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Selling “The Savage Way” 15 Years Later

Mark C. Smigelski

As I thought about giving this talk, what came to mind was when I go to the Round Table meetings I think to myself what makes a good meeting? A good meeting for me is when I come away with a good idea to help maybe raise the children. When you go to the Round Table it's the whole family concept and you come away from the meeting saying, “Boy, that applies to my kids. I can't wait to share it with them.” Or an idea that applies to how I'm running my office. “Boy, that's a great idea.” Or an idea that applies to my business or helping my clients. If you can get one of those three things out of a meeting, I think it's a win. Today my goal is that you get all three, because that's what John was all about. He was about the family, he was about the business, he was about his spiritual life and he was about helping others.

As I go through this today, I'm going to break this down and share with you John Savage, the mentor. The way John affected my life. My background personally, agency background.

I'm going to touch on the three circles. I can't talk about John and not do the three circles. It's very basic, but I'm going to touch on it. I could spend 45 minutes doing the three circles because that's what I do when teaching at the office. I'm not going to do that today. I'm going to spend maybe five minutes just to give you the basics. Then we'll get into the one-page sales ideas and I think I have 8 to 10 ideas that I think you could go back home and use right away. And then I'm going to talk about what we call Savage-isms, things that John talked about that kind of change your life, a lot of one-liners, some things you'll like, some things that maybe don't apply, but whatever is fixed, we'll go with it.

To get started, how many people in the room knew John? Great. That's probably why you're here. I know you're not here for me. You're here to kind of resurrect John and some of his ideas and that's absolutely fine. I'm the first to tell you I'm not John, I'm not going to be John. John wouldn't want me to be John. I'm Mark Smigelski, but I learned everything I know in this business from John up until the last 17 years. John was the best mentor I had in my business life.

As you go through life, you have mentors, people you pick out. My father obviously was my first mentor, great mentor. I went to high school and I had a football coach. That football coach kind of changed my life a little bit: that work ethic, play as a team, work as a team, became a little better mentor in my life and helped me build a good unit around all the players that I played with. And then, in business, John Savage was the first person that I met. And I never had any idea how fortunate I was to be in an office of a legend. I had no idea, none whatsoever, that John was the person he was in this business.

The first thing John stressed to me when I came in the office was: Get yourself in great financial shape. You cannot be late on your house payment and give financial advice. He stressed that almost daily. How much you got in the bank? How much you got in the bank? You tend to say “Oh, my gosh, I've got to set a goal in the bank. I've got to get so much money in the bank.” That's when your business really starts to take off is when you get financially set.

John talked about balance in life, that was huge for him and I know I mentioned earlier and will probably mention again before I leave. But I remember being at a talk with John. I traveled with him quite a bit. Someone asked, “John, what’s number one in your life? It’s obviously spiritual.” John said, “No, no, no. Stop right there.”

He said, “There are three things in life that are important, your business life, your family life and your spiritual life. The one thing that is number one for me is what, at that present time, needs the most attention. If you think about it, it becomes pretty easy that way. If your business is faltering, guess what, I’ve got to spend some time with my business, get my business up in the air. Then, it’s your family life because you’re out of the home. You’ve got to get that ball back up in the air. So, it’s all about that balance.” He stressed balance, not only financially, but also as a whole person.

I remember when I was first married, I came in the office and John was sitting in his office and he was working there. I stopped in to say good morning. It was always fun to go in and chat with John first thing in the morning because he always had a great story to tell you. He said to me, “How was breakfast?” I kind of looked at him, “What do you mean how was breakfast?” He asked, “Did Robin fix your breakfast?” I said, “Yes, she fixes me breakfast every day.” He said go home and tell her how good it is. I’m like, OK? And he added, “Pretty soon it will be.” Think about that. Pretty soon it will be because that positive affirmation, “Boy, breakfast was good today.” And it will become good. Those are just some of the things John did that just kept things interesting.

Never quit selling. John always talked about never quit selling. He was constantly best friends with the underwriters. He’d pick up the phone say I sent the app in standard, it came back Table D. He said, “I need to send it back so you can get it standard,” and things like that. He had great relationships with the underwriters and it’s because he told them the truth all the time. This guy’s a little bit on the edge, but you know what, I’ve got his four brothers and they’ve got a company, and we got all this other business. I really need this for this reason and he could get that done. It was open lines of communication.

John used to talk about, “Well begun, half done.” As you know, John was a sprinter. At the beginning of every year he would try to submit 100 to 150 pieces of business in January and February. He said you can’t have a great January and have a bad year. It was all that attitude and it was all about getting 100 lives.

He kept things simple. They have those weight loss programs and I remember someone talking to John about this new program and he said, “Boy, save me your brilliance. Take in less calories, burn more, done. That’s the weight loss talk. Take in less, burn more.” And if you think about it that is logic. That’s all you have to do if you’re trying to lose weight. That’s it. Nothing more to it. He just broke everything down to be so logically.

John also said that you don’t have to be right all the time. “And sometimes,” he’d say, “be wrong so others could be right.” He said be careful and don’t get too full of yourself. When things are really on a roll, you’ve got to be careful not to get full of yourself because someone else will always have a little better idea. Keep an open mind.

He'd tell the story about the guy who has a watermelon patch. He had this big watermelon patch and he had problems with some of the kids stealing watermelons on him. So the guy goes out in the yard and plants a stake in the watermelon patch that said one of these watermelons has arsenic. Guy goes in and says I solved that problem. The next day he comes out and there's another sign in the yard that says now there's two. So who won the battle?

