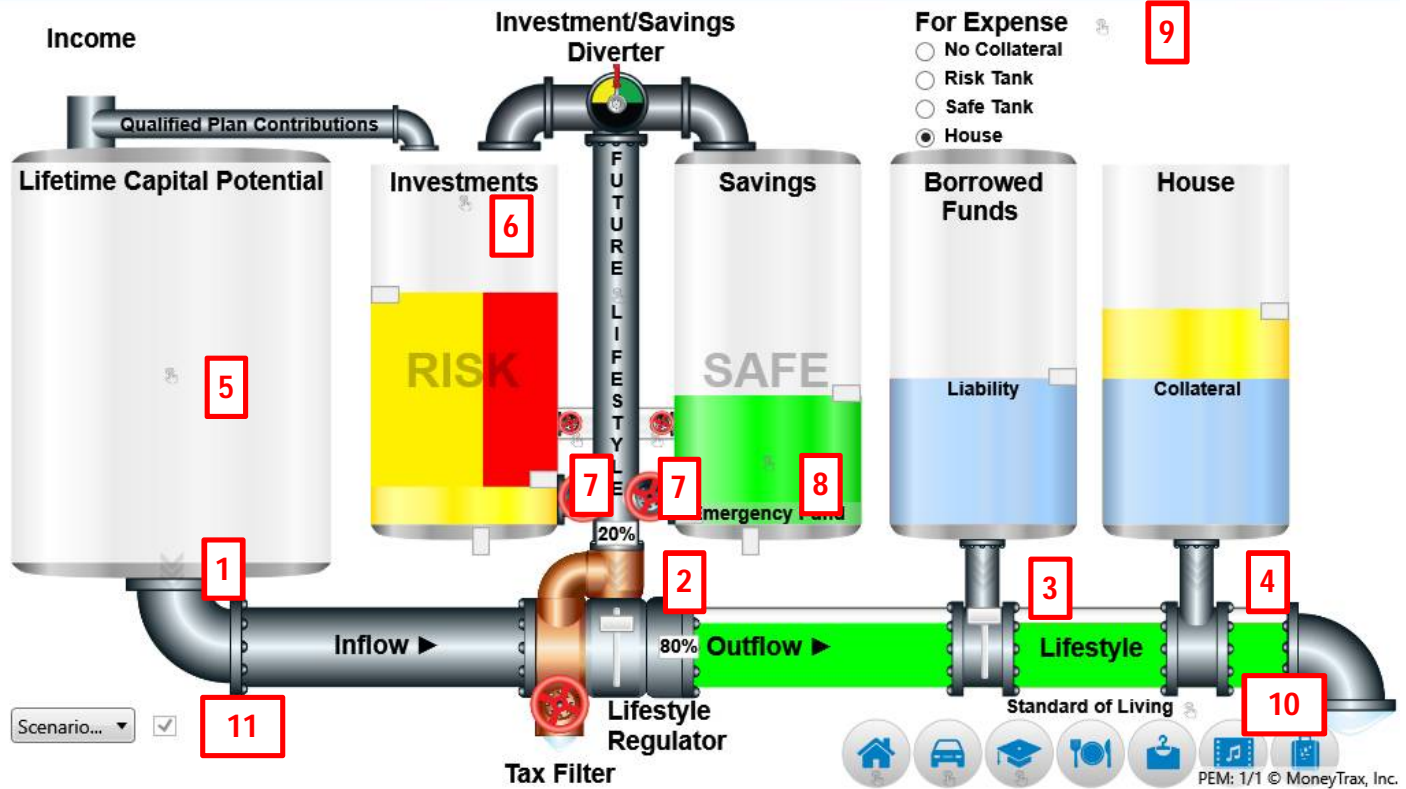
Money flows into the model on the left side through the Income tube into the Lifetime Capital Potential Tank. The reason this tank is so large is that it represents all the money that will flow in over your lifetime.

However, it doesn't feel like a lot of money because it flows in small amounts over time. The tube at the bottom of the Lifetime Capital tank called Inflow represents how most of us see our inflows.

As money flows through the Inflow tube it passes through the Tax Filter. This is a valve controlled by various government agencies that require us to pay taxes on income. Once taxes are paid, the remaining flow of money goes to either Current Lifestyle or Future Lifestyle depending on how open we have our Lifestyle Regulator value.

