STRATEGIC FINANCIAL MANAGEMENT

Are Annuities Right For You?

The Answer is..."It Depends!"

Financial 411

The World of Annuities Can Be Complicted.

This guide is designed to help explain the different types of annuities allowing you to make better-informed decisions for your retirement.

As you begin to think about financial stability for you and your spouse during your retirement years, perhaps it’s time to take a look at annuities to see why so many American's are making annuities the cornerstone of their retirement plan.

Depending on your needs, your goals, and your circumstances, annuities can be a powerful addition to your overall retirement strategy. In fact, an annuity is one of the only financial plans available that can guarantee you reach your goals over the long-term. And, if you want to accumulate money for the future but still protect your assets from market downturns, an annuity is probably an option for your portfolio.

Let's be honest, none of us knows exactly how long we are going to live which is the reason why we have to plan for both for a long healthy life as well as, for the unexpected.

And, then, if you consider the rising healthcare costs, the craziness of market volatility, not to mention the growing pressure on government programs such as Social Security and Medicare, there are quite a few retirement challenges we all face.

The longer you live, the longer your retirement savings will need to last

The point is that to enjoy a secure, comfortable retirement, we must prepare carefully, Annuities offer permanent income security and can help to balance portfolo risk with their contractual guarantees, **They are one of only a few vehicles that can do this. But this doesn't mean they are right for everyone!**

Here are two critical items every soon-to-be retiree should key on when it comes to their retirement strategy... Flexibility and Protection. Protecting their Principal from downside market loss and the flexibility to adapt when necessary. Precisely why many of our clients employ multiple vehicles into their overall retirement portfolio.

I hope you find this guide helpful, if you have any questions, concerns, or need assistance please don't hesitate to give us a call at 1-877-529-6543 or email us at Financial411.net.

Thank you,

Robert & Deanna Goldsmith

ANNUITY BASICS

So, what is an annuity and how can you include one in your retirement plan? First, annuities are offered by Insurance carrier's However, because there are so many varieties, knowing which one is right for you can be difficult and leave one totally confused. As a result, before committing yourself to any annuity it is important consult with a financial professional that can identify your personal circumstances and help you determine if, and which, annuity may be right you.

So, what is an annuity? The simple explanation is that an annuity is a savings account, with an insurance company. But, unlike a bank account, the interest rates earned can be either fixed or variable based on the performance of a market index. And, unlike a bank account an annuitiy can also provide a guaranteed stream of income over one or more lives, protecting the “annuitants” from ever running out of money. There are essentially two basic types of plans. immediate or deferred. A deferred annuity can have several variations, such as variable, fixed and indexed. Immediate annuities, is an exchange of a lump sum for a stream of income over time.

How Do Annuities Work?

Annuities can be designed to help you reach your long-term financial goals. But, they are not the same as an investment. Unlike an investment that has market and value risk, insurance companies that offer annuities are contractually obligated to the terms and conditions,set forth in their contracts. Therefore, the major risk is placed on the insurance company, not the owner. The fact is, annuities are a more conservative, low-risk vehicle compared to other financial products.

With an annuity, you contribute either a one-time lump sum deposit or you may be able to make flexible deposits over time. In exchange, you can accumulate growth based on the performance of a market index but without risking any of your money or can choose a fixed interest rate instead. Then, at some point in the future you can turn your account value into a stream of income that can last for the period you need or throughout your lifetime.

Depending on the type of annuity you choose, you may be able to start receiving income payments immediately. The difference is determined by the type of annuity, immediate or deferred.

With every annuity, you will have a variety of options, features, and benefits to choose from, depending on the type of annuity you want or need. In addition, you can also choose if, or when, you want your income to begin, and how long you may want it may last. There are many factors that determine how much those payments may be. Therefore, It is critical to choose carefully. But don't rule out that depending on your plan, you may also have the opportunity to take your funds out all at once as a lump sum at the end of your term.

One key is to know how to use an annuity to help you & your family take advantage of the benefits the right annuity can provide. Therefore, It should only be designed by a Trusted Financial Professional!

Features Most Deferred Annuities May Include:

1. The oportunity to receive higher growth potential similar to a program that invests your money in the market, but this time, without any of your money.

