You Cannot Afford To Delay

A Must Read

You Cannot Afford To Delay

About The Author

Steven L. Lance

Annuities & Pension Expert

Steve Lance has been teaching stock brokers, financial planners and insurance agents the basics and advanced designs of annuities for over 15 years. They call him with their client's profile and ask "What do you suggest." After getting a plethora of information about their clients ages, their health, their work history and retirement plans, their kids and grandkids, their debts, their dreams, their needs and their wants their plan emerges to help them "Navigate the Financial Storm."

The people that we help never lose their money. My recommendations aren't bonds or bond funds. It is not a myriad of stocks or equities based on charts or graphs. It is not a bet on gold or silver or pork belly's or grain futures. It is not a projection of the Euro, the dollar, the yen or the ruble.

It's simple. It's safe. It grows. It gives back as long as you live and your spouse lives. Plus, you can even leave some for the kids. It's an annuity.

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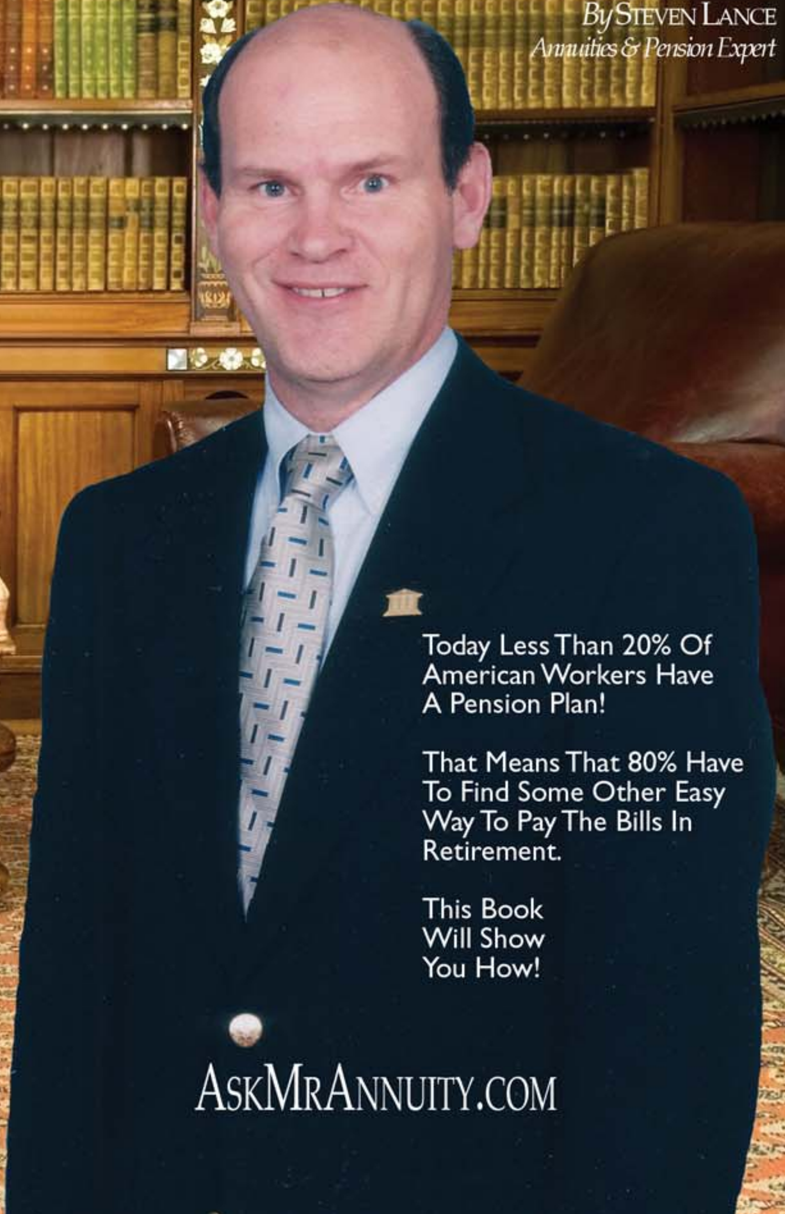
Annuities The 21st Century Pension Plan! Steven Lance Author

Annuities

The 21st Century Pension Plan!

By Steven Lance
Annuities & Pension Expert



Today Less Than 20% Of American Workers Have A Pension Plan!

That Means That 80% Have To Find Some Other Easy Way To Pay The Bills In Retirement.

This Book Will Show You How!

AskMrAnnuity.com

ANNUITIES

THE 21ST CENTURY PENSION PLAN!

By **STEVEN L. LANCE**
Annuities & Pension Expert

ASKMRANNUITY.COM

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DEDICATION

This book is dedicated to my wife Catherine who has shared my dreams even when I lost them. She's been my life partner, my guide, my muse, my conscience, and my best friend. I have been truly blessed to spend my life with her.

CONTENTS

PREFACE

*I wrote this book so more people could achieve their dreams.
I wrote this book because many of my dreams were upended,
cut short, or never realized because I took on too much risk.*

*There may be a thrill from risk, like parachuting
from an airplane or bungy jumping from a bridge,
but there is no thrill from risk after you've lost your
money to it. There's only depression and regret.
Sometimes there is no recovery.*

*I can write this book because I said, "No More".
I want the money that I've worked hard for to be there when
I want it because I have more dreams ahead.*

I know you have dreams in front of you too.

Steven L. Lance

ACKNOWLEDGEMENT

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my work look fabulous.*

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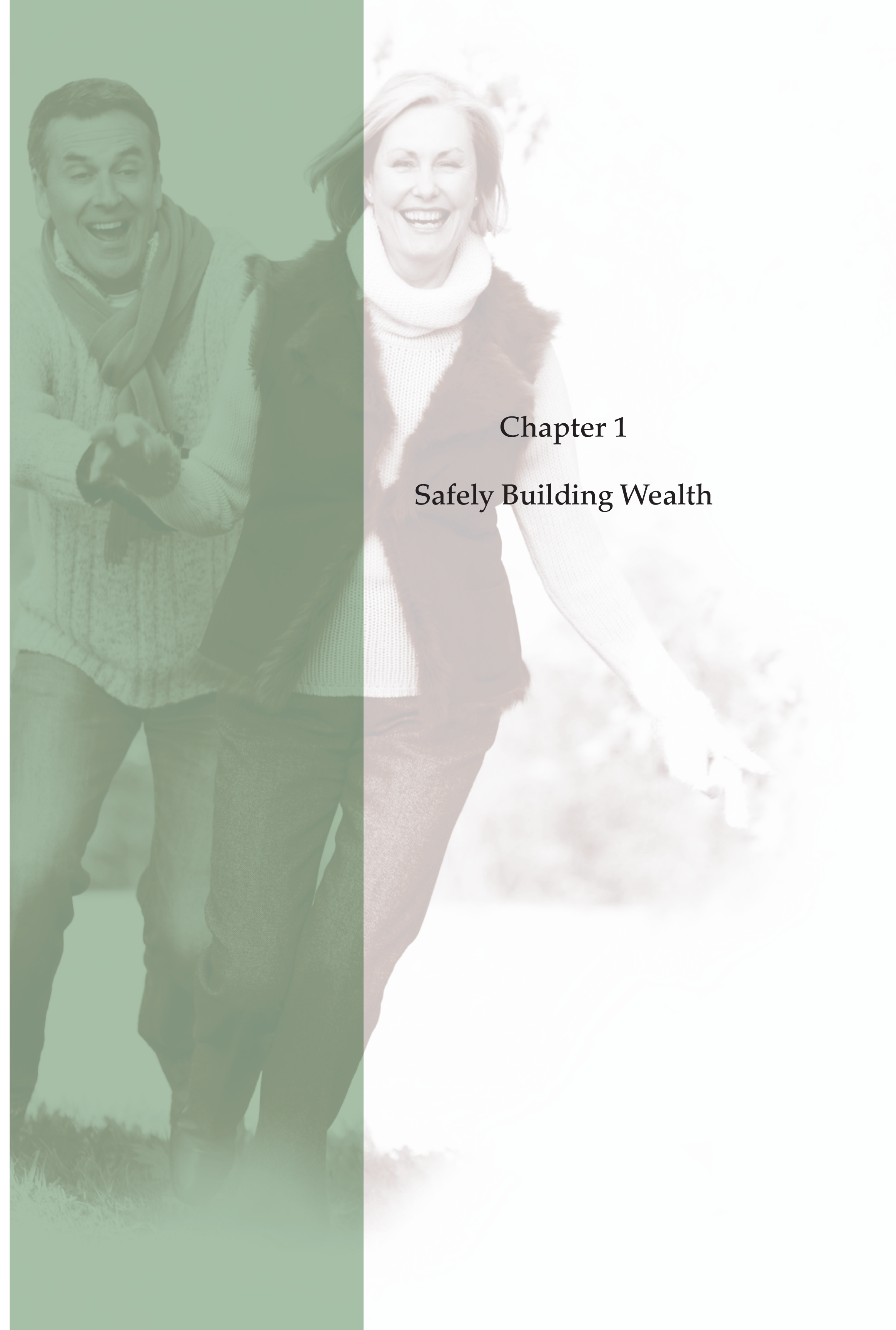
and Ian Chait on the Ask Mr Annuity radio show
on 1100 KFNX on the web.*

*Thanks also to my guests Rob Houts, Mark Wahlstrom,
and Dan Coccimiglio who give our radio listeners
each week added insight into annuities..*

*Thank you to Bill Scholz for his recommendations,
feedback and encouragement. Your help is
very much appreciated.*

*And, with love and affection to my wife
Catherine, who made sure my I's were dotted and
T's were crossed.*



Chapter 1

Safely Building Wealth

I've been teaching stock brokers, financial planners and insurance agents the basics and advanced designs of annuities for over 15 years. They call me with their client's profile and ask "What do you suggest?" After getting a plethora of information about their clients ages, their health, their work history and retirement plans, their kids and grandkids, their debts, their dreams, their needs and their wants, my plan emerges to safely help them"Navigate through the Financial Storm".

The people that we help never lose their money. My recommendations aren't bonds or bond funds. It's not a miriad of stocks or equities based on charts or graphs. It's not a bet on gold or silver or pork belly's or grain futures. It's not a projection of the Euro, the dollar, the yen or the ruble.

It's simple. It's safe. It grows. It can give back as long as you live. It can give back for as long as both you and your spouse live. It can even provide income for your kids or grandkinds. It's an annuity.

You may already have an annuity or a form of an annuity. Perhaps your parents or grandparents had one too. It sometimes can be called a pension. You put money in during your working years and after 20, 30 or 40 years of working and saving you decide to retire. The monthly checks then start coming. My friends that retired from Ford and General Motors get their monthly check. Mike, my firend who's retiring from British Petroleum will soon get his monthly pension check. Regis and John who both retired from the military get their pension checks. Not all companies or

workers have a pension program. But every worker can have an annuity that mirrors a pension program. You can make contributions while you're working and flip the switch when it's time to retire and your annuity checks will start coming. You don't need to be envious of friends or relatives that had pension programs. They paid into their pension plan and now receive a pension check. You can pay into your annuity retirement plan and at retirement you can receive your "pension" check. More Americans will be starting their own retirement pension plan in the years ahead because more companies are eliminating the traditional pension plan.

All the young savers or pre-retirees are hard at work grinding and saving. They hardly have the time to break from the grind to ponder the sheer joy of getting a monthly pension check. Just visualize a check that pops into your mail box or automatically is deposited in your bank account every month and you don't have to do anything. It won't stop coming. You don't have to worry about it. You can start a new project, or hobby or adventure because you're getting your pension. You planned for it.You worked and saved for it. You deserve it. Congratulations! But every worker has concerns that the vision may never happen. They can't save enough. Sometimes they can't save any as bills and credit card charges take up the entire paycheck. The money that they have saved may have been in a diverse mutual fund and the stock market corrections have taken 20% or more. If Enron or Lehman Brothers can fail and wipe out savings and dreams is anyone safe? Workers are pushing ahead and looking for answers.

Millions of teachers pay into their teacher retirement program so they can receive a monthly retirement check. For most the teacher retirement program is an annuity that has similar savings features to a company pension plan. My friend Mark has a sister who taught middle school. After years of teaching she's enjoying world cruises and traveling adventures during her retirement. Mark says, "she's always on the go". I see pictues and captions in the newsaper by teachers who have traveled to the Taj Mahal and the Egyptian pyramids. I was an English teacher in my first year after graduating from college. Most of the teachers I knew loved to travel during their summer vacation. They also were conservative savers. They talked about a time when they could retire and use their teacher retirement income for longer travel adventures. They knew that they would get there someday because their retirement money wasn't at risk in the stock market. Every year their retirement fund grew with guaranteed values. They could see the light at the end of the tunnel. It wasn't luck that they now can take those trips and have those adventures. It was safe planning.

These teachers taught elementary or secondary school. They weren't captains of industry. Teacher salaries have gone up since I taught school but so have the costs of visiting London, Paris and Rome. Teachers have guarantees from insurance companies that the money they pay in to fixed annuities for their retirement fund will earn interest, defer taxes, and provide a retirement check when they want to retire. They receive triple compounding. This is the secret to the growth for any retirement fund. Teachers receive interest on their savings. They earn interest on the money that normally would be paid in taxes. And they earn interest on

the interest that they earned. From my perspective triple compounding is the best way to build wealth so you can plan for retirement.

But most important the insurance company guarantees that all the money that you've paid in plus all of that triple compounding will be there in your monthly checks. It's your money. You want back every nickel so you can get on that boat, or train or plane and visit some of those places you've seen in Travel & Leisure or Joy of Living.

Let's be clear. This is a savings program. This is not an investment program. The money that you contribute to your savings program will be there when you need it. It will provide an income for you when you want to retire. It will supplement any other type of retirement income or social security income that you may have at retirement. It has guarantees. In today's world of uncertainty our teachers can again be another role model, not only for our kids but for millions of Americans who want to safely save for retirement. Annuities: The 21st Century Pension Plan.

CHAPTER 2

What is an Annuity?

An annuity is a contract sold by an insurance company and designed to provide payments to the holder at specified times usually after retirement. Annuities are tax-deferred, meaning taxes are not paid on the earnings until they are withdrawn. Because of this provision money cannot be withdrawn without penalty until a specified age, usually 59 ½.

An annuity is like a certificate of deposit at a bank. Both annuities and CD's are for saving money. I bought a certificate of deposit from our local bank when I was a kid. My dad marched me down to the bank with a $100 that I earned and saved from my summer's labors. I worked at the family restaurant and kept my money in a cigar box until I had built up my fortune. Dad told me that this was my first savings program. My parents had a bunch of CD's and the interest that they received helped them enjoy their retirement. The bank holds the money and pays a fixed rate of interest. At the end of the year you get a 1099 tax form from the bank showing how much interest you earned on your savings Then you have to report this amount on your federal and state tax returns and pay taxes on that interest. Even if you didn't spend the interest or you just let it sit in your CD you still had to report it and pay taxes.

Annuities are accounts that you have with an insurance company rather than a bank. The account is called a policy. You're called the policyholder or owner. You purchase the policy for a certain length of time just as you would purchase a certificate of deposit with a bank. CD's come in 3 month, 6 month, 1 year, 3, year, 5 year, or more durations. Annuities come in multiple durations too but usually not

shorter than 1 year. Banks and Insurance companies usually credit higher rates the longer your leave your money in your account or your policy. Both will assess you a penalty if you take your money out before your CD or your annuity matures. The biggest and most important difference between a CD at a bank and an annuity with an insurance company is that the interest is not taxed in the annuity until it is taken by owner. Remember interest earned on the CD at the bank is taxed in the same year that it's earned whether you take the money or not. You then have to pay the tax man. That's not a great formula for the people trying to grow wealth and save for retirement.

The government thought it would be a good idea for people to save their money for retirement and not have to pay taxes on earned interest until they took the money out. These plans are called qualified plans. They help people grow their money tax deferred so they'll have more for retirement and they'll be less dependant on the government.

Qualified Plans:

There are many plans in this group by many different names and sometimes referenced by numbers set out by the IRS tax code. But the common element is that interest on your savings is not taxed until you take the money out. If you work for a company that has a retirement plan for employees it's often called a 401(k) that references the IRS tax code allowing the money to grow without being taxed while it's in the plan. If you are a teacher your plan is sometimes called a 403(b) retirement plan. Each person can choose the type of investments in their plan. They can choose stocks, bonds, mutual funds, annuities, or multiple types of investments that range from risky to conservative. If you are self-employed or you work for an employer without a retirement plan you can save money in a CD at a bank, in a mutual fund at a brokerage firm, or in an annuity with an insurance company. You open the account and designate it as an IRA's (Individual Retirement Account) or other plan name that was established for self employed individuals or workers who's company does not sponsor a retirement plan . This is your qualified plan. The interest that you earn inside these accounts grows tax deferred. You are only taxed when you take the money out.

With all qualified plans there are rules. There are limits as to how much you can put into your plan in a given year. The government can't afford to have you put all of your money into a qualified plan and not pay the tax on the earnings. They have bills to pay too so they can't afford not to get some tax from you every year that you work.

You can see the tables in the appendix regarding these limits.

The government also said that if you take the money out before the age of retirement defined by them as at least age 59 1/2 that you would have to pay a penalty. The penalty is 10% of the amount that you take out. There are some exceptions for hardships, etc also identified in the appendix. Your contributions to your qualified plan grow tax deferred to encourage you to save for retirement. The penalty was designed to deter you from "putting and taking" savings in your retirement account.

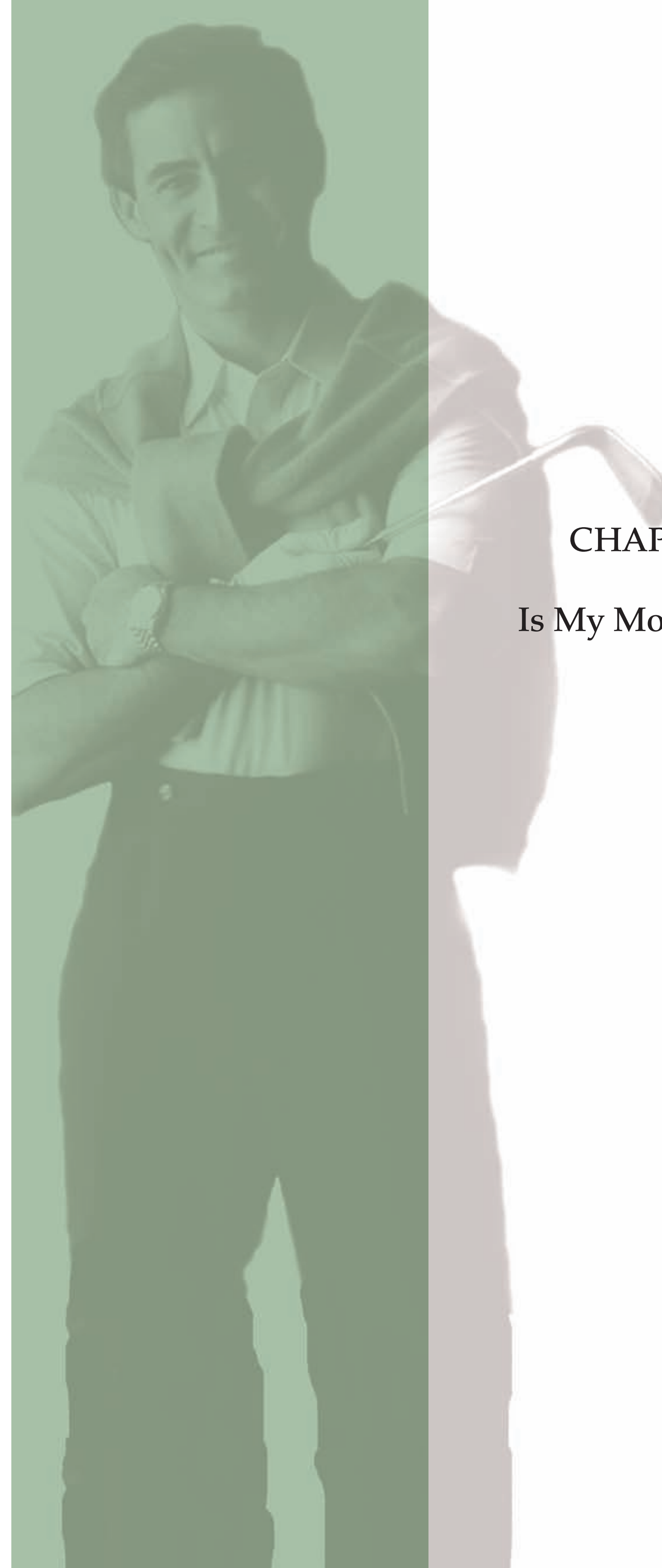
If you have $50,000 in your qualified plan whether it is in a bank CD, mutual fund, annuity or some other investment and you take out $5000 you will have to pay a $500 penalty plus the $5000 is added to this years income. You have to report the income when you file your tax return. If the money is coming out of a company sponsored plan the employer is required to withhold the 10% penalty.

There will be more about qualified plans in a later chapter.

Non-Qualified Plans:

This is money that you have in any account whether it is a bank CD or savings account, mutual fund, stock , bond or annuity that is not designated as a qualified plan. Interest on your CD or savings account, earnings on your mutual funds, dividends on your stock, and interest on your bonds is taxable in the year that the earnings occur. Only with an annuity is the interest tax-deferred. The IRS code allows the interest earned on annuities to grow tax deferred because annuities have the distinction of being retirement accounts that can provide lifetime income as guaranteed by the insurance company. It is therefore a true retirement option and not merely an investment option.

When you purchase an annuity from an insurance company you designate the annuity as a Qualified Annuity or a Non-Qualified annuity. All the money in the qualified annuity is taxable when you take out income because your never paid tax on the money when you put it in the policy. In the non-qualified annuity you only pay taxes on the gain because the money that you put in was taxed in the year that you earned it.



CHAPTER 3

Is My Money Safe?

The biggest question when you invest or save your money for retirement is "Is my money safe?" Because qualified plans are meant for retirement, risky or speculative investments are precluded from being in your retirement plan. But by definition an investment involves risk. There are different kinds of risk and different degrees of risk but risk none the less. You could make lots of money with an investment or your could lose all your money even in a retirement plan. You could own stock in a company that you work for or invest money in a stock with a household name. Both could be solid today and teter on insolvency tomorrow. We saw employees with Enron, Morgan Stanley, & Lehman Brothers lose most if not all of their money in their companies stock or retirement plans. We saw investors and other retirement plans that owned stock in those companies lose their money too. You can mitigate risk by diversification, or what might be perceived as a low risk investment but the stock market shows no favoritism.

Are Banks Safe?

Millions of Americans own Certificate of Deposits. Is their money safe? Are their checking accounts and savings accounts safe?

The Federal Deposit Insurance Corporation protects your accounts at a federally insured bank up to $100,000. This amount has been increased to $250,000 through December 31, 2013. The National Credit Union Share Insurance Fund signed into law a provision that also extends coverage to their credit union customers to $250,000 through December 31, 2013. The National Credit Union Administration is the

independent federal agency that regulates charters and supervises federal credit unions. The increased guarantee by each agency was designed to further stabilize the financial markets.

If you have under $250,000 then the FDIC and NCUA insures that your money is safe. Both the FDIC and the NCUA are backed by the full faith and credit of the U.S. Government. If you have more than $250,000 in a bank or credit union it might be prudent to keep the amount over the insured limit with a different bank or credit union. The number of bank failures is unsettling. On Sept 28th 2008 the day began with an announcement that Wachovia had been taken over. This was just days after Washington Mutual collapsed and was sold. In 2009, regulators shut down 140 banks. There were only 25 banks closed in 2008. By March 12, 2010 the closures of the Statewide Bank in Louisiana and Florida's Old Southern Bank brought the number closed so far in 2010 to 30, according to the FDIC.