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Personal Economic Model®



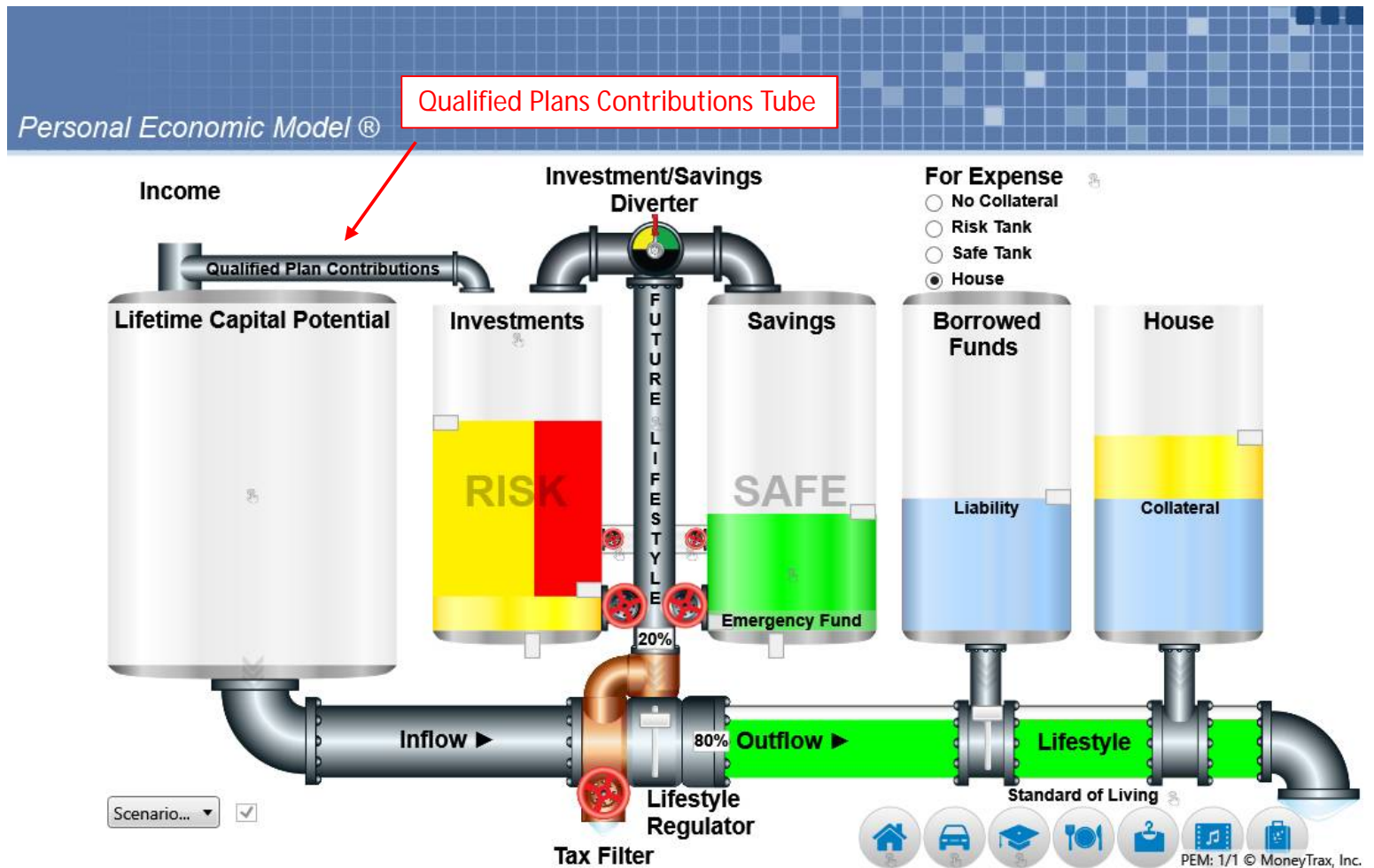
Script

If the Lifestyle Regulator valve is open 100%, all our money flows out the Current Lifestyle tube and is consumed and gone forever. As we begin to close the Lifestyle Regulator valve - meaning as we begin to save some of our cashflow instead of allowing it all to go to lifestyle we force some money to flow up the Future Lifestyle tube in one of two storage tanks. The Investment/Savings Diverter Value will dictate how much will flow into the Investments/Risk tank versus the Savings/Safe tank.

The Investments/Risk tank represents savings that are subject to fluctuations in value and growth over time. This is due to the fact that investing involves risk, including the potential for loss of principal. The Savings/Safe tank represents accounts where we seek little or no exposure to fluctuating valuations and generally earn some amount of interest, which can compound over time. This is typically where our cash reserves and money needed for short-term goals will sit.

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Qualified Plans Contributions Tube



Script

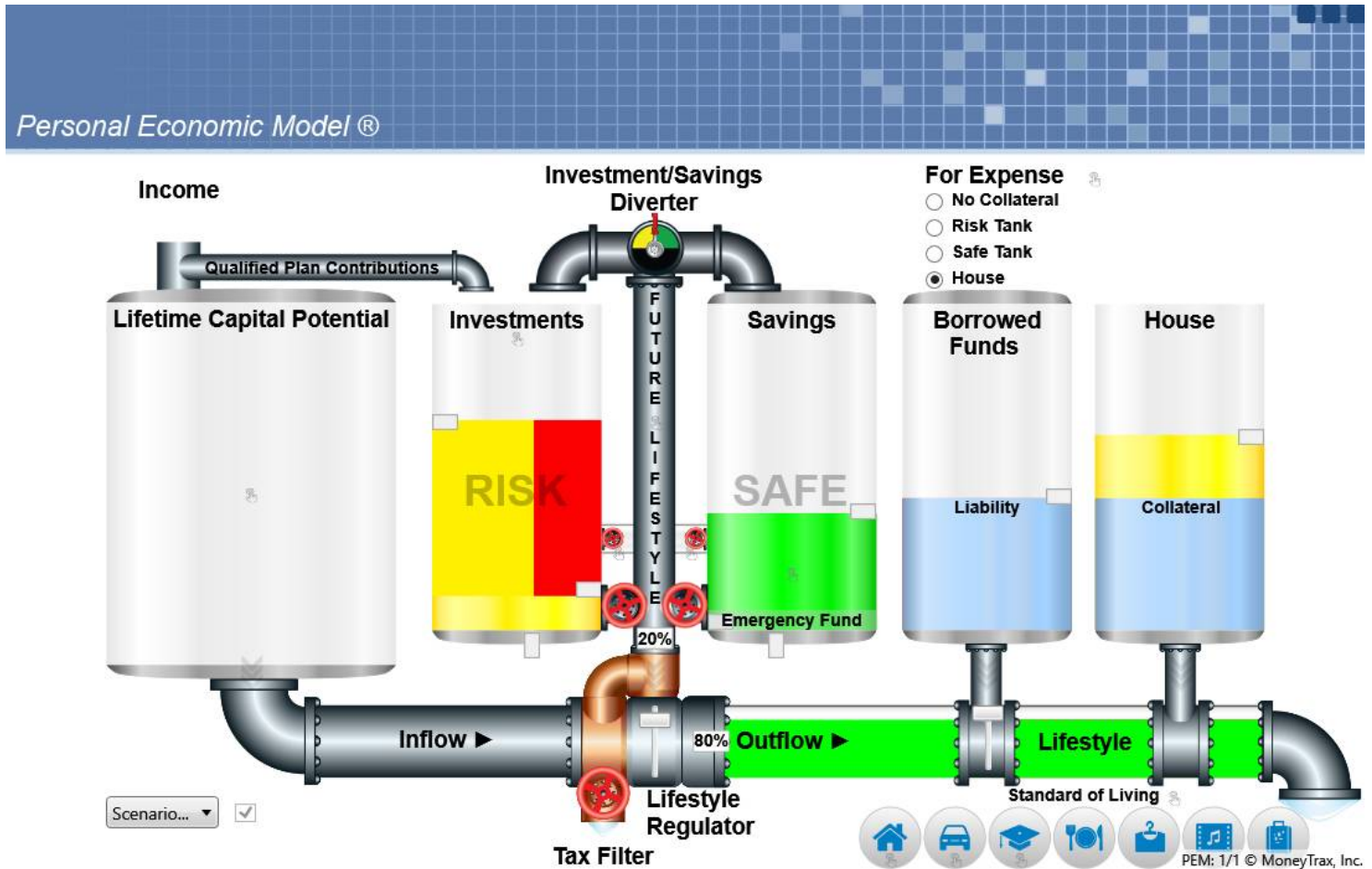
To visualize how contributions to a deferred qualified retirement plan work we can focus on the “Qualified Plan Contributions” tube that runs from Income straight to the Investments/Risk tank.

This shows money flowing straight into the Investments/Risk Tank, initially bypassing the tax filter.

This money will be taxed later when it is withdrawn from the tank and flows through the Tax Filter on its way to Current Lifestyle.