2. An annuity can be used to create a steady income stream much like a pension plan, that you cannot outlive. In some cases, we can even show you how to create and Increasing income for life.

3. Some annuities come with unique features & benefits that others might not, which can have an impact on determining which one is best for you.

Types Of Annuities

“Wait, there are different types of annuities?

There are several different types of annuities for retirement available today – each offering their own unique benefits. And, annuities can come in all sorts of shapes and sizes, that may leave you overwhelmed by the number of available options, but don't dispair, you're not alone. Essentially, there are five unique types of annuities: immediate annuities, fixed annuities, variable annuities, fixed index annuities, and multi-year guarantee annuities. To assist you, we have compiled some of the most popular and widely available types of annuities in today’s market:

IMMEDIATE ANNUITY

Immediate annuities are designed to provide the owners/annuitants with a steady income, and are in fact, the oldest / most original form of all annuities. In today's economic environment, these plans are generally referred to as SPIA's or a Single Premium Immediate Annuity.

The best definition of a SPIA is that it is an exchange of a lump sum of money for stream of payments. It's a means for managing and controlling your assets to afford you the ability to live as we have grown accustomed to, with a monthly income.

It is referred to as Immediate as you can begin to receive your payments after the first 30 days of setting it up, or at anytime within the first year. There are a number of different methods or payouts that you can choose from to meet your specific needs such as a lifetime of payments or payments for a specific duration of time, such as 5 to 25 years.

The amount of your income depends on actuarial variables such as the interest rate environment at the time you establish your plan, your current age, and gender for lifetime payout. Or, it can be calculated by only the number of years you wish to receive your payments.

If you are considering making a choice between different carrier plans for immediate annuities, be wary of the carrier's specific payout rate. Remember, an immediate annuity provides protection against longevity risk – the possibility of outliving your money – and market risk – the risk of your income decreasing due to falling stock values or declining interest rates. It is advisable to consider the benchmarks of income and the length of the guaranteed period in any annuity purchasing decisions.

Another major factor is the "Qualification of the funds." That is where the funds are either pre-tax or post-tax, which can affect your overall income tax basis, as well as, the potential for taxes on your Social Security Income Benefits. With Non-Qualified money, most of the funds you'll receive have already been taxed and therefore most of the payments should be income tax-free.

However, funds coming Qualified Funds (pre-tax accounts) from what was once plan such as a **IRA** or **401K** will all be considered taxable upon receipt and calculated into your total income when you file your returns.

Depending on your goals, immediate annuities can be customized and included as a part of your retirement portfolio for any multitude of reasons. Such as a consistent stream of income designed to meet other payment obligations on a major purchase such as a home or automobile.

Using strategic laddering techniques with one or more annuities can allow you to generate even more retirement income or an increasing stream to help hedge against inflation. An immediate annuity can also be adapted for legacy planning that you may want to leave money to your loved ones, but rather than as a lump sum, as a steady stream of income for them. As of this writiing, when you reach age 72.5, your qualified plans have a required minimum distribution (RMD). If however, you wanted to leave these particular funds as a legacy, one strategy is to place a specific amount of emoney into an immediate annuity, and then use the income from the annuity to fund a life insurance policy. Using this approach, you spread out your tax liability, meet government-imposed withdrawal rule and instead leave a potentially tax-exempt legacy for your heirs.

DEFERRED ANNUITY

Deferred annuities are essentially saving plans with insurance carriers. However, unlike a bank, the savings grows tax-deferred until withdrawn.

Typically, you would deposit a single lump sum into your account although some plans do allow for you to make periodic or multiple deposits. When these accounts are established, the owner then chooses to earn interest based on an index that tracks the market, such as the S&P 500, the Dow Jones Industrial Average or any variety of indices (indexes) available with your particular carrier.

When you or the annuitant is ready or after a certain period of time has passed, the annuity begins to pay out a stream of income based on the accumulated value and your age.

Additionally, throughout the duration of your plan, you can access your funds in one of 4 ways,

(1) *Withdrawals which can be either systematic or as you deem necessary,*

(2) *Specific Amounts as an Income*

(3) *With the use of an income riders for the life often available for the life of the owner, or*

(4) *Annuitization - Stream of income Guaranteed for life of one or more people.*

Deferred annuities sometimes have a surrender period when withdrawals above the amount that is made availalbe plenalty free, may incur a charge.These may be acessed when you may need to withdraw more than is available via the penalty free amount (PFA), but only on the amount above the PFA. Let's Discuss that now.