Banks fail because they loan money to borrowers that can't pay it back. They make bad loans or investments. Banks loan money on credit card purchases, commercial and residential construction, auto's, home improvement and other types of consumer lending. Banks also loan money to buy businesses, finance receivables, and essentially keep our economy moving forward. But 2007-2009 has shown that banks and bank deposits can be at risk as more and more banks become insolvent and are taken over by the federal government and sold off to larger banks.

Are Insurance Companies Safe?

Insurance Companies primarily own US Treasury bonds and other investment grade bonds in their portfolio. The interest that is earned on the bonds is the underlying security for the insurance company's ability to provide guarantees to it's policy holders. Historically insurance company failures have been rare because of their conservative bond portfolios. Even rarer is that state guarantee funds don't cover the policy holder if there is a insurance company failure.

The insurance industry is regulated by the states. Most states require insurance companies to participate in a state guarantee fund or association. State guarantee funds step in to pay claims in the event that an insurance company fails. A state may have one or more guarantee associations, with each association responsible for a certain type of insurance. Most states set basic coverage guarantee limits of:

$300,000 in life insurance death benefits
$100,000 in cash surrender or withdrawal value for life insurance
$100,000 in withdrawal and cash values for annuities

To check on the limits of your state fund go to www.naic.org.

Insurance companies insure our cars, our homes, our businesses, our lives, our retirement and savings accounts and our most precious possessions. They have millions of policy holders and billions of dollars in assets. But insurance customers need to be vigilant. Check agencies such as Standard & Poor's, Fitch Ratings, Moody's and A.M. Best to find

the highest-rated companies, and be alert for any downgrades. Consumers should also look at each insurance company's exposure to real estate or mortgages and make sure it's debt holdings are "investment grade". The rating agencies evaluate the strength and the claims paying ability of banks and insurance companies. You can check out the ratings of banks and insurance company's on the A.M. Best website at www.ambest.com

Executive Life Insurance Company of California failed in 1991. The primary cause of the financial difficulty was the investment in Junk Bonds. Mutual Benefit Life Insurance Company in New Jersey failed in 1993. It's primary cause of failure was investment in real estate. Policies of an insolvent company are often transferred to a financially sound insurance company. If policies are not transferred to another company, the policies are continued and claims administered by either the state guaranty associations or a third-party administrator.

Insurance companies can be publicly traded companies. Their stock values can fluctuate with market conditions. Stockholders can see the value of their stock rise and fall. Dividends may or may not be declared. The purchase of the stock is an investment. Your money is in the market.

An annuity policyholder is different than a stockholder. A policyholder has the company's written guarantee that they will receive the return of their money and a return on their money. The stockholder has no such guarantee. The insurance company purchases U.S. Treasury bonds and other investment grade bonds so they can make that guarantee to policyholders.

AIG is one of the largest insurance companies in the world. U.S. Taxpayers bailed out the insurance giant in 2009 because it was at risk of becoming insolvent. It was perceived by the federal government that without the bailout we would see substantially more deterioration in the financial markets. The Investment Division of AIG had placed large bets on complicated financial instruments called credit default swaps. As the sub-prime mortgage market started to unravel and mortgage defaults occurred AIG was sustaining huge losses from the credit default swaps that they had insured. American General was the life insurance division of AIG. It remained profitable even as it's parent company was sustaining losses. The American General policyholder's money was invested in U.S. Treasuries and Investment grade bonds They were protected from the investment losses sustained by AIG.

Before you purchase an annuity with an insurance company consideration should be given to the rating of the insurance company, the number of years in business, the investment holdings, the financial statements, and independent information provided about the company. Few insurance companies have failed. Even fewer policy holders life insurance policies or annuities have not been covered by the state's guarantee fund. Insurance companies have proven to be a time tested institution that can be relied on to not only guarantee the return on your money but a return of your money.

Following are a list of the ratings for insurance companies from the A. M. Best website.

A++, A+ (Superior)
Assigned to companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.

A, A- (Excellent)
Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.

B++, B+ (Good)
Assigned to companies that have, in our opinion, a good ability to meet their ongoing insurance obligations.

B, B- (Fair)
Assigned to companies that have, in our opinion, a fair ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions

C++, C+ (Marginal)
Assigned to companies that have, in our opinion, a marginal ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.

C, C- (Weak)
Assigned to companies that have, in our opinion, a weak ability to meet their ongoing insurance obligations. Financial strength is very vulnerable to

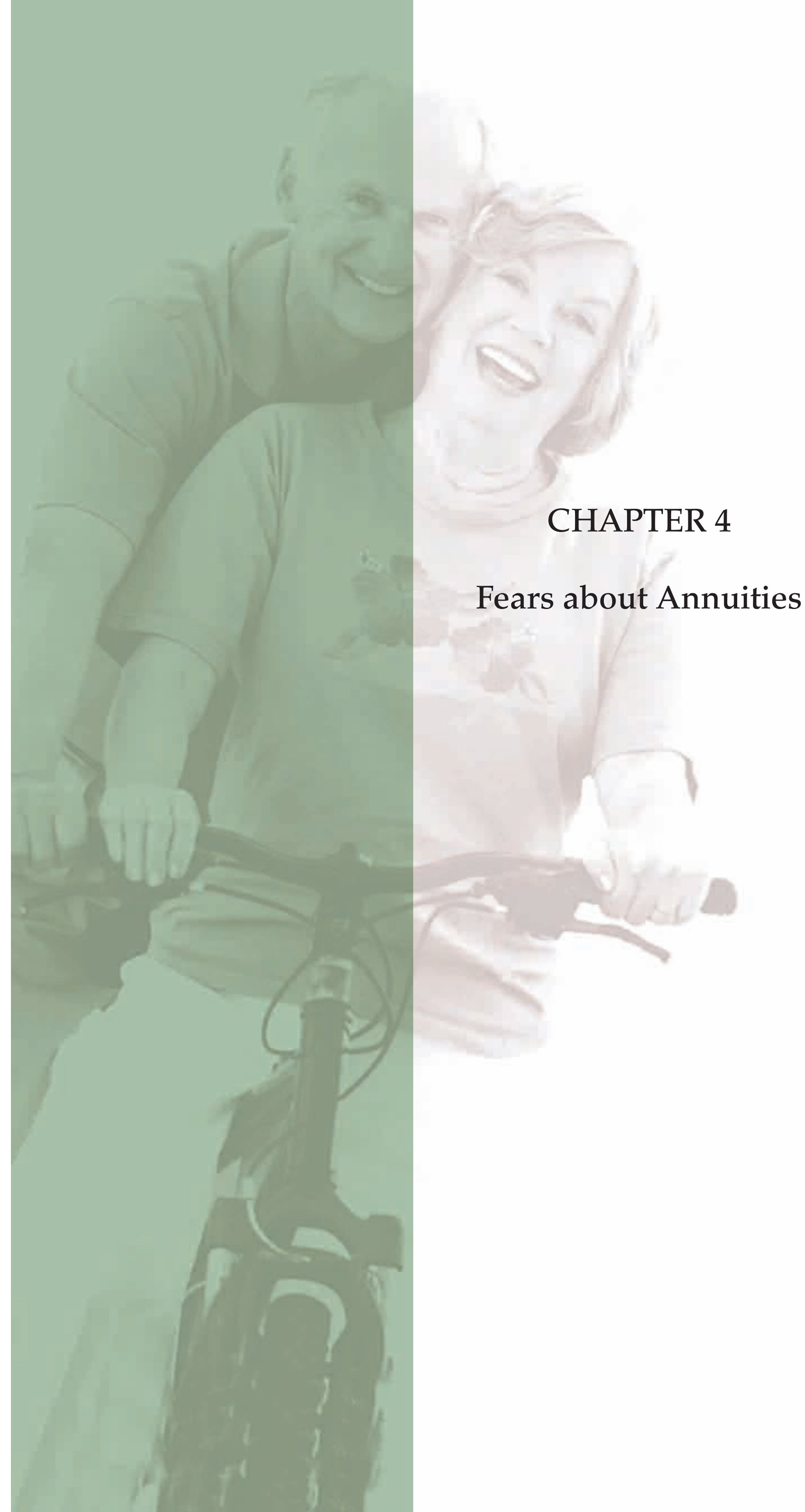
adverse changes in underwriting and economic conditions.

D (Poor)
Assigned to companies that have, in our opinion, a poor ability to meet their ongoing insurance obligations. Financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.

E (Under Regulatory Supervision)

F (In Liquidation)

S (Rating Suspended)



CHAPTER 4

Fears about Annuities

Almost all employees that are nearing retirement who have access to annuities as a payout option steer clear when their companies offer them. While various surveys show that roughly 15 to 25 percent of corporations offer annuities to workers who are retiring, including big employers like I.B.M. a 2009 Hewitt Associates study reported that just 1 percent of workers actually bought one.

So what are these soon to be retirees afraid of?

Let's start with the fears. Early on, the knock on annuities was that once you died your money was gone.

So let's say a 65 year old man in Michigan turned over $100,000 in exchange for $632 a month for life, a recent quote from immediateannuities.com. If he died at 67, his heirs would get nothing while he would have collected only about $15,000.

This 65 year old man if he lived 20 years, his life expectancy the equivalent yield on his money would be 4.48%. The math gets sweeter if our 65 year old lives longer. If he dies after 25 years the effective yield rises to 5.87% and at 30 years 6.61%. Some of the payment is regarded as return of principal and only a portion of it is subject to income tax.

This 'Immediate annuity" was the traditional pension model and millions of dollars of immediate annuities are sold every year to guarantee lifetime income.

The insurance industry responded to the fear of dieing too soon and losing your money by allowing people to

include a spouse in the annuity or to guarantee that payouts to beneficiaries would last at least 10 or 20 years.

There is also a conceptual fear of handing over a large chunk of money that you've saved like our $100,000 example and it is reduced to a paltry $632 per month. It's the wealth illusion. It's the sense that your 401(k) balance is the largest bucket of money that you'll ever see in your lifetime, and you feel pretty good about that. Meanwhile you feel pretty bad about the prospect of handing it over to an insurance company that will keep it all if you're hit by the preverbial bus after walking out of their office. Then there is the real fear of "what if I need my money and I just bought something that is irreversible". Or what will inflation do to my payout if I live 20 or 30 years.

The fixed-indexed annuity with the Guarantee Income Rider that we will discuss in greater detail later addresses those fears.

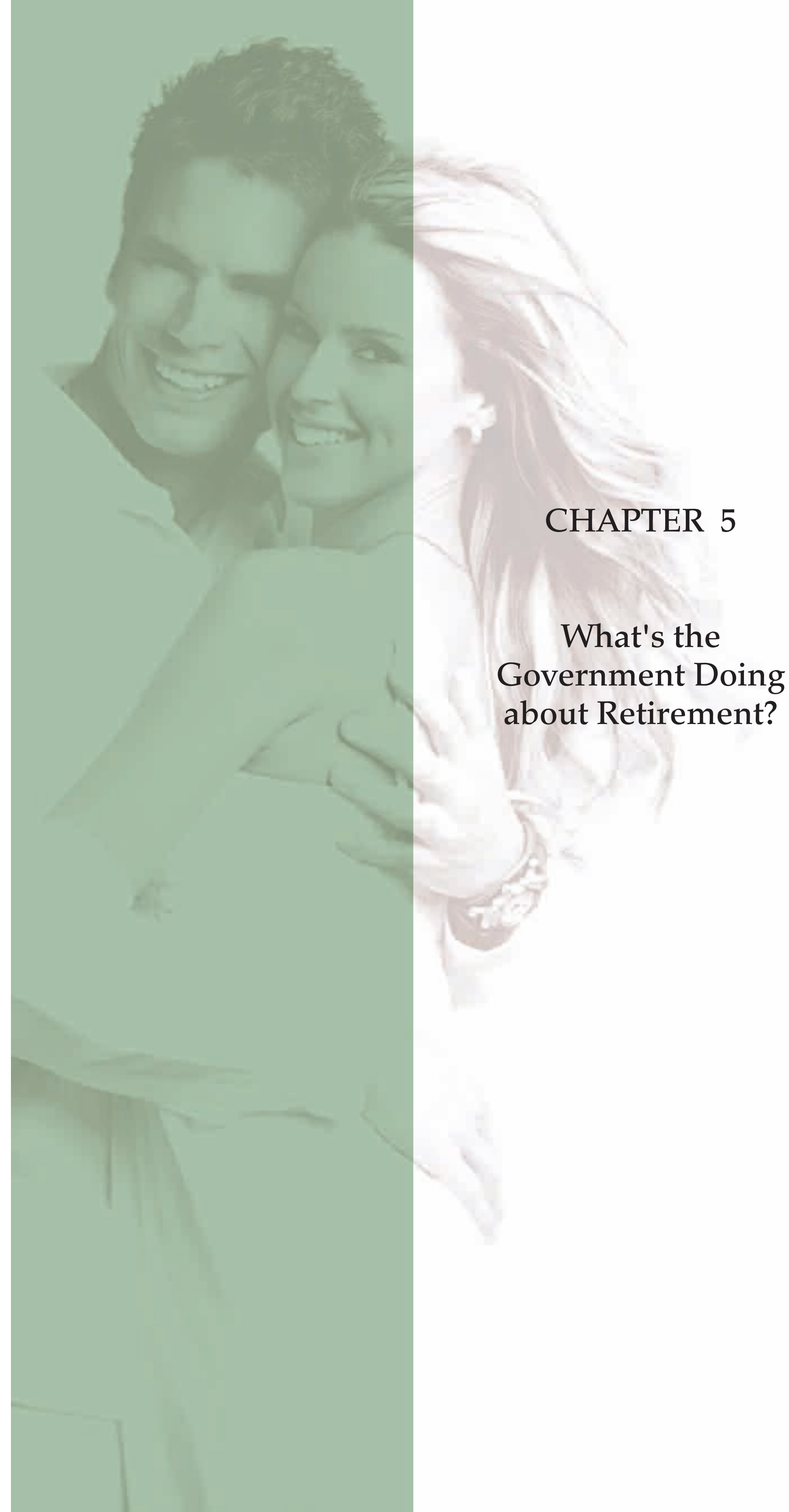
1. If you die too soon the remainder of your money plus interest goes to your beneficiary
2. If you live long your income keeps coming and any remainder goes to your beneficiary
3. Your money is still available for withdrawals: either some or all of it less what you've received in payments.
4. You get an annual statement to see your account balance with earned interest. It's not an illusion.

Best of all your money grows from interest credited from the growth of a stock index like the S & P 500 without a dime of your savings actually being in the market. You only keep the gains, never the losses. It's the perfect savings and retirement vehicle.

There is also a fear that an annuity is low-yielding. FIA's however with their innovative crediting methods have shown that they can be competitive with a portfolio of stocks and bonds while eliminating the exposure to downside risk. Variable Annuities or VA's can have direct market participation like a mutual fund with full exposure to market gains or losses.

There are also stock brokers and financial planners standing in the way of annuities. Once money goes into an annuity they can't earn commissions from trading it anymore and may not be able to charge fees for managing it. Financial advisers have a charming term for this phenomenon - annuicide. You insure, and their revenue dies. So, many of them will try and talk you out of it.

So the word is only slowly getting out that consumers have another choice that's safe, grows and gives back without added fear of loss in the market. It's a fixed-indexed annuity or FIA.



CHAPTER 5

What's the Government Doing about Retirement?

In 2009, President Obama appointed a task force on the Middle Class, naming Vice President Joe Biden as it's chair. After a year of meetings held all over the country, the Task Force released it's recommendations in January 2010. Annuities are among the tools that the administration is promoting to give Americans a better shot at retirement.

Currently 78 million working Americans or roughly half of the workforce lack employer-based retirement plans. Fewer than 60 percent of working families were eligible to participate in any type of job-related pension or retirement plan in 2007. The Obama-Biden Administration will promote the establishment of a system of automatic IRAs in the workplace by requiring employers who do not currently offer a retirement plan to enroll their employees in a direct-deposit IRA unless the employee opts out. The contributions will be voluntary and matched by the Saver's Tax Credit for eligible families.

The administration proposes to help working families save for retirement by expanding and simplifying the Saver's Credit to match 50 percent of the first $1,000 of contributions by families earning up to $65,000 and providing a partial credit to families earning up to $85,000. The Administration will also make this tax credit refundable to ensure that millions of additional middle-income families can take advantage of it even though they have no income tax liability.

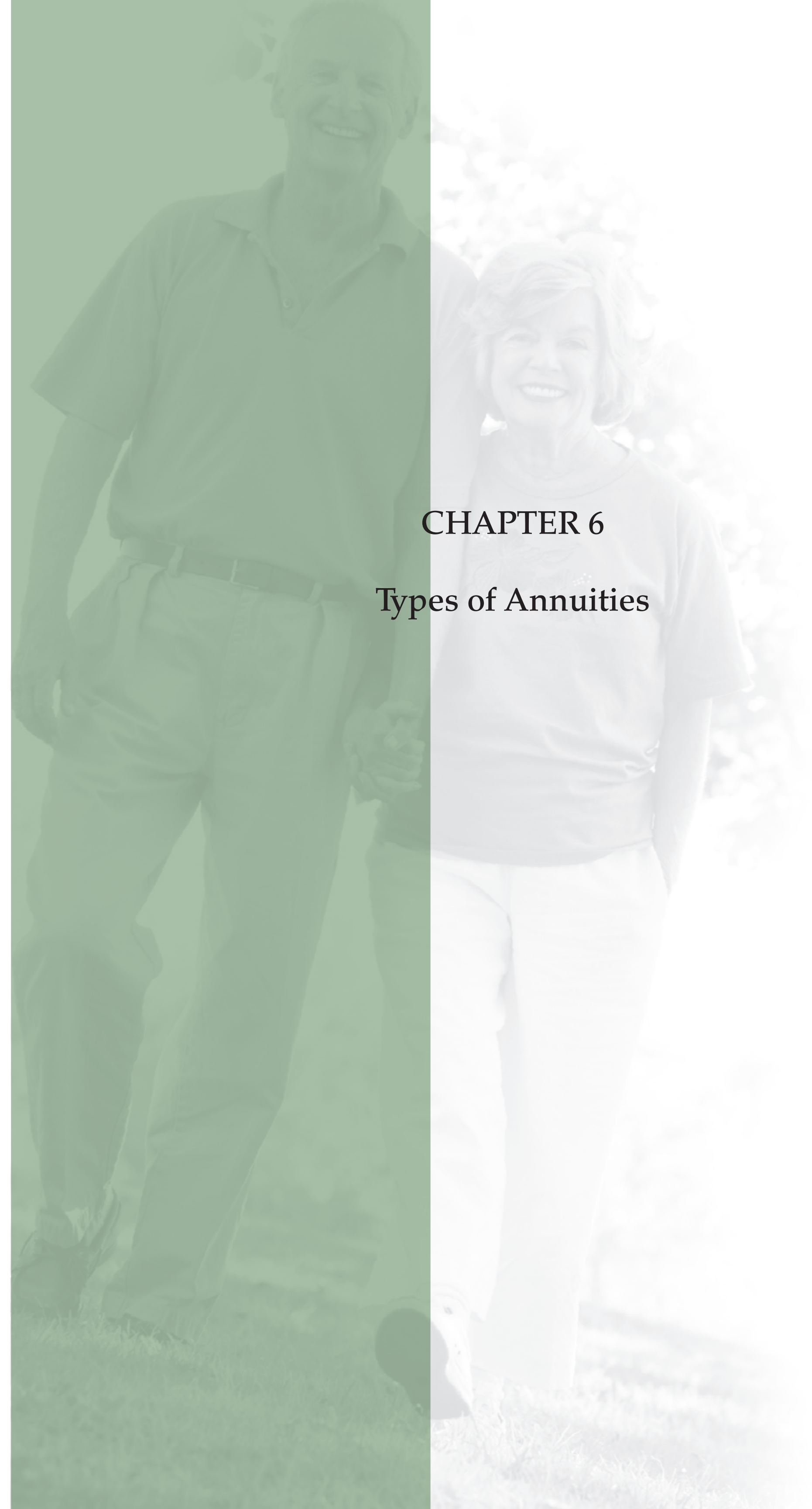
The Administration is:

Promoting the availability of annuities and other forms of guaranteed lifetime income, which transforms savings into guaranteed future income, reducing the risks that retirees will outlive their savings or that their retirees living standards will be eroded by investment losses or inflation.

Improving the transparency of 401(k) fees to help workers and plan sponsors make sure they are getting investment, record-keeping, and other services at a fair price.

Encouraging plan sponsors to make unbiased investment advice available to workers, helping workers avoid common errors that undermine retirement security, while providing strong protections against conflicts of interest.

This is a great opportunity to become familiar with Annuities.



CHAPTER 6

Types of Annuities

There are three types of deferred annuities: fixed annuities, variable annuities, and fixed indexed annuities or FIA's. Deferred means that you put money into your annuity, you let it grow and you'll take it out later. It also means that taxes are deferred. Money that you put into an annuity is called premium. The premium for your annuity can either be in a lump sum or in regular withholdings from your paycheck or withdrawals from you checking account. All annuities allow interest earned to be taxed deferred until the money is taken out. Let me explain the difference in these three types of annuities..

Fixed Annuities are most like CD's.

Fixed Annuities provide a fixed interest rate for a fixed period of time. They are issued at least one year in duration but more commonly they are 3,5,7 &10 years or longer to maturity. Like a CD there is a penalty for early withdrawal. This type of annuity is the most conservative. The interest rate is declared at inception and remains fixed for the declared period of time.

Traditional Fixed Annuities guarantee the interest rate for the first year. The insurance company can adjust the rate up or down in subsequent years, this is called the renewal rate. Each insurance company publishes their renewal rate history. Traditional fixed annuities are purchased by consumers who want the opportunity to receive higher renewal rates if interest rates in the general market go up.

Multi-Year Rate Guaranteed Fixed Annuiies (MYGA) have interest rates that are guaranteed for multiple years.

Usually the longer the insurance company has to invest your money in long term bonds the higher the interest rate it can pay. Consumers like multi-year rate guaranteed fixed annuities because they know exactly what they will receive and how long they are required to leave their money with the insurance company.

Traditional Fixed Annuities and **MYGA's** generally permit the withdrawal of earned interest. Many also allow for 10% annual free withdrawals so there is liquidity without surrender penalty. There are no fees or annual charges to the consumer for fixed annuities.

Variable Annuities (VA) are the most aggressive type of annuities. Your money is placed in stocks or bonds or managed funds that are directly invested in the market. Your principal is almost always at risk. You can make virtually unlimited gains in a soaring market and you can experience devastating losses if the market crashes. Although variable annuities also allow you to defer tax on gains or earned interest a VA is not for the faint of heart. Annual fees can be as high as 6% regardless if you experience the ups or the downs. Stock brokers sell variable annuities. The "prospectus" is the document that accompanies and explains each variable annuity that is sold. The sheer size and complexity of a VA prospectus can be daunting. The Securities and Exchange Commission (SEC) maintains an extensive warning document on its Web site for investors considering variable annuities. Stock funds, bond funds, mutual funds and variable annuities are an investment program not a savings program.

Fixed-Indexed Annuities (FIA): A blend between the Fixed annuity and the Variable Annuity. The FIA is the hybrid annuity that protects 100% of your money no matter how the market performs. Your money is never invested in the stock or bond market so you can't lose money if the market tanks or experiences the "correction" that inevitably occurs. The insurance company invests your money in U.S. Treasuries so you have a guaranteed minimum return on your money. The fixed portion of your annuity as it's name implies guarantees a fixed interest rate. The fixed interest is declared each year on your policies anniversary. You can choose the fixed rate and this percentage of interest will be credited on the anniversary of your policy. As it's name also implies there is an Indexed portion of the annuity that can create additional interest gains if a market index like the S & P 500 or the Dow Jones Industrial Average goes higher. Your money is never directly invested in the stock market. But in order for you to receive stock market type gains the insurance company purchases call options on the stock market indexes. If the index moves higher a portion of the gain is credited to your annuity. If the market crashes or has a "correction" you can sleep easy because you've not lost any of your savings. The mantra of an FIA is "Only Keep the Gains, Never the Losses".