John was a big one for getting out of your comfort zone. You have to stretch to grow. We had a lot of investments together and John was good about networking people and raising money and putting some businesses together. He owned a lot of businesses. I was fortunate to own some of these with him. One time, he came to me and he asked me for a \$25,000 investment and this was probably in 1984 or 1985, so I was in the business three or four years, it was a lot of money back then, plus I was just trying to pay the bills at home. I already was invested in a mobile home park and a garbage company and I bought into a race horse for breeding purposes only with one of his clients in Kentucky. That didn't work real well, but he came to me with this idea. It's a private company and John needed to get all these private shareholders out, family members who weren't contributing to the business. Then, he said, we're going to take it public and then you'll be able to trade your stock. Fine. But at the time I was raising a family and I had things I was committed to. My sister was living in Las Vegas, she and her husband were putting a business together. I had kind of kept some money aside because they were looking to maybe borrow some money. I said John, I'm going to pass on this one.

A couple of days went by and he said, "I got it all set up for you." "What's that John?" "That \$25,000 investment." I said, "John, I'm not doing that." He said, "No, no, no. Write me a check for \$5,000. Can you do that?" I said, "Yes. If I had to." He said, "OK. Give me a check for \$5,000. I'll loan you the other \$5,000. And, by the way, go down to signature bank, they've got some paperwork you need to sign." He got a loan approved for the other \$15,000. He said, "Now what we're going to do is the stock is going to pay dividends. You're going to use the dividends to pay the loan at the bank. Pretty soon the bank will be paid off. Pay me as you can. I know you'll pay me back. I'm not worried about it and you'll get in this investment."

Long story short, I got in the investment. Didn't want to. About four years later went public, I got 10,000 shares and it opened up at \$8 a share. So my \$5,000 or \$10,000 became \$80,000. Well, about two weeks later it was trading at \$17.50, so I turned \$5,000 or \$10,000 into \$175,000 because of John. I thought, I did phenomenal. I'm here to tell you the stock went over \$150 a share and I sold all of mine at \$17.50. But those are the types of things that happened to John. He had winners, he had losers. But that's just the way it was.

I was with him in Atlantic City and he was done speaking and you know how people would mob around him when he was speaking. I've heard it all before. I didn't need to hear it. I was going down to the casino. About an hour sitting in the casino, John comes up behind me and I had all these chips stacked up. I was doing pretty well and I'm not a gambler, but I was doing really well playing blackjack. He said how much did you start with? I said \$100. He grabbed behind me four \$25 chips, and he stuck them in my pocket. He says when the money on the table is gone, come to bed. And that's all he had to say, and the lesson there was only gamble with the house's

money. Once you get ahead, gamble with the house's money. But that's the way John would teach you, just some subtleties. Wonderful to hang around and do things with him like that.

I remember walking into the office one day and we had an appointment together, an annual review and it was a 6:30 or 7:00 appointment. When I had appointments with John, I barely said a word. John was the master. I was sitting there, not prepared at all, and John threw the marker at me and said, "Go ahead you run this one." The clients were sitting in the room and I was thinking, "Oh my God." But you know what? From that point forward, I really paid attention at every meeting when I was with John because I didn't know when I was going to suit up and start. He pulled me off the bench out of nowhere. Again, another lesson.

One of the things John always talked about was shout praise, whisper criticism. I used this in coaching. We had a baseball team that I coached, and one of the coaches was yelling all the time. In baseball the game moves fast when the ball is in play so you have to act on instincts. These kids, because the coach was screaming so loud and calling them out from the dugout, these kids were afraid to make a mistake so they were hesitant. We had all this talent and we just sank and we were losing games left and right. Finally, I mentioned something to the coach. I asked him to let me coach a couple of games. What I did was I took the principle of shout praise, whisper criticism. The team ended up losing three out of their last eight games. They had won two games prior to that. It does work.

Even in football, a kid makes a mistake, put your arm around him, kind of teach him what to do right and then when they do something great just praise them all you can. It works really well with your kids too.

One thing about John and I'll point out a few things. He didn't care to be any richer. And how do I know that? Because he would give a lot of money away and the more money he would make, the more money he would give away. In my mind he didn't want to be any richer. He didn't want to be any more powerful. He owned an agency. He gave the agency to his brother. That wasn't what he was all about, didn't want to do that.

He never wanted to edge somebody out. He was a leader in Columbus Life. He asked them not to give him the Leader Award anymore. He wasn't about all of that. What was important to him was who did he help, who did you love, what did you care about, did you do anything that was noble or decent? Did you raise your children properly? He just had a bigger sense of his identity. All his books and tapes, and I know he talked about this but I witnessed it firsthand when I would collect money because I was in the back of the room selling, I'd have bundles of cash and on our way home about 80 percent of the time we stopped at Central City Ministries and we dropped off a check. We dropped off the cash. All that money went to charity for the books and the tapes. It was just the way he was.

I said John, "How can you get excited about that?" I'm a young guy. Keep a little of this money. He said, "What's exciting. Number one, you're helping people and, number two, we're taking money from other cities to bring it back to Toledo, Ohio, where it will be spent again." That's really what it was about.

And not many people knew this, but through Central City Ministries, he would deliver turkeys to people who were underprivileged in the community. He had nine kids and he had this huge van for the kids. They would go pick up the turkeys on Wednesday night before Thanksgiving and they would go put them on the doorsteps and ring the doorbells. The kids would have to put it on the doorstep, ring the doorbell and run away, but they had to wait until the door got answered and then they would run the rest of the way back to the van. Nobody in Toledo really knew who really did all that. It was John and his kids.

What came out of that is today they have a charitable fund that just his kids, not their spouses, and he didn't have anything against the spouses, but just the kids get together once or twice a year. They have to give so much money back to the community. They all come up with ideas of where they should give it. It all comes from the charitable fund he had set up on his death. But that was the teaching moment that progressed to that end result, which I think was just awesome.