Surrender Period

This surrender period is a length of time that the annuitant/owner must keep the majority of their funds in the annuity in order to avoid a fee for an early withdrawal above the available limits. However, after that initial term, 100% of your funds (or any amount you like) is available at your discretion. And, by keeping your funds in that account it allows you not only the flexibility to take any amount of funds you deem necessary, but it continues to maintain its tax-deferred status as you continue to earn the rates received by your allocated index. There can be strategies you can employ to assist you to reduce your fees if any. For more details, speak with your advisor.

However, you generally will have access to somewhere between 5-10% of your balance or the initial deposit annually without incurring any fees from the carrier. However, if you're under age 59 1/2 there maybe Government-imposed penalties. I said, "maybe" not "must-be," as there are often exceptions to every rule.

Just an with a bank CD, funds withdrawn before that surrender period ends, may require a forfeiture of some of the gains (maybe principal depending on the amount and your plan). However, the surrender charge period usually only applies only to withdrawals taken over and above the penalty-free amount. Funds taken as a form of income stream using the Income riders or by annuitization are NOT generally affected by the surrender period.

All of the guarantees found in annuities are subject to the claims-paying ability of the insurance carrier. We recommend a carrier that is at least a B+ or higher rating.

VARIABLE ANNUITY

Before entering into a discussion of a variable annuity, let's clarify an important point. This guidebook talks about safe financial strategies, so variable annuities are generally outside of that scope for the simple reason that your principal is exposed to risk. With that said, here are some variable annuity basics.

Unlike fixed annuities, variable annuities come first & foremost with market volatility risk. Policyholders, and not the carriers take on this risk directly, Variable annuities are also registered with the Securities and Exchange Commission (SEC) as securities so, in order to buy one, you must buy it from an individual that is licensed to offer or sell securities products.

A variable annuity comes with an investment feature. This means you have the option to participate in what is referred to as "sub-accounts." These accounts allow you to invest all or some of your premiums into stocks, bond funds, commodities funds, or other types of funds. Because these are products that rise and fall with changing market values, principal and earnings are potentially exposed to losses. Additonally, you may incur fees from both the carrier and the sub-accounts to own a VA. These fees are accessed regardless of the performance of you accounts.

Most Importantly, a variable annuity is also well-known for its higher and often costly fees. Fees and expenses can range on average from 2-6% per year, depending on whether the market is rising or declining and then also on how each subaccount charges their fees as well.

In other words, you might find deductions from your account balance from both the insurance carrier that provides the plan as well as from the sub-accounts that manage your money. These annuities frequently have complicated features and benefits, making them among the most complex annuity products, as an Investopedia writer notes.

Fixed Annuity/Multi-Year Guarantee Annuities (MYGA)

My best description of a Fixed Annuity or Multi-Year Guaranteed Annuity (MYGA), is that it functions much like a savings account but with an insurance company instead of a bank. The MYGA functions, are the most like a Certificate of Deposit (CD) but has additional features and benefits not typically offered by banks.

Some of those features include;

- Higher Crediting rates over a longer period of time & with Tax-Deferred Growth.
- The ability to turn that lump sum into a stream of income for a specific time period or over your life.
- The amount of each payment varies based on gender, age, and balance.
- Partial liquidity can be made available via penalty-free withdrawals.

Fixed Interest Annuities can be ideal for retirees or pre-retirees wanting to receive a rate of return that is guaranteed for a specific period of time. That duration ranges typically from as short as one to seven years. The length of time and the rate of return you receive depends on the length of the term and the interest rate environment at the time.

In many ways, a MYGA functions very similar to that of a CD, but unlike a CD where taxes must be paid on its growth annually, with an annuity, the growth is tax-deferred. Essentially that feature offers the owner additional growth opportunities with what we refer to as the "triple compounding" effect.

1. Interest on your Principal
2. Interest on the Interest, and
3. Interest on the Interest that would have otherwise been paid as taxes sent to the IRS.

Of course, once the interest is withdrawn it is considered taxable and added to all of your other taxable income, then taxed according to your specific brackets.

