

BLACK ENTERPRISE

9 Hot Investing Secrets

WEALTH FOR LIFE

Breaking the Cycle



*Wealth For Life
Principle No. 9*

I will guarantee my wealth is passed on to future generations through proper insurance and estate planning.

V. Kenneth and Justin Johnson are on a mission to help family, friends, and clients protect and transfer wealth

By LaToya M. Smith

ONE OF V. KENNETH JOHNSON'S MOST PRESSING GOALS IN LIFE IS TO "break the cycle of passing on 'lack' from one generation to the next." For him, wealth preservation is key.

Johnson's father, Gilford, made great strides in his own life. He owned and operated a dry cleaning store (part of a chain owned by his brother-in-law) and was a great saver. But after many years in business, Gilford closed the shop in the late 1970s, missing an opportunity to use the family enterprise as a way to jump-start the wealth-building process for his son. "My father did not understand generational wealth," says Johnson. "Back in those days, most didn't understand. No one talked to us about insurance policies, 401(k) plans, mutual funds, or tax advantaged or estate planning."

A recent survey by U.S. Trust, Bank of America Private Wealth Management reports that 27% of even the wealthiest Americans "have never discussed intergenerational wealth transfer with their adviser." Moreover, 37% "have never discussed their legacy goals," and 44% "have never discussed their philanthropic" goals with their adviser.

Learning financial management skills and teaching those principles to children isn't a duty reserved for the rich. Johnson believes that even working-class and middle-class parents who don't have the means to offer an inheritance of stocks, bonds, real estate, or a family business can leave their children a legacy in the form of a life insurance policy.

Johnson, 55, is a 22-year agent with the New York Life Insurance Co. in Creve Coeur, Missouri, who oversees more than \$100 million in life insurance policies. He has ensured that some 30 family members purchased policies that provide total coverage of about \$15 million. "I'm so proud that we started with our family and to see the legacies that are being created as a result of the work we've done together," says Johnson.

Johnson, along with his wife, Marsha, and 24-year-old son, Justin, each have more than \$1 million worth of coverage made up of a combination of whole life, variable universal

life, and term products. (Whole life and variable universal life, in addition to providing the death benefit, have cash value accumulation features that can be accessed on a tax-favored basis. Term insurance, which does not provide a cash value accumulation feature, usually costs much less, though the premium will generally increase at some point in the future.)

"We first addressed income replacement and then embraced the attractiveness of cash value accumulation within the life insurance contracts," says Johnson. "The cash value buildup was an effective source for paying college tuition on a tax-favored basis."

Johnson admits he hasn't always been so savvy about protecting his assets. At 33, with a wife and newborn son, he had mounds of consumer debt and no life insurance. "No one ever approached me about it. I was doing fairly well as a district manager with Capital Credit Corp. in Los Angeles. Sometimes people will look at you from the outside and think you've got it all together. That wasn't the case with me."

With the encouragement of his wife, Johnson met with her agent and devised a plan to build generational wealth for his family. He started with the purchase of \$250,000 in coverage, his first policy. The purchase also spurred his new career and passion.

"I started building this business with those closest to me," says Johnson. "It wasn't until I got into the business that my family, both immediate and extended, started to understand the value of life insurance and financial planning."

Although the family dry cleaning business wasn't passed down, Johnson made sure he put a succession plan in place so that his insurance business will be left to his son. "My father is always trying to make things better for those that follow," says Justin, a financial services professional with New York Life who joined the company in 2009. ▶

The 10 Wealth for Life Principles

- 1 I will live within my means.
- 2 I will maximize my income potential through education and training.
- 3 I will effectively manage my budget, credit, debt, and tax obligations.
- 4 I will save at least 10% of my income.
- 5 I will use homeownership as a foundation for building wealth.
- 6 I will devise an investment plan for my retirement needs and children's education.
- 7 I will ensure that my entire family adheres to sensible money management principles.
- 8 I will support the creation and growth of minority-owned businesses.
- 9 I will guarantee my wealth is passed on to future generations through proper insurance and estate planning.
- 10 I will strengthen my community through philanthropy.

Like his father, Justin also started by advising those who were closest to him, seeking out members of his fraternity, people in his community, and peers. “About 80% of my clients are under the age of 35,” says the Southern Illinois University graduate. But pitching life insurance to young people who think they’re invincible can often be a struggle. “A lot of young people get a distant feeling when you talk to them about life insurance. They put it off and say, ‘I have time.’ But what if you don’t? I tell my clients to think ‘when,’ not ‘if.’”

But getting the cold shoulder from young potential clients doesn’t deter Justin. His personal goal is to make purchasing life insurance “something that’s cool to do” by the time he’s 30. His logic: “When you’re younger, you’re the healthiest you’ll probably be in your life. So why not lock it in right now? Age

and health dictate premiums. Even if you purchase term you can convert it later when your budget permits or as your life changes—for example, you marry, have a child, or start a business. Usually, if you wait, premiums and other costs increase.”

To help reinforce his point and appeal to younger clients, Justin developed a website (www.justinmjohnson.com) that includes articles, electronic seminars, several financial calculators, a comprehensive glossary of financial terms, and a library of tax resources. Justin also hosts quarterly financial talks for members of his community and his clients.

“I want my clients to be educated consumers,” Justin says. “I have had to call clients who were declined for life insurance. That’s a hard call to make. Getting insured is not guaranteed. There is a risk when you wait, so why wait?”

HOW THEY DID IT

■ **Seek options outside of your employer.** “A lot of people say, ‘I have life insurance through my job,’” says Justin. “In all fairness, they should understand what type of coverage they have and the difference between coverage at their job, and what happens to that policy when they leave their job, and acquiring a personal policy.” In some cases when you leave an employer, you also leave the life insurance policy behind, but Justin notes that “some jobs offer a conversion privilege, which in essence ‘converts’ the policy from term to permanent insurance without evidence of insurability.” However, the associated premiums are generally much higher. The level of coverage employers provide can vary. Some offer one to two times one’s annual salary as well as the option of purchasing additional term coverage. Whether or not that’s an appropriate level of coverage depends on the person’s circumstances, Justin says.

■ **Put a succession plan in place.** If you plan to leave your business to a family member, make sure you develop a succession plan. In February, Johnson and his son signed internal succession papers for the company, paving a smooth transition for Justin to take over the business in the event of his father’s death. “We have a sense of security in knowing that we’ve got everything in place and that our clients will be well taken care of,” says Justin.

■ **Don’t get caught up in products.** Part of the Johnsons’ overall plan is educating the consumer. “Too many people have made decisions based on a product. They end up with a level of coverage inferior to the level of income they’re trying to protect,” says Johnson. “Always ask yourself, ‘Can my family get by without my income?’ The primary focus should be income replacement with an appropriate level of coverage. Just make sure the premium fits your budget.” BE

Do you live by the Wealth for Life Principles? We would love to print your story.
Nominate yourself or someone you know at wealth@blackenterprise.com.



We are humbled to be featured in the prestigious Black Enterprise Magazine. Our passion for having an impact in the lives of the clients we serve will hopefully capture our legacy for making a difference.

Our formal “succession plan” is designed to maintain business continuation and continuity from one generation to the next of Agents / Advisors of the Johnson family. All with one overriding principle and goal, to better serve those clients who have entrusted their family’s financial futures with us.

We purpose to continue serving with the highest levels of uncompromised integrity, character and professionalism that each of you so richly deserve! Let’s move forward together and embrace the challenge by “Breaking the Cycle”!



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With humility,

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