He didn't work in the summer. He had basketball camps in his backyard. He had two full-length basketball courts and he would bring the inner city kids that didn't have anything better to do, who get in trouble all day long in the summer. He would bring them to his backyard and then he would teach them, bring in coaches, hold clinics. He did it all free of charge. He even bought them tennis shoes if they didn't have tennis shoes. You know what happened? This goes back to John said the more you give, the more you get back. His daughter, Kelly, had become a division one basketball player because she was playing with all the inner city boys all summer long. At one point she was number two in the division one NCAA for three-pointers made, number two in the nation. And it all stemmed from John giving.

Q. She was number one.

A. Was she? I thought she was number two. Somebody has to be number two.

Q. ...

A. Depends on the day you saw him. Or if he was upset with Kelly.

He was never afraid to be different. We would have an appointment and he would say, "You know what, you can buy this product down the street cheaper, but you don't get me." He would tell people, "Whether you take my recommendation or not is not going to change my life. It's just the way it is." But he would do it in a subtle way that he would make the point and wouldn't offend the person. There's an art to that.

Competitive, always competitive with himself. Work ethic. One more story and then I'm going to move on to some sales ideas.

We were at a Christmas party at another agent's house and this kid played college basketball for Miami. He was still a player. He was kind of shooting his mouth off and John was a great foul shooter. John was looking a little older at the time, you would never have guess he could go out and shoot foul shots. This kid is shooting his mouth off and somehow they got into a conversation, I wasn't in the conversation, but they ended up out on the driveway where the guy

had a basketball hoop. It's 11:30 at night. It's 20 some degrees. The wind's blowing a little bit. Little bit of sleet coming down. And John said, "Go ahead and shoot." And this kid shot and I think he put in like six or seven out of 10. That was key, John would always have the other guy shoot first because John wanted to know what he had to beat.

John stepped up. He had a suit on and he had his overcoat. This kid took all his clothes off. In his overcoat, boom, boom, boom. John shot like eight out of nine. As soon as he beat him, he just let the ball drop, walked away and went back into the party. The games he would play with people were just unbelievable and total entertainment.

Like I said, I met John in 1980. I was between my junior and senior year at college. I worked an internship at Savage and Associates. I had no intention of being in the insurance business. I met John and it changed my life. That's where I ended up. I graduated in June 1981. I got married in 1981. I started in June 1981. I made the Round Table by December. And the reason I share that with you is because, at that time you made the Round Table based, not on commission, but based on the volume of permanent business and then you got a discount for term. Well, it was like a couple of days before Christmas and John was on me, "How are you doing?" because I had had a really fast start. I said, "John, I have used every prospect, everything I know, I'm \$110,000 or \$120,000 of whole life short. He slid an application across the desk, he said go convert some term on my wife, Katie. And that's what I did to make the Round Table the first year. I converted term insurance on John's wife, Katie. And I put John down for 90 percent, I put myself down for 10 percent and in those days the rules were if you didn't use any credit for the case, if I was on the case at all, I got 100 percent credit.

And then the next problem was, I applied for Round Table, they denied my application because I was not a member of the association in February of that year that I qualified. I remember walking in one day and John said, "How's it going?" I said, "Well, I just got declined for Round Table." He said, "What are you talking about?" I explained the situation, he grabbed the phone and he was talking to this lady like they're long lost friends from the Round Table. Problem solved. But I did have to pay my dues for that back year and I had to pay the dues for the current year too. So they got their money.

A little bit about the agency. When I joined the organization, there were 17 agents. There's about 70 now and 60 of them are under one roof. We're totally departmentalized. We have a risk protection department, investment department, group health. We have a mortgage business, we have property casualty. We have what we're toying with right now, Savage University, where we're bringing in people and educating them on HR and things like that. I can talk about that later.

We have producer development, business development, and I was in charge of producer development for a number of years. Now I'm in charge of the business development and we just developed a slogan that Savage and Associates is going to put together and it's One Relationship with a Team of Experts. We have all these departments and what we're going to do is we're going to market ourselves as one relationship for a business, but we have a team of experts who will take care of every one of your needs. That's pretty exciting for us going forward.

Our biggest problem right now is we have a lot of younger people making a lot of money. It's hard to motivate them. They all started right out of college.

Keep it simple. They said it from the podium today, and that's what John always talked about.

I'm going to go through the three circles really quickly. I'm going to give you just a couple of minutes and then we're going to get into some sales ideas. But the very first thing that we talk to our clients about is you've got to have income before we do any planning at all. One of three things happens every paycheck. I never saw John touch on this much so I want to touch on it with you to kind of lead into the three circles. Everybody spends their money on either consumption, depreciating assets and by the way, most people spend their money on those two items. What we want to talk about in our office is how much money are we putting into appreciating assets? I'll say to people, "You know what? If you've made \$100,000 for the last five years, you've made \$.5 million. What do you have to show for it?" Most people, not a lot, because most of it is being spent on consumption and depreciating assets. I say, "This is where we need to start right here. We need to set some goals for appreciating assets."

Now what are appreciating assets? Bank account, investments, insurance. We talk about the bank as having liquidity, the most important facet of financial planning. The investment circle is the one that everyone loves to talk about. We divide that into home, land and building and businesses. What all those have in common, very ill-liquid, but they're assets that hopefully continue to appreciate.

Over here we have stocks, bonds and annuities, not inside your plan. It's money that you've already paid tax on that you have invested that is all after-tax dollars.

Down here you have 401(k), your IRA, your pension, profit sharing plan, all retirement vehicles, tax-qualified vehicles. And down here would be the things I talked about earlier, the high-risk things, the mobile home park, the cable TV companies, investments that you have with your son or your daughter, your brother, your sister, whatever. Gold, rare coins, baseball card collection. We tell people we never like to see more than 5 percent of your total investment circle into that area because it is so volatile.