As with most annuities, MYGA's have a contractual provision allowing for penalty-free withdrawals often up to as much as 10% of your accumulation value (varies by carriers). By the way, that particular feature is also NOT available on Certificates of Deposit. One other point to consider is that MYGA's like all annuities may not have to go through probate at the passing of the owner or annuitant (we encourage you to consult with your legal advisor for details in your state).

Fixed Indexed Anuity (FIA)

The Solution for those that want the opportunity to earn interest similar to the stock market, but without the risk of losing their money!

I know, this kind of sounds crazy right? Market-like returns but without any risk? Exactly! This is precisely the reason why Fixed Index Annuities (FIAs) are among the most popular alternatives for retirement investment options.

Instead of offering you only a guaranteed minimum rate of return as you would expect from a CD or Fixed Interest plan, a FIA allows you to earn interest that tracks a market index (or multiple indices simultaneously) similar to the S&P 500, the Dow Jones Industrial Average, or a multitude of indices from major financial institutions.

So, when the interest climbs, all or a portion of that percentage gain is added to your account balance. The percentage of gains is actually an interest credited to your account based on the increasing values of your chosen index.

So, if the index started at 1000 the day your funds are received by the carrier, and at the end of the year, the index ended at 1100, that is a 10% gain for the year. Then, assuming your plan credits you with 80% of the gain, that would mean your account earned a 8% return for that year. That amount is added to your balance and becomes a part of your new protected principal--never to be lost to market volatility. At this point, those additions are locked-in for life. That is when the next year's tracking begins--whereever the market finished. In this example, your returns start earning when the market is above 1100.

However, if the index should drop in value, you won’t lose ONE CENT of your money! Your prior year’s balance was locked in. But check this out; One of the most important characteristics that few people recognize is that with a good quality FIA is that if the index should drop, there will be No Market Recovery is necessary for you to receive gains during the next year. Here’s why...

Because your FIA tracks the performance of the index from year to year (from Point A to point B) that year's gains are added on your anniversary date no matter where the economy is at. So, when the market drops and no gain was added to your account, you get to start the next year (or your plan's term of tracking) at the ending point of the previous term. I like to refer to it as kind of a do-over, but with all your money still intact beginning with a lower starting point. So, if the index started at 1000, drops to 900. You didn''t receive any gains, but you don't lose any principal, and then... your tracking starts the next year at 900. If the market increases to 990 (still lower than the 1000 starting point), your value increases by a percentage of that gain as well. It's truly a no-lose opportunity for you.

We will be glad to share with you at no cost, how this can become significant asset for you personally

Additional benefits to annuities include;

Tax Deferred Growth for Non-Quaified Funds
Lifetime Income Options
*Probate Free Legacy**
Options for Early Withdrawls of a Percentage of your values

Disclaimer: Now, that's the good news, the bad news is "Caveat emptor" or "buyer beware." Many representatives are nothing more than salespeople that sell products that kind of "look" and "smell" kind of the same as the good one. However, there are many that are inferior plans. For example, while some are loaded with fees or others cap or limit your earnings making it is important to work with an independent knowledgeable trusted advisor like the professionals at www.Financial411.net or give us a call at:

1-877-529-6543

What Is an Annuity Rider and is a rider a good fit for you?

What is not common knowledge too most people is that many annuity carriers may offer optional riders on their plans. Riders that can have both a positive and or a negative impact on your returns. Additionally, there are quite a few riders available that sound similar but may function differently. Some can be used to address a specific goal such as an income you can never outlive, while others can be applied to solve a problem that might occur in the future such as a long-term care need. And, while many riders may be labeled the same, they can vary from carrier to carrier.

Another important consideration is that many come only with a cost or a fee that can serve to either enhance your plan, such as a safety net for income,but they can also erode your actual values.

Under the heading of "truth be told," riders can significantly impact how an annuity's growth actually evolves, or if it can function as a cog in your overall plan for retirement. Therefore, it is extremely important to understand how they work, the cost, and if they fit in with your needs or your objectives.

Rider fees are generally paid from and out of your actual account value but can be based on a higher "hypothetical" income account value... that can become quite expensive. However, if the rider serves as an insurance policy against a stagnant market, a guaranteed income that lasts for your lifetime (even if your account balance was at zero). It can be used as your own personal pension plan.