Immediate Annuities are a 4th category of annuity. It is an annuity contract that you buy with a lump sum, say $100,000. You give this amount to the insurance company and they begin to pay you a guaranteed series of payments for a period equal to the greater of the person's life or a certain number of years. You can receive monthly, quarterly, semi-

annual or annual payments. Some immediate annuities can include an increase for inflation and cover a spouse during their lifetime. A 60-year-old woman who pays an insurer $100,000 could receive monthly payments between $590 and $623 for her lifetime, depending on the insurer and beneficiary options she chooses, according to immediateannuities.com.

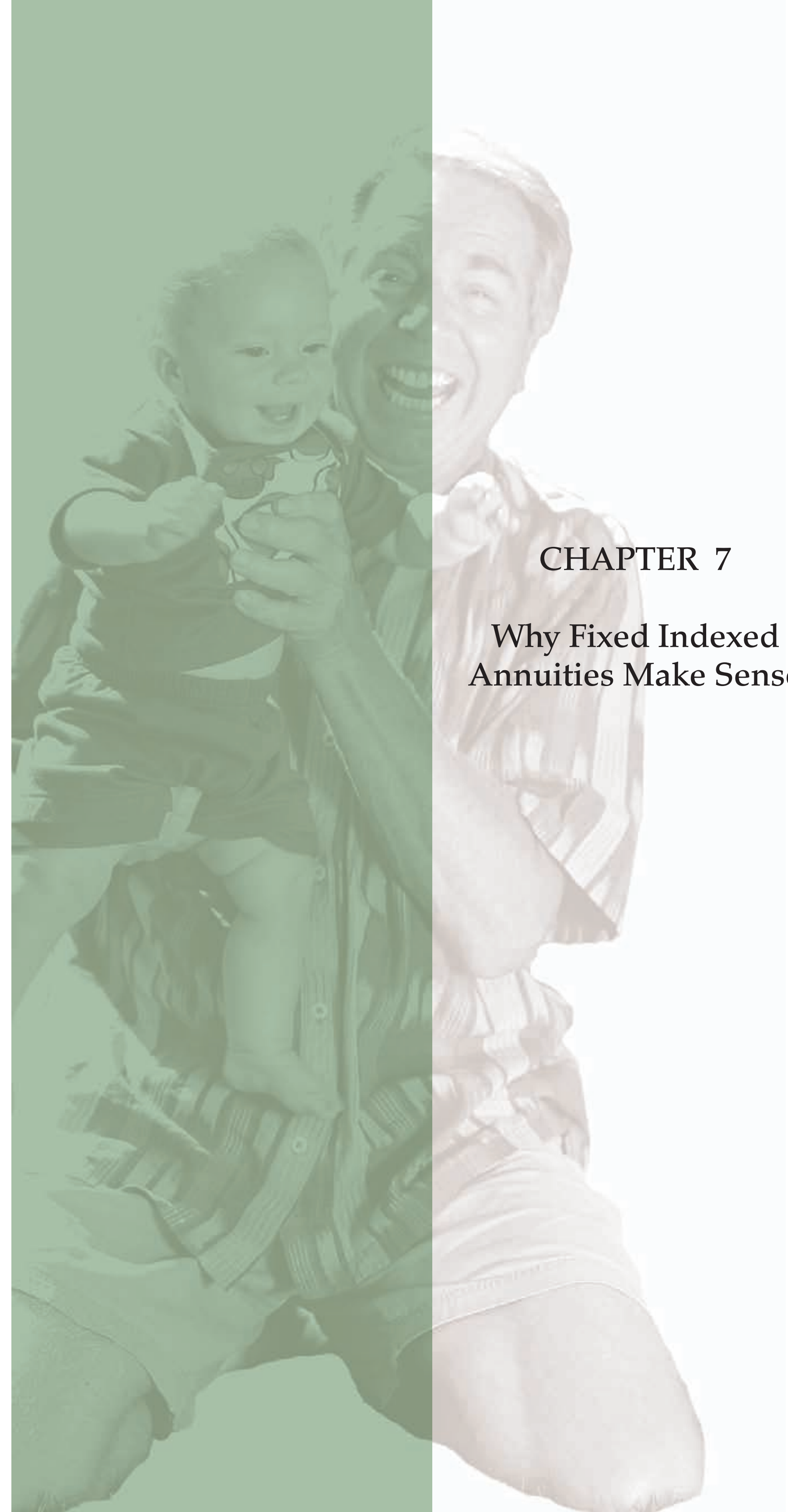
Immediate annuities take the worry out of living too long because payments will continue as long as you live. You do however give up access to your money other than the guaranteed payments. Immediate annuities remove the lump sum values from the estate. There are also medicaid friendly immediate annuities that create an income stream for the owner rather than requiring a spend down of assets before medicaid is available.

An immediate annuity is often used to pay premiums on life insurance. This is a wealth transfer strategy. The $100,000 immediate annuity pays the life insurance premium that has a death benefit of let's say $300,000 that passes tax free to the heirs upon the owner's death. The life insurance premium may not require the full annuity payment so there is excess cash that goes to the policyholder. The annuity company keeps any money that it hasn't paid upon the policyholders death. The life insurance company with the life policy pays the death benefit. The death benefit is tax free to the heirs. Wealth has been successfully transferred without tax.

There are certainly occasions that support the use of immediate annuities. However, Fixed-Indexed annuities

(FIA's) have optional Guaranteed Income Riders that provide lifetime income like the immediate annuity. The difference is at death a Life Only immediate annuity has no residual value, any cash not paid to the policyholder during their lifetime is retained by the insurance company. With an FIA and income rider the policyholder receives an income as long as they live but at death any amount remaining in the policy is paid to the beneficiary.

There will be more about guaranteed income riders in chapter 9. There wil also be more on immediate annuities that provide period certain payouts in later chapters.



CHAPTER 7

Why Fixed Indexed Annuities Make Sense

Only 20% of American workers have a traditional pension any more. That means that 80% have to find some other way to pay the bills in retirement that's separate and apart from monies invested in a sometimes volatile stock market, real estate market or other investments. The best way to do that is with an annuity. It's lifetime income guarantees act as a pension.

More people would put their savings into an annuity if it was called a pension. Ask anyone if they would like to have a pension and you'd receive a resounding "YES". Ask the same question and use the word ''annuity" and there would be hesitation as if they were venturing into the unknown. But the annuity is the 21st century pension plan as more and more companies do away with traditional company sponsored plans.

The features of a fixed indexed annuity or FIA make it ideally suited for your retirement wants and needs. You want what you've worked and saved for to be there. You want pension type income to be there when you're ready to retire. You don't want it to disappear because the market had a correction and you lost half your retirement savings and monthly retirement income. You want market type growth without the risk. You want income guarantees. You want an annuity that provides those guarantees. The best choice is a fixed-indexed annuity.

The FIA is the middle ground annuity. Firmly positioned between the fixed annuity and the variable annuity. It's the annuity that has the guarantees that the conservative saver relies on like a minimum guaranteed interest growth

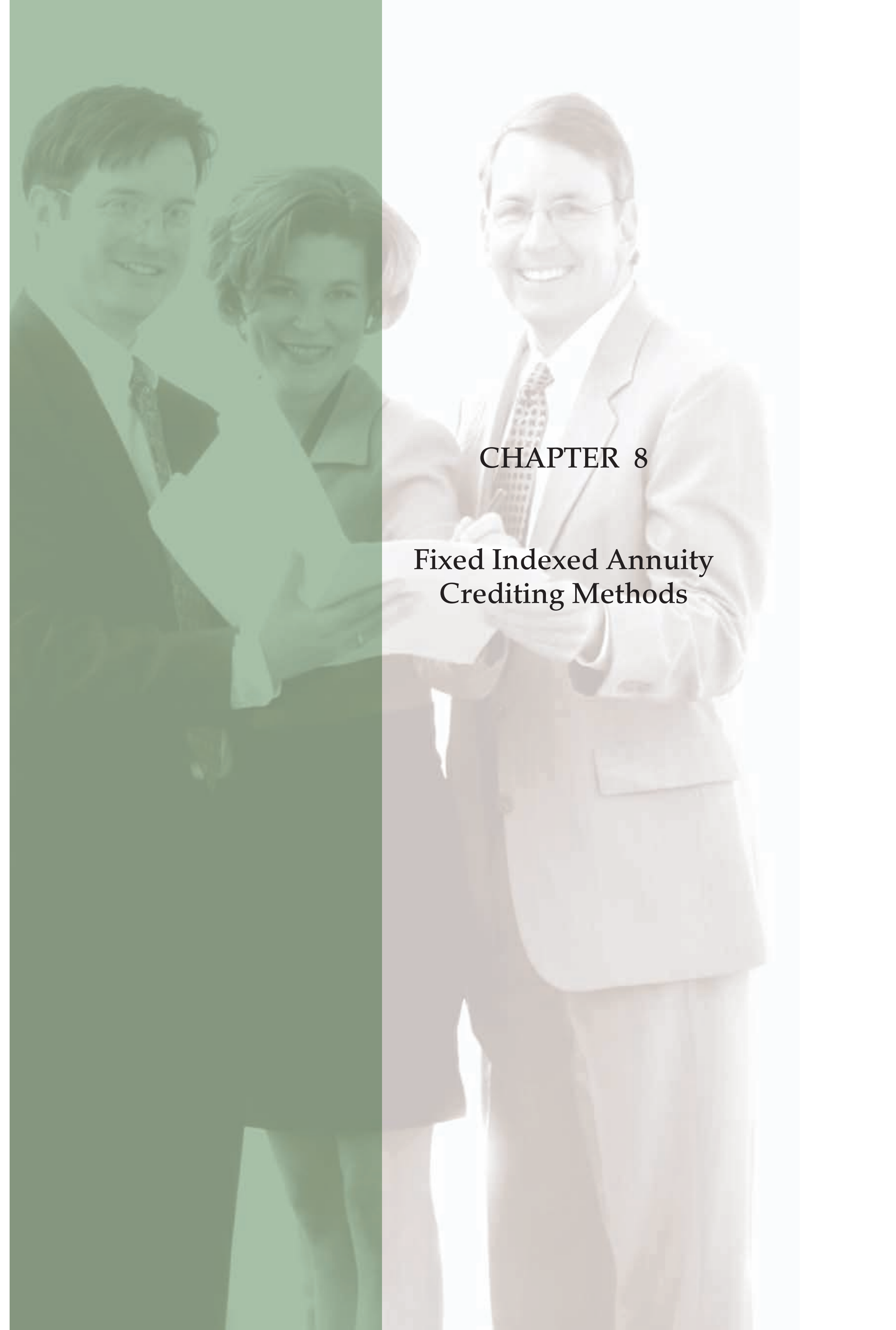
rate and the assurance that your money will be there when it's time to retire. It also has the best feature of the variable annuity like higher growth potential if the stock market goes up. But unlike the variable annuity you cannot lose your savings or any interest earnings growth in your account.

Only Keep the Gains Never the Losses. This is such a fabulous concept that people can't believe it. Most people don't even know a fixed-indexed annuity is an option. They've heard of fixed annuities but that might be too conservative. They've heard of variable annuities but that might be too risky. Most people want more gains than what they can receive with bank certificates of deposit but many are very conservative with their savings and adverse to market risk.

Fixed-Indexed annuities sit on the side line and watch the market. If the market goes up then a portion of the gains are credited to your annuity. If the market goes down your savings in your fixed-indexed annuity doesn't move a bit. It just sits there and waits for the next gain and when that happens your account is rewarded with some of the growth of the market. It's your safety net.

Fixed indexed annuities came on the market in 1997 when approximately $3 billion were sold. This was the introduction of a fixed annuity for savers that wanted higher returns but didn't want exposure to market losses. Within 5 years and through a tumultous time in the stock market the sale of FIA's more than doubled. By 2008 FIA sales exceeded $26 billion. By comparison in 2008 there were $155 billion in variable sales and $95 billion in fixed deferred annuity sales.

The market share for FIA's is growing as information spreads that FIA returns can be competitive with a portfolio of stocks and bonds without the downside risk of being in the market.



CHAPTER 8

Fixed Indexed Annuity Crediting Methods

Fixed Indexed annuities offer both fixed interest accounts and Indexed Interest accounts.

Fixed interest rates are declared annually and are subject to change. They are also guaranteed not to fall below a minimum that is outlined in your policy. If you believe in the next 12 months that our stock market is headed down and there is no upside potential then all policyholders can choose the fixed interest account. On the anniversary of your policy that amount of declared interest will be credited to your account.

Indexed interest accounts however, give you the potential to receive higher interest than might be the case with traditional fixed rate annuities but without subjecting your retirement savings to market risk. Indexed interest is credited annually based in part, by indexes such as the S & P 500 or the Dow Jones Industrial Average. The S & P 500 Index contains stocks from 500 various industry leaders and is widely regarded as the premier benchmark for the U.S. stock market performance. The Dow Jones Industrial Average is the oldest continuing stock market index in the world. Many of the stocks represented in the DJIA are leaders in their industries. Some insurance companies use other indexes but the S & P 500 and the DJIA are the most common.

To determine indexed interest credited to an indexed interest account, the insurance company calculates the annual percentage change at the end of the account year.

Annual Point to Point Crediting Method

One of the most common interest crediting methods is an Annual Point to Point calculation. On each anniversary the index value of the S & P 500 for example is compared to the previous years index value. The indexed interest is based on the increase value from point to point. If on the purchase date of your fixed-indexed annuity the S & P 500 was at 10,000 and on your next anniversary date the S & P 500 was 10,500 that would be a 5% increase in the index from starting point to ending point. The insurance company would credit that amount of interest to your annuity policy subject to Caps and Participation Rates that are covered below. In years when the market is on a steady climb the annual point to point strategy can give you the best gain.

Monthly Point to Point Crediting Method

This strategy requires a little more math to understand but it has exciting upside potential. Each month there is a starting and ending index number from the S & P 500. The percentage increases in the monthly point to point are recorded subject to a cap. Let's say the cap is 3% because it makes for easy math. Theoretically if the market went up 3% each month for 12 months you'd have a 36% gain that would be locked in. That would be stellar. Unfortunately the market goes up and down so the insurance company also records the monthly point to point when the market is down. In years when the market is a little more eratic the monthly point to point strategy can give you the better return.

CAPS

An upper limit is often applied to the index percentage that you can receive. Cap rates are subject to change, declared at each contract anniversary and guaranteed not to fall below a minimum. Companies track the history of cap rates on their policies and this information should be available for you to review.

Participation Rate

Participation rate is the stated percentage of any index increase credited to an annuity contract. Participation rates are also subject to change, declared annually and are guaranteed not to fall below a minimum. Most common is 100% participation which means that if the S & P 500 goes up 5% as in our example that 100% of the growth is credited to your policy subject only to a cap.

Spreads

A spread is a percentage that the insurance company retains if the market is positive. The participation in the market index growth can be up to 100%. There are no caps. The upside growth to the policyholder is only limited by the spread or in some instances a combination of participation and spread.

Caps, Participation Rates and/or Spreads are necessary because the insurance company uses a small portion of your money to purchase call options on the index that you select in your policy. Your money is not directly invested in the market but the method the insurance company uses to

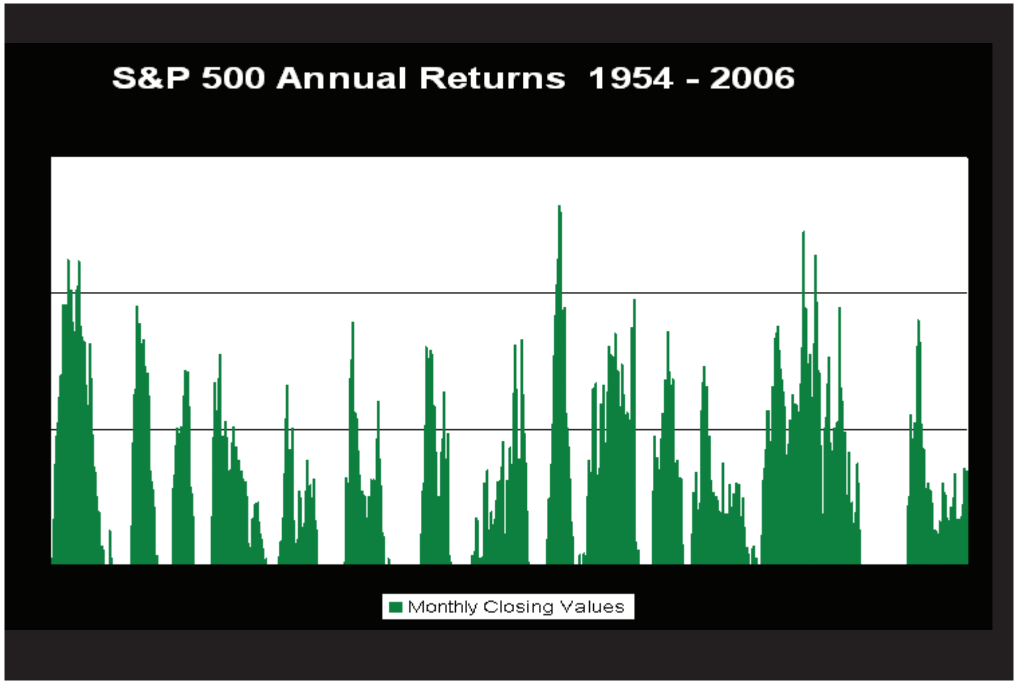
credit you market type interest is through the purchase of call options. If the S & P 500 advances 10% in one anniversary year the insurance company makes money on the increase in value of the call option and credits a portion of the interest to your account. The insurance companies can't give you all of the growth because it must pay for the options and make a profit but it gives you part of the growth . This is called a Cap. Likewise an insurance company might have No Cap but restrict the interest growth to a percentage of the S & P 500 increase. If the market goes up 10% and you have a No Cap policy but with a participation rate of 70% then you will receive 7% interest credited to your policy. This is called Participation rate.

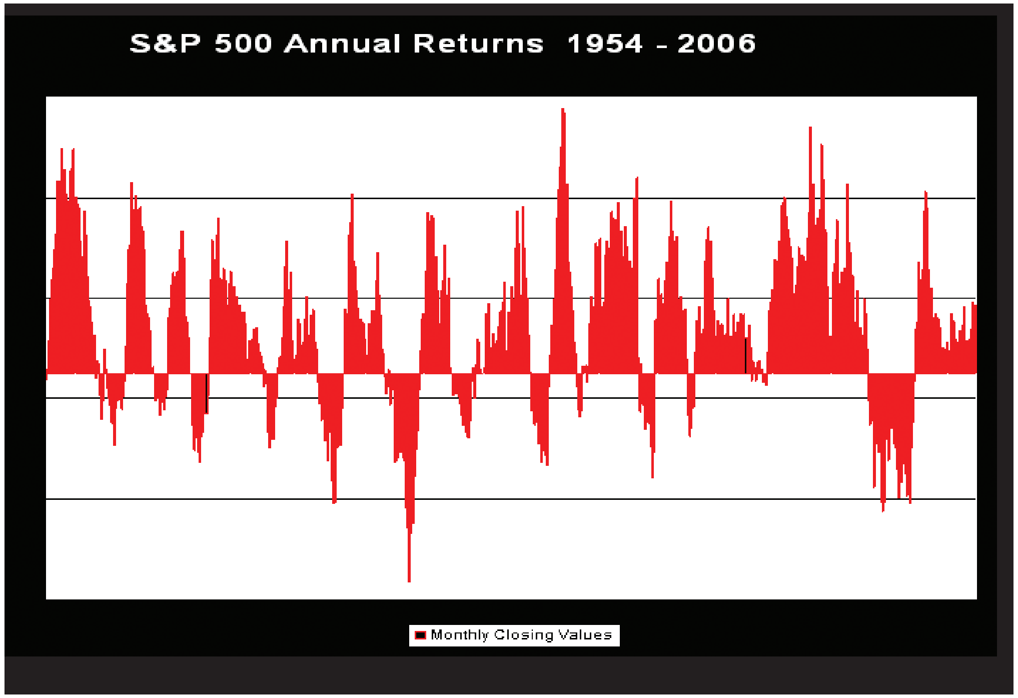
If the S & P goes down the insurance company loses the money that it used to purchase the call option. There is no interest credited to your account but your account lost no value by the decline in the market. In times of huge market losses the battle cry for FIA policyholders was "Zero is our Hero" while they watched acquaintances that were in mutual funds or variable annuities lose their money in the market.

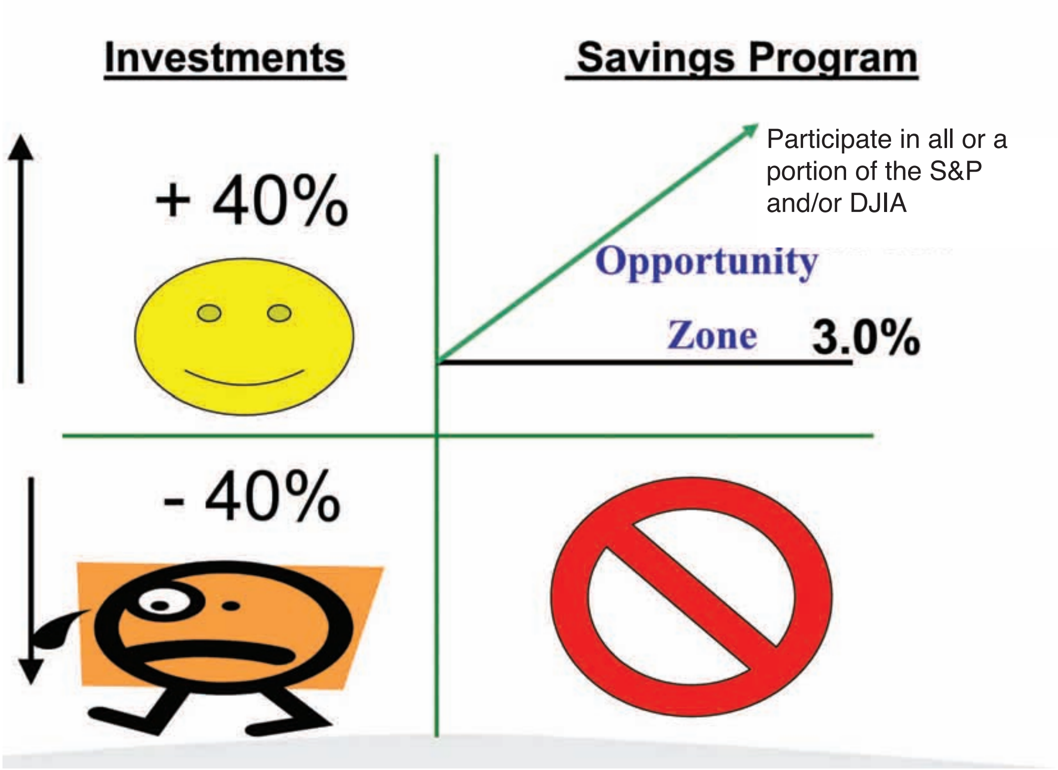
Almost all fixed-indexed annuity policies are ratchet-type annuities. Your interest gains are locked in at each anniversary of your policy. Your principal and interest gains will be there when you need them.