Why do we split it up this way? Because this, again, leads to balance. If somebody comes in and says we have a house and it's worth \$300,000. We have zero debt, but we have nothing in our IRA and nothing in personal money. Can you see how they're totally out of balance?

They come in and say we're renting. We have nothing here, but we have \$300,000 in a retirement account. Are we out of balance? They can see it. They can see their picture. They can identify with their financial plan and that's how we keep track of balance. To this day, when we have annual reviews now, people will bring in a sheet already filled out. "Mark, here's where we're at." They're excited about it because we have a plan. They're following the plan and that makes the sale so much easier.

We have the insurance circle. We talk about cash values as liquidity, like we do the bank, for emergency and opportunity money. But the ultimate goal is we use this as the catalyst, meaning

the bank account. This is a catalyst, the investment to build the investment circle. Ultimately, we want the investment circle to be the biggest circle throughout our lifetime and overshadow both of these. When we're done 90 percent of all your net worth should be in the middle circle. That's how we sell that. It's amazing how many people appreciate the simplicity and what I say to them, more often than not, is: "The more successful you become, the better I do and that's how I get paid. If I can help you become successful, you'll need additional insurance products. If I can help you become successful, you'll need more of these products, so we're both operating on the same side of the fence." They know I'm working for their best interest all the time.

Idea one, here's what we've got. We've got an elderly couple. They've made all their money in real estate. They have a lot of apartments, associated a little bit with the university, have a lot of homes. They have a \$3 million estate tax that I know about. They didn't really have too much of a foggy idea. Their son knew about it. When I sat with them and gathered all the facts (they were in their 70s), I knew that, while they had little or no insurance, for me to recommend they purchase \$3 million of life insurance with a premium of \$150,000 would be a major shock to their system. The chance of getting that sale? I'm violating that neutral zone. I'm making them really uncomfortable. So I had to come up with a different approach.

I talked to them about what they planned to do, ultimately? They said, "Well, ultimately, we want our kids to have these real estate holdings." I said, "Have you thought about giving them any real estate while you're alive?" "What do you mean?" I said, "Well, do you have a building that's completely paid for?" "Yes." "What if you gave that to your kids? Do you understand that if you give it to your kids, you're going to reduce your estate, which is ultimately going to lower the amount of taxes?" "Yes." "Why don't we entertain that?"

This is how the sale developed. I met with the one son. Now you think the son's on-board with this? Absolutely. He'd like a piece of that real estate and he's going to share it with his two sisters and brother. He's a CPA and he's the one who referred me to the parents, so he's real on-board. What we ended up doing was gifting one of the buildings that had more than \$300,000 of positive cash flow, with no debt against it. Then we had the income from the building, about \$150,000 a year, pay for a \$3 million second-to-die policy on mom and dad. So mom and dad didn't have to write the check. All they had to do was get examined. They're kind of out of the loop, but we got the \$3 million.

I'm going to jump to the end result here. We've reduced the estate by the gift, the couple didn't have to write a check every year, which I knew they were kind of incapable of because they're older and it wasn't of their mindset to buy that kind of insurance.

We created \$3 million for the estate, estate tax-free, so the children could inherit all of the other assets. When I presented the idea to the kids, think about it they're the beneficiaries of this money, they were on-board. They helped me make the sale with mom and dad, who I was having a hard time talking to about the insurance. So it's just taking a situation that's black and white but creating just a little bit of a different idea that gets everybody on-board and everybody moving in the same direction.

If you're looking to prospect, I don't know how many people know Roger Zener. Roger Zener would always say to go find the people who own the buildings. They're the ones who have the biggest problems because of ill-liquidity. That was just a little bit of result of what Roger Zener said. By the way, and there is somebody in this room who talked about this, getting referrals from accountants. What I did was I presented an idea to an accountant to try to generate referrals, at a breakfast meeting. What he immediately did, after he saw what I was talking about, was he referred me to his parents. That's how I got to this case.

Now I want to talk a little bit about annuities. Again, this is really simple stuff. Maybe you already use it, maybe you've seen it. I use it and I've used it effectively. I have an elderly couple. They have CDs and their comfortable with that. This is a fixed annuity sale. I would say to them when we're talking about annuities. "So what's an annuity?" I'd say, "Well, It's like a CD with an insurance company, the difference is you're not paying any income tax on the interest as it's earned." They'd said, "What's the difference then?" I'd turn around and looked at their faucet. I'd say, "Is the water in your faucet on right now?" "No." "Why isn't it on?" "Because we don't need the water." I'd say, "But do you understand your IRS faucet is on right now?" "What do you mean?" I'd say, "Your IRS faucet is running because you're earning interest on your CDs. You're paying the income tax on that interest and you're not using it. You have no need for it. An annuity will solve that problem. Then when we need the money with the annuity, we'll turn the faucet on, pay the IRS their share, but in the meantime we're going to stop the IRS from wasting that money and then you'll get the compound growth."

Just to put this into perspective I used the rule of 72 and I had a 59-year-old. I said, "What if we could get a 10 percent rate of return, but we're paying 28 percent or 30 percent in taxes. We're going to net 7 percent. At a 7 percent rate of interest, money doubles about every 10 years. So, when you're 59, if you have \$100,000 in an account, when you're 69, if you don't touch it, you're going to have \$200,000. When you're 79, you're going to have \$400,000. When you're 89, you're going to have \$800,000. Assuming you get 10 percent, you pay your taxes and you're going to net 7 percent.