Most common Annuity Riders include:

Guaranteed Minimum Withdrawal Benefit (GMWB) - These riders are available generally on a few fixed, fixed indexed, and on some variable annuity plans. GMWB's guarantee to the policyholder or annuitant a lifetime stream of income regardless of either market volatility or depletion of your account value (based on the type of plan you own). Income payments are generally guaranteed until 100% of the total premium or account balance has been paid out either to the annuitant/owner or their beneficiary.

Lifetime Income Benefit Rider (LIBR) – Commonly available with variable annuities. With this rider, the insurance company guarantees that you will receive regular income payments from the annuity. The payments will continue for the rest of your life, even if the actual balance in the annuity is fully depleted.

Return or Premium or Refund Rider - The company guarantees the return (100%) of your deposit to you or a named beneficiary in the event that you, the owner passed away prior to the original value (deposit) being paid out. It essentially provides a refund equal to the premium deposit paid into the plan, less any payouts before the owner dies.

Death Benefit Rider - Offers you a death benefit for your heirs by converting the annuity to either a living income benefit or a lump sum death benefit. The rider guarantees that your heirs will receive at least the amount of the premium paid into the annuity or the balance remaining in your account. Some may actually provide an immediate increase or a greater value than your original deposit (as always, less any prior withdrawals).

Cost of Living Rider (COLA) – COLA riders provide for contract holders who want to ensure that their annual payments will be adjusted (up) each year to assist with the impact of inflation.

Nursing home or Long-Term care Rider – This unique rider offers you some additional protection should you require long-term care. In most instances, you must be unable to perform at least two of the six activities of daily living (ADL's) for at least 90 days or suffer from severe cognitive impairment.

The six activities include:

1. Bathing
2. Dressing
3. Eating
4. Transferring
5. Toileting
6. Continence

What this rider does is to adjust (generally increase or expedite) the income payout to assist you to handle payments for the cost of a long-term care need. For example, if a long-term care was as $5,000 per month, and the annuity was on pace to provide you with income payments of $3,500 per month, your payment can be doubled by the plan to $5,000 per month assisting you to pay for your care.

No Cost, No penalty Withdrawal Option – Because, not all annuities are alike there can be limitations on how much access you may have from the value of your plan over the course of the initial years.

Most annuities typically offer you the ability to withdraw a percentage of either your deposit or the current account balance without incurring any fees or deferred sales charges. This amount will generally range from 5-10% per year. Some plans do offer you the ability to double up on that percentage if no withdrawals were taken during the previous year. However, with all plans after the initial surrender period, you may access all or a portion of your funds at your discretion.

Terminal Illness Rider - If you should learn that you have been diagnosed with a terminal illness, the insurance company allows you to access all or a portion of your entire deposit or the plan's current value without surrender penalties.

Return or Premium – With this rider the carrier guarantees to return all of your deposited funds to you after a specific period of time either as a lump sum (i.e.; worst case scenario) or as a stream of payments to you or to your named beneficiary. This is more important if your plan included allocation fees that are deducted from your balance and the returns you received did not perform as originally expected. It effectively guarantees that the owner will never incur a loss of their principal. It is a peace of mind option.

Plus, if after turning on the income the owner/annuitant passes away, but the amount paid out to the owner does not yet equal at least all of the deposited funds, the rider can provide either a cash refund (equal to the premium paid less the amount of the prior payments) to the named beneficiary. Another option may be for the beneficiary to continue receiving payments until the entire deposit has been returned.

SO, IS AN ANNUITY RIDER, RIGHT FOR YOU?

As you can see, there are many different riders, some are included (at no additional costs while others can be added at your discretion with a fee charged against your actual balance. How that fee is charged is equally as important. And, depending on your circumstances, adding an “at cost” rider may be a wise decision, or not. But as is always true in any set of circumstances, the facts are “it depends.”

When adding a rider with added costs provides you with a little extra comfort or “peace of mind” or meets and thereby guarantees you a particular objective, it probably makes sense to add it. However, in some cases, even though the thought of having that extra benefit may seem right, it may not and can become costly in the end. The fact is, adding a rider can also serve to erode your “actual value” as those additional fees add up having a negative impact on your annuity’s performance.