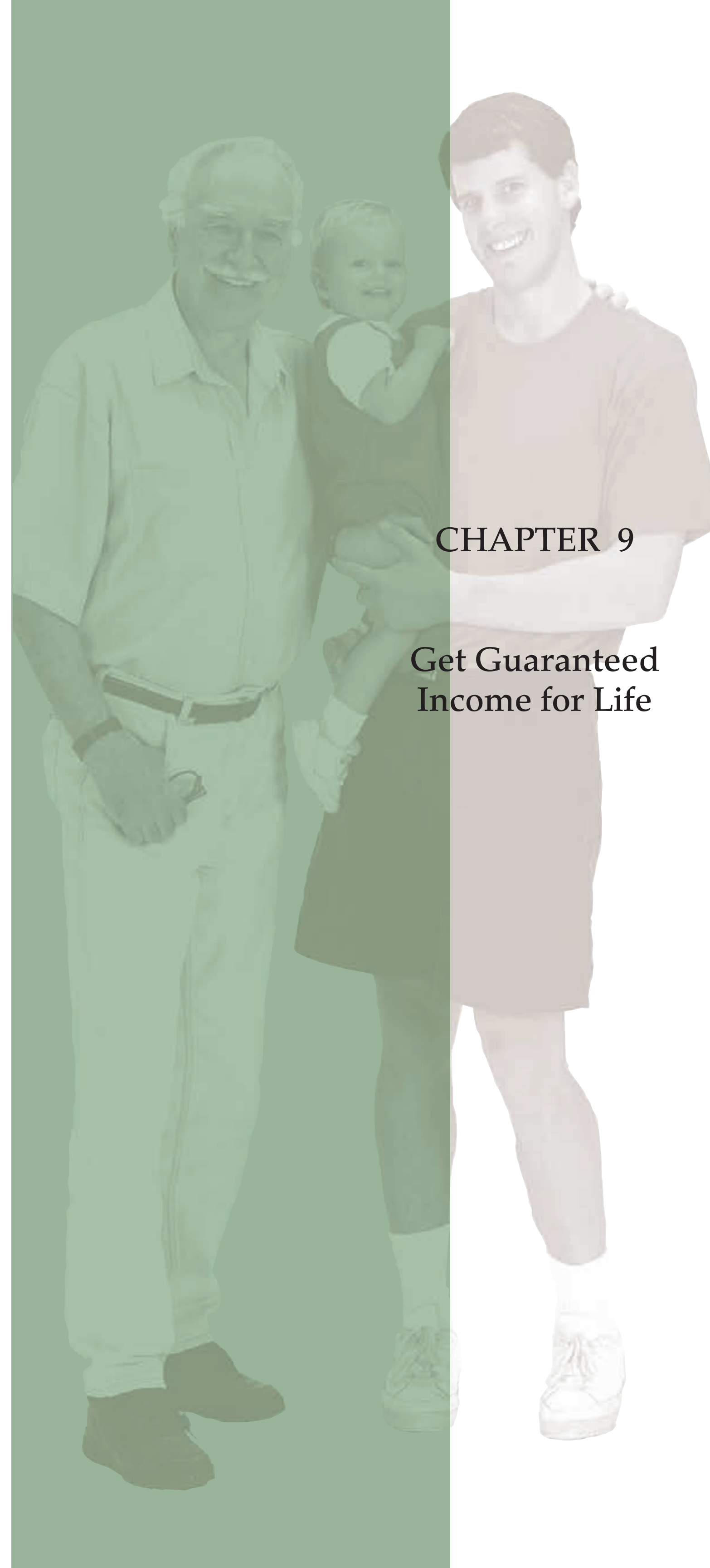
There are other crediting methods such as monthly average however the annual point to point is the simplest to understand and often selected by policyholders.

Only Keep The Gains   Never The Losses!









CHAPTER 9

Get Guaranteed Income for Life

Growing old in America isn't what it used to be, and in many ways, that's a good thing. People are not only living longer they have better educations--resulting in better health, higher income and a higher standard of living in retirement.

If you are 40 or older and you are healthy, you should consider planning for life after 90. According to the 2008 U. S. Census bureaus's 65+ report, within the next 25 years, the population aged 65 and over in the U.S. is expected to double in size. By 2030 almost one out of every five Americans---some 72 million people---will be 65 years or older. The age group 85 and older is now the fastest-growing population segment in the U.S.

Your expectation of living longer in retirement means more years of money going out and the absence of a paycheck coming in. It's important to save wisely with guarantees that your money will be there when you need it.

In today's volatile stock market, a poorly-performing investment can set you back many years if you retire at the wrong time. Even if such an investment performs well in the future, you may not have enough time to recover. That is why is is extremely important to have a financial strategy that will:

1. Guarantee a steady stream of income for your lifetime,

2. Leave you in control of your money, so you have access to it when you need it the most,

and

3. Protect your retirement savings and transfer as much of it as possible at death to your beneficiaries.

The solution is a Guaranteed Lifetime Income Rider combined with a fixed-indexed annuity. Many top insurance companies now offer the lifetime income rider with their fixed-indexed annuities. The guarantees are based on the claims paying ability of the issuing company. The rider is an optional living benefit that can be added to your fixed-indexed annuity at issue. The rider allows you to take lifetime payments from your annuity in the form of a guaranteed withdrawal payment. The minimum issue age for most guaranteed income riders is 40. As an owner and annuitant, you usually can begin taking payments when:

- The policy has been in force for at least one year (varies by insurance company)
- You are at least age 50 (varies by insurance company), and
- All policy loans, if any, have been repaid.

You then have the right to have a guaranteed income for the rest of your life....income you cannot outlive.

You also decide when and how much retirement income you receive. You continue to have control of your money and access through free partial, systematic, or lump sum withdrawals.

While your fixed-indexed annuity is in deferral the issuing company applies compounded interest of 7%, for example, that's guaranteed to the income side of your annuity. This rate is usually guaranteed for the first 10 years. The rate may also vary at time of issue or with different companies. Some insurance companies will extend the compounding interest rate if you wish to leave your annuity in deferral for up to 20 years. The income side of your annuity is used for calculating your lifetime income payment. This amount is not available for lump sum payment.

The accumulation side of your annuity can grow based on interest credited from the growth of the S & P 500. You may also have a portion of your money in the fixed interest strategy. The combination of both strategies may be more or less than the 7% compounded interest guaranteed in the income side of your annuity. The accumulation side of your annuity is available for lump sum payout. If the accumulation side grows larger than the income side of your annuity then the company will rollup the accumulation amount so it equals the income side of your annuity.

When it's time to take lifetime income your payment will be determined by your attained age. The Lifetime Payment Percentage multiplied times the income value of your annuity determines the amount of your guaranteed lifetime income.

Below is a sample of one insurance companies table.

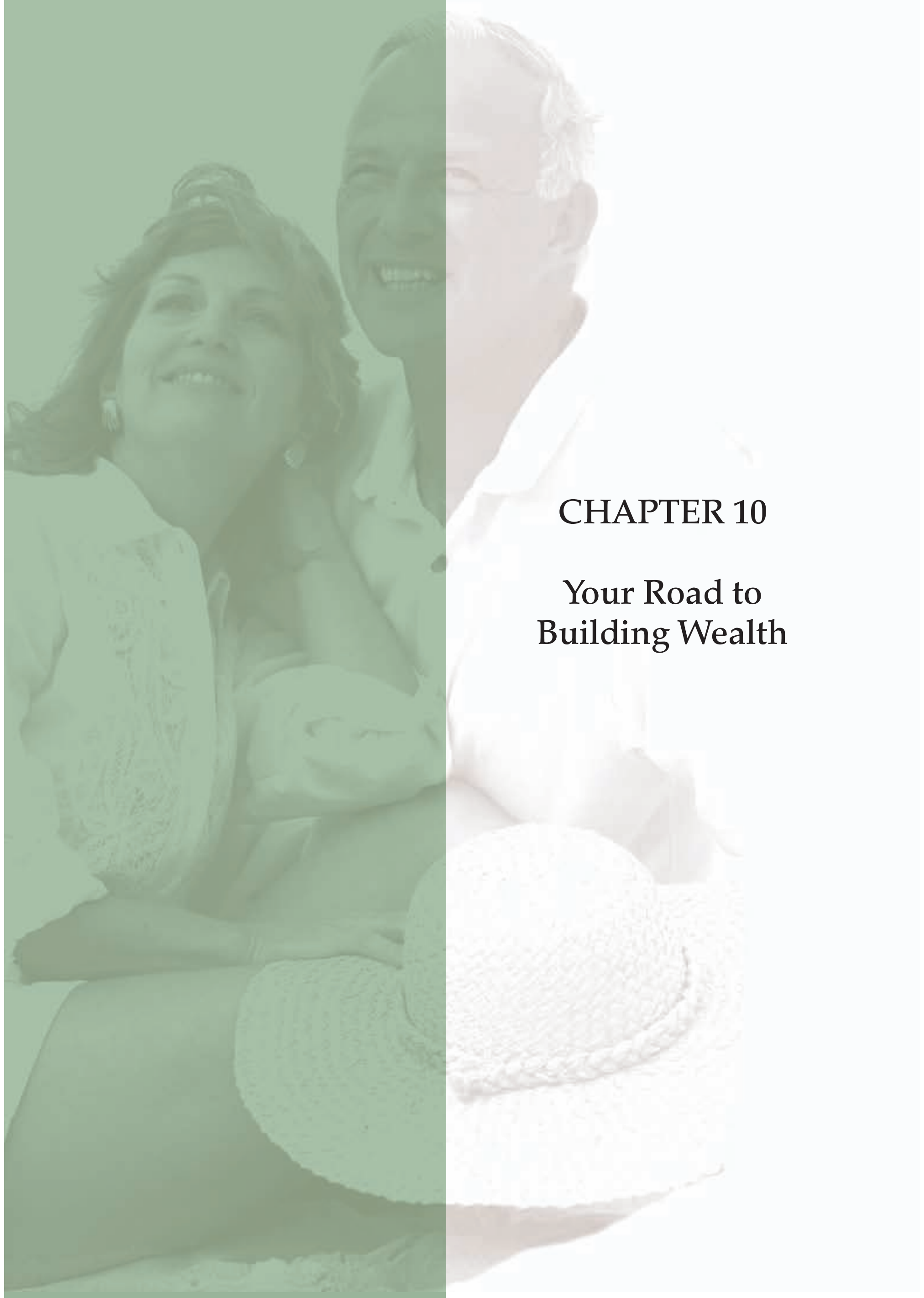
LIFETIME PAYMENT PERCENTAGE·
ATTAINED AGE OF COVERED PERSON

50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90+
				Single Covered*				
4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%	8%
				Joint Covered"				
3%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%

* Your lifetime Payment Percentage is determined by the attained age of the covered person. "Based on attained age of youngest covered person.

Your income potential increases when you elect to delay the start of income payments. Each insurance company will provide you with an illustration of your fixed-indexed annuity, the guaranteed growth percentage or bonus that is credited to your income side of your annuity and the guaranteed income amount that you can withdraw for lifetime income at an attained age.

Most financial advisors recommend a 4%-5% withdrawal rate to insure that you don't outlive your money. But with people living longer there is that risk. With the Guaranteed Lifetime Income Rider that is added to your FIA your income payments will keep coming no matter how long you live in retirement.



CHAPTER 10

Your Road to Building Wealth

If you're in your 20's or 30's and just starting out life might be pretty good right now. I hope you're healthy and excited about your prospects to follow your dreams and aspirations. "The Impossible Dream" has always been one of my favorite songs and Man of La Mancha one of my favorite theatre productions. Planning and building wealth can be alot of fun.

I never received any investment advice on building wealth. My dad was a certificate of deposit saver with cash in the bank or cash at home in the safe. He may have purchased a stock or two when I was a kid but he never talked about it. I remember he said that he wished he'd bought General Motors or Chrysler when they were in the tank. He said that after the stock values rebounded. He grew up on a farm in Michigan during the 20's and 30's so times were tough. Depression era kids grew up barely having essentials so doing without was a way of life. They got another tough life lesson during World War II when things were rationed and just getting gasoline, tires, sugar or coffee was a luxury. My folks and friends their age were very conservative. They were very vocal and gave you the unapproving look if you were wasteful or disrespectful. The lessons I learned about building wealth were to work hard, save your money, be respectful and don't waste a thing.

Lots of kids were born in the 50's and many of them will be retiring in the next few years. The 60's lost a president and some great leaders. Our country was in the Vietnam conflict and an internal conflict over the war at home but by '73 things leveled out. Employment was high, the economy was stable, and there was solid growth. War crept back onto

the scene but our leaders rose to the challenges to keep us safe and our sovereignty intact. We're Americans. We may disagree with the direction we've traveled at times but we live in a free land where dissension is permitted and encouraged. I'm thankful every day that I live here.

My dad died when I was 21 just before I graduated from college. Perhaps you had parents that taught you how to save, invest and build wealth. I wasn't so fortunate. I lost money on stocks and mutual funds. I bought high and sold low. When the market tumbled I panicked and got out. I was mad that I lost money and I was determined that I was not going to do that again. I invested $10,000 in a new invention that was going to make me a millionaire. It flopped because the inventor was brilliant but he had no managerial skills. It takes more than a great idea to make a million dollars. I lost the $10,000 and I was mad as hell again.

I've always been the supreme optimist. I believe people are good at heart. They have good intentions, are hard working and they have principles. I wish that I would have paid better attention in psychology class because although my premise is correct about most people there are a mix of opportunists that will befriend you to get your money or your help. When they get it they will leave you in a heartbeat without so much as a thank you. I've learned to be wary of the easy deal, the too good to be true opportunity or the double digit return. I've personally taken the financial hit and watched my friends take the hit time and time again. My dad always said if you don't get smarter as you get older you just get older.

I bought 40 acres of dirt in Houston, Texas for my next million dollar opportunity. A wise old, tried and true, land developer needed a hard charging 30 something like me to help him develop the land into a mobile home subdivision. I bought a mobile home without telling my wife and pulled it on to the front lot of the newly bull-dozed cow pasture. I then proceeded to inform her that we were going to live there with the fire ants and the opossum family and I was going to sell mobile home lots. Needless to say many life lessons were learned there that I wished I would have learned much earlier. But my wife always knew that I worked hard, and that I was honest but sometimes as they say in Texas I was just "eat'in up with dumb ass". The mobile home lots sold and I made some money but the tried and true land developer got most of it. I didn't become a millionaire but I learned alot.

1st Lesson: Look into the eyes of your advisor, business partner, colleague, friend, or associate and be guided by a combination of logic and intuition. Temper your enthusiasm. If things still feel good the next day then proceed cautiously.

2nd Lesson: Consult your spouse for you are making decisions that impact you both. You need the benefit of two logical minds and two intuitions. If you are going to have a life partner you need to act like a partner. I learned that my life partner was the only one that I could trust implicitly because she was the only one besides me who had our best interest at heart. She had my back.

I've never forgot those lessons and I'm thankful to have such a great life partner.

What should you do to build wealth if you're in your 20's and 30's? I started my savings plan about then. It seemed kinda boring but it's OK to be boring when you're talking about a savings program. An investment program can be exciting and colorful but if you lose it all or most of it you'll be grateful that your savings plan was boring. I'm glad I had a savings plan because I lost plenty in my investment plan Start with $100 per month and do more if you can comfortably. If you can look into the future and see that you've survived 40 some years in the job market then it's time to draw your pension. I want you to have one.

Here are two good ways to start your savings program:.

Fixed Indexed Annuities with an upfront bonus:

One of my favorite strategies is start with just $100 per month. It's simple. It's affordable. Almost anyone can do it. The insurance company will withdraw the money from your checking account every month. You'll hardly know it's been repositioned for you into an account that will grow without market losses and be there when you want it. There are a number of FIA's that pay 10% bonuses on all deposits, rollovers and transfers. They will pay the bonus for new deposits, rollovers or transfers for 3 ,5 ,7 or even10 years. If the bonus is offered for 5 years then only make deposits for 5 years. Beginning in the 6th year start a 2nd FIA after the bonus period stops on the 1st FIA. The 1st FIA most likely will mature in 10 years and all surrender charges will be over. At this time you've paid into the 2nd FIA for 5 years and the bonus period is over. It's time to start your 3rd FIA. Now it get's exciting and you'll be happy you started your $100 per month for your savings program. You're going to roll all of the money from your 1st FIA into the 3rd FIA and GET ANOTHER BONUS. The bonus will be on the full accumulation value of all deposits that you've made in the 1st FIA, plus all the bonuses you received and all of the accumulated interest. After just 10 years you have 3 FIA's all working for you for just $100 per month.

In 5 more years you'll roll your 2nd FIA with all the accumulated principal and interest plus the bonuses that you've received in to you're 4th FIA and get another bonus. Every 5 years you should have money to roll into a new FIA and receive a new bonus.

But now let's say you're in the 5th year of your 1st FIA and you're just about to start your 2nd FIA. You just sold something and got some extra cash or you got a bonus at work and you want a safe place to put it. A seldom used strategy is put the extra cash into the 1st FIA. You'll get the bonus and in 5 years all surrender charges will be up because your annuity will be 10 years old. You can now rollover the money to the 3rd FIA and get another bonus.

You can also use the **"keep your money moving"** strategy. In the 6th year of your 1st FIA start taking your 10% free withdrawals that is permitted without penalty from most all FIA's. Actually I don't know any FIA's that do not permit a 10% free withdrawal. Each insurance company has a form

to request the 10% free withdrawal. Just put your name and policy number on the form, sign it and fax it to the the insurance company. If this is a qualified FIA the insurance company will send you a check made payable to you. You simply endorse the check and send it on to the insurance company that issued you're 2nd FIA. Put the 2nd FIA policy number on the check so it's correctly credited to your account. You'll receive a bonus on this additional deposit and you'll keep your money moving and earning bonuses and interest. You have 60 days from the time that you receive the check from the 1st FIA to send it to the 2nd FIA. If you do so within the 60 day window no tax has to be paid on the money. If you don't send it on then you'll have to declare the money as income in the current year and if you're not 59 1/2 you'll also have to pay a penalty.

If your FIA is non-qualified money there are different steps to **keep the money moving**. In order to avoid paying tax you cannot take constructive receipt of your money. It must be transferred from the 1st FIA insurance company to the 2nd FIA insurance company. To accomplish this you send a transfer form that you've filled out and signed to the 2nd FIA insurance company that will receive the transfer money. You may also need to fill out a 10% free withdrawal form and send it to the 1st FIA insurance company. Each insurance company has a transfer and exchange department who's job it is to move money. If you are diligent enough to **keep your money moving** and take advantage of the 10% free withdrawals and the bonuses that are offered on your new policies then your account values will grow more quickly just by keeping your money in motion.

FIA's have great flexibility. You can add money or tell the insurance company to stop the automatic withdrawals. Not all FIA's have the features that I've described so you'll need an experienced agent to help you. If you need help with finding an experienced agent you can send me an e-mail at **Steve@AskMrAnnuity.com** and I will find one for you.

Bonus FIA's have been around for a long time and because of their popularity I believe that they will continue to be available. Use the strategies that I've outlined during your working career and you will build wealth safely.

Fixed-Indexed Life Insurance Strategy

The "**Only Keep the Gains, Never the Losses**" crediting strategy that works with a FIA also works with life insurance. Your goal is to build cash so you have an income when you retire. That's the goal. What's the best and safest way to do it? If you're in your 20's or 30's that same $100 per month that you put into an FIA could go into fixed-indexed life insurance more commonly called "Equity-Indexed Universal Life" insurance or EIUL. You may say that don't need life insurance. But we're planning here for income at retirement and this strategy is one of the best ways to get it.

If you're a 30 year old female, in good health and you don't smoke and you put $100 per month into an EIUL during your working career then at 65 the insurance company will start sending you money. Based on a current illustration for an EIUL the amount would be about $24,000 per year for life. There would be no tax on this income because you would be receiving withdrawals from your own accumulated

cash and interest. Tax Free income at retirement is a big deal. You get to keep 100% of what the insurance company sends you each month.

Money in a qualified fixed indexed annuity was never taxed so you pay tax on all of the money as you receive it. Money that you put into a non-qualified fixed indexed annuity was taxed before it went it so you'll only pay taxes on the gains and bonuses. But with an EIUL the money you receive is a loan or withdrawal of your own money so there's not a taxable event. You can receive lifetime income and **you get to keep it all**.

Life changes. You may not want life insurance now but people buy life insurance to protect their family and you may want it later. With an EIUL you have the income building power of indexed crediting and tax free withdrawals at retirement. That was our goal. You also receive family protection with a death benefit. The death benefit could pay off the house and other debts. Your spouse could take the money and put it into a fixed-indexed annuity that would give them lifetime income in your absence. But EIUL's also have living benefits. If you have a heart attack, a stroke or get cancer you can tap the death benefit for cash. We don't have a crystal ball to see the future but $100 per month into an EIUL takes the guesswork out of planning for retirement and it gives you some security if your health fails or you don't make it until retirement.

You can put more per month into an EIUL if you can afford it. Ask your agent to solve for "minimum death benefit, maximum cash value" because again our goal is not the death benefit but the cash that you'll have available for retirement. If you put in $200 per month then your death benefit will be higher but so will your cash value at retirement.

Term insurance is cheap and you may want to supplement your EIUL's death benefit with a term policy. If you buy a $500,000 house buy a separate term policy to cover that debt. Money paid into a term policy is gone once the policy terminates in 10, 20, or 30 years. Keep term insurance as long as you need it but put most of your insurance money into an EIUL that gives you tax free retirement income and living benefits. That's the best way to build wealth.

Remember with Fixed Indexed Annuities (FIA's) and Equity Indexed Life Insurance (EIUL's) the premium that you pay is never at risk in the market. You won't lose your money if the market crashes, has meltdowns or implosions. You're money will grow with market like gains without being directly invested in the market.

Applying for your Life Insurance

You should try to be in the best condition possible when you apply for life insurance. In order to build the most cash in your policy for your retirement income you want the insurance company to deduct the least amount from your cash values to pay for the life insurance death benefit. The healthier you are the less the cost for insurance and the faster the cash grows in your policy. If you smoke you should stop. You should stop anyway because it's not healthy. But in order to get non-smoker rates you need to be off all forms of nicotine for at least 12 months. A smoker pays higher rates than a non-smoker.

You also want to be rated as "preferred". If you are preferred the insurance company charges you the least amount for the insurance and so more money stays in your cash values. So even if you don’t think you need life insurance it might be time for a paradigm shift. You may want or need it later. Your health may not be as good then as it is now. It will cost you more. You won’t accumulate as much money for your tax free income strategy at retirement. You might not even be insurable and then the insurance option and the tax free income option is off the table.

Following are underwriting guidelines to be considered "preferred":

U.S. Citizen

No use of tobacco or nicotine containing products of any kind with the last 12 months. Current lab testing negative for nicotine.

No current borderline medical problems. No medical history which would have been ratable in the past

No drug or alcohol abuse or treatment within the last 10 years.

No aviation, or hazardous avocation or occupation.

No parental family history of death from cardiovascular disease or cancer prior to age 60

See height and weight chart

Current book pressure with a 12 month average reading of 140/90

Cholesterol of 240 mg with ratio of 8.0 or less; or total cholesterol of 240-280 with a ratio of 6.0 or less.

No alcohol related moving violations within fives years. No ratable driving record.

You're now going to apply for an "Equity-Indexed Universal Life policy that has the living benefits that I've described. If you can't find a insurance professional that can help you then send me an e-mail at **Steve@AskMrAnnuity.com** and I will recommend an associate in your area that is knowledgeable of the plan that I've described above.

The insurance professional will take your application and schedule a paramed exam for you. A nurse or nurse practitioner will come to your home or place of work and ask you questions about your medical history and your families medical history. They will take your blood pressure, temperature, record your height and weight. They will usually take a blood sample and give you a vial for a urine sample. The blood will be sent to their lab to check cholesterol, blood sugar, PSA count for prostate (male applicant) HIV virus and other blood detected conditions. The urine sample is analyzed for cocaine, marijuana, or other drugs. If you have illegal drugs in your system and it shows up in your urinalysis you will be declined for insurance. This information will stay on your medical record and be available to any other insurance company if you again apply for insurance. Most insurance companies will not consider a new application for insurance for at least two years and a repeat of your paramed shows that you are drug free.