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Borrowed Funds Tank



Script

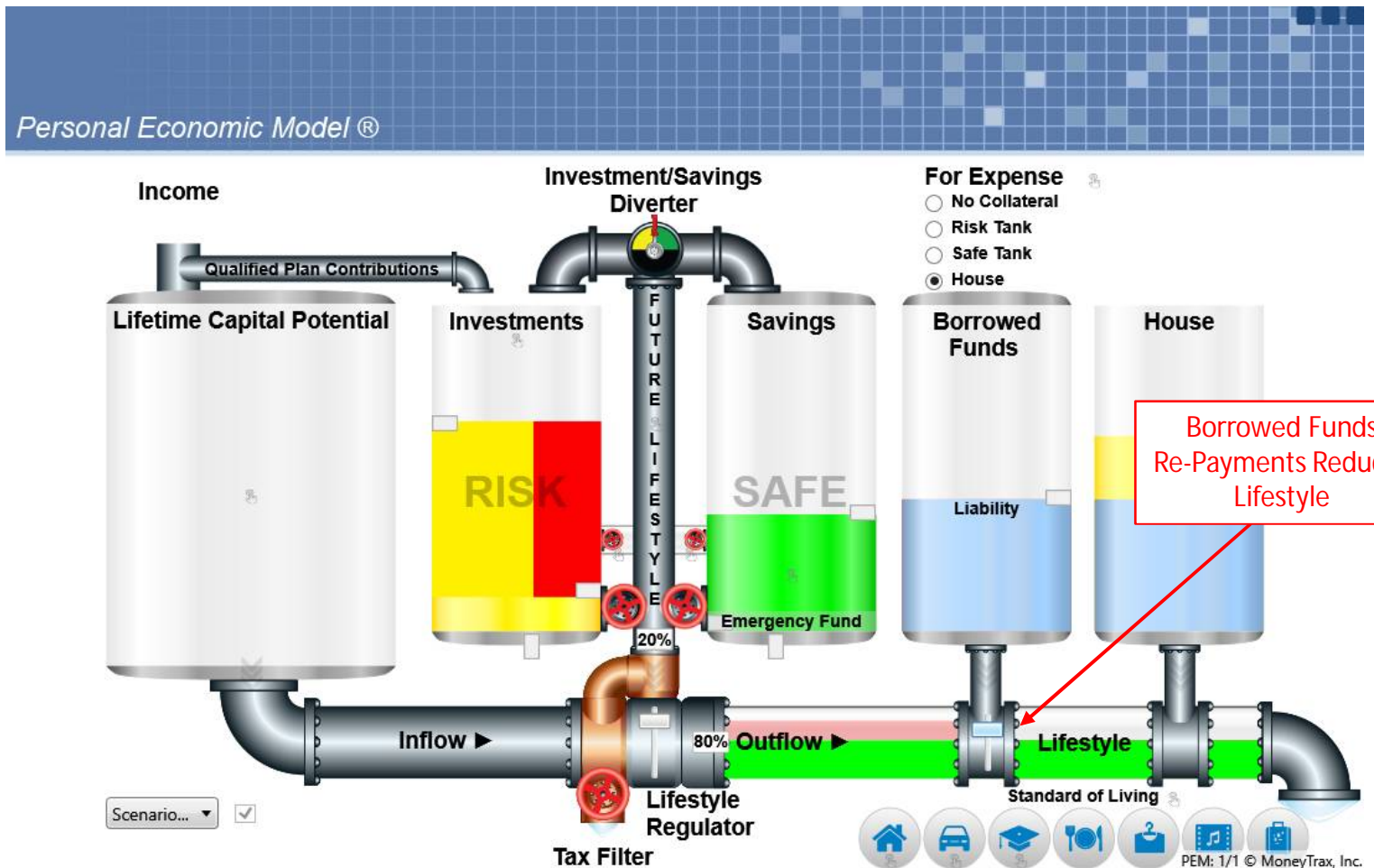
To visualize how a loan works let's focus on the "Borrowed Funds" tank.

This tank shows the future liability for money we borrow, like a car loan or a home mortgage.

Some loans are un-collateralized, while others are collateralized with assets in our Investments Tank, Safe Tank, or our House Tank.

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Borrowed Funds will reduce Lifestyle in the future



Script

To visualize how Borrowed Funds re-payments impacts our future Lifestyle, we show a red layer on top of our outflow, which represents loan payments and shows how it will reduce the amount of money we can spend on our Lifestyle.

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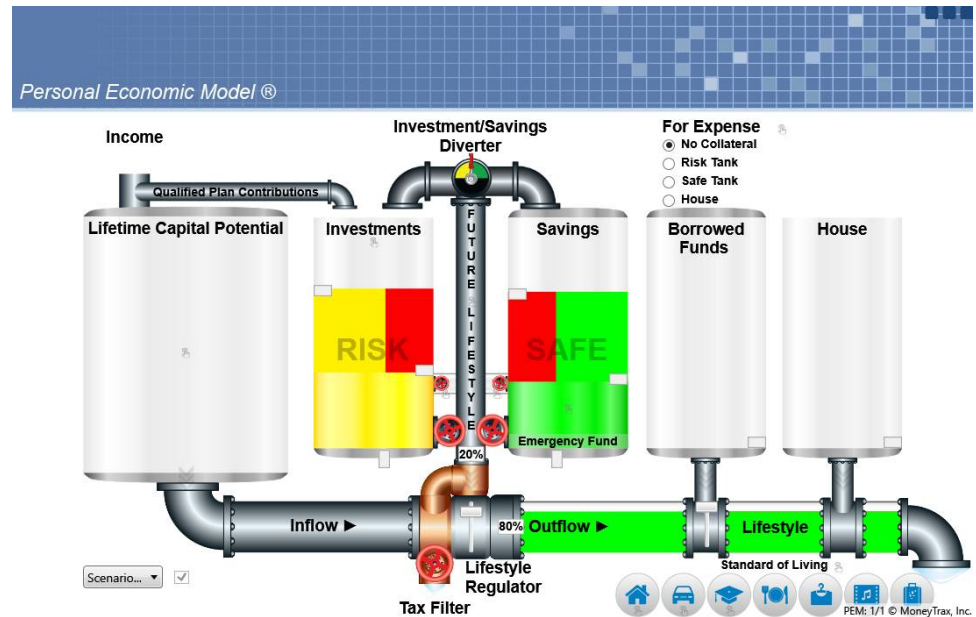
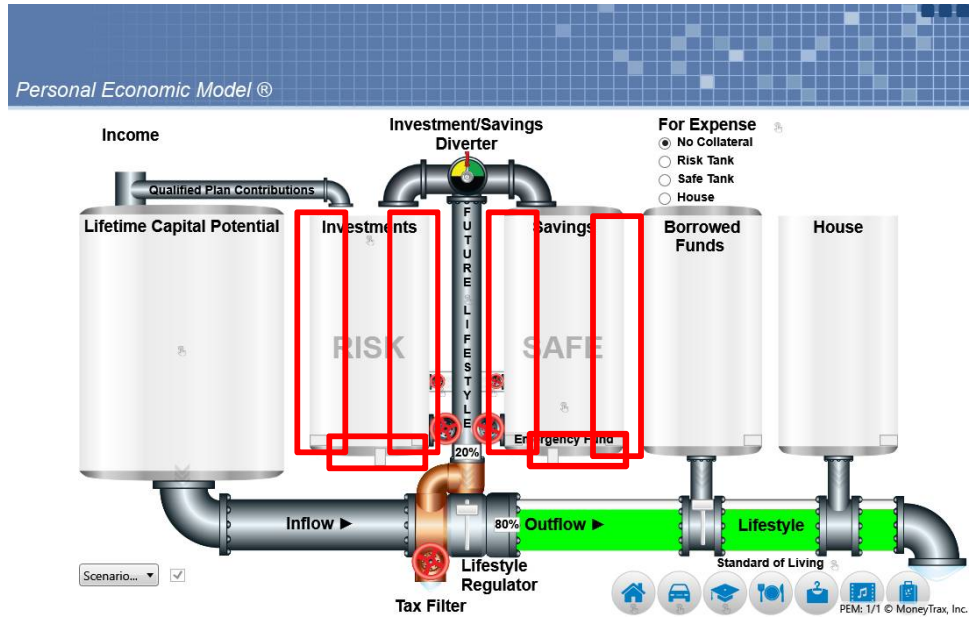
Asset Volumes Via Sliders in Risk and Safe Tanks