So then we go over and look at what if we get 10 percent and we pay zero tax while we're accumulating it so we're getting 10 percent interest net? Money doubles every seven years. So now we're at 59 and we're at 66. We're at 73. We're at 80 and then we're at 87. So we've got \$100,000, so we started the same. When you're 66, we're going to have \$200,000. Then we're going to have \$400,000, \$800,000 and I can pretty much stop right there. It will make the point. For the same risk and the same return just by cutting out the IRS, at age 80, you're going to have \$800,000, at age 79 you've got \$400,000. And at age 89, where you'd have \$800,000, at age 87, you've got \$1.6 million. All we're doing is cutting out the IRS so that the money you would have paid to the IRS you're now going to keep in your contract that's going to accumulate for you.

And then talk about a variable annuity with an elderly couple. I'm from Ohio and it's the automotive belt and then a lot of people from Ohio vacation in Florida, so I put the two things together. I said what's the automobile industry done lately? Airbags, antilock brakes. Any car you buy off the lot has airbags and antilock brakes automatic. The investment companies have done the same thing. They put guaranteed minimum income benefit riders on, those are your airbags. They're protecting the money you've accumulated, protecting your income. Then we

talk about price. I'd say to them, "Have you ever been down to Florida and seen those two skyline highways that go way up in the air? Let's just assume on one of those skyline highways they charge you \$2 and there are no guardrails on the bridge. The other skyline highway is \$3.50 but you have guardrails. Which line would you get in?" Elderly people always say give me the one with the guardrails, so that's what the variable annuity is guaranteed to do. It is a contract that protects your income, it gives you the guardrails.

Disability income. How we start it is we have two jobs to pick from. We have Job A and we have Job B. On Job A, you're going to get \$8,000 a month, but if you're disabled, you get zero. Job B we're going to get \$7,600 per month. If you become disabled we're going to generate \$5,000 a month, tax-free, after 90 days, to age 65. If you're choosing a job today, what job would you apply for? Pretty simple. I've never had anybody say they would apply for that job. Now you've created \$5,000 of premium to work with to provide disability income.

The next idea is a CRT that we've taken and I've made it as simple as I think we can possibly make it. I have a few of these, but I can give it to you and I showed this idea to an accountant who referred me to somebody to sell their land. What I put up here is the objective: Sell the land for the best use value. We're going to avoid capital gains tax, or try to. We're going to create a lifetime income. We're going to leave an estate for the heirs. We're going to create a family foundation. The assumption and sales price is \$1 million. This happens to be a lady who was a widow who had farm property. On her property, they were building a new interchange, so the value skyrocketed. Her basis on that property was \$20,000.

What she was planning to do is just sell it outright, pay the capital gains tax, have about \$725,000 left over to generate a \$58,000-a-year income. Then, when she dies, based on her other assets, she was going to have about \$399,000 left to her family.

Here's the objectives. Here's the outright sale, your plan. Now here's my plan. We put the property in a charitable remainder trust. We pay no capital gains. We have \$1 million available for investment today while you're alive. We can generate \$60,000 of income so we got a little more income based on a hypothetical 6 percent return. We are going to get a tax deduction for the future gift by opening up the account and putting the money in. Our tax deduction for the future gift is \$563,000 which created \$175,000 worth of tax savings over six years. Tax savings of \$175,000. Where did we get the life insurance premium?

The premium for the life insurance was \$168,000. We provided \$0.5 million to her family and we created \$1.5 million for the family foundation. Assuming she lives to what the mortality tables say, we're going to create \$1.5 million of lifetime income for her. Then the one sheet that says it all, we put the CRT on the left side, we put the outright sale on the right side, tax deduction 563 versus zero, tax savings \$175,000 versus zero, capital gains tax under my idea is zero versus \$274,000. Estate for your heirs under my idea is \$0.5 million versus \$399,000. Lifetime income for you is \$1.5 million versus \$1.2 million. The ultimate gift to the charity is \$1.5 million versus zero. I've created \$3.7 million versus your plan is \$1.6 million if you live to life expectancy. That one sheet, a 70-year-old lady can understand, and so can her family. Then we brought the advisors in and said, "Here's what we want to do," and I directed everything. I didn't let the advisors in. I told them, quite honestly, "You know what? I'm not going to charge

you a fee. We're going to do this work. I'm not going to charge you a fee. We can do all the work ahead of time and then, when the work is done, we'll take it to the attorney. Because once you're meeting with them, the clock is running and you're going to pay for it. So I'm just an advisor to help you do that. I'm creating added value.

The idea I showed yesterday. When is the stockmarket going to crash? By 4000 guaranteed? Is it the day you die? This happened to be a person who had a 45 percent estate tax bracket. If the Dow Jones is at 9700 when you die, it's going to be 5300 on the Dow. This person happened to have First Solar stock. First Solar stock is selling right now at \$150 a share and he owned 2,000 shares, so he had \$300,000 worth of the stock. It was almost \$300 about a year ago. Today it's \$150, so why is this idea pertinent today? Because he's right back to where his basis is. We take on this idea that we're not even going to talk about any additional capital gains. The day he dies, even if it's \$150 a share, it's going to reduce to \$82.50 a share. What he did is he owned this stock because he said, "I know the future is going to be in alternative energy. This is for my grandchildren. That's the only reason I own this."

I said, "What if we took the same \$300,000 and we could buy a \$1.3 million one-time, paid-up life insurance policy outside of your estate. First Solar stock one day would have to sell for \$650 a share for it to be equal." You see all I did here was put it in terms he would understand. I broke it down to the price he understands, which is his stock price.

We also looked at a second-to-die for that same situation and the First Solar stock would have to be at \$1,000 a share to get the same benefit.

Q. ...

A. This is inside a trust so they would get all of the money. It's inside the trust, outside the estate. There are no taxes versus yes, if you die, you're going to get a stepped-up value but possibly a stepped-up value is a much lower price.