If you are a smoker or you are overweight or have other health issues the insurance company will rate you which means you may be "standard" and not preferred. The insurance company will charge you more for the insurance death benefit but your insurance policy will still build tax-free retirement income and provide you with "Living Bene-

fits". It's important that you have coverage and build cash. With a little planning and maybe exercise you may be able to get the best rate possible.

If you get denied for Life Insurance

All is not lost if are denied for life insurance. Your fixed-indexed annuity will still provide excellent retirement income and it will be there when you need it. An annuity has no underwriting or health questions so everyone is approved to receive an annuity. There is even a way to get tax-free retirement income wit h your FIA.

Roth IRA

This is a fabulous concept on how to save money and not pay taxes. It is easy to set up your fixed-indexed annuity as a Roth IRA. You simply select the Roth IRA box on the application. You can put your $100 per month into a FIA and every dime that you pay in, plus interest, plus bonus will be available to you tax-free at age 59 1/2. You won't be able to take the tax deduction when you put the money into your Roth IRA annuity but you will be able to take the money out tax free. Premium that you would have paid in the life insurance if you were approved would not have been tax deductible either. The tax-free income comes at retirement for both the FIA Roth and the EIUL. You can put as much as $5000 per year into a Roth IRA fixed-indexed annuity if you're 49 or younger. You can put $6000 into a Roth IRA fixed indexed annuity plan if you're 50 or older.

Contributions to a Roth IRA are phased out based on how you file your taxes:

Filing Status	Income Level
Single or Head of Household	$105,000 - 120,000
Married filing jointly	$166,000 - $176,000
Married filing separately	$0-10,000

IRA

You can also establish an IRA in addition to a Roth IRA. Simply check the box on the FIA application and designate your annuity as an IRA. The amount that you contribute up to the same limits as a Roth IRA are pretax which means you deduct the amount of your IRA from your gross income and pay no tax. Uncle Sam has to wait until you start taking the money out at retirement and then he can collect. Hopefully you'll be in a lesser tax bracket at that time and you'll pay less tax.

If neither you or your spouse are active participants in a company sponsored qualified plan then there are no income limits. Full contributions are deductible. If you are an active participant in a company sponsored qualified plan phase out limits apply.

Filing Status	Income Level
Single or Head of Household	$55,000 - 65,000
Married filing joint	$89,000 - 109,000
Married filing separately	$0-10,000

If one spouse is an active participant in company sponsored qualified plan, non active spouse limits:

Married filing jointly	$166,000 - $176,000

Converting an IRA to a Roth IRA

If you have an IRA and you want to convert to a Roth IRA it became easier to do so. In 2010 there is no earning level restriction. You can convert IRA money to a Roth IRA and the IRS allows you to pay the tax over 2 years. I think the government wants you to convert so more tax is paid sooner rather than later. There are trilliions of dollars sitting in qualified retirement accounts and at a time when our country could use a cash infusion from increased tax revenue via taxes the Roth IRA carrot is sitting there waiting for you to convert.

If you decide to convert your IRA to a Roth IRA the bonus that you can earn from a fixed indexed annuity will ease your tax pain. If you pay 20% taxes but you get a 10% FIA bonus in a tax free IRA then your net cost is only 10%. You only have 10% to make back on your FIA annuity before you’re back where you started. And the good news is when you take the money out at retirement you get to keep it all. It’s tax free! Say that again. It’s tax free. Man, that has a nice ring.

Generally the younger you are the more sense it makes to convert an IRA to a Roth IRA. You have to pay the tax that is due but you get to do it over 2 years. At a younger age your Roth IRA in a fixed indexed annuity will have longer to grow and you'll have more tax free income at retirement. The benefits of converting and paying the tax diminish as you get older. You have a shorter horizon until you retire and you start taking income. You also have a shorter time in your fixed indexed annuity to replace what you'll have to pay in taxes in the conversion to a Roth IRA. Sometimes the conversion doesn't make financial sense.

Rules go away with Non-Qualified Money

Most people think money is just money. You earn it, save it, and spend it. There are no rules on how you can save it except if you want save it and not pay tax on it until later or not pay tax on it at all. Those are the governments rules for Qualified Money.

Money that is Non-Qualified then is just money. You earn it, your save it, you spend it. No matter how much you make there are no income restrictions or rules that say how much you can save in a savings plan or invest in an investment plan. A savings plan with a fixed indexed annuity is easy to set up. You simply check the box on the FIA application that says "Non-qualified Plan".

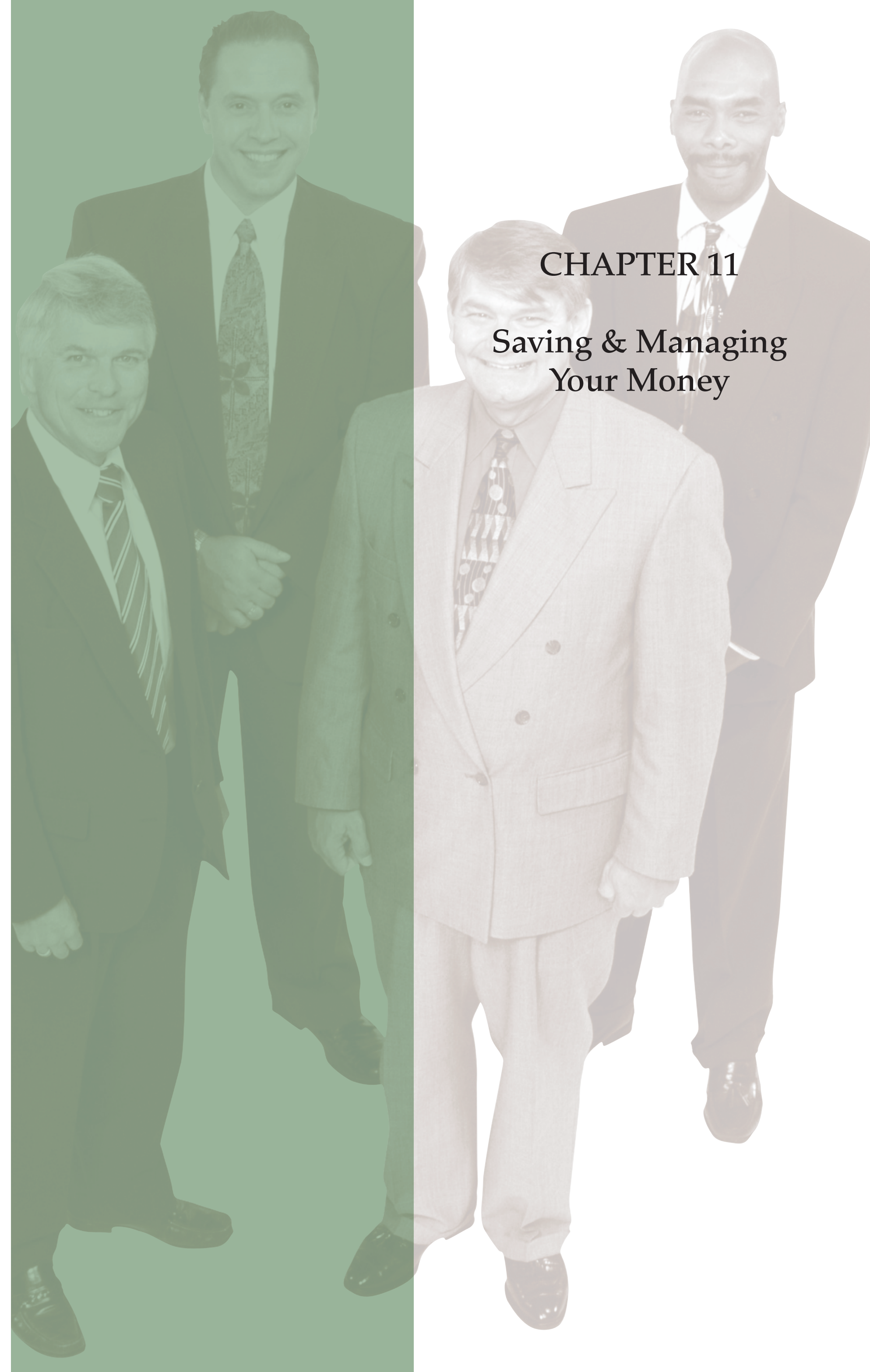
You can put in $100 per month and if you get a year end bonus you can put that in too. You'll have years of triple compounded growth without risk to market losses to guarantee a retirement income that can be your pension for life.

Recap

This is a savings plan and an income building plan. It is not an investment plan. With an investment plan you can lose your money. Millions of amateur American investors have arrived at retirement in the last 10 years wishing that they had been safe. They relied on the market to give them growth and retirement income and many have been shockingly disappointed. Your plan will provide income for you when you want it. You have guarantees with your FIA that all of your money plus growth will be there irrespective of mar-

ket conditions. There are no mutual fund fees, sales loads, stock trade charges, market corrections, dot com implosions or financial meltdowns that can eat away at your savings.

I've given some strategies for our younger readers on how to build wealth safely but some of these strategies work for older readers as well. I will elaborate more in the chapters to follow. But for our younger readers my advice is to focus, work hard, follow your dreams but save your money a little at a time in a fixed indexed annuity or a equity indexed life insurance policy that will provide you guaranteed growth and guaranteed income. There are not very many guarantees in life but this strategy won't disappoint you and it will serve you well.



CHAPTER 11

Saving & Managing Your Money

The ability to save money and manage it is a learned skill for those who want to learn it. I remember my dad saying that if he won a million dollars or made a million dollars in an investment that there would be more of a challenge to managing it and keeping it safe than making it in the first place. Lottery winners have their own stories of winning millions and then losing their millions. They make headlines when they hit the jackpot and they are certainly the envy of all lottery players from coast to coast. Usually the winners seek the advice of a professional money manager or a financial advisor. That makes sense because they are supposed to be good money managers. Many lottery winners take a lump sum payout as their lottery winnings rather than the 20 year annual payout that is also an option. Advisors will usually recommend the lump sum payout because they'll have an opportunity to invest the winnings, earn fees on a large sum of money, and show the lottery winner how their investment will grow back and even surpass the original winnings due to historical market growth. It's a compelling argument but if you had followed that advice in the last 10 years your lottery winnings probably turned into stock market losses.

You can manage your money better if you have 20 years of payments. It's easier to manage and you're not as apt to spend what will be coming in next month. You're also not as apt to loan it, invest it, squander it or lose it. There's alot of security in having a guaranteed income.

My niece was only 6 years old when she lost her mom in a car accident. A commercial truck backed across the road in the darkness during the early morning rush hour. A life

was lost and a little girl lost her mom. The insurance company for the commercial trucking company paid a substantial settlement that grew into an even larger sum over the years. My niece received money for private school, a car and the essentials that she needed as she grew up but she never managed the money herself. The bank, as trustee, was the money manager. When she was about to turn 21 and receive a rather large amount of money from her trust I read an article in the newspaper. A young lady about my nieces age had received a large trust inheritance. The article described her inexperience in dealing with money. She spent her money with little concern to saving it or investing it. Within 5 years she had spent or squandered all of her money and was broke.

I sent the article to my niece in hopes that there was a lesson there that would guide her as she received the money from her trust. I love my niece and wanted her to learn from someone else's inability to manage money and avoid a tragedy of ending up broke. Unfortunately my niece didn't think she needed advice from her uncle. It was her money and she'd spend it, save it, or invest it the way she wanted. The money she received at age 21 ran out at age 25 just in time for her to get the next distribution from the trust. She's now looking forward to her last chunk of money next year when she turns 30 so she can pay off her credit cards and get out of debt.

Saving money and managing it is a skill that we all should strive to perfect. Sometimes we can just do better at saving and managing if we pay attention and learn from example. There are many temptations and necessities that block our path to building wealth. But we can be successful if we do it a little at a time, avoid the risks and look for guarantees. We should pay attention.

Our middle age readers may also just be starting to think about a savings and retirement plan. It's not so funny that the years go by so quickly. Maybe you may have some savings set aside. You have a mortgage on your house. You have investments in a mutual fund. Maybe your company has a 401(k) plan and if you're lucky the company may match your savings dollar for dollar up to 3% or 4% of your earnings. That's a windfall. If your company does match a portion of your contributions to your 401(k) you should be putting the maximum in that the company will match. It's like getting a pay raise. All you have to do is save money. This may require discipline but with matching money this is one discipline that rewards you immediately with cash. Adjust your expense budget so you make this contribution with every paycheck. You may own your company's stock. Most workers invest in their company's stock because they believe in their companies. But diversify your 401(k) so you're retirement money doesn't disappear in the event your company fails. It happened at Enron, Countrywide, Lehman Brothers, & Morgan Stanley.

You should look at your options within your 401(k) plan at work for fixed-indexed annuities. There are no fees, loads, or charges on fixed-indexed annuities so it's possible that they are not offered as an option in your plan. Stock brokers and fund managers earn a fee for assets under management so fixed or fixed-indexed annuities can be omitted from your choices of savings options. The annuity invest-

ment option that they offer might be a variable annuity. Variable annuities have annual fees and unlike fixed or fixed indexed annuities your savings are exposed to market risk. The rationale for variable annuities and mutual funds within your 401(k) is that with retirement in the distant future any market correction will pass and the long term growth will provide healthy gains for your retirement plan. That is unless you have two market crashes in the 10 years that lead up to your retirement as we did in the last decade. You may be able to "rollover" part of your 401(k) to a fixed indexed annuity for guaranteed preservation of principal, growth, and guaranteed retirement income and eliminate market risk. You should consult your plan administrator.

If you don't have a company retirement plan you may be one of millions of Americans that are self employed or you work for a company that doesn't offer a retirement plan. Everyone tries to save but knowing where to save is often the biggest obstacle. The television ads from low cost stock brokerage firms bash the stock brokers that charge high trading fees and often are responsible for your gains and your LOSSES. The public is suspect of the investment world especially after insider trading scandals, theft and fraud perpetrated on investor funds and Ponzi schemes unlike anything we've seen in a lifetime.

Fixed-indexed annuities provide a safe solution without fees, loads, or expense charges. The financial strength of the insurance companies investment portfolio guarantees the return of your money. Their investment portfolio primarily consists of U.S. Treasury and other investment grade bonds that pay interest. With the returns on their bond portfolio the insurance company guarantees a minimum return of interest on your money.

The goal is to get you to retirement, and preserve and grow your savings along the way. Your goal is to have pension income when you want it. Fixed Indexed annuities will help you get it.

Bonus Annuities: How they work

Fixed-Indexed annuities can offer you a 5% - 10% bonus on all deposits, rollovers or transfers for up to 10 years. The insurance company provides you with an incentive to save your money with safety. And the interest that you receive on your savings and the bonus is tax deferred. You pay no taxes on the money until you start receiving your income at retirement.

Insurance companies can pay a bonus when you make a long term committment (usually 10 years or more) to let them use your money. In order for them to pay you a 10% bonus on all deposits, rollovers, or transfers the insurance company lowers the interest that you might receive if the S & P is up for a given year. The insurance company calls this a "Cap". For example if you did not receive the 10% bonus then the insurance company might "Cap" the interest at 8%. If you did receive the 10% bonus then the "Cap" might be 7%. The Fixed-Indexed annuity is not "in the market" but interest can be credited by the "growth of the market" by using an index like the Dow Jones Industrial Average or the S & P 500. You receive the growth of the market up to your "Cap".

You also receive the downside protection of not losing your money when the market is in a correction or in a free fall. You are making a conscious decision to receive reasonable upside interest gains during a tumultuous time and at the same time protect your savings from loss.

Taking the upfront bonus is like having an immediate guaranteed interest growth of your savings. You also receive interest on your bonus. If you put in $100,000 then your immediate balance would be $110,000 and interest would be credited on the $110,000 balance. If you leave the money with the insurance company for 10 years you can walk away with your money, the bonus and the accumulated interest on your money and the interest on your bonus. The same is true if you have been putting your money into your annuity monthly.

Flexible Premium or Single Premium

You can start a fixed-indexed annuity with as little as $100 per month. The insurance company drafts your premium from your checking account on the same date each month. When you save monthly the annuity is called a "flexible-premium" deferred annuity. "Deferred" means that you are not taking your pension type income now but you're going to take it in the future. It also means that taxes are deferred until you take your money out.

Some annuities do not allow additional deposits. These are called single premium annuities. If you are leaving one job for another employer then you can rollover a qualified plan into a "single premium fixed indexed annuity".

The insurance company only allows a single deposit into this type of annuity. You can receive a bonus on either flexible-premium deferred annuities or single-premium deferred annuities.

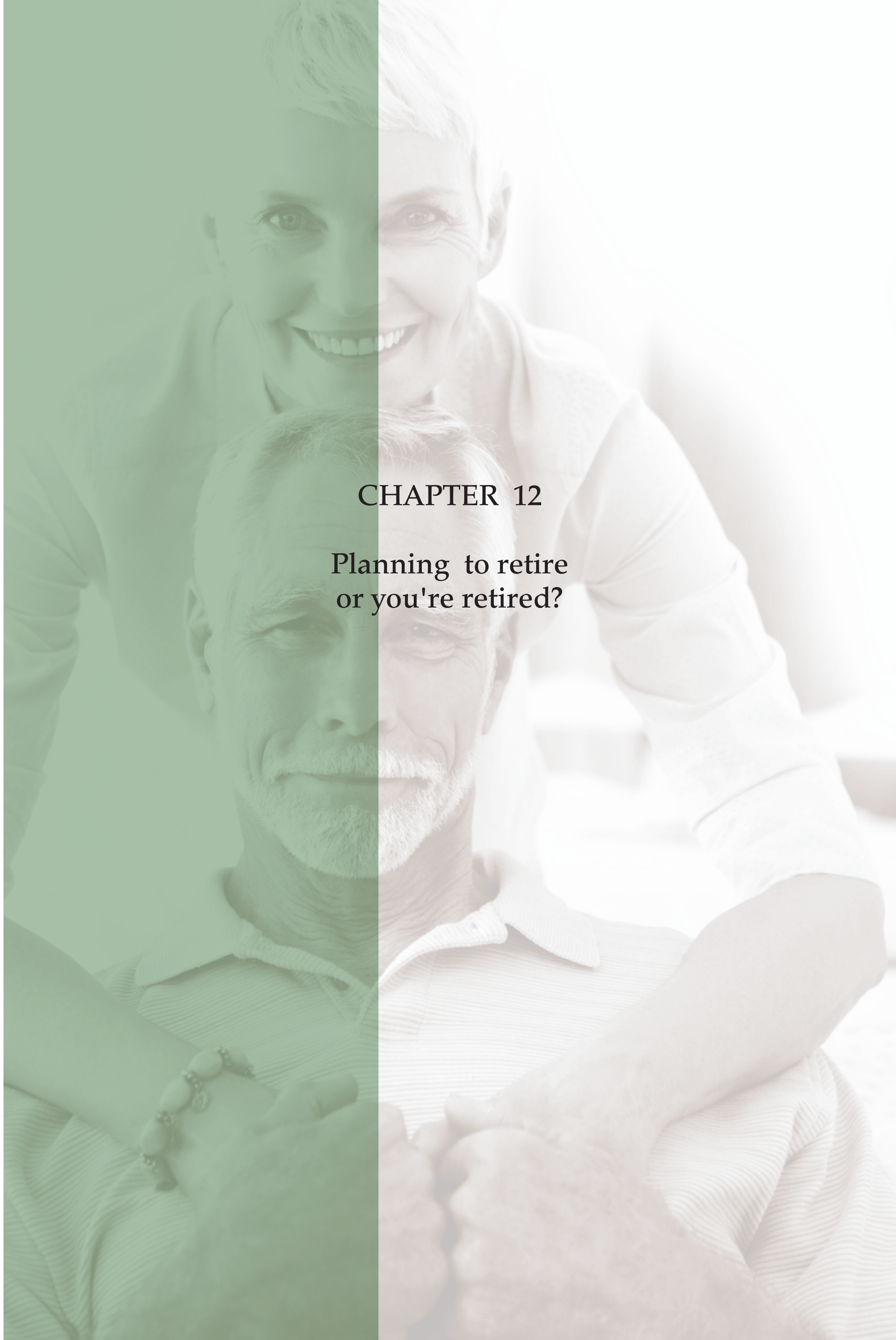
Surrender Charges

Saving for retirement is a long term committment. The insurance company rewards saver's with a bonus when annuities often require 9 or 10 years until maturity. When evaluating surrender charges you should consider that you are getting a higher rate for the longer time that you have your money with the insurance company. Therefore think about when you want or might need your money. How much do you need and when? If the insurance company has 10% free withdrawals without penalty, decide if that amount is enough for you. You might consider putting some of your money into a fixed-indexed annuity with a shorter period of surrender charges . That type of fixed-indexed annuity may not have a bonus but access to more of your money might be more important than the higher rate of return. Remember that your fixed-indexed annuities grow tax deferred with triple compounding so, irrespective of the length of your annuity, you are safely building your retirement income.

A 10 year fixed-indexed annuity might have a 10% surrender charge. The surrender charge decreases by 1% per year. After the 10 years you can withdraw all of your money without a surrender charge. If you received a 5% -10% bonus at inception on your annuity the surrender charge may be higher. In essence the insurance company is taking some of the bonus back if you don't stay in the contract for the full

term. You shouldn't be afraid of surrender charges as they permit the insurance company to pay you more interest with their long term investment in the bond market.

You've worked hard, made some good decisions, and tried to be a prudent, low or moderate risk investor. But you probably lost money in your investments in the last decade. Did you ever get back to where you were in 2000? In the the 2001-2002 crash the S & P 500 reached it's lowest point in March 2002. Down 46% of it's value. To get back to even the S & P had to more than double in the subsequent years. Did it? No. And then between October 2007 and March of 2009 the S & P retracted violently again. The S & P lost 59% of it's value. It's hard to get ahead when your retirement plan is based on a stock investment strategy rather than a savings plan with guaranteed growth and lifetime income.



CHAPTER 12

Planning to retire or you're retired?

If you've got a few years left until retirement or you've already stepped into retirement it's time to take most of the risk if not all the risk to your savings off the table. You've been in the accumulation stage while you were working and hopefully you dodged most of the market pitfalls, you have equity in your home and you have little if any debt. Fixed-Indexed annuities are the prudent choice with potential for market gains and guaranteed income as long as you live.

An Ohio client of mine and a General Electric retiree put most of his money in fixed indexed annuities when he retired in 2005. He wanted the potential for market gains but absolutely no risk to his principal. His home is paid for. He's fortunate because he does have a pension from General Electric. He and his wife draw social security. They enjoy their kids and grandkids and are comfortable in retirement. He stays busy with his garden in the summer and he's meticulous about clearing his drive way and sidewalks of snow in the winter with his riding snowblower. When the financial meltdown happened in 2008-2009 he didn't lose any money on his fixed-indexed annuities. He took a 10% free wthrawal from one of his annuities to buy a new car and he felt safe because most of his money was safe. But like many long term employees of a great company he still owned 3000 shares of General Electric stock. Before the meltdown the stock was worth about $108,000. By March of 2009 the stock was worth $18,000.

He had 20% of his retirement savings in his GE company stock. After 30 years with the company he has a loyalty to keep an ownership interest in the company that helped him prosper. He remembers better times when GE beat analysts

expectations, stock value grew regularly for shareholders, and dividends increased like clock work. GE is still a great company but at 70 years old my client can't afford the luxury of having investments where he can lose his money. He can't go back to work. He relies on what he has saved to sustain he and his wife in their retirement years. Now he has concerns that they might outlive their money.

Money that you have in the stock market should be money that you can afford to lose. It is not that you expect to lose it but it's at risk. My Ohio client with 30 years of experience & service with GE would never have believed he could lose value in his stock. General Electric is one of the most consistent and reliable performers in the Dow. GE's sheer size, diverse businesses, and sustained growth would seem to make it impervious to such a large downturn in stock value. Stockholders and GE employee's alike are in disbelief at what happened to the company and the value of the company stock.