Script

To visualize volumes in the Risk and Safe tanks we will use the sliders on the right side of each tank. When moved up, these will represent value in each tank with a solid yellow and green color.

To visualize volumes in the Risk and Safe tanks that have potential tax liabilities associated with them, we will use the sliders on the left side of each tank. This will show a split color of red and either yellow or green.

To adjust the volume of red we will use the slider at the bottom of each tank, based on your (the client's) perception of the percent of your assets in each tank, and the amount of each tank that you believe has not been taxed yet.



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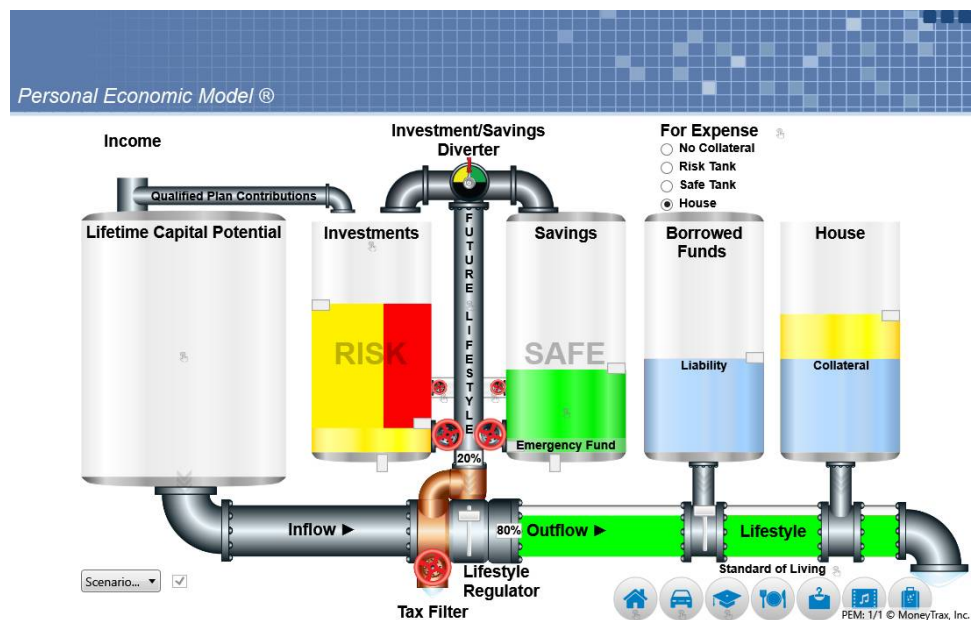
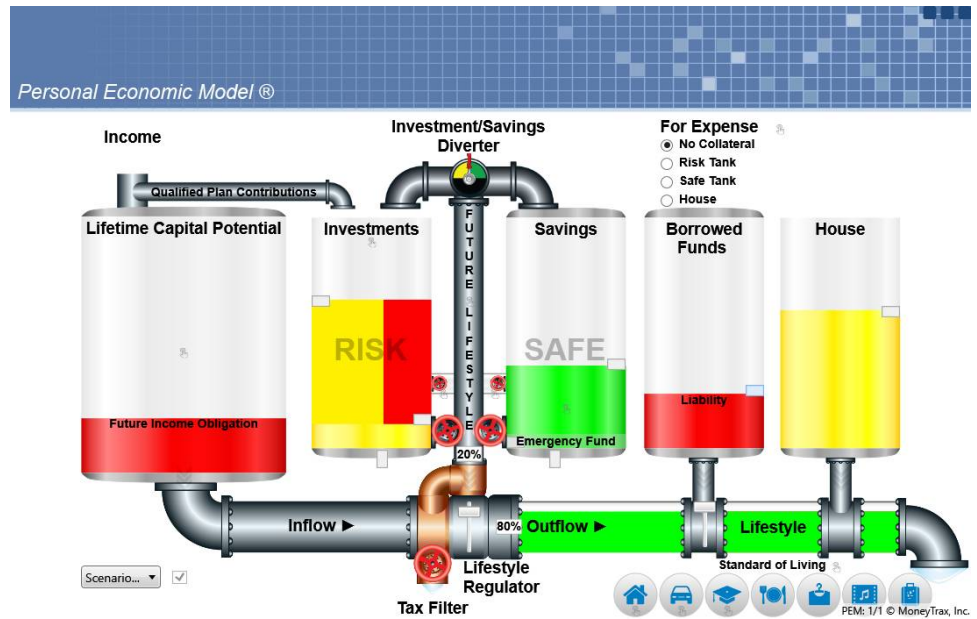
Liability Volumes Via Slider in Borrowed Funds Tank

Script

To visualize volume in the Borrowed Funds tank we will use the slider on the right side of the tank. When moved up, it represents liabilities.