Q. ...

A. Right. And we'll take questions at the end, because I've got to get through this. It did come up and we talked about all of that.

Another idea. This was touched on a little bit this morning with Tom, so he kind of burst my bubble a little bit. But I actually got this idea from Roger Zener. I had a lady who had a chunk of money. She was an art teacher. Roger used to talk about A dollars and B dollars. A dollars are the dollars you need to provide your lifestyle. The B dollars are the dollars you're probably never going to use.

Well the B dollars, she kind of earmarked for her family to inherit. I said what if I gave you an idea that you wouldn't cheat your kids out of their inheritance but would provide a nice gift to your grandchildren. She said, "Sure, what are you talking about?" Well, knowing she was an art teacher, we took money out of a CD and put it single-pay into a life insurance policy where we're going to set up a grandchildren's trust. Then I talked to her about the idea of having the

trustee write a check every year on that grandchild's birthday. But the kicker on this was she has predesigned all the cards. So when they get this card in the mail after she passes away, it includes artwork from grandma even when grandma is gone.

And that was just a little thing I picked up in the interview, that artwork and her house is really nice. She had some great artwork around the house. She did a lot of watercolor. I was, like, bing! John used to say, "Bing. I got one." Bing. I knew I had one, because it was the right thing to do. Then I played a little bit to the emotion of it and she started to cry when we talked about it. Then she referred me to her best friend who was a widow.

I remember going back to the office and talking to another agent and he asked, "What did you make?"

"What did you make?" I said, "What does it matter?" Because you get beyond what you make when you make sales like that. You've made a difference in their lives. I did figure out what I made, but that didn't have anything to do with it. I didn't think about it at the time. You get caught up in the emotion of it of just doing the right thing. And, she didn't have to really sacrifice anything to her kids.

The other thing, this is a couple years ago we did this. To this day, I am the only person who knows about this besides the trustee of the trust. The grandkids don't know it and the kids don't know it. So, one day, there's going to be a pretty unbelievable surprise after she passes away and a birthday card appears in the mail. Pretty powerful.

I don't know how many people are marketing REITs. I hadn't marketed REITs very often, but I just want to give you one thing. I've started to put more REITs in plans because, the way I looked at it, is a REIT can give you a little less risk and a little more return if the REIT is run properly. I know of a few REITs that are run properly with very little debt. But if you think about it, and I brought this up to a client, when I said, "If you owned Enron stock, what is it worth today? If you owned an Enron bond, what is it worth today? But if you owned the building Enron was in, what do you have? So think about that. If you own Enron stock you have zero. If you own an Enron bond you've got zero. But the day they went out of business, you still had the real estate."

So I'm starting to put more REITs as a small percentage in a lot of portfolios just based off that idea. Reducing the risk and increasing the return.

For whatever reason, I've had several cases in a row just recently of estate equalization, where kids are buying insurance on their parents for them to keep the business and their brothers and sisters to be able to be bought out from the kids who are running a side-by-side business. For whatever reason, that has become extremely popular for us just in the last couple of months. I sell a lot of cases just doing that.

On the long term care, I've got one situation. I share this with a lot of people who I'm talking long term care with.

I have a widow who, quite frankly, has enough money. She really didn't need the long term care, but we bought the long term care policy. She is in a nursing home. She has her wits about her, but she just physically can't do everything. She's a widow and her daughters aren't up to taking care of her. So she had to go into the nursing home. But she's so frugal, she won't spend any of her own money. She just won't because she wants to leave that to the kids. She has a long term care policy. So I tell the clients the story that she's in the nursing home. She gets her hair done. She gets her nails done. She gets a massage. The therapist comes in a couple of times a week. She is the queen of this nursing home. You know why? Because the kids told her, "Mom, the insurance company is paying for it." So she is now living a great life in the nursing home, probably better than when she was at home because everybody is doing everything for her. She's living the life of luxury because an insurance company is sending a check.

Now, are they really spending some of their own money? Yes they are, because the long term care policy is paying the nursing home, but she's still got her husband's pension and social security coming in. The daughters are just writing the checks just to make sure that she has all the best things in life. She's going out with dignity. And when you share that with people, they start to connect with it. We're not selling the nursing home, we're selling what is it really going to be like. Can you touch it and feel it? That's what we're selling.

A few Savage-isms just to close. John used to talk about people business is 95 percent. Ninety-five percent of what we do is the people business, 5 percent is product knowledge. Five percent product knowledge, 95 percent people. But you better know 100 percent of the 5 percent. That was the catch. You always have to know 100 percent of the 5 percent.

If you climb the ladder of success, make sure it's propped up against the right building. In essence, have a goal and make sure that's the right goal for you and what you're trying to accomplish in life.

I talked about this earlier: Shout praise, whisper criticism. John used to say if you go the extra mile, there will be no traffic jam.

You can't control someone's actions, but you can always control your reactions. And that's how John would diffuse a situation. Somebody's really upset, mad over something. He says, "Hey, I can't control their action, but I can certainly control my reaction and I'm not going to get in a fight over it." So think about it.

You manage things, you lead people. You don't manage people, you lead people. You manage things, you lead people. We've taken that on as kind of a motto at the agency. We're always trying to lead, not manage.

Balance in life, work, home, religion. No success in the field makes up for failure at home.

If you serve the masses, you'll leave with the classes.

Talking about raising kids, one of John's kids wrote a couple books and I'm going to share that with you before I close here. The way John always talked to the kids, he always talked at their

level, at something they could relate to. I remember when he told me that, at the time, the movie “Back to the Future” was on. It was Biff and Marty. But basically the movie: if you think about it, when the movie started life wasn’t so good, things were kind of tough. Marty’s mom and dad were disputing. He hated his job. But, in the end, it was totally opposite, life was good, they were in good shape, they were playing tennis. They had a nicer home. What changed during the movie? What changed during the movie was one night, one incident that changed their lives forever. And that’s at prom night when Marty’s dad got the courage to slug Biff and put Biff in his place and then the future changed proportionately.