Taking Retirement Income

Planning on how to take income in retirement was a big conern for another client. At age 62 his retirement date was just a year away. His long time dream for adventure was to buy a power boat that he and his wife could live aboard. He has his sights set on a 45 or 50 ft Trawler, a rugged ocean worthy vessel that can cruise the coastline or cross the sea. They want to spend the first 5 years in retirement living aboard their Trawler and letting it take them wherever adventure calls. "Live Aboards" are people that love the freedom and adventure of the water and who want to live on their boat 24/7. He perked my interest in this lifestyle with his descriptions of clear skies, light winds, warm sunshine, good music, porpoises off the bow, pelicans diving, food in the galley, a little cash in the bank and adventure ahead. It's a way to embrace the here and now and move away from the past and the future.

There is a serenity and an excitement about traveling this way and my client wanted to make sure that his dreams weren't cut short by stock market crashes. He wanted income that he could depend on and his money to be there for him.

Whatever your dreams, planning on how to take income in retirement can be a challenge. There is usually a concern when you stop working and move from the accumulation side of the equation to the distribution side that you might run out of money if you're not careful. You've been use to putting money in the savings and retirement bucket for 40 some years and it's not always easy to change gears. You don't know how to start taking income and you don't want to make a mistake because going back to work is not an option.

Fixed Indexed annuities with guarantee income riders help make dreams a reality and eliminate concerns about running out of money or losing the money that you have. I already discussed the bonus FIA and how it grows tax deferred with triple compounding and let's you "Only Keep the Gains Never the Losses." I devoted a chapter on explaining the guarantee income for life rider to dispel worries about outliving your money. By diversifying my clients FIA's to multiple

insurance companies, each that provide the guarantee lifetime income rider, at age 63 he can begin to take 5% per year and he'll never see the bottom of the money bucket. He's guaranteed to have that income as long as he lives. Plus he'll still have access to his account balance if he needs extra money.

This is not annuitization. Annuitization is the term the insurance companies use to turn annuities into lifetime income but if you don't live to a ripe old age to get your money back the insurance company keeps the remainder. There are provisions of annuitization to take a lifetime income combined with a 5 year or 10 year period certain. This means if you've been receiving a payout for a couple of years and you pass away then the insurance company will continue the payout to your named beneficiaries for the duration of the period certain like 5 or 10 years. But you're not apt to get all of your money back unless you age gracefully and keep getting income for at least 20 years.

Guaranteed Lifetime Income as a design feature with a fixed indexed annuity solves the challenge of taking income, preserving principal, of running out of money, and of losing any residual money to the insurance company because you die. I think my client is giddy over the prospect of his Trawler adventure and knowing that guaranteed lifetime income will be there for he and his wife.

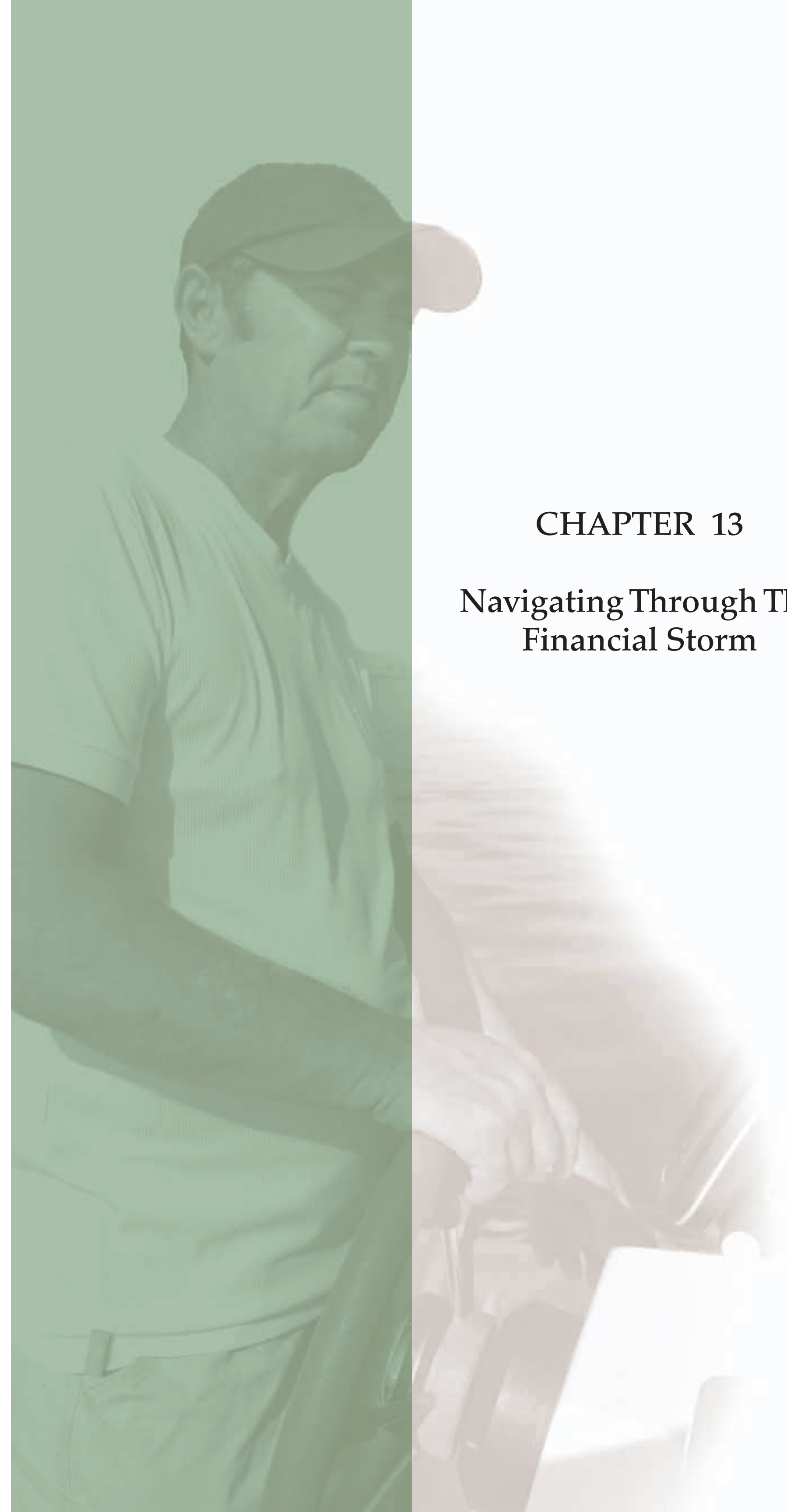
Life should be simpler in retirement and so should your finances. A growing body of research suggests that our financial decision-making skills slip after age 70 and suffer more rapid declines after age 75. About half of those in their 80's have some dementia or cognitive impairment. You should have a clear-cut financial plan all through your working years but there is even more urgency as you move into retirement. Shifting investments from individual stocks, mutual funds or riskier investments like private partnerships to fixed-indexed annuities provides guarantees that your money will be there when you need it. The fixed-indexed annuity doesn't give up the potential for market type gains but it does take the element of risk out of your financial plan.

I have a 91 year client who in 1999 at the age 80 purchased a $1,000,000 variable life insurance policy. The family's financial advisor (not me) estimated that their $3,000,000 stock portfolio and variable annuities would more than double in 10 years and the life insurance policy would go to pay estate taxes. The client is in a nursing home with severe dementia and the costs of care are $72,000 per year. The premium on the life insurance policy has increased to almost $90,000 per year. Due to the two market crashes that we experienced in the past decade the clients family trust was faced with near crisis type decisions. The stocks, mutual funds and variable annuities in the portfolio had lost significant value. Management Fees by the Broker Dealer trustee were significant as a percentage of assets. The cost of nursing home care was constantly rising as was the premium on the life policy. Premiums that are paid into a variable life insurance policy are invested in market type funds that have the potential to grow and increase your cash value. Higher cash values could offset or reduce the amount of added premium that is required to keep the life insurance in force. With the dismal performance of the market the variable life insurance policy, the variable annuities, and the stock and mutual fund investments all lost money.

The current value of the family trusts investments are now $1.2 million. There is no cash value in the life insurance policy. Annual costs to the trust for nursing home care, insurance policy premiums, trust management and brokerage fees , and other care for the client are almost $200,000. If the client lives for another 5 years his estate will be broke.

I see far too many examples of seniors that have made alot of money during their working careers only to have their investments virtually disappear in the last decade. At a time when you should have less risk or no risk the financial plan doesn't change. In my clients case, before he lost the cognitive skills to manage his own money he turned that responsibility over to his financial advisors investment firm. From my perspective it was like letting the fox into the hen house. The result has been that market losses, health care costs, and management fees significantly depleted the trust values. The family members were scared. In 2009 they asked me for help.

I was able to sell their $1,000,000 variable life insurance policy for $490,000. This is called a life settlement and will be covered in a later chapter. The sale of the policy has eliminated the $90,000 annual premium to keep the life insurance policy in force. It has replenished lost cash from the trust's investments. I recommended that the trust move money from the investment firm into immediate, fixed, and fixed indexed annuities with principal guarantees and payouts so they will have the money to take care of their father. I call my recommendation "Navigating Through the Financial Storm". I will share it with you as another way to take income and preserve principal.



CHAPTER 13

Navigating Through The Financial Storm

Many retirees want a way to take income without invading the principal. They want to live off the earnings and pass most of the money on to the spouse, kids, or grandkids. I am going to show you another way to take income safely from your retirement savings. This strategy uses 4 annuities.

Let's say you start with $1,000,000 in non-qualified money. You're 65 years old, recently retired and you want to take income. You're in the 25% tax bracket. You want to live comfortably but you want to pass most of your money on to your spouse, kids and grandkids. You just want to live off the earnings. To preserve wealth you never spend the principal. My parents taught me that simple truth when they retired. If you start spending the principal then slowly your earnings go down and soon your money runs out. The wealth rule is only spend the earnings never the principal.

Welcome to "Navigating Through the Financial Storm"

Ladder your money!

- Receive 3% - 10% Bonus to offset your stock losses
- Receive $3,805.27 or more income per month for 15 years
- Your principal is never at risk in the stock market
- Start with $1,00,000, end with $1,000,000
- Receive $942,463.44 in income over the next 15 years

We will begin with $1,000,000 of Non-Qualified Money

The first step of the ladder you will purchase an immediate annuity $225,085.00. You will begin receiving after-tax monthly income of $3,805.27 each month for 5 years.

The second step of the ladder you'll purchase a fixed-indexed annuity for $191,322.00. You will receive an immediate BONUS of 3% or $5,739.66. Fixed-Indexed annuities guarantee 100% of principle and credit market type gains without putting your money at risk. For illustrations purposes we use a conservative 5% annual rate of return. After 5 years you will begin to take after-tax income projected at $4,072.92 per month for 60 more months.

The third step of the ladder you will purchase a fixed-indexed annuity for $146,035. You will receive an immediate BONUS of 10% or $14,603.50. Fixed-Indexed annuities guarantee 100% of principle and credit market type gains without putting your money at risk. For illustrations purposes we use a conservative 5% annual rate of return. At the end of 10 years you will begin to take after-tax income projected at $4,024.25 per month for 60 more months.

The last step of the ladder you will purchase a fixed-indexed annuity for $437,288.00. You will receive an immediate BONUS of 10% or $43,728.80. Fixed-Indexed annuities guarantee 100% of principle and credit market type gains without putting your money at risk. For illustrations purposes we use a conservative 5% annual rate of return Based on these projections:

Your ending balance will be $1,000,000 AND
You will have received after-tax income of
$942,463.44 over 15 years.

The spreadsheet on these two pages illustrates what I have just described. If you want income with guaranteed preservation of principal then using an immediate annuity and three fixed indexed annuities are your answer.

Deposit				Income and Deferral Flowchart									
$1,000,000				*Prepared for:*		Smart Saver				*Prepared by:*		Steve Lance	
	Immediate Income **60-month payout** *Immediate Annuity*			*Deferred Phase One* *60-month deferral* *FIA Insurance Company A*				*Deferred Phase Two* *120-month deferral* *FIA Insurance Company B*			*Deferred Phase Three* *180-month deferral* *FIA Insurance Company C*		
Year	**Gross**	**Tax**	**Net**	Beginning	Assumed Rate	End of Year	**Year**	Beginning	Assumed Rate	End of Year	Beginning	Assumed Rate	End of Year
	$225,085	Initial Deposit		**$191,322**	Initial Deposit			$146,305	Initial Deposit		**$437,288**	Initial Deposit	
1	$3,865.09	$59.81	$3,805.27	$197,062	5.00%	$206,915	**1**	$160,936	5.00%	$168,982	$481,017	5.00%	$505,068
2	$3,865.09	$59.81	$3,805.27	$206,915	5.00%	$217,260	**2**	$168,982	5.00%	$177,431	$505,068	5.00%	$530,321
3	$3,865.09	$59.81	$3,805.27	$217,260	5.00%	$228,123	**3**	$177,431	5.00%	$186,303	$530,321	5.00%	$556,837
4	$3,865.09	$59.81	$3,805.27	$228,123	5.00%	$239,530	**4**	$186,303	5.00%	$195,618	$556,837	5.00%	$584,679
5	$3,865.09	$59.81	$3,805.27	$239,530	5.00%	$251,506	**5**	$195,618	5.00%	$205,399	$584,679	5.00%	$613,913
6				$4,335.76	$262.84	$4,072.92	**6**	$205,399	5.00%	$215,669	$613,913	5.00%	$644,609
7				$4,335.76	$262.84	$4,072.92	**7**	$215,669	5.00%	$226,452	$644,609	5.00%	$676,839
8				$4,335.76	$262.84	$4,072.92	**8**	$226,452	5.00%	$237,775	$676,839	5.00%	$710,681
9				$4,335.76	$262.84	$4,072.92	**9**	$237,775	5.00%	$249,664	$710,681	5.00%	$746,215
10				$4,335.76	$262.84	$4,072.92	**10**	$249,664	5.00%	$262,147	$746,215	5.00%	$783,526
11							**11**	$4,501.51	$477.26	$4,024.25	$783,526	5.00%	$822,702
12							**12**	$4,501.51	$477.26	$4,024.25	$822,702	5.00%	$863,838
13							**13**	$4,501.51	$477.26	$4,024.25	$863,838	5.00%	$907,029
14							**14**	$4,501.51	$477.26	$4,024.25	$907,029	5.00%	$952,381
15							**15**	$4,501.51	$477.26	$4,024.25	$952,381	5.00%	$1,000,000
	Exclusion	93.81%		**Gross**	**Tax**	**Net**		**Gross**	**Tax**	**Net**			
	SRF	*$1,717.17*	*93.81%*	**60-month SPIA**				**60-month SPIA**					
	Assumed Tax Bracket		*25.00%*	**Deposit**	**$251,506.15**			**Deposit**	**$262,147**				
				Guaranteed Rate Y1		*5.00%*		*Assumed Rate Y1*		*5.00%*	*Assumed Rate Y1*		*5.00%*
				Guaranteed Rate Y2+		*5.00%*		*Assumed Rate Y2+*		*5.00%*	*Assumed Rate Y2+*		*5.00%*
				Premium Bonus		*3.00%*		*Premium Bonus*		*10.00%*	*Premium Bonus*		*10.00%*
	After-tax Income Years 1-5 **$3,805.27**			**After-tax Income Years 6-10** **$4,072.92**				**After-tax Income Years 11-15** **$4,024.25**					
	Cumulative Income After 60 months			**Cumulative Income After 120 months**				**Cumulative Income After 180 months**			**End Value**		
	$228,316.47			**$472,691.87**				**$942,463.44**			**$1,000,000**		

Actual returns will very based on market conditions and the rate of return provided for in the annuity policy. The hypothetical example is provided o rovided only as a matter of information. It is based on an assumed rate of return. It does not amend, extend or alter the rate of return in the actual annuity contract, which may be lower than the rate of return shown in this example. The rate of return and benefits affc nefits afforded by the annuity contracts are subject to all the terms, exclusions, and conditions of the annuity contracts.

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This illustration assumes a cash deposit of non-qualified funds. Funds which are 1035 exchanged ıanged with a lower basis or qualified funds will reduce the net payout on income in all years.

CHAPTER 14

Stop Chasing Yield

The U.S. Stock market just wrapped up what was the worst decade ever. In nearly 200 years of recorded stock market history, no calendar decade has seen such dismal performance as the 2000's. Investors would have been better off burying their money in a coffee can in the back yard than being in the stock market. Since the end of 1999 stocks traded on the New York stock exchange have lost an average 0.5% per year thanks to the twin bear markets. The past decade looks even worse when you adjust for inflation. Since the end of 1999, Standard & Poor's 500 stock index has lost an average of 3.3% a year on an inflation adjusted basis.

What happened?

America was coming off a euphoria of the 1990's when the Cold War had ended,

had been defeated, capitalism triumphed and the internet was erasing borders and boundaries. The Information Age was in full swing with expectations that the Dow Jones could could soar to 36000. Harry S. Dent, one of the world's most prescient forecasters wrote the New York Times Best Seller "The Roaring 2000's" predicting that the Dow will reach at least 21,500 and possibly 35,000 by the year 2008.

We survived the Y2K scare that alarmists predicted would disrupt businesses and governments on a global scale after the stroke of midnight and at the dawn of a new decade. But in March 2000 the internet bubble burst, destroying trillions of dollars of wealth and retirement savings. The dot com implosion was a rude awakening from our technology-induced dream that we could expect market gains of 20% or more each year. Then in September 2000 the unthinkable

happened. Arab terrorists highjacked two 747 passenger planes and crashed them into the Twin Towers in New York City. Terrorism had replaced communism and we became aware of the frightening reality that we might not be safe, even in our own country. Most of the decade was then consumed in two ugly wars testing our resolve to bring freedom, democracy & self government to Iraq and Afghanistan.

Our business leaders were popular hero's in the 1990's with the likes of Jeff Bezos, Andy Grove and Ted Turner making Time magazines "Person of the Year" . But in the new decade scandals erupted at Enron, Worldcom, Adelphia, and Parmalat. Dennis Kozlowski's company-financed birthday party for his 2nd wife on the island of Sardinia became a symbol of corporate excess. Meanwhile CEO's & CFO's were receiving exorbitant salaries & bonuses and living a lifestyle of the rich and famous. When the dust settled Kozlowski from Worldcom and Jeffry Skiller from Enron began serving lengthy prison terms as did a host of others. But the real tragedy was the employees of these companies who lost their savings, their investments that were tied to company stock, and their hope for retirement.

In the 2000-2002 crash the S & P 500 index dropped 46% from it's highest point to it's lowest point. Americans confidence was shaken as the run up of gains from tech stocks quickly disappeared. Saver's and investors alike saw the values of their portfolio's take a sizeable hit. If you were in retirement or near retirement at that time those were life altering events for many. A retiree with $1,000,000 in his retirement fund before the crash would have to significantly change plans or even go back to work if his account had been reduced to $560,000.

Americans began a spending spree using credit card debt and the value of their homes to finance their wants and desires. Banks seemed to be in a race to sign up consumers for new credit cards. Direct mail credit card offerings filled mailboxes and TV commercials gave you a toll free number so you could apply. Home values inflated and mortgage companies and ingenious financiers turned housing debt into complex instruments called credit default swaps in which some of the largest banks and insurance companies were ensnarled. Ultimately this brought down proud and trusted companies like Bear Sterns, Lehman Brothers, Merrill Lynch, and Wachovia. Some were gone or sold off to rivals and others were in the arms of the government.

By March of 2009 the S & P 500 Index was down 59% from it's high. American savers were again hit in the gut as they watched their savings and their retirement money drop to new levels. The old investment strategy to buy and hold failed us. If you were approaching retirement or in retirement the financial meltdown of 2008-2009 may have been devastating. Being faced with the possibility that you might not have enough money to retire or that you might outlive your money in retirement has left millions of americans saying prayers and searching for answers.

Fraud, Ponzi schemes and insider trading colored the landscape at the close of the decade and further eroded wealth and consumer confidence. The $7.5 billion dollar Ponzi scheme orchestrated by Bernie Madoff over 20 years left million of investors without their money. Investors that thought their money was safe or who had never heard of

Bernie Madoff could have invested through a number of feeder funds that in turn placed their money with Madoff. Their money too was lost. Madoff is currently serving 125 years in prison while any assets are being liquidated in the hope of repaying some investor money.

The Best of Times and The Worst of Times

The best stock fund of the last decade was the $3.7 billion CGM Focus Fund. Even if you were in the fund which had a 10-year annualized yield of 18.2% you probably weren't around long enough to enjoy it. The typical CGM Focus fund shareholders lost 11% annually in the 10 years ending November 30, 2009, according to Morningstar, Inc. These investor returns, also known as dollar-weighted returns track the effect of cash flowing in and out of the fund as shareholders buy and sell. Investor returns can be lower than mutual fund returns because shareholders often buy a fund after it has had a strong run and sell as it hits bottom.

The gap between CGM Focus's 10-year investor returns and total returns is among the worst of any fund tracked by Morningstar. The fund's hot and cold performance likely widened that gap. The fund surged 80% in 2007. Investors poured $2.6 billion in to CGM Focus the following year, only to see the fund sink 48%. Investors then yanked $750 million from the fund in the first eleven months of 2009.

The worst fund of the decade was Frontier MicroCap, a small cap fund that had a -35.6% annualized total return.

Investing has been trecherous this past decade. FIA's would have given you gains without the losses.

How much does it cost to own a Mutual Fund?

It probably costs you alot more than you think. In selecting mutual funds, most investors know to check the expense ratio, the standard measure of how costly a fund is to own. U.S. stock funds pay an average of 1.31% of assets each year to the portfolio manager and for other operating expenses, according to Morningstar, Inc.

But that's not the real bottom line. There are other costs, not reported in the expense ratio, related to the buying and selling of securities in the portfolio and those expenses can make a fund two or three times as costly as advertised. One reason trading costs go unreported is their complexity, which leaves the fund companies in disagreement about exactly how to calculate those costs. Trying to quantify a fund's trading expenses can be about as easy as performng brain surgery.

Fund firms on the whole aren't clamoring to disclose more information about these costs. The Securities and Exchange Commission seems to revisit this issue every several years without much happening. And investors are left trying to piece something together from snippets of information disclosed in a prospectus or other material.

"The average investor can't really ever begin to get a strong grasp on these additional costs,"said Richard Kopcke, an economist at the Center for Retirement Research at Boston College who co-wrote a recent study about fees and trading costs of mutual funds in 401(k) plans. "There's just not enough information. Not even close."

Mr. Kopke's study looked at the 100 largest U.S. stock funds held in defined-contribution plans as of December 2007 and found trading costs for the funds that averaged from 0.11% of assets annually in the quintile with the lowest costs, to 1.99% of assets in the quintile with the highest costs, with a median of 0.66%. A study updated in 2009 of thousands of U.S. stock funds put the average trading costs at 1.44% of total assets, with an average of 0.14% in the bottom quintile and 2.96% in the top.

Stephen Horan, head of professional education content and private wealth at CFA Institute, a nonprofit institute for professional investors estimates that trading costs for stock funds total 2% to 3% of assets annually though conservative estimates place them closer to 1%, he says. Trading costs other than commissions aren't required to be disclosed by funds.

Turnover in the fund is a clue to trading costs. Turnover, expressed as a percentage, shows at what rate stocks in the fund have been replaced. Turnover at a rate of more than 100% can indicate trading costs may be on the high side, said Russell Kinnel, director of fund research at Morningstar, Inc. In a Morningstar list of the 200 largest U.S stock funds, the funds with the highest ratios were CGM Focus, att 504% and American Century Equity Income at 296%. Of the 32 funds that had turnover above 100%,11 were from Fidelity Investments, topped by Fidelity Advisor Mid Cap, at 244%.

All this leaves the average investor trying to make an educated guess on where to put his money so it grows and doesn't get eaten up with management fees and trading costs that are controlled by the people that run the fund. The portfolio manager and stock traders get paid whether you make money in the fund or not.