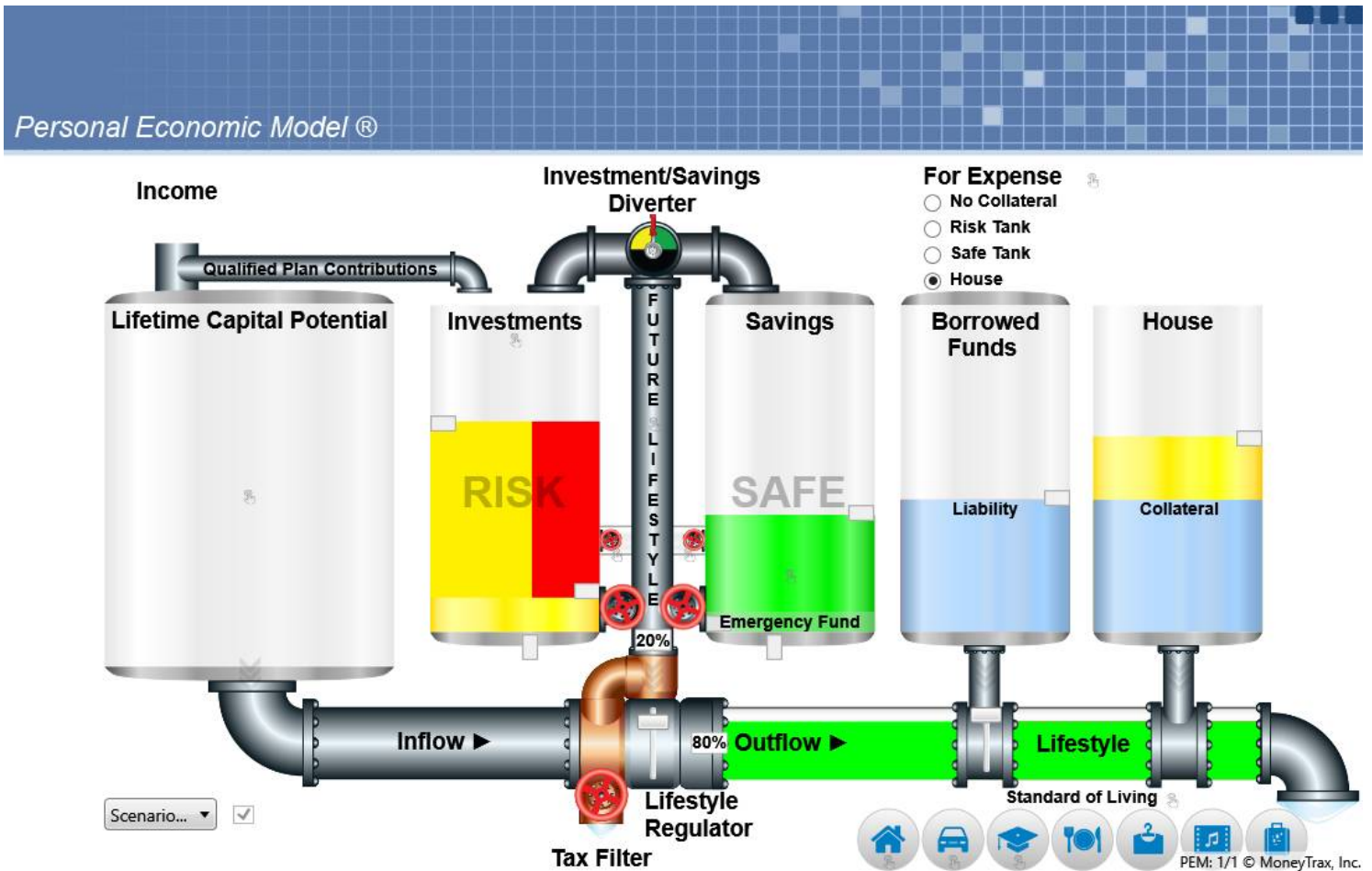
When “No Collateral” is selected, the slider will create a red color fill inside the Borrowed Funds Tank as well as the Lifetime Capital Potential Tank.

When either Risk Tank, Safe Tank, or House is selected, the color will be blue in both tanks representing the loan being collateralized with the corresponding tank’s assets.



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Standard of Living Icons



Script

To visualize the major items families spend their Current Lifestyle money on we can look at six icons.

These icons represent transportation, travel, housing, consumables, education, and entertainment.

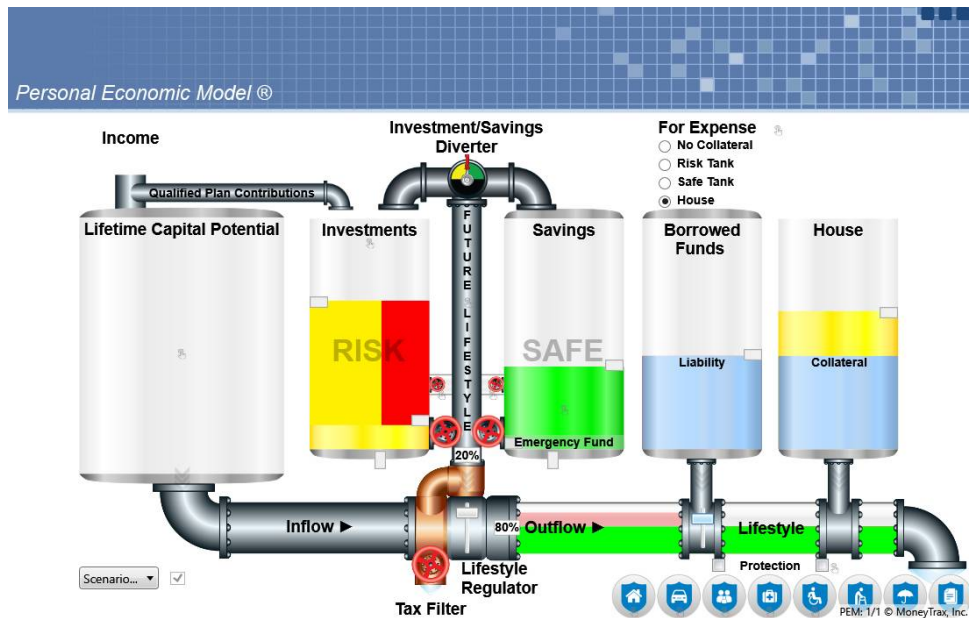
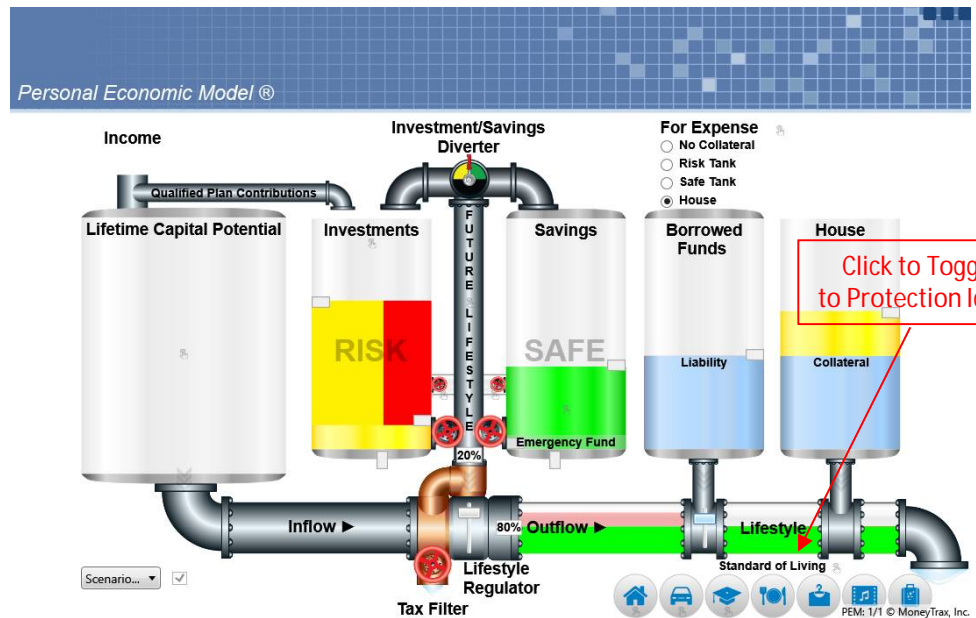
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Protection Icons