As a result, it is much more important to determine what your specific or primary goals are for the funds you are considering depositing into a plan, such as

- **Accumulation without risk**
- **Emergency Needs**
- **Future Healthcare**
- **Guaranteed Retirement Income**
- **Future discretionary income**
- **Avoiding Market risk**
- **Your legacy**
- **Keeping up with inflation**
- **Preparing for your children's college education**

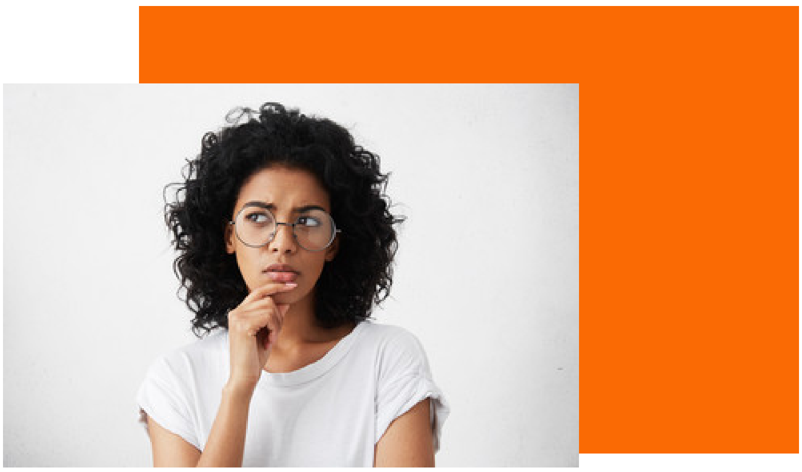
CONSIDERING AN ANNUITY - *The Answer is "It Depends!"*

As you can see, annuities can serve multiple purposes, and while many annuities appear to be and or "look" alike, they can be very, very different. Therefore, it is always prudent that before you commit to any annuity, rider, or at-risk plan elsewhere, that you ask yourself if the plan's benefits fit your needs and or if having or adding a rider makes any extra fees worth it?

That's precisely why we recommend setting up a meeting with a financial professional for a comprehensive review of your circumstances, goals, and needs.

So, what's the next step? Ask Your Financial Professional the Right Questions.

Whether you are considering an annuity or any other financial product, careful examination is critical. We believe your decision should weigh many factors, including annuity pros and concerns with how a particular annuity could benefit you. A key part is asking the right questions. We recommend you ask these questions to your financial professional



If you are considering a fixed index annuity products...here are just a few of the questions you should ask of your professional . . .

- How long is the term?
- What is the participation rate?
- Is there a minimum participation rate?
- Does the allocation or contract have an interest rate limitation (cap)?
- Are there any fees in the contract?
- What indexing method is used?
- What are the surrender costs if I wish to end my contract early?

Concluding Thoughts

We have covered quite a bit of information about annuities in our guidebook. However, at the end of the day, determining if an annuity is right for you ultimately falls in your hands and should be centered on your needs, your situation, and your goals. We hope this may have shed some light on annuities and how they can strengthen your plan for retirement.

As we hope this guide has revealed, all annuities are not alike and can serve many different purposes. As you consider an annuity and or their diverse options, please be mindful of the primary reason it is intended for.

Note: Often whenever an annuity is used for a reason other than its intended purposes, it can be a disappointment for you over time. This reflects the importance of working with a financial professional who not only understands the various types of annuities, but each type's specific purposes, strengths, and weaknesses and MOST Importantly, how they fit in with the rest of your financial plans.

To get started, we invite you to visit us on the web at **http://www.Financial411.Net**

To set up an initial in-person consultation, or with a phone call both at no cost and with no obligation for you. So, don't hesitate to reach out to us with a call at **1-877-529-6543** or to ask a question via an email at **Financial411@Att.Net**

If it has been determined that an annuity makes sense for your portfolio, we hope you find this resource valuable in making the right choice for you. Thanks for your confidence and the opportunity to help you make decisions about your retirement future with confidence.

We offer resources on a variety of other topics. If you would like any of them, please call us and request a copy.

We wish you the Best in your Financial & Retirement Success!

THANK YOU

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Feel free to get in touch with us for a free 15 minute strategy call