



Advanced Group

ADVANCED GROUP · CLIENT EDUCATION SERIES · NO. 4

What \$1,000 a Year Is **Really** Worth

A small, steady leak never looks like much in a single year. Measured as lost opportunity cost (LOC), what that money would have earned if it had stayed with you, it becomes a different number. This guide runs the smallest savings we look for, \$1,000 a year, forward 20 years, then the bigger one-time hit of a lump-sum tax bill.

\$34,719

\$1,000 a year kept and invested for 20 years at 5%

\$265,330

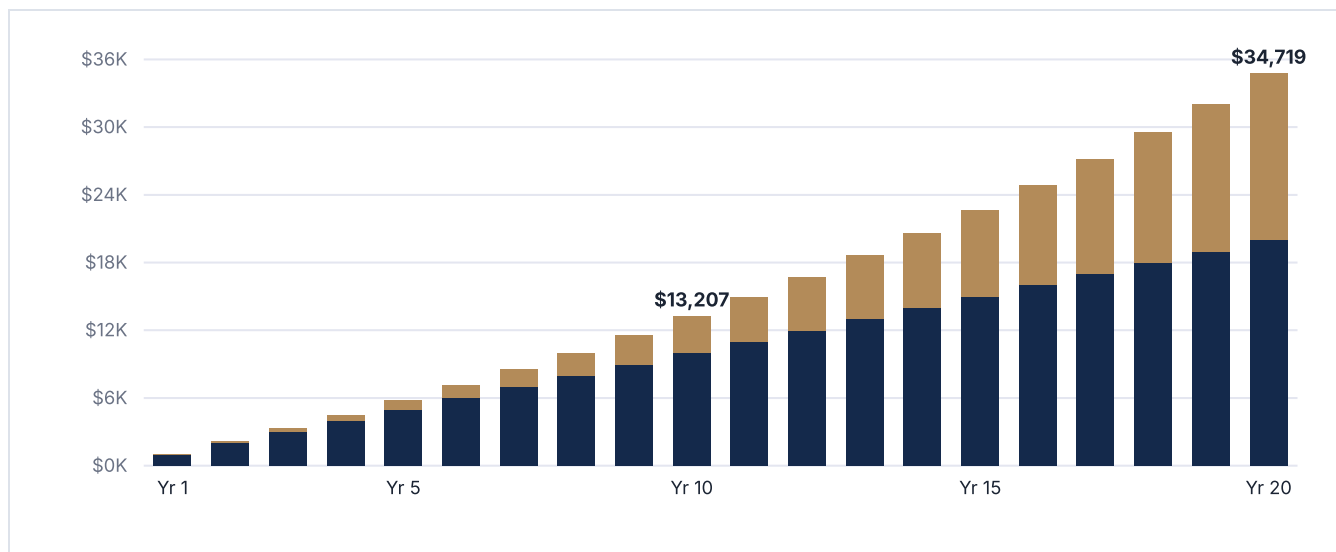
what \$100,000 of tax paid today would have grown to in 20 years at 5%

\$126,840

\$1,000 a year from age 25 to 65 at 5%

01 LOST OPPORTUNITY COST A dollar lost is more than a dollar

When money leaves your household through an avoidable cost, you lose the dollar and everything it would have earned. That second part is lost opportunity cost, and it grows every year the money is gone.



■ \$1,000 deposited each year ■ Growth at 5%

\$20,000

Kept over 20 years: \$1,000 at the start of each year

\$14,719

Growth on those dollars at 5% a year

\$34,719

Total value after 20 years

Left alone 10 more years, with no new deposits, the same \$34,719 grows to \$56,554. The leak keeps costing long after it stops.

Hypothetical: \$1,000 deposited at the start of each year, 5% net annual growth, no fees and no taxes. Not a projection of any investment.

02 WHERE \$1,000 A YEAR COMES FROM

Three places to find the smallest savings

\$1,000 a year is the smallest annual savings we look for in a review. It rarely takes a dramatic change. Usually it comes from one of three places.

PRODUCT DESIGN

Redesign what you own

The same coverage bought differently. In AIB's Qualified Life example, term coverage through the 401(k) frees \$833 in year one, before any growth.

FEE DRAG

Pay less to own it

A 1% annual fee on a \$100,000 account is \$1,000 a year. Series No. 1 shows how fee drag compounds against you.

TAX EXPENSE

Keep more after tax

Annual taxes on fund distributions and turnover, or a pre-tax premium instead of an after-tax one. Smaller each year, but every year.

The same idea at other sizes

Annual savings kept and invested	10 years	20 years	30 years
\$500 a year	\$6,603	\$17,360	\$34,880
\$1,000 a year	\$13,207	\$34,719	\$69,761
\$2,500 a year	\$33,017	\$86,798	\$174,402
\$5,000 a year	\$66,034	\$173,596	\$348,804

