Let?s start with the basics, Dave Ramsey is great at a couple of things, budgeting, helping people get out of debt, prioritizing material things and/or putting things in perspective.

BUT?

There are some things where good ole Dave isn?t so great. I know this is going to surprise many of you, but you need to hear this.

> ***DAVE RAMSEY IS NOT GOOD AT FINANCIAL PLANNING OR INVESTMENT ADVICE.***

Allow me to give you some additional context. Dave is good at helping people get out of debt and make better financial decisions, in fact he?s really good. His Financial Peace University has helped so many people get on track to a better life. I?m a really big fan of Dave for the work he does, but my clients and most of our readers have graduated beyond Dave?s philosophy?s to needing more sophisticated planning and advice.

Dave Ramsey believes you should buy term life insurance and invest the rest. In theory it sounds great. For example, if you were to spend $1,000 a month on a permanent life insurance policy- according to Dave you should buy a term policy and invest the rest.

And from a RISK MANAGEMENT mindset I love the idea.

In fact, this is where you should start. Buy a term policy to protect your family. There are many factors to consider when purchasing a term policy and how much you need here are a few:

- *Loss of Income*
- *Debt*
- *Expenses*
- *Children*
- *Lifestyle*
- *Age*
- *Do you have insurance through work? Is it portable if you leave?*

The rule of thumb is 7 to 10 times your annual salary-BUT we believe each individual should go through a thorough analysis to help determine what?s right for their family.

Now that you have your bases covered to protecting your family what?s next?

I?m making an assumption that you already have an emergency fund, established a ?financial vulnerability cushion? and are wondering where to put additional funds.

Here?s what I hear often-

- *I make too much to put into a Roth IRA*
- *I make too much to put into a Roth 401(k)- (no you don?t there are no income limitations)*
- *I can?t make tax deductible contributions to a Traditional IRA*
- *Where do I put funds?*
- *Savings aren?t earning much interest,*
- *I?m missing out on returns in the markets (High Yield Savings) No FOMO.*
- *Or alternatively, Markets are too high to put funds to work*

The list goes on and on.

What has the Financial Industry beat into our brains year after year?

Tax Deferred Savings, Tax Deferred Savings, Tax Deferred Savings!

Times are changing. With the new Secure Act we just saw the death of the Stretch IRA and are in one of the lowest tax brackets we?ve seen in years. Not to mention the TCJA (current tax code) sunsets in 2026 and there is also a political party dead set on raising taxes if elected. In regard to debt and taxes neither Democrat or Republican party understands a budget or how to truly curtail deficit spending. U.S. Government let me introduce you to Dave. It?s a match made in Heaven-until it causes a massive recession, but that?s beside the point. I?d expect higher taxes, not austerity.

So how will you prepare for higher taxes?

When helping clients prepare for retirement we look for not only the low hanging fruit or the obvious feel good propositions, but also some of the harder ones. Like paying taxes now.

Right now we?re the bearers of bad news.

> ***You don?t always retire in a lower tax bracket***.

AND, most aren?t prepared for the additional stealth taxes Uncle Sam surprises you with.

Stay with me, I know I?m walking you through a dark tunnel. The light is near.

Envision yourself on a 3-legged stool. Each leg represents a different tax ramification.

- Leg 1-Fully Taxable
- Leg 2-Partially Taxable
- Leg 3-Tax Free

If you could put all of your eggs in one leg where would they be?

Exactly, Leg 3-but why are so many stools so wobbly? I?ll go one step further.

- *Leg 1- 401(k)?s, 403(b)?s, Traditional IRA?s (the feel good?s)*
- *Leg 2- Saving?s, Brokerage Accounts, After tax investment Vehicles*

- *Leg 3- ROTH 401(k)?s, ROTH IRA?s, CASH VALUE FROM PERMANENT LIFE INSURANCE*

We focus on so many other things first. The typical sequence of savings is:

- *401(k)*
- *Savings*
- *Investments*

What do these all have in common? Taxes

What do we want to get away from? Taxes

Here?s how I want you to look at Leg 1- it?s not all yours. Treat these funds like a business, but you don?t own all of it Uncle Sam has some ownership in your business. However, this partnership is unlike any other-they can increase their ownership at any time therefore decreasing your probability of success in retirement.

Leg 2- the principal is yours (you?ve already paid the taxes,) but any realized growth, interest and dividends are taxable at either ordinary income levels or capital gains tax rates.

Leg 3- like leg 2 you?ve already paid the taxes, but the earning?s when all the rules are followed are tax free. For obvious reasons this is the more difficult leg to stabilize. It?s not easy, it takes some proper planning and it takes some work.

I believe everyone needs to strengthen leg 3. Most people will do it by utilizing a Roth 401k or a Roth IRA, but a few will use a permanent life insurance policy.

This is where Dave is right- for most people.

Buying term and investing the difference if you are diligent enough to do so is a great strategy for the majority of Americans living paycheck to paycheck or the saver who is doing all they can to make the sacrifices for their family, but they just can?t do much more.

This is where Dave is wrong?

What about our typical client? These are the people who are doing all the right things, maxing out retirement contributions, maxing out their HSA?s, putting funds into their savings accounts regularly with little to no debt. Do they just keep plugging away putting additional funds into accounts that are taxable?

What about our clients who have a true estate tax problem? These are people who?ve built businesses, acquired land, built wealth with hard work, blood, sweat and tears. Do their heirs liquidate assets just to pay the tax bill?

No, no they don?t ***they use insurance properly.***

Is permanent life insurance wrong for them, Dave?

No, they use insurance as one leg of their 3-legged stool. These are people who take a big picture holistic view, have a financial plan and have planned for these events.

Insurance is something that must be planned, not sold.

I know and hear of too many insurance agents who say everyone needs a Variable Universal Life Policy aka (VUL.) Unfortunately, many of these guys primarily sell property and casualty and are looking for a big-ticket item, the VUL. Which typically carry higher fee?s little or no guarantee?s and premiums that can change. The majority of the time a realistic plan wasn?t done, illustrations are done to show only the best case scenarios and many times the agents themselves are captive to one or two carriers and/or don?t quite know what to look for in an insurance policy or how to choose one that really fits your needs. This is the have hammer, everything is a nail syndrome.

Permanent Life Insurance when done right can play a vital role in a retiree?s financial plan, it can help provide tax free income, some provide guarantee?s to principal and offer low fee?s which help with accumulation of cash value when overfunding the contract.

Which is why we believe insurance should be planned, it?s a solution to a sophisticated problem. Insurance is also a sophisticated product, that deserves a better reputation than many give it.

- *Who doesn?t want some guarantee?s?*
- *Who doesn?t want to pay 0% in taxes on distributions?*
- *Who doesn?t want protection from the governments stealth taxes?*
- *Who doesn?t want creditor protection?*
- *Who doesn?t want to protect their family and their hard-earned funds?*

I hope this post has opened your eyes to another potential avenue to explore in your plan.

Next week in Part 2, we?ll get into the nitty-gritty of different types of permanent life insurance, how to use them, what to look for in a policy and also what to stay away from.