Script

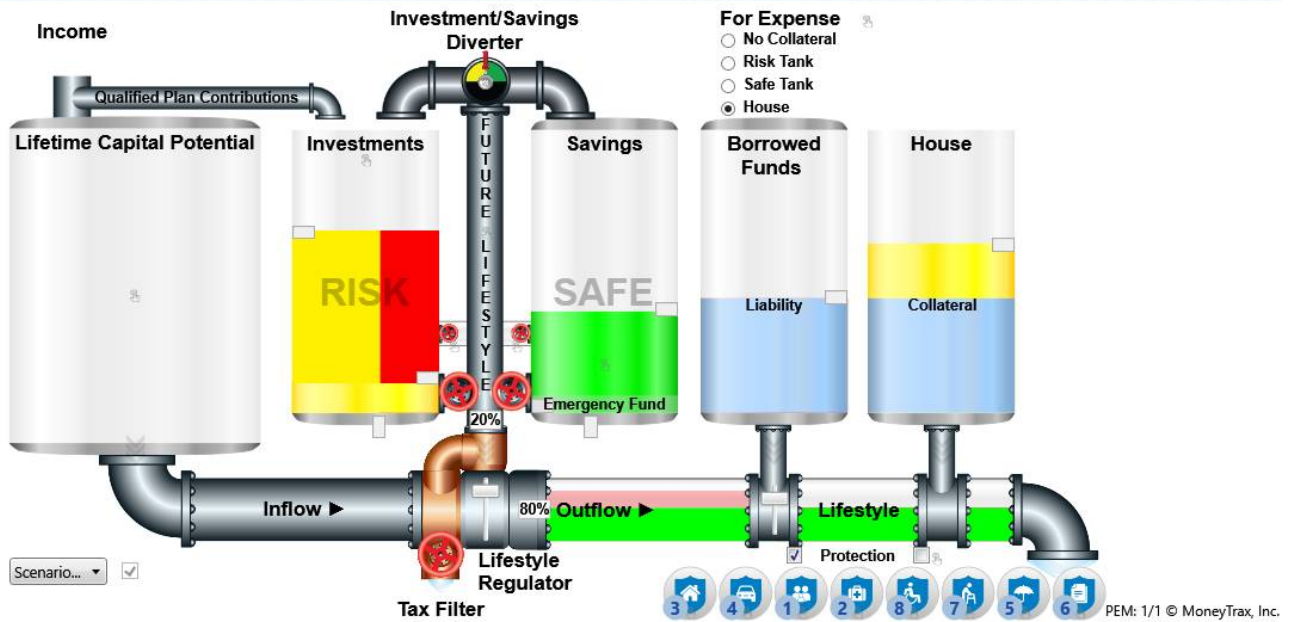
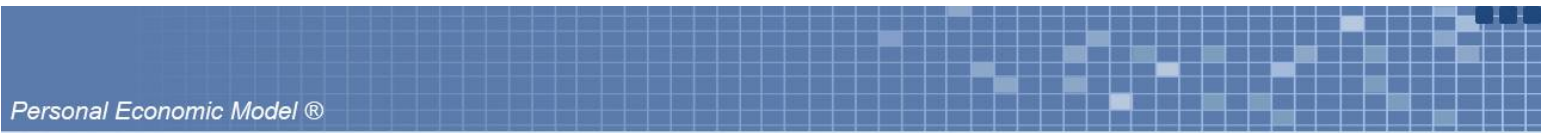
To visualize the major types of insurance policies families consider we can look at eight icons.

These icons represent auto, home, medical, disability, life, long term care, and umbrella insurance as well as estate planning protection with wills and trusts.



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Protection Ranking

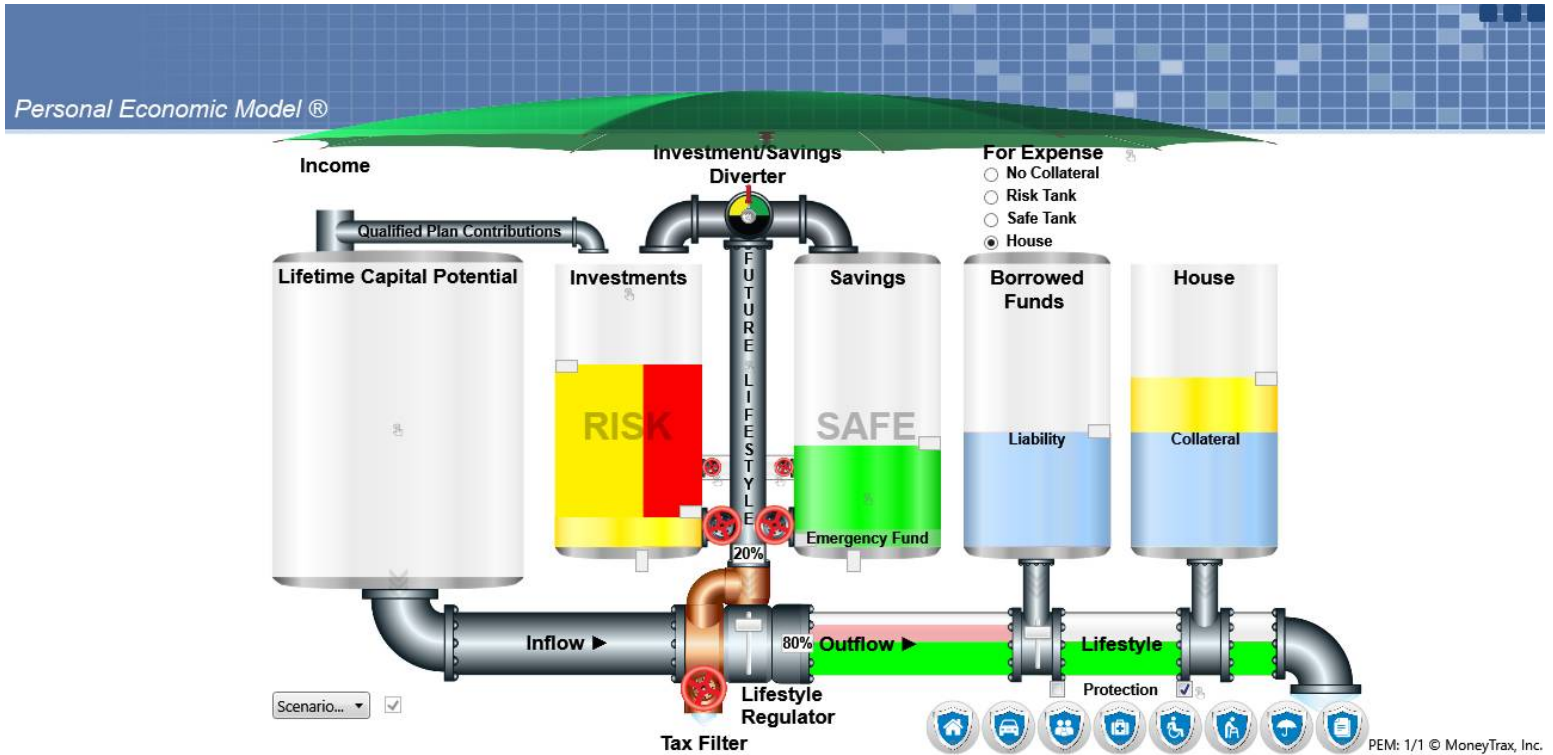


Script

To visualize the priorities in securing coverage, we can rank each coverage area from 1 to 8.

