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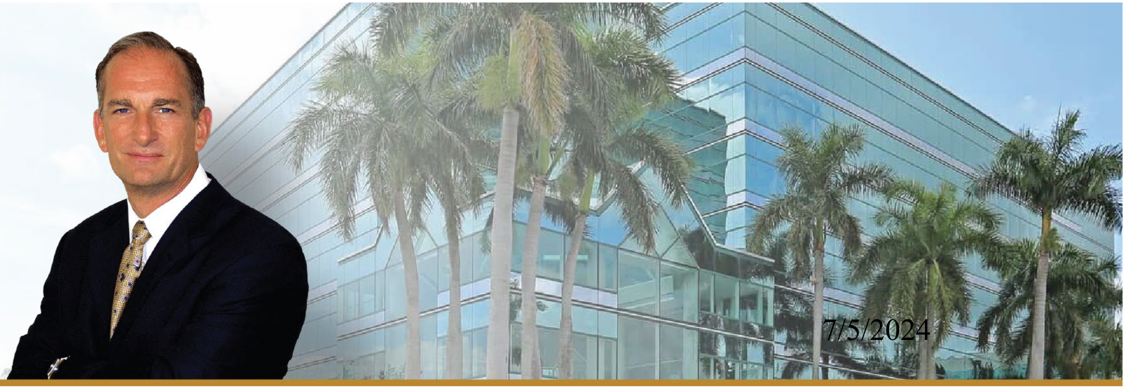


7/5/2024

A Great New Way to Explain & Illustrate the Value of TR=I+G

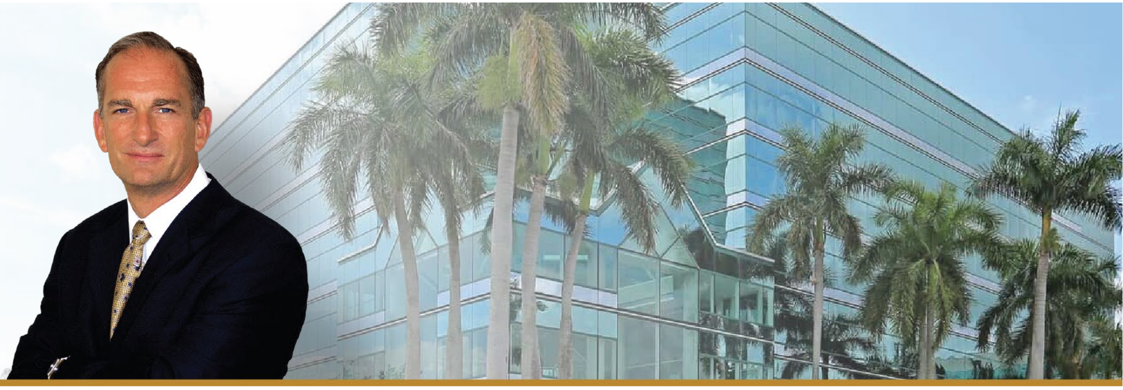
This month I'd like to highlight a great tip shared by Head Coach, Rick B., in his new Rick's Corner video. It gives you a simple approach to explaining the value proposition of TR=I+G to prospects who can't quite grasp it when you explain it in other ways. Here's how you can get through to them using Rick's approach, which is a twist on the Real Estate Analogy:

Using the whiteboard to illustrate key points and numbers as you go, tell the prospect, *"Say you buy a house for $1M, and you rent it out for $40,000 that year. The tenant signs a lease, so you have a contract guaranteeing you that income. Now let's say during that year the real estate market sinks and the value of your house drops to $800,000. How much rental income will you get that year? That's right, Mr. Prospect, the answer is $40,000. Your income won't change. Now let's say instead that during that year, the value of the house goes up to $1.2M. How much income will you get then? That's right, once again the answer is $40,000.*

"Now, Mr. Prospect, I want to simply change some of the words in this demonstration. Let's change the word house to portfolio, and let's change rental income to interest and dividend income. So now you have a portfolio worth $1M that's paying you $40,000 in interest and dividend income. But now the market drops and your portfolio value shrinks to $800,000. How much income will you earn?"

Here, many people will say they'll earn less income, not yet understanding how the same concept that applies to a rental property can apply to their portfolio. So, here's where you can explain: *No, you'll actually be getting the same amount of income because you have the same number of shares. You see, dividends and interest are paid based on dollars per share, so even when the share value goes down you still own the same number of shares so you're getting the same amount of income. Does that make sense?"*

For most people, it does make sense, and yet when you ask what happens if the market goes up and your portfolio value grows to $1.2M, some people will still wrongly assume they'll get more income. Here's where you explain that the principle of stable income applies in both directions, and that's exactly what makes switching from the G to the I so great for most retirees and near-retirees.



You can explain it this way:

“When you have a strategy geared toward interest and dividends, you always know how much income you’re going to be getting, so now it doesn’t matter if the market goes up or down. Think about how that would feel in retirement. If you didn’t have to worry about the market going up or down, wouldn’t that ease your stress level and allow you to enjoy retirement more, knowing that your income was secure? That’s what TR=I+G is all about, and that’s why we focus on the I first and the G second!”

Be sure to watch this month’s Rick’s Corner for the full tutorial.

Dave

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