There are no management fees, trading costs, or sales loads with Fixed-Indexed Annuities. You don't have to be concerned that the first 3%-5% of the gains in your fixed-indexed annuity go to pay management fees and trading costs. You don't have to be concerned that if the stock market is down 5%-10% or that the fund fees and trading costs will further erode your savings. Fixed-Indexed annuities are not in the stock market. There are no fees. There is simply guaranteed growth and guaranteed preservation of principal. It makes for an easier decision.

How bad did you crash?

Wednesday, March 10, 2010 marked the 10th anniversary of the peak of the technology stock bubble. It was a significant day for Robert Shiller, a Yale University Professor whose book "Irrational Exuburance" warned of the tech bubble just before it burst in 2000. On that date the Nasdaq Composite Index closed at a record 5048.62 up 24% since the beginning of the year, after an 86% gain in 1999. Many were calling for the Nasdaq to hit 6000 within a year or two. Americans were trading tech stocks thinking that they could get rich quick. Investors paid through the nose for just about every internet related stock that year. Among the ten biggest tech stocks, Lucent Technologies, Nortel Networks Corp., America Online, and Sun Microsystems Inc. all went on to lose most of their value. Back in 2000 tech stock bulls argued that Microsoft Corp., Cisco Systems, and Intel Corp deserved enormous stock prices because they would be lasting world

leaders. The companies remain world leaders but their stock prices are about 60% below their 2000 highs.

The great debate for analyst's like Mr Shiller in todays market is after two historic corrections this decade have stocks finally worked off excessive prices and now can they return to steady growth. Mr. Shiller and other pessimists say that government intervention in the economy in 1998, 2001, and 2008 has kept stocks from fully correcting. He also worries that the housing market could be turning down after a brief recovery, which could contribute to the decline in U.S. Stocks which already look expensive to him.

Meanwhile Jeremy Siegel, Professor at the University of Pennsylvania's Wharton school and friend of Mr. Shiller since their days together in graduate school at the Massachusetts Institute of Technology in the 1970's scoffs at his friends concerns. Mr. Siegel who wrote the bullish book, "Stocks for the Long Run" was the bible for many investors in the 1990's. Mr. Siegel says, "This is an extremely cheap market and it's future is bright."

Both analysts offer a slew of data to support their viewpoint. Their reputations as forecasters may be affected by which of them winds up being correct.

This all leaves the average investor/ saver in a quandary.

In 2010, Investors around the globe have pulled $15.3 billion out of U.S. stock funds, according to data from EPFR Global, which tracks money flows. Uncertainty in Washington on the economy and on the housing market has added to concerns about deficits and government spending. Baby Boomers edging closer to retirement are very, very nervous about the markets and the future of the economy.

If you have 20 or more years until retirement you may be more of an optimistic investor/ saver and favor Mr. Seigels viewpoint. Trying to capture the next Microsoft or Google in it's infancy is exciting. But the reality of investing for most investors in the past decade is you have less not more.

Rather than trying to project the future, score big on the likes of a Microsoft or Google there is a steady, proven and guaranteed road to building wealth with fixed-indexed annuities. There is much to be said about guarantees and steady growth in a market that sees such uncertainty and volatility.

CHAPTER 15

Other Ways to Use Annuities

College Funding with FIA's

When you save money for your kids or grandkids college education you don't expect to lose your money. But in the wake of last year's market collapse and some high profile fund blowups like the Oppenheimer bond fund that bet heavily on mortgage-backed securities parents and grandparents are looking for options other than 529 college funding plans. The traditional 529 plan has been pitched as the ultimate college savings vehicle. Investors can put after-tax dollars into an account that typically offers a range of mutual funds and other investments. Distributions and earnings are tax free as long as they are used for higher education. The plans are sponsored by states, and their investment options and fees can vary widely.

In 2006 $15.5 billion went into 529 plans and an additional $15.2 billion was contributed by investors in 2007. In 2008 the contributions plunged to an estimated $5.2 billion and $4.8 billion in 2009 according to Financial Research Corp., a Boston research firm. In today's jittery investment environment, many parents and grandparents are foregoing the tax benefits of a 529 plan to retain the flexibility to use the money for whatever they wish. To get the tax benefit, any money saved through the 529 must be used for qualified higher-education expenses such as tuition or fees. If the child doesn't go to college, you can't pull the money out of the plan without paying taxes and penalties on the gains. There are also limited investment choices in 529 plans and restrictions on the number of times people can change their portfolio every year.

The theory behind 529 plans is really good but until you experience the losses you don't realize that the money that you were saving for your kids college might not be there when you need it.

The Virginia College Savings Plan began offering FDIC-insured savings accounts to their more conservative investors. In October 2009 Colorado's broker-sold College Savings Program added new portfolio options, each investing in zero-coupon U.S.Treasury bonds. However the lower the interest rate is on these savings options ,the less important are the tax savings.

Another option that is used by parents and grandkids for it's safety, flexibility, guaranteed growth and tax savings is the fixed-indexed annuity. Some FIA's offer bonuses on deposits for all years while you're saving. Interest on principal, interest on the bonus, and interest on interest grows tax deferred. Loans can be taken against the FIA to fund college without penalty or taxes. Unused funds can be used by the parents or grandparents to fund their own retirement. The money will be there when you need it or when you children or grandchildren need it. It's guaranteed.

Purchasing an FIA inside a Roth IRA can make perfect sense if you'll be 59 1/2 when your kids or grandkids need college funds. Roth IRA deposits & interest earned are tax free if you're at least 59 1/2 and your Roth IRA is 5 years old when the money is withdrawn. You can deposit up to $5000 in earned income in a Roth IRA if you are 49 years old or younger. You can deposit up to $6000 in earned income if you are 50 or older. The FIA surrender period or free withdrawals should correspond to the time line when you need the money.

Using Life Insurance to Fund College

Certainly annuities can help fund college but some clients with kids are funding their college with life insurance. There is a fixed indexed life insurance plan that credits market gains to your cash values but never market losses just like the fixed indexed annuity. You can put $100 per month into a life insurance plan for a youngster and your cash plus growth will be there at college time. If funds aren't used for education then the policy can be continued. You've established a life insurance retirement plan where money grows tax free when taken as loans at retirement age. Your now adult child can continue paying the $100 per month during their working career and the payout at retirement can be phenomenal.

Here's an example of parents with a 4 year old. They start depositing $100 per month in an "Equity-Indexed Universal Life Insurance Policy" (EIUL) that credits interest similar to a fixed-indexed annuity. At 18 the policy has a current cash value of $26,563.00. The cash value could be higher or lower than the current estimated cash value but never below the guaranteed value of $15,407. You can borrow against the cash value and essentially be your own bank for college loans. You can also surrender the policy for the cash value.

A very exciting scenario is to encourage the son or daughter to continue paying $100 per month into the policy during their working career. You've advised them that this

policy will give them tax free retirement income if they just keep making their regular $100 per month payments. At 65 the tax free retirement would be a whopping $204,000 based on a current illustration of an equity indexed universal life policy. This could be the most sound advice that you could give a young adult for building wealth.

Equity Indexed Universal Life Insurance has other protections. There is a death benefit if tragedy strikes. Loved ones are protected. Some Equity Indexed Life Insurance policies have living benefits so if you have a heart attack, stroke or get cancer then some of the death benefit is available to you immediately.

Don't be confused between Variable Life Insurance and Equity Indexed Universal Life Insurance. Variable means your money is usually invested in subaccounts that can lose money with market downturns and fees are charged to "manage" your money. Equity Indexed Universal Life has no management fees and the interest that is credited is based on a stock index gain and your money is never subject to market risk.

If you have trouble finding a knowledgeable advisor for either fixed-indexed annuities or equity-indexed universal life insurance just send me an e-mail at Steve@AskMrAnnuity.com and I will locate an advisor in your area.

Living Trusts & Annuities

Living Trusts enable you to control the distribution of your estate, and certain trusts may enable you to reduce or avoid many of the taxes and fees that will be imposed upon your death. A trust is a legal arrangement under which one person, the trustee, controls property given by another person, the trustor, for the benefit of a third person, the beneficiary. When you establish a revocable living trust, you are allowed to be the trustor, the trustee and the beneficiary of that trust.

When you set up a living trust, you transfer ownership of all the assets you'd like to place in the trust from yourself to the trust. Legally, you no longer own any of the assets in your trust. Your trust now owns yours assets. But, as the trustee, you maintain complete control. You can buy as you see fit. You can even give assets away.

A living trust allows you to by pass probate and costly legal fees associated with the probate process. It also keeps the affairs of the estate private. It took years to resolve the estate of Howard Hughes and Elvis Pressley in the courts and it was all open to the public media. People with estates over $50,000 often chose a living trust as the method to pass assets on to beneficiaries.

On the death of an annuity policyholder the annuity value is passed to the designated beneficiaries whether there is a living trust or not. The annuity also bypasses probate so a living trust is not required for this exclusive purpose. At time of purchase the policyholder can designate a primary and secondary beneficiaries and stipulate the percentage that each is to receive on the death of the owner. The owner can change his beneficiary selection at any time by using the beneficiary change form provided by the insurance com-

pany. Ownership of the annuity can also be transferred to the trust by the owner.

In most states annuities are exempt from creditors regardless of whether they are in a trust or not.

A living trust can be the owner and beneficiary of the annuity when it's named by the trust. A fixed indexed annuity provides the same safe guaranteed returns for the trust as it does for an individual owner. The proceeds of the annuity are distributed according to the trust when the trust is named the beneficiary.

It is always important to do good planning with the goal of minimizing the shrinkage of your estate. You might find it interesting to review a list of famous people and the costs associated of settling their estates.

Annuity and Life Settlements

Annuity Settlements

Let's hope you win the state lottery. You decide to take the 20 year guaranteed payout because you want pension type income and you like the security of knowing you'll have a regular check in the mail for 20 years. To make that happen, the state purchases an annuity with an insurance company for some of the winners. The insurance company guarantees that you'll receive those payments. Most financial advisors will recommend that you take the lump sum offered from the state lottery, pay the taxes due and let them invest it. Historically, with the lump sum strategy, these lottery winners have spent, or lost the remainder of their winnings long before the 20 years was up. It may have been due to poor investing, stock market losses, over spending, or even loaning money to friends and family. Without careful planning being "rich" can soon lead to being poor. So to avoid that scenario let's say you opted for the 20 year guaranteed payout.

Your neighbor, unfortunately was not as lucky as you. His car was broadsided in an accident with a commercial truck. He sustained injuries that left him partially or totally disabled. He needs help to get around and can't earn a living like he used to. The insurance company for the commercial trucking company agreed to pay your neighbor for his injuries and his loss of future income with an annuity that gives him a lifetime monthly check. The payment will continue as long as he lives. It acts like his pension. Often this pension type annuity payment is handled through the courts and it's called a structured settlement.

A third neighbor recently died. About 10 years ago he purchased an annuity that he wished to leave to his two adult kids. When he died the insurance company advised the deceased's now adult children as beneficiaries that the money had to be taken out over a minimum of 5 years in order to receive the full accumulation value of the annuity. One adult agreed to take the 5 year payout but the other sibling needed the lump sum. The lump sum was a lesser amount than the 5 year guaranteed payout.

In these examples the insurance company guarantees to make these payments.

The recipients of the "income stream" from the insurance company can use the money in any way that they wish. There are no restrictions. The money can be used to pay rent or a mortgage, purchase a car, pay for household expenses, or take a vacation. They can even sell part or all of the future income stream for a lump sum. Often recipients of a structured settlement or our lottery winner might want or need a lump sum of cash at some time in the future. The one adult sibling that agreed to a 5 year payout could also sell some or all of their remaining payments if a lump sum was needed in the future. The adult sibling that needed the initial lump sum from the insurance company might be able to sell the income stream for a higher lump sum.

Annuity & Life Settlement Companies provide liquidity when an owner of an income stream needs to convert some or all of their monthly income to a lump sum. With pension type annuity income from an insurance company the owner has conversion and liquidity options.

Life Settlements

I was able to get $490,000 for my 91 year old clients estate when I sold his $1,000,000 variable life insurance policy to an Annuity and Life Settlement Company. It relieved the trust of the expense of maintaining the policy and provided needed cash to pay nursing home expenses Settlement companies can provide cash for life insurance policy owners who no longer want or need their life insurance. A life settlement is the sale of a life insurance policy by the policy owner for less than the face value but more than the cash-surrender value of the policy. Instead of the policy owner paying the ongoing premium to keep the life policy in force they simply transfers ownership of the policy to the Annuity and Life Settlement Company. It is the settlement companies obligation to make the premium payments to the insurance company. This relieves the policy owner of the expense and the money saved can go to the "rainy day fund", vacation fund, travel fund or even a fixed-indexed annuity for safety of principal and income growth.

The life settlement market emerged as an offshoot of the viatical settlement industry that developed in the 1980s as a source of liquidity for AIDS patients and other terminally ill policyholders with life expectancies of less than two years. Unlike viaticals, however, life settlements involve policyholders who are not terminally ill but generally have a life expectancy of between two and ten years. Life settlements also tend to involve policies with higher net death benefits than viaticals.

Life settlements can be a valuable source of liquidity for people who would otherwise surrender their policies or allow them to lapse. Someone who is considering the sale of their life insurance policy should become familiar with their existing policy and fully understand the options. Shopping around for the best offer, and dealing only with licensed buyers and brokers will help insure that you get the best value for your policy.

Since the Annuity and Life Settlement company purchases both annuity policies and life insurance policies I felt the reader should have a brief explanation of life settlements. If you are considering selling your life insurance policy there is a wealth of information on the web.

Annuities and the Federal Employees Retirement System (FERS)

Retiring government employees and postal workers have a decision to make at retirement. They are entitled to receive a basic benefit plan that includes a supplement to social security as well as life insurance, health & disability insurance and dental coverage. Retirees can also choose to take social security income or defer taking payments until a later age at which time their payments will be greater.

The biggest decision is how to take income from their Thrift Savings Plan (TSP). You contributed a portion of your earnings while you were employed and in good times the government matched a portion of those earnings as you set them aside for retirement.

You may have elected to invest the money and matching funds in low risk short term treasury bonds , domestic stocks, long term government or investment grade bonds, or small cap stock funds. Each fund had a different degree of risk and return.

But now you're faced with a decision on how to take income in retirement. Your choices are:

1. A lifetime annuity and a continuation of payments for your spouse
2. Take your account balance over a fixed period of time

3. Receive a lump sum payout
4. Transfer your money to an IRA

Retiring employees can receove a lifetime annuity and 50% survivor benefit for their spouse. But if you die sooner rather than later you may never receive all of the money that has accumulated in your TSP account.

You can receive all of your money over a 10, 15 or 20 year period time. But with this choice will the money last as long as you live or your spouse lives? What happens when the money runs out?

You can receive a lump sum. But if you don't roll it over into an IRA you'll pay a hefty tax bill.

A direct rollover to a fixed indexed annuity can give you an upfront bonus. You can add the guarantee income rider to your annuity so you are your spouse have income as long as you both live. You can name your kids as beneficiaries so any amount left in your annuity will go to them and you're annuity will not have to go through probate.

Brokerage firms are also available for direct rollovers to an IRA when you retire. But here are the typical charges when investing in a Class A mutual fund with a brokerage firm. Upfront charges can reduce a rollover from your TSP from $100,000 to $95,000.

Mutual funds issuing Class A shares generally offer discounts, called "breakpoints," on the front-end sales charge for larger investments or additional investments

within the same fund family. For example, a mutual fund might impose a front-end sales charge of 5.75% for all investments of less than $50,000, but reduce the charge to 4.50% for investments between $50,000 and $99,999, and further reduce or eliminate the front-end sales charge for even larger investments.

Class B Shares are no load funds but the sales charges occur at the back end rather than the front. So you pay the fee when you take the money out.

In a mutual fund you have ongoing fees and your money is exposed to market losses.

With a FIA you have guarantee of principal and the potential for market type gains without market losses. If you rollover $100,000 into an fixed indexed annuity IRA it can be $110,000 on day one. It's better to start retirement with more money than less money but then no one needs me to tell them that.

Thanks for your years of service.

Cashing Out Your 401(k): Don’t Do It!

Don't take the money! If it's in your 401(k) and you change jobs roll it over to an FIA. The money will grow with triple compounding and be there for a lifetime income later. But according to researcher Hewitt Associates the number of workers who took a cash distribution from their 401(k) after leaving a job but prior to retirement age was 46% in 2008. Even though this data was collected in a recession, the number of early distributions was virtually unchanged from a study in the boom year of 2005.

Hewitt analyzed the behavior of 170,000 participants in the plans who left their jobs in 2008. Twenty-Five percent of workers rolled their money into other retirement plans such as IRA's , and 29% kept it in their prior employers 401(k) plan. Younger workers and those with small balances are the worst offenders.

The research suggests many people just aren't getting the message on what I consider a major financial blunder.

Cashing in your 401(k) or pension annuity has a HUGE effect on retirement savings. Think of it as cashing in your pension and saying "NO, I don't want a pension at retirement." When you cash out or take money you must pay income tax and you remove money from your tax-sheltered umbrella. If under 59 1/2 you also face a 10% tax penalty.

People with less money in their accounts were more prone to cash out. About 85% of the workers leaving a job with less than $1000 in the account opted to cash out as did 40% of those with balances between $1000 and $20,000. The cash out rate fell to 17% for balances between $20,000 and $100,000 and 8% on accounts of $100,000 and up.

Similarly, 60% of people in their 20's who leave jobs cash out of their plans. That declines steadily as participants age, with 31% of those in their 60's cashing out.

Miserable performance or even losses in your 401(k)

plan that invested in stock market mutual funds may have prompted many to cash out. "Why not take the money, my investments just keep going down." might be the common sentiment.

But more people would "rollover" their money and avoid the tax and penalty if they knew what was safe and what could give them a bonus on all rollovers, deposits or transfers for the next 5 years or longer. Fixed-Indexed annuities can provide the bonus and the safe haven that savers are looking for. This hybrid annuity can provide market type gains without market type losses and a guarantee of a lifetime retirement income without loss to principal. Unfortunately most workers don't know that this is an option. Fund managers and advisors have the mindset that mutual fund diversification and rebalancing of assets is the road to wealth and prosperity. Additionally managers and advisors get paid from fees collected by the mutual funds to keep your money "under management". There are no management fees or sales loads with a fixed-indexed annuity. If your fund manager or financial advisor recommended a fixed-indexed annuity for your 401(k) or IRA he would not earn the regular fees that he would otherwise make if you stayed in the mutual fund.

So it's time to get the word out. There's a safe option that gives you a bonus and guarantees your principal when you leave one job for another. Even if your balance is small it will grow consistently with triple compounding, no market losses and it will provide a lifetime pension for you when you retire.

Stretch Your IRA to Kids & Grandkids

Required minimum distributions or RMD's are paydays for the IRS. Millions of Americans are forced to take income from their untaxed qualified funds when they turn 70 1/2. Even if you don't need or want to take the money you must take a distribution or pay a penalty. In the calendar year an IRA owner turns 70 1/2 the required minimum distribution must be taken by April 1st of the next calendar year. Another distribution must also be taken by 12/31 of that year. All future distributions must be taken by 12/31 of each subsequent year. Failure to take an RMD will result in a 50% penalty of the undistributed required amount. The IRS is serious about wanting to be paid.

In December 2008 a new law was signed by the President that waives any RMD for 2009 for retirement plans such as 401(k), 403 (b) and certain 457(b) plans. The ACT also waives any RMD's for Individual Retirement Accounts.

The IRS guidelines now use one method to calculate the RMD based on his/her age, unless the spouse is the sole beneficiary and is more than 10 years younger than the IRA owner.

Below is the Table for calculating a required minimum distribution.

Required minimum IRA distributions

Age of Retiree	Distribution Period in Yr's	Age of Retiree	Distribution Period in Yr's
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 or older	1.9

-- Updated: Jan. 2, 2008

Stretching your IRA simply means that you take your RMD's over your lifetime. When you pass, your spouse inherits your IRA and they begin to take RMD's based on their life expectancy. If a son or grandson inherits the IRA then they can begin to take RMD's based on their life expancy. An individual who inherits a parents IRA at age 30 as the example below illustrates, can minimize income taxes by not taking a lump sum and"stretch"the IRA distributions over their longer life expectancy. This can be done with multiple beneficiaries for kids, and grandkids can receive a life long legacy.

This example of calculated IRA distributions assumes the IRA owner is single or spouse is not more than 10 years younger than owner.

YEAR ONE

IRA value on 12/31 of the prior year	$250,000
IRA Owners Age	70
Life Expectancy from the table	27.4 years
Distribution Calculation	$250,000 divided by 27.4 years
RMD distribution for year one*	$9,124
Balance after RMD distribution	$240,876

Interest earned @ 6% = $14,452**
Ending IRA Value (year one) =$255,328***

YEAR TWO

IRA Owners Age	71
Life Expectancy	26.5 years
Distribution Calculation	$255,328 divided by 26.5 years
RMD distribution	$9,635
Balance after RMD distribution	$245,693

Interest earned @ 6% = $14,741*
Ending IRA Value (year one) =$260,434**

* Assumes the RMD is taken at the beginning of the year
** Refers to the interest earned on the IRA balance after the RMD has been taken. The interest rate may be lower or higher than 6%. Interest rate is for illustration purposes only.
***IRA balance may be higher or lower depending on when the RMD is withdrawn during the year.

If a spouse age 70 inherits an IRA they can elect to take the inherited option.

IRA Value on 12/31 of the prior year	$250,000
Life Expectancy for the "Inherited IRA" table	17.0 years
Distribution calculation	$250,000 divided by 17 years
	$14,706

A 30 year old son could elect the "Stretch" option.

IRA Value on 12/31 of the prior year	$250,000
Life Expectancy for the "Inherited IRA" table	53.3 years
Distribution calculation	$250,000 divided by 17 years
	$4,690

Adding the $250,000 to the son's regular income as a lump sum could move him into a higher tax bracket.