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Protection Shield Icons



Script

To visualize having the coverage in place that is desired we can place a white highlight to each shield.

And, when we select a shield on top of the umbrella coverage, we can see an overall umbrella is placed on top of the entire Personal Economic Model.

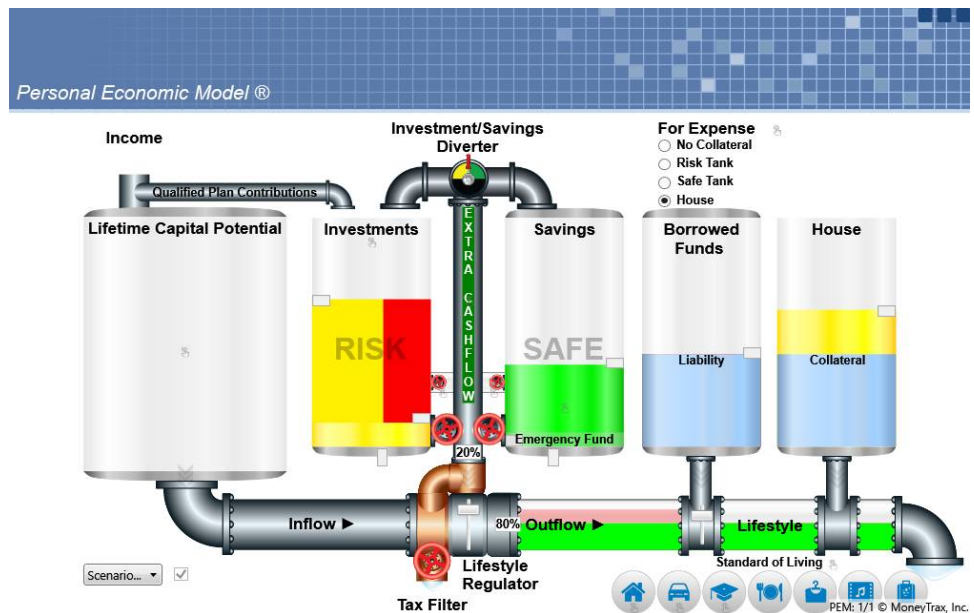
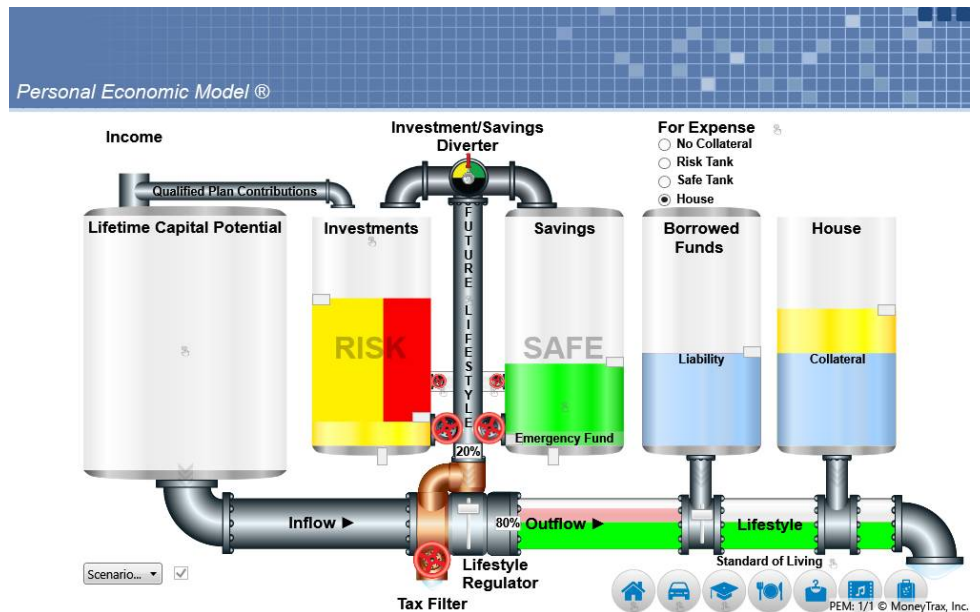
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Future Lifestyle / Extra Cashflow Title Toggle

Script

To visualize the choice you have when there is extra cash flow we see it can go one of two places.

Either through Lifestyle and be consumed, or flow up into the Future Lifestyle tube for storage in one of the two asset tanks.



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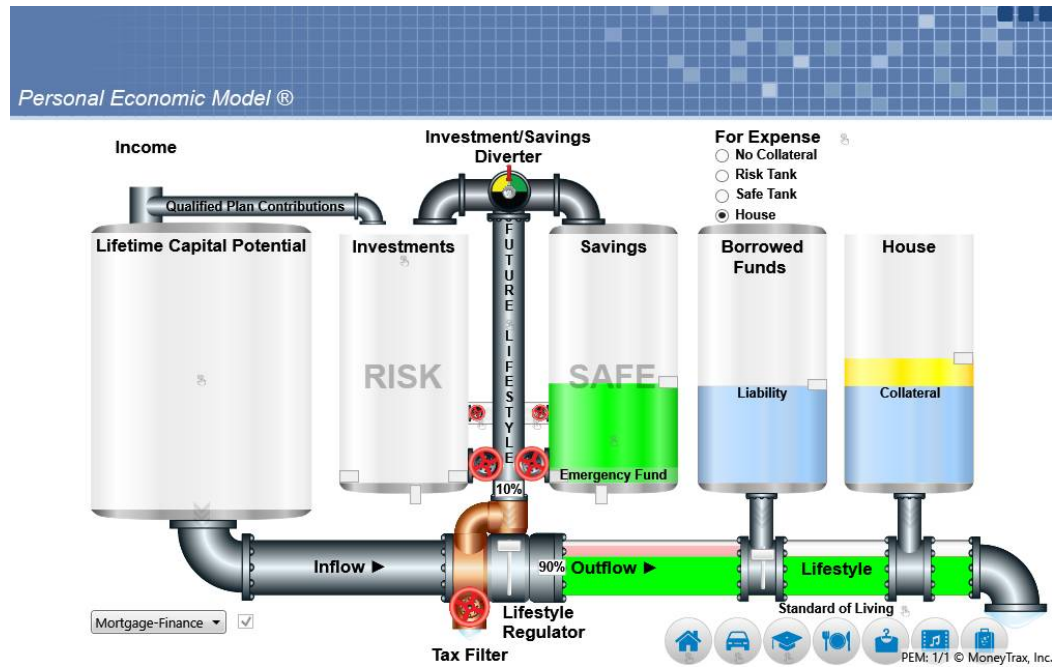
Scenarios

Script

To help our conversations on certain topics, I can select pre-scenarios that will pre-program the relevant tank volumes to show a starting position.