I saw that movie and I took that opportunity to share that with our kids. One night, one mistake, one little mistake could put you on a path that you don’t want to be on. So be careful of those decisions you make. You can illustrate it with a movie. Look how it changed this person’s life. That’s when I think you reach kids. It’s powerful. They can relate to it. They don’t always follow what you say though. But the message is there.

Jeff Savage wrote a couple of books. Jeff’s a great athlete. All of John’s kids either run their own business or are self employed in some way, or control their own destiny. Jeff owned his own meat company. Well first he was the leading Mack truck salesman in the nation when he was in his 20s. His life was threatened from a group out of New York, getting into their business. He decided to get out of that business based on his dad’s recommendation and he got into the meat business. He had this meat business with another guy. He ended up selling the meat business for millions. Jeff now is still working for that company, but he’s cashed out and he’s pretty well-to-do at this point. He’s the only one who actually works for a company, but he controls his own destiny.

Even his daughter, Patty, her husband owns a furniture manufacturing company. It’s just crazy how all nine control their own destinies. And they’re very competitive with each other.

I’ll tell you just a real quick story. Scott is a stockbroker and a fee-based planner, not at our office because John wouldn’t let him come in our business. He’s got his business and across the street his brother Kevin has a baseball card and rare coin shop. Kevin had a million baseball cards when he was in high school. And his dad said, “Hey, what if you can get a dollar a piece? That would be a lot of money.” So Kevin pursued that business.

Scott was coming to work one day, pretty early in the morning. Kevin’s car was already in the parking lot. So Scott got up a half hour earlier the next day. Kevin’s car was already at work. And then finally the third day Scott came in at 4:00 in the morning, that competitiveness between the kids. Scott that day ran into Kevin’s wife and asked if something was wrong. “No, no. He’s been out of town for three days.”

Jeff who wrote this book, and I give this book. As a matter of fact, they sell it here at the Round Table. “A Millionaire by Forty, 100 Secrets of Trading Well not taught in School,” by Jeff Savage. All this book is is everything Jeff heard growing up. He took the 100 best ideas that he heard growing up to create a great life for himself, to be entrepreneurial, to be independent, no tattoos, no smoking, no partying from Sunday to Thursday. There are all those chapters. I give

this as a graduation present to every high school graduation party we attend. And I give it to the graduate with a check saying this is your down payment on your first \$1 million.

I have a junior in college and we went to visit him. He has a house and there are two kids he went to high school with in a different area of this house. They both had this book in school on their bookshelves. I don't know if they did it because they knew I would show up one day, but I thought that was pretty impressive. But it is really good. It talks about even all the way down to you should buy a used car, not a new car. Put 200,000 miles on it. When you're older and you've made it in life, that's your time to get the new car. But don't get caught up in it today. Stay away from risky behaviors. There are many choices in life and he talks about that. No earrings or tattoos.

There are two chapters right there, choose your spouse wisely. I should have read this. Don't accept money from your parents, there's a good chapter you might want your kids to read.

He goes into why and how you become a better person by not doing that. But I highly recommend this. It's endorsed by Archie Griffin. By the way, Jeff sells all the meat to Ohio State University, to the football program. When they were in the bowl game, Fiesta Bowl, Jeff was out there selling them meat. They're eating Cisco meat. That's where Jeff went to school by the way. Cold Stone Creamy, the CEO endorsed it. Cisco's company. Fisher College. Great book. And then he wrote a second book. I have a daughter that just graduated from Ohio State University and she's in sales, not in our sales. And I have an older daughter too, Katie, who some of you have met her. She's been in business 18 or 19 months. She's worked really, really, really hard. I did not help her. I held up some appointments for her like John used to hold for me, but they were her prospects and she made the Round Table. She was at the last meeting. So she's really excited about the business.

I have another daughter, Cary, who just graduated from Ohio State University and she's got a sales job and I shot her this book. I was on the phone with her just a matter of a week ago and I said something to her and she quoted me one of the chapters out of this book. That's my girl, you're getting it.

This is an incredible book, it's how to sell, 100 secrets to sales success. If it's not around here, e-mail me, I'll get you a copy. It's like \$20, but they are wonderful books written by Jeff and obviously a lot of John's ideas, but Jeff learned how to make some money off of it. I think Jeff gives quite a bit of it away too.

What was interesting, after the USC-Ohio State game which is a huge game, my daughter, who was at the game, sent me a text: "It's chaos down here." It's just craziness because Ohio State lost and it was disappointing. About 20 minutes later I got another text: "Just ran into Jeff Savage, talking to him about his book." At that point, I was comfortable that she was safe. She was with Jeff, she'll be okay.

When John passed away, the family decided to make Central City Ministries the beneficiary for any donations in John's memory. And why Central City Ministries? The family never told me this, but I remember riding in a car with John. I don't remember where we were going, but there

was an advertisement and it was for the election. They were talking about voting for the new jails. We need to raise money to build a new jail in Lucas County. John just shook his head and he said that is a short-term solution to a long-term problem. I said what do you mean? He said, "If you take that same money they're raising for those jails and you put that money in the inner city. Give these kids an education and a chance, you won't need the jail. Backward, it's backward." That's just logic and that's what John was.

Well, the family decided to make Central City Ministries, which benefits the inner city kids that he was always concerned about growing up and getting a chance in life, as the beneficiary. In that account there was in excess of \$1 million when John passed away from donations in his memory from all over the world.