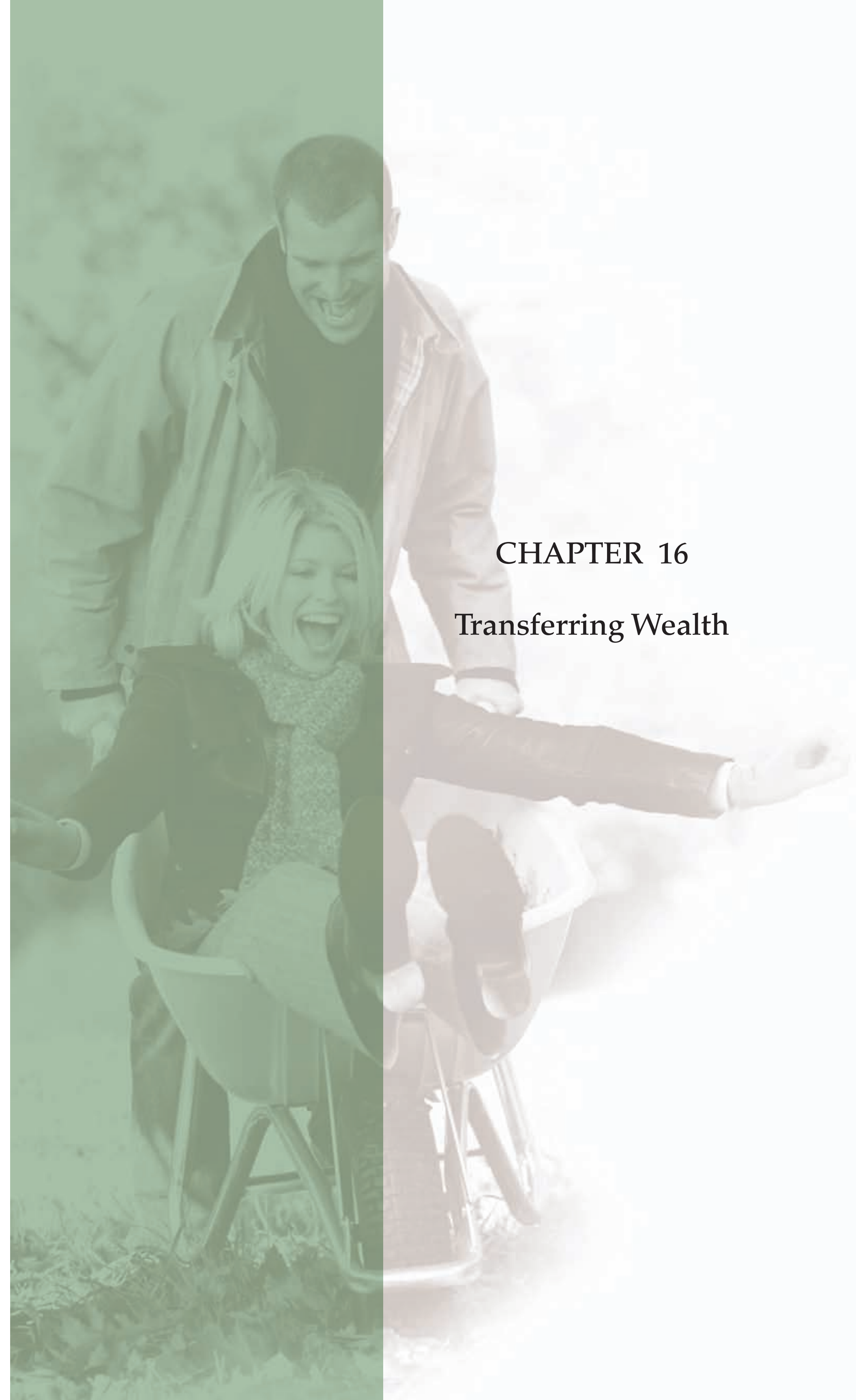
He could lose up to $87,500 (35%) ^ to federal income tax leaving him with just $162,500.

By taking the RMD's based on his life expectancy of 53.3 years the son "stretches" his $250,000 into $1,782,500 of gross distributions during his lifeetime while remaining in control of the IRA balance ^^.

You can receive your required minimum distribution from your fixed indexed annuity. There are no surrender charges when you take your RMD's.

^ Income tax rate is for illustration purposes only. This is the maximum federal tax rate under current law for 2010. State income tax may also apply. Actual tax rate may vary. You should consult your personal tax advisor on any tax matter. The author does not offer legal or tax advice.

^^Distributions based on 6% interst rate. Interest may be higher or lower than 6%. Interest is for illustration purposes only. Please consult your IRA custodian for any restrictions or charges that may apply.



CHAPTER 16

Transferring Wealth

Annuities will help you build wealth and do it safely. They can even help you transfer wealth to your kids or grandkids and avoid income and estate taxes. A life only immediate annuity and a life insurance policy with a no lapse guarantee is the winning combination. An FIA with a Guarantee Income Rider and a life policy with a no lapse guarantee is also an option. I'll explain the difference.

The life only immediate annuity will provide guaranteed income during your lifetime. When you die the insurance company keeps any money that has not been paid out. The insurance company can afford to give you a little higher monthly payout if you select life only. Longevity tables tell them how long you'll live and how long they will have to pay you in most cases. The end result is when you die the insurance company stops paying.

The guaranteed monthly payout on the immediate annuity is used to fund life insurance. The life insurance is guaranteed not to lapse if you make the premium payment.

Here's an example:
A 65 year old male non-smoker is in good health. He's rated standard but not quite preferred because he's had some health issues in the past. He wants to transfer $1,000,000 at death to his children tax free. To do this he purchases a $1,000,000 universal life insurance policy with a no lapse guarantee. The premium is level and is guaranteed not to go up and the policy will not lapse if the premium is paid. The cost for this policy is $2,260.00 per month as quoted from an Insurance Company wiht no lapse policies.

In order to pay this premium he purchases a life only immediate annuity for $367,827.11 that will begin monthly payout of $2,269.00. The annuity payout will be used to pay the life insurance premium.

At death, the beneficiaries of the life insurance policy will receive $1,000,000 tax free. The owner leveraged taxable annuity money into tax free money for his beneficiaries.

A fixed indexed annuity with a lifetime income rider could be used instead of an immediate annuity. The FIA accumulation account grows and is credited with market type gains. The lifetime income rider guarantees annual payments beginning in one year. An FIA with an original deposit of approximately $470,000 would be required to generate annual payments of $27,000 to cover the life insurance premiums. Unlike the immediate annuity when the owner dies any money remaining in the cash accumulation side of his FIA goes to the beneficiaries. The beneficiaries could then receive both the death benefit from the life insurance policy and any remaining account value in the FIA. The FIA also has liquidity. Taking cash from the FIA would reduce the guaranteed payout and might compromise the ability to continue the life insurance premium but liquidity is still a feature of the FIA.

Whether you choose an immediate annuity or a FIA to fund your life insurance policy you wil achieve the end result of transfering money tax free to your beneficiary or to your estate to pay estate taxes.

You've worked hard during this lifetime. You have sacrificed, scrimped, and saved to provide for those you love and for those who love you. This is your final gift. This can be your legacy. Transferring wealth is your blessing for a job well done.

Summary

Annuities will be the 21st Century Pension Plan. They will provide the safety, steady growth, and guaranteed income that American savers will need in retirement. The crediting methods that are available with fixed indexed annuities can be competitive with a portfolio of stocks and bonds without the exposure to market risks.

The guaranteed lifetime income riders provide lifetime income for you and your spouse. You stay in control and have complete access to your account balance. Your beneficiaries will receive the remainder at your passing.

I wish you much success in building wealth safely and reaching the dreams that you have ahead.

Fears about Annuities

Portions and statistics excerpted from the New York Times, Ron Lieber, January 2010 & Wall Street Journal, Anne Tergesen, February, 2010.

What's the Government Doing about Retirement

Excerpted from the Fact Sheet: Task Force on the middle class

Life Insurance Underwriting Guidelines

Industry Standards

Stop Chasing the Yield

Portions and statistics excerpted from the Wall Street Journal, Elenor Lanise, December, 2009

How much does it cost to own a Mutual Fund

Portions and statistics excerpted from the Wall Street Journal, Anne Prior, March, 2010

How bad did you crash?

Portions and statistics excerpted from the Wall Street Journal, E.S. Browning, March 9, 2010

Managing Money: Don't Cash out your IRA when you change jobs

Portions and statistics excerpted from the Arizona Republic Russ Wiles.

403(b) Plan: Essentially a 401(k) for teachers and other government employees.

401(k) Plan: A type of employee savings plan that has many similar features of an IRA. It allows for savings to be directly deposited into an account via payroll deduction, before taxes are deducted. Often, the company matches a percentage of the employee contributions. A 401(k) is subject to many of the same distribution rules as an IRA. A 401(k) may be converted into an IRA if certain rules are followed.

Accumulation Phase: The first half of your financial life, when you're working and saving for retirement. It's during the accumulation phase that you may have more tolerance for long-term risk investments.

Annuity: An agreement with an insurance company where you, the annuity owner, agrees to pay the insurance carrier a premium, and the carrier agrees to pay you an interest rate in return. Also can define a series of payments to you in exchange for a Single premium payment or series of premium payments to the carrier.

Fixed Annuity: An insurance annuity in which you cannot lose your principal unless you withdraw it early. Can also be defined as an annuity that pays a fixed interest rate.

Fixed Indexed Annuity (or FIA): A special type of fixed annuity in which your interest credit can be tied to the performance of a market index, such as the S&P 500 or Dow Jones Industrial Average.

IRA: A tax -deferred Individual Retirement Arrangement. An IRA allows you to save for retirement while not paying taxes on the accumulation of your investments, and generally allows you to make contributions on a pre-tax basis. However, taxes become due and payable upon withdrawal of the proceeds. IRAs are subject to strict contribution and distribution rules set forth by the IRS.

IRA Trust: A trust is a special document that allows you to dictate exactly how your assets will be distributed after you pass on. Trusts must always be put in place by an attorney.

Life Expectancy: In IRS terms, this is the general amount of time you are expected to live. See "Required Minimum Distribution (RMD):'

Market Crash: Any time the stock market loses 20% of its value or more, it's defined as a market crash. In the last decade we've had two crashes that should be called catastrophic.

Required Minimum Distribution (RMD): A minimum withdrawal amount, based on life expectancy and age, which the IRS requires you to take from any and all of your tax-deferred retirement accounts. Once you reach age 70 1/2, the RMD applies for all traditional IRAs, 401 (k) plans, 403(b) plans, and other qualified retirement accounts.

Retirement Phase: Also known as the second half of

your financial life, the drawdown phase, and your retired years. This is the time to reduce your exposure to market risk because going back to work is not an option that you want to consider. You should be thinking about preservation and growth ahead of inflation.

Risk: There are many forms of risk, and the risks increase for people in retired years. Longevity risk, for example, means that you might outlive your nest egg. Market risk means the risk of loss in stocks or mutual funds. Credit risk means that your bonds might not perform the way they're expected to. There are a host of risks that face savers & investors.

Roth IRA: A very special type of tax-free IRA. You fund it with after-tax dollars, but all earnings, including interest, securities growth, yields, and dividends, may be withdrawn tax-free if certain conditions are followed. You can also pass down this tax-free account to your heirs, and no RMDs apply to the original account holder (though RMDs do apply to your heirs).

Stretch IRA: This simply means an IRA that you leave to a beneficiary or beneficiaries, from which they then withdraw the proceeds over a period of time (usually the heirs' life expectancy). It allows you to provide a long-term income to your descendants.

Variable Annuity: A hybrid annuity that consists of insurance annuity features wrapped around mutual fund subaccounts. Because of high fees and fluctuating market conditions, variable annuities are very risky for retirees.

– 2010 Tax Reference Guide

Employer Plan / IRA Contributions

Employer Plans

	2009	2010
Elective Deferrals for 401(k), 403(b), 457	$16,500	$16,500
Catch-Up Contributions 401(k), 403(b), 457	$5,500	$5,500
Defined Contribution Plan Limit	$49,000	$49,000
SEP IRA Annual Addition Limit	$49,000	$49,000
SIMPLE IRA & 401(k) Limit	$11,500	$11,500
SIMPLE IRA & 401(k) Catch-up	$2,500	$2,500
Maximum Includable Compensation	$245,000	$245,000
Annual Benefit Limit	$195,000	$195,000
Highly Compensated Employee	$110,000	$110,000
Key Employee	$160,000	$160,000
SEP Minimum Earnings Limit	$550	$550
PBGC Maximum Monthly Benefit	$4,500	$4,500

Traditional and Roth IRA Contributions

	2009	2010
Traditional & Roth IRA Contribution Limit	$5,000	$5,000
Catch-Up Contribution	$1,000	$1,000

Traditional IRA Deduction Phase Outs

Active Participants (active participant in a qualified plan)

Single or HofH	55,000-65,000	55,000-65,000
MFJ	89,000-109,000	89,000-109,000
MFS	0-10,000	0-10,000

Non-Active Participants full contribution is deductible (if married, neither spouse active)

Spousal Contributions (if one spouse is an active participant, contribution for non-active spouse)

MFJ	166,000-176,000	166,000-176,000

Roth IRAs

Roth IRA Contribution Phase Out

Single or HofH	105,000-120,000	105,000-120,000
MFJ	166,000-176,000	166,000-176,000
MFS	0-10,000	0-10,000

Roth IRA Conversion Phase Out (eliminated in 2010)

Single	100,000	None
MFJ	100,000	None
MFS	Ineligible	None

Employer Plan / IRA Distributions

Uniform Life Expectancy Table (ULET)

Age	Distribution Period	Distribution %	Age	Distribution Period	Distribution %
70	27.4	3.65	93	9.6	10.42
71	26.5	3.77	94	9.1	10.99
72	25.6	3.91	95	8.6	11.63
73	24.7	4.05	96	8.1	12.35
74	23.8	4.20	97	7.6	13.16
75	22.9	4.37	98	7.1	14.08
76	22.0	4.55	99	6.7	14.93
77	21.2	4.72	100	6.3	15.87
78	20.3	4.93	101	5.9	16.95
79	19.5	5.13	102	5.5	18.18
80	18.7	5.35	103	5.2	19.23
81	17.9	5.59	104	4.9	20.41
82	17.1	5.85	105	4.5	22.22
83	16.3	6.13	106	4.2	23.81
84	15.5	6.45	107	3.9	25.64
85	14.8	6.76	108	3.7	27.03
86	14.1	7.09	109	3.4	29.41
87	13.4	7.46	110	3.1	32.26
88	12.7	7.87	111	2.9	34.48
89	12.0	8.33	112	2.6	38.46
90	11.4	8.77	113	2.4	41.67
91	10.8	9.26	114	2.1	47.62
92	10.2	9.80	115+	1.9	52.63

Use ULET for calculating RMDs during account holder's life

$$\text{RMD Formula} = \frac{\text{Prior year 12/31 Account Balance}}{\text{Life Expectancy}^{1}}$$

[1]Life Expectancy = distribution period for age you will turn in the distribution year

Required Distributions Options After Death[2]

Designated Beneficiary	Death prior to RBD[2]	Death on or After RBD[2]
Spouse	Treat as own Life Expectancy 5 year rule	Treat as own Life Expectancy
Non-Spouse	Life Expectancy 5-year rule	Life Expectancy
None	5-year rule	Life Expectancy of Acct. Holder

[2]RBD = Required beginning date for RMDs
Plans may require faster payout than RMD rules require

Early Retirement – Exceptions to the 10% penalty for distributions prior to age 59½

	NQ Annuity	Qualified Plans	IRAs
Death	X	X	X
Disability	X	X	X
Substantially Equal Pmts. (72t)	X	X	X
Medical Exp. (limited to ded. amt.)		X	X
College Expenses			X
Health Ins. Prem. for unemployed			X
Qualified first time homebuyer/reservist/hurricane			X
Age 55 & Separated from Service/QDRO		X	
Immediate Annuity	X		

Life Expectancy & Inflation Tables

Annual Inflation Table (CPI)*

Year	Rate %	Year	Rate %	Year	Rate %
1950	1.3	1970	5.7	1990	5.4
1951	7.9	1971	4.4	1991	4.2
1952	1.9	1972	3.2	1992	3.0
1953	0.8	1973	6.2	1993	3.0
1954	0.7	1974	11.0	1994	2.6
1955	-0.4	1975	9.1	1995	2.8
1956	1.5	1976	5.8	1996	3.0
1957	3.3	1977	6.5	1997	2.3
1958	2.8	1978	7.6	1998	1.6
1959	0.7	1979	11.3	1999	2.2
1960	1.7	1980	13.5	2000	3.4
1961	1.0	1981	10.3	2001	2.8
1962	1.0	1982	6.2	2002	1.6
1963	1.3	1983	3.2	2003	2.3
1964	1.3	1984	4.3	2004	2.7
1965	1.6	1985	3.6	2005	3.4
1966	2.9	1986	1.9	2006	3.2
1967	3.1	1987	3.6		
1968	4.2	1988	4.1		
1969	5.5	1989	4.8		

Historical Inflation – 20 year periods (CPI)*

Years	Average Annual	Total
1986-2005	3.0%	80.1%
1981-2000	3.8%	101.6%
1976-1995	5.4%	167.8%
1971-1990	6.3%	222.7%
1966-1985	6.4%	232.1%
1961-1980	5.3%	175.6%

*Based on the Consumer Price Index for all urban consumers

IRS Life Expectancy Tables

Age	Single	Joint	Age	Single	Joint
50	34.2	40.4	71	16.3	20.9
51	33.3	39.5	72	15.5	20.0
52	32.3	38.5	73	14.8	19.2
53	31.4	37.5	74	14.1	18.4
54	30.5	36.6	75	13.4	17.6
55	29.6	35.6	76	12.7	16.8
56	28.7	34.7	77	12.1	16.0
57	27.9	33.7	78	11.4	15.2
58	27.0	32.8	79	10.8	14.5
59	26.1	31.8	80	10.2	13.8
60	25.2	30.9	81	9.7	13.1
61	24.4	29.9	82	9.1	12.4
62	23.5	29.0	83	8.6	11.7
63	22.7	28.1	84	8.1	11.1
64	21.8	27.1	85	7.6	10.5
65	21.0	26.2	86	7.1	9.9
66	20.2	25.3	87	6.7	9.4
67	19.4	24.4	88	6.3	8.8
68	18.6	23.5	89	5.9	8.3
69	17.8	22.6	90	5.5	7.8
70	17.0	21.8			

Joint = Joint life expectancy of male & female of the same age

Social Security / FICA / LTC

Social Security

Base Modified Adjusted Gross Income, causing Social Security Benefits to be Taxable

	50% Taxable	85% Taxable
Married Filing Jointly	$32,000	$44,000
Single	$25,000	$34,000

FICA

Maximum Compensation Subject to FICA Taxes

	2009	2010
Social Security Maximum	$106,800	$106,800
Medicare Maximum	No Limit	No Limit

FICA Tax Rates

	Self-Employed	Employees
Social Security Tax Rate	12.4%	6.2%
Medicare Tax Rate	2.9%	1.45%

Long Term Care

Attained age before the close of the taxable year	*Maximum Deduction for year 2009*	*Maximum Deduction for year 2010*
40 or less	$320	$330
More than 40 but not more than 50	$600	$620
More than 50 but not more than 60	$1,190	$1,230
More than 60 but not more than 70	$3,180	$3,290
More than 70	$3,980	$4,110

2009 Income Tax Rates

Taxable Inc. Over	Not Over	Tax is	Plus	Of amt. over
Single				
$0	$8,350	$0	10%	$0
8,350	33,950	835	15%	8,350
33,950	82,250	4,675	25%	33,950
82,250	171,550	16,750	28%	82,250
171,550	372,950	41,754	33%	171,550
372,950		108,216	35%	372,950
Married Filing Joint (MFJ)				
$0	$16,700	$0	10%	$0
16,700	67,900	1,670.00	15%	16,700
67,900	137,050	9,350.00	25%	67,900
137,050	208,850	26,637.50	28%	137,050
208,850	372,950	46,741.50	33%	208,850
372,950		100,894.50	35%	372,950
Head of Households (HofH)				
$0	$11,950	$0	10%	$0
11,950	45,500	1,195.00	15%	11,950
45,500	117,450	6,227.50	25%	45,500
117,450	190,200	24,215.00	28%	117,450
190,200	372,950	44,585.00	33%	190,200
372,950		104,892.50	35%	372,950
Married Filing Separate Returns (MFS)				
$0	$8,350	$0	10%	$0
8,350	33,950	835.00	15%	8,350
33,950	68,525	4,675.00	25%	33,950
68,525	104,425	13,318.75	28%	68,525
104,425	186,475	23,370.75	33%	104,425
186,475		50,447.25	35%	186,475
Estate and Trusts				
$0	$2,300	$0	15%	$0
2,300	5,350	345.00	25%	2,300
5,350	8,200	1,107.50	28%	5,350
8,200	11,150	1,905.50	33%	8,200
11,150		2,879.00	35%	11,150

2010 Income Tax Rates

Taxable Inc. Over	Not Over	Tax is	Plus	Of amt. over
Single				
$0	$8,375	$0	10%	$0
8,375	34,000	837.50	15%	8,375
34,000	82,400	4,681.25	25%	34,000
82,400	171,850	16,781.25	28%	82,400
171,850	373,650	41,827.25	33%	171,850
373,650		108,421.25	35%	373,650
Married Filing Joint (MFJ)				
$0	$16,750	$0	10%	$0
16,750	68,000	1,675.00	15%	16,750
68,000	137,300	9,362.50	25%	68,000
137,300	209,250	26,687.50	28%	137,300
209,250	373,650	46,833.50	33%	209,250
373,650		101,085.50	35%	373,650
Head of Households (HofH)				
$0	$11,950	$0	10%	$0
11,950	45,550	1,195	15%	11,950
45,550	117,650	6,235	25%	45,550
117,650	190,550	24,260	28%	117,650
190,550	373,650	44,672	33%	190,550
373,650		105,095	35%	373,650
Married Filing Separate Returns (MFS)				
$0	$8,375	$0	10%	$0
8,375	34,000	837.50	15%	8,375
34,000	68,650	4,681.25	25%	34,000
68,650	104,625	13,343.75	28%	68,650
104,625	186,825	23,416.75	33%	104,625
186,825		50,542.75	35%	186,825
Estate and Trusts				
$0	$2,300	$0	15%	$0
2,300	5,350	345.00	25%	2,300
5,350	8,200	1,107.50	28%	5,350
8,200	11,200	1,905.50	33%	8,200
11,200		2,895.50	35%	11,200

Additional Income Tax Information

Personal Exemption:
$3,650 in 2009 / $3,650 for 2010

Standard Deduction

Add'l $1,100 if > 65 or blind. This amt. increases to $1,400 if also unmarried

	2009	2010	2009	2010
Single	$5,700	$5,700	$1,400	$1,400
MFJ	11,400	11,400	1,100	1,100
HofH	8,350	8,400	1,400	1,400
MFS	5,700	5,700	1,100	1,100

Limit on Itemized Deductions: Reduced by 3% of taxpayer's AGI in excess of $166,800 ($159,950 in 2008). Maximum reduction is 80% of itemized deductions

Kiddie Tax (on unearned income)

	2009	2010	
First	$950	$950	No Tax
Next	950	950	Child's Rate
Amounts Over	1,900	1,900	Parents' Rate

Child Tax Credit

$1,000 per child, phases out $50 for each $1,000 over AGI of $110,000 (MFJ) or $75,000 (single)

Capital Gain/Dividend Rates (Years 2003-2010)

	10% & 15% Ordinary Inc. Brackets	Other Ordinary Inc. Brackets
Short Term <12 mos	Ordinary Rate	Ordinary Rate
Long Term >12 mos	5%, 0% in 2008 – 2010	15%
Qualified Dividends	5%, 0% in 2008 – 2010	15%

Estate, Gift & Corporate Taxes

Estate & Gift Tax Rates

Taxable Gift/Estate Over	Not Over	Tax on Column 1	Rate on Excess
$0	$10,000	$0	18%
10,000	20,000	1,800	20%
20,000	40,000	3,800	22%
40,000	60,000	8,200	24%
60,000	80,000	13,000	26%
80,000	100,000	18,200	28%
100,000	150,000	23,800	30%
150,000	250,000	38,800	32%
250,000	500,000	70,800	34%
500,000	750,000	155,800	37%
750,000	1,000,000	248,300	39%
1,000,000	1,250,000	345,800	41%
1,250,000	1,500,000	448,300	43%
1,500,000		555,800	45%

Exclusion Equivalent & Applicable Credit

	Exclusion Equivalent	Applicable Credit	Top Estate Tax Rate
2007	$2,000,000	$780,800	45%
2008	2,000,000	780,800	45%
2009	3,500,000	1,455,800	45%
2010	Estate Tax Repealed, Gift Tax Applies[3]		
2011	1,000,000	345,800	55%

Subtract Applicable Credit from tax calculated above

[3]Subject to change in 2010 pending Congressional action

Gift Tax & GST Tax

Annual Gift Tax Exclusion: $13,000 in 2009, $13,000 in 2010

Gift Tax Exclusion Equivalent: $1,000,000

GST Exemption: Equal to Estate Tax Ex. Equiv. above

Corporate Tax Rates (for all years after 1993)

Personal Service Corporations: Taxed at flat 35% rate

Taxable Inc. Over	Not Over	Tax is	% on excess
$0	$50,000	$0	15%
50,000	75,000	7,500	25%
75,000	100,000	13,750	34%
100,000	335,000	22,250	39%
335,000	10,000,000	113,900	34%
10,000,000	15,000,000	3,400,000	35%
15,000,000	18,333,333	5,150,000	38%
18,333,333	—	6,416,667	35%

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