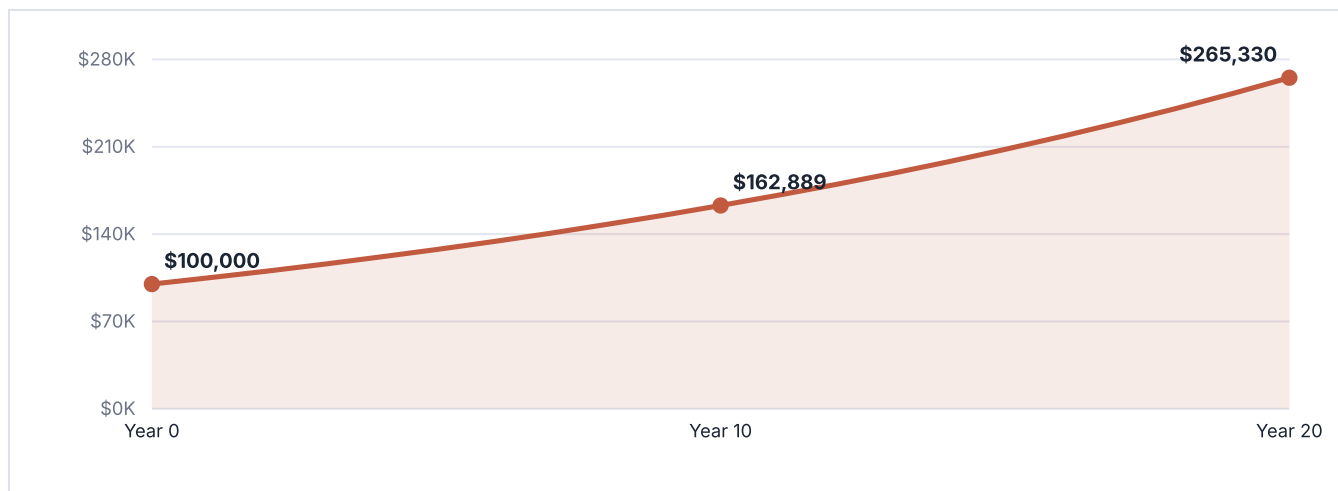
Start-of-year deposits, 5% net annual growth, no fees or taxes. Hypothetical.

Why the moves matter. A Qualified Life redesign, a lower-cost structure, or a pre-tax premium each look small on their own. Recaptured every year and put to work, each one is worth tens of thousands of dollars to the household over time.

03 THE BIGGER HIT

A lump-sum tax bill

Traditional 401(k) and IRA money has never been taxed. When it comes out, the income tax comes due. Taking a large balance all at once, or leaving it to heirs who must withdraw it quickly, can push the tax into a single, larger bill.



\$100,000

Income tax due in one year. For example, a \$400,000 Traditional 401(k) withdrawn at once at a 25% blended rate.

\$265,330

What that \$100,000 would have grown to over 20 years at 5%: the lost opportunity cost to the family.

Questions worth asking before the money comes out

- Can withdrawals be spread over several years to keep more of the income in lower brackets?
- Does it make sense to convert some Traditional money to Roth in lower-income years, paying the tax on your schedule?
- Who inherits the account? Most non-spouse heirs must empty an inherited 401(k) or IRA within 10 years, often during their own peak earning years.
- Is there a plan to pay the tax, or will it come out of the account itself?

Illustration only. Your tax depends on your income, filing status and state. Advanced Group does not provide tax advice; review any withdrawal or conversion with your tax advisor.

04 Explaining lost opportunity cost to your family

LOC is easier to feel than to define. A simple way to say it:

"Every dollar we lose to a fee, a tax or a poor design isn't just a dollar. It's the dollar plus every dollar it would have earned for as long as we'd have kept it."

FOR A SPOUSE OR PARTNER

Same income, more kept

Saving \$1,000 a year doesn't mean earning more or spending less. It means the household keeps more of what it already earns. Over 20 years at 5%, that is \$34,719.

FOR CHILDREN AND GRANDCHILDREN

Time is the biggest number

Starting at 25 with \$1,000 a year and 5% growth, the total at 65 is \$126,840, on \$40,000 of deposits. Waiting until 45 leaves \$34,719. The cost of waiting is \$92,121.

\$1,000 a year at 5%	Deposited	Value	Growth
10 years	\$10,000	\$13,207	\$3,207
20 years	\$20,000	\$34,719	\$14,719
30 years	\$30,000	\$69,761	\$39,761
40 years	\$40,000	\$126,840	\$86,840

The lesson for a younger family member: **the habit matters more than the amount**. A small leak fixed early is worth more than a large one fixed late.

05 REPAIRING THE PAST

Life insurance to restore what was lost

Many families already carry hidden LOC: years of fee drag, a product that was structured poorly, or a tax bill waiting inside a Traditional retirement account. You can't get those years back, but you can plan for what they cost.

THE GAP

Measure the hidden LOC

A review estimates what past fees, taxes and product design have cost, and what is still coming, such as the tax heirs will owe on an inherited Traditional 401(k).

THE OFFSET

A death benefit sized to the gap

A life insurance death benefit, generally paid income-tax free, can be sized to replace what was lost or to pay the tax that will come due, so heirs receive the full value.

Example. If \$100,000 of tax will come due when a Traditional account passes to heirs, a \$100,000 death benefit can cover it. A larger benefit, closer to the \$265,330 LOC in Section 03, can restore what the family would have had if the tax had never come out.

Hypothetical illustration. All figures assume 5% net annual growth with no fees or taxes and are not a projection of any investment or policy. Actual returns vary and can be negative.

Why 5%. Hypothetical 5% rate for illustration. Whole life dividends are not guaranteed. From 2001 to 2026, dividend interest rates at four major mutual insurers averaged about 6.2% to 7.0% (see *The AIB Whole Life Index* at advanced-ib.com). Cash value growth after policy costs is lower than the dividend rate. Each insured's actual health class, age and policy design determine the insurance cost deducted from these gross figures. In exchange for that cost, the insured gains an income-tax-free, guaranteed death benefit, rather than the LOC drag of fees and taxes.

Life insurance. Coverage is subject to underwriting, and premiums depend on age, health and the policy chosen. Guarantees are based on the claims-paying ability of the issuing insurer. Insurance is offered through Advanced Insurance Brokerage.

Not tax or legal advice. Advanced Group does not provide tax or legal advice. Review withdrawals, conversions and estate questions with your tax advisor or attorney.



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