Now, some of the donations were fairly large and they were from insurance companies. They did some matching and some of John's clients that ran multimillion dollar companies said we'll match every dollar on the first \$100,000. An insurance company stepped up and pledged \$100,000 or \$200,000. But then a lot of people from around the world and probably a lot of people from the Million Dollar Round Table were responsible for making all that happen. That's just one of the legacies of John.

He died when he was 62 years old, full of life. I think John wore himself out. I can remember 11:30 or 12:30 at night the phone would ring on a Tuesday night, Wednesday morning the phone would ring. I would say hello and it would be John. He was just coming from the west coast. He was speaking out in California. He was driving home from the airport which is about an hour away from his home and he would say, "Hey, I got a great idea I want to share with you tomorrow morning." I'd say, "John, I've got a 7:00 breakfast." He'd say, "Good, I'll meet you at 6:00, Bob Evans." And it's 12:30 at night. He just couldn't quit running and running hard.

One other story, John was close to the Pistons. He worked his way in and he loved basketball. He worked his way into the Detroit Pistons and this was during the glory days when they had Isaiah Thomas and Joe Dumars and won the world championship. Brendan Sir was one of the coaches and Chuck Daly. I would go up to the game with him and I'd sit in the locker room, sitting across the table from Joe Dumars and Isaiah Thomas.

One day, John had somebody take him to the airport. This guy from our office is driving back and the phone rang, that's when we had the big bag car phones. John had one in his car. This young kid in the office picked up the phone and said, "Hello?" The caller said, "Is this John?" "No, no. This is Tim. I just dropped John off at the airport. Who's this?" He said, "This is Isaiah." "Isaiah who?" And he said, "How many Isaiah's do you know? One's in the Bible and who else do you know? This Isaiah Thomas?" True story.

John was close to all those guys and unfortunately he passed away way too soon.

I want to close with this and it's just a thought I had and I don't know if I heard this somewhere or whatever but John's life was like the candle that burns so brightly, it only burns half as long. That was really John. Hopefully I've been helpful. Any questions, happy to help. E-mail me.

Moderator:

We only have a few minutes for questions but I wanted to say one thing and that is the very last talk that John Savage gave to a life underwriters association was at our local association, Walnut Creek, California. And the lunch we had with him after that, there were four of us with him. It was one of the most memorable meetings I've ever had. He was really quite a guy and I think he would have been pleased with Mark's talk today. Thank you, Mark, for a great talk.

Q. This is not a question. I'm from Dubai. I had the opportunity of sitting with John and the congregation that he used to have. We miss that. I think you should start.

A. I appreciate the compliment.

Q. Now we hear all these people are talking about the investments and everything, but we are forgetting the basics. I think we need to, for the younger generation, we need to get back and explain what John did.

A. The power of life insurance. You're right and I think this market correction has been really healthy to cleanse the economy. And we are going to get back to the basics. I believe I see it happening right now. You're 100 percent right though.

Q. I love your ideas. I want to see if I can get a copy of that CRT chart. Did the client mention anything about the difference with step-up valuation if they kept the stock? I know the value was much more with what you did, but did they mention that to kind of bump you off?

A. No. It didn't at all because, I said to him that stock could be trading at \$300 a share and now it's all the way back to \$150 again. I said, "If you have an untimely death and the market has a downturn, there could be no basis difference." Just logical. We don't know, but under my method we're taking the market risk out of it and giving the kids the largest benefit they possibly have.

Q. ...

A. Yes, I do. But because of the amount of time. It's probably 45 minutes to an hour to do the real three circles. We start with ... and how people need to get back to saving and the tin can. The tin can is so powerful. Still works today. Absolutely works today. You know you guys are going like this? During the appointments when you go through the three circles, clients do this. How can you do this for 45 minutes? It's impossible. You can just see in your client's eyes that they're getting it and they want to make a change in their life. More often than not, I've heard, "Mark, this is the first time we've ever understood our personal finances, because of the way you did it." They see charts and graphs and they'd get all confused.

I'll tell you another thing, and I didn't mention this earlier, but I tell them there's one thing about cash value that I'll guarantee, it won't be in these numbers. What we see at age 65 I'll guarantee you one thing, it won't be the number I'm showing you. I said the difference will be how we help you in other ways and how we potentially leverage that money. A lot of times we'll take some of that cash value and move it sideways.

I'll give an example. I had a client who worked at Jeep Corporation and he bought into \$20 a month, then \$50 a month and then \$150 a month paying into his life insurance, building up a nice cash value. He was working on the assembly line so he didn't have a ton of income, but the guy who lived across the street from him owned a big home and made it a duplex, a side by side. The client of mine was the maintenance person. He would shovel the walks before he would go out if it snowed. He would mow the grass, unclog the toilets. Well, the guy who owned this rental place died unexpectedly. The family didn't want it. They didn't want to deal with it.

My client wanted to buy it. Guess what? The next door neighbor wanted to buy it as well. My client got that place because he had the cash value in his life insurance that he could tap immediately, make the down payment. We went to the bank and we secured the mortgage. And when he made the offer, he had a mortgage approval in hand with the offer. The family took his offer versus haggling with the next door neighbor whose financing was shaky at best. So because we did what we did when he was younger, he was able to buy his first rental piece of property.

He no longer works at Jeep Corporation. He owns rental properties for a living. But it all stemmed from the three circles, getting him excited to do something different in life. I hate my job. I hate getting up and going to work. I hate putting parts on cars. Here's an opportunity and we used cash value life insurance. Then what we did was we took the renters and we paid that cash value back and then we paid the bank back. Pretty soon he had the cash value again. What did he do? He leveraged it again. He bought a four-unit.

If anybody wants any of these, I have them up here. Thank you.

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