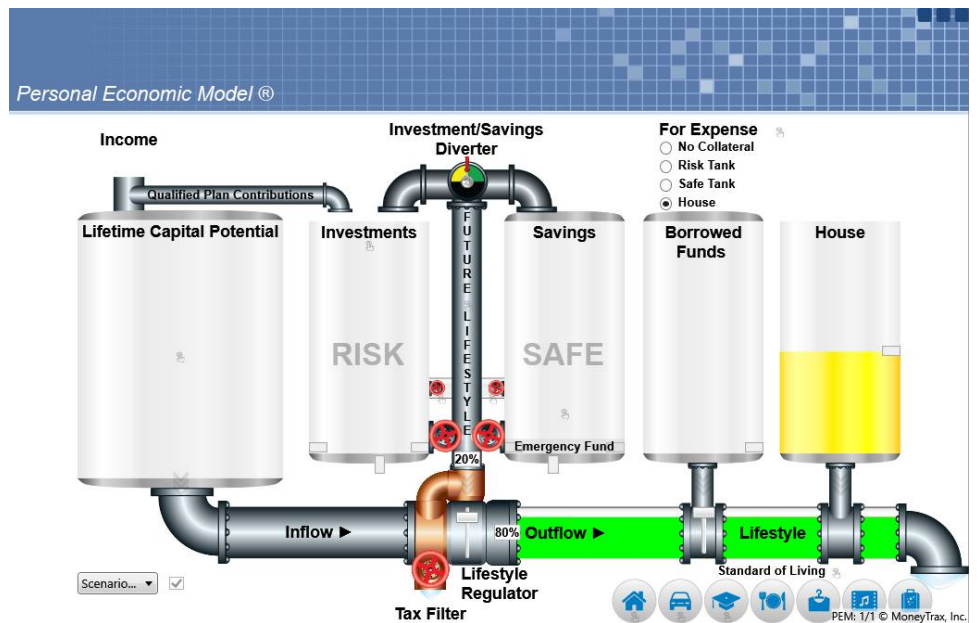
For example, let's look at two starting positions regarding how you may pay for your house.

First, if you secure a mortgage, we would see your savings remain in you Savings Tank, a mortgage liability in the Borrowed Funds Tank, and the house being used for collateral.



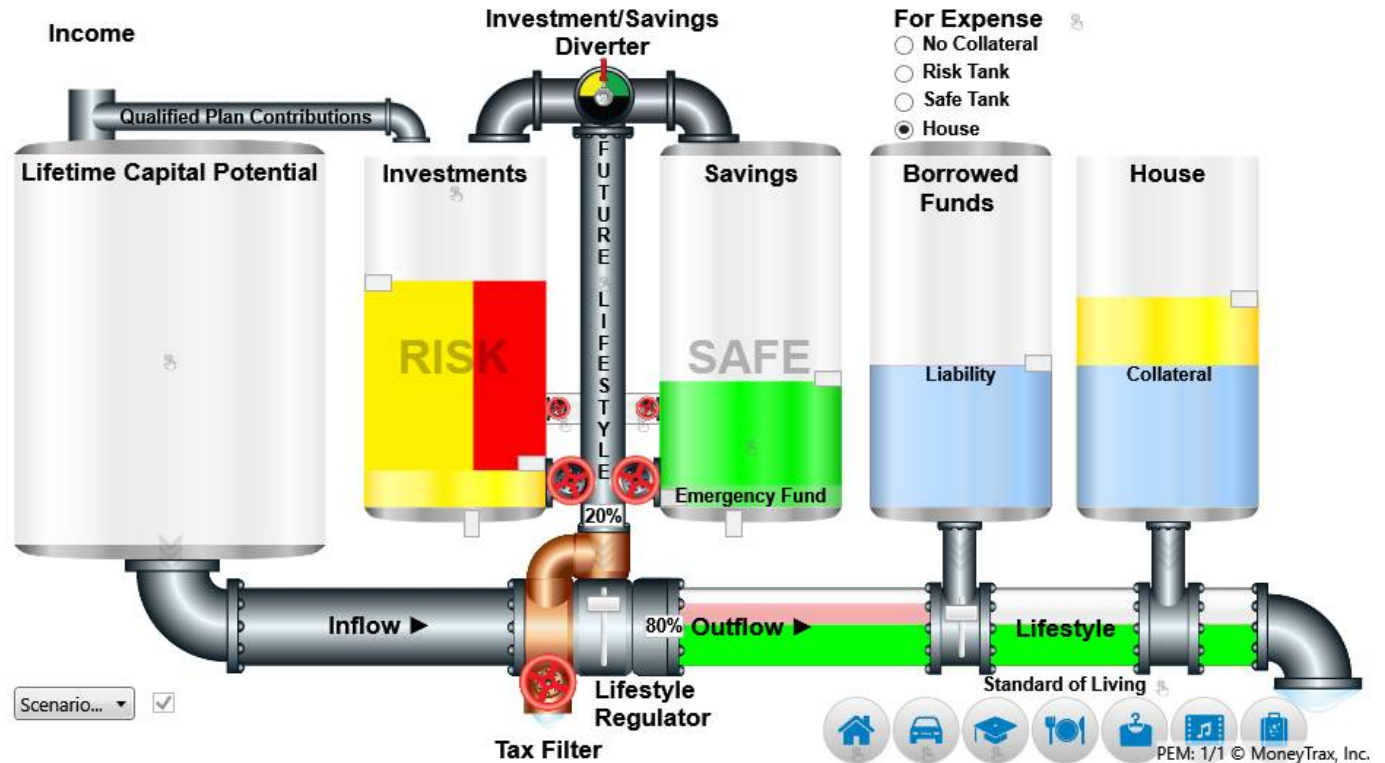
On the other hand, if savings were used to purchase a house, we would see the Savings Tank drained, no Borrowed Funds, and a house without any collateral.

These two positions would be similar in terms of net asset values, but different in terms of ongoing access to capital.



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Summary Script

Now that we have walked through how your Personal Economic Model works and all its components, we can discuss many areas of your financial situation. Are there any questions you have at this time?

OK, our next step is to discuss items on our meeting agenda. We will refer back to this Model as we address areas of your financial situation to ensure we keep all aspects in perspective.