

A Guide to Retirement Planning Using Annuities.
Don't Just Buy an Annuity... Buy the **Right Annuity!**
By Brent Meyer



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“Retirement Has Changed”

Don't Just Buy an Annuity...Buy the **Right Annuity!**

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What is an Annuity?

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- **an·nu·i·ty**
- ə'n(y)oōitē/
- *noun*
- noun: **annuity**; plural noun: **annuities**
- **1.** a fixed sum of money paid to someone each year, typically for the rest of their life.
- a form of insurance or investment entitling the investor to a series of annual sums.

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What is an Annuity

An annuity is a contract in which an insurance company guarantees an interest rate and or guarantees to make a series of income payments or annuity payments at regular intervals to the annuitant. The rates at which the annuity pays out are called the annuitization rates. The rate that is credited to a deferred account value is called the annuity rate. An annuity does not have to be used for income purposes but annuities are often purchased for future retirement income or the future value of an annuity; therefore taking advantage of tax deferral or triple compounding interest.

An annuity is the only vehicle that can pay a guaranteed lifetime income and can last as long as you live or for a specific guaranteed period. An annuity is neither a life insurance nor a health insurance policy. It is not a savings account or a savings certificate.

What are the Types of Annuities?

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What are the different kinds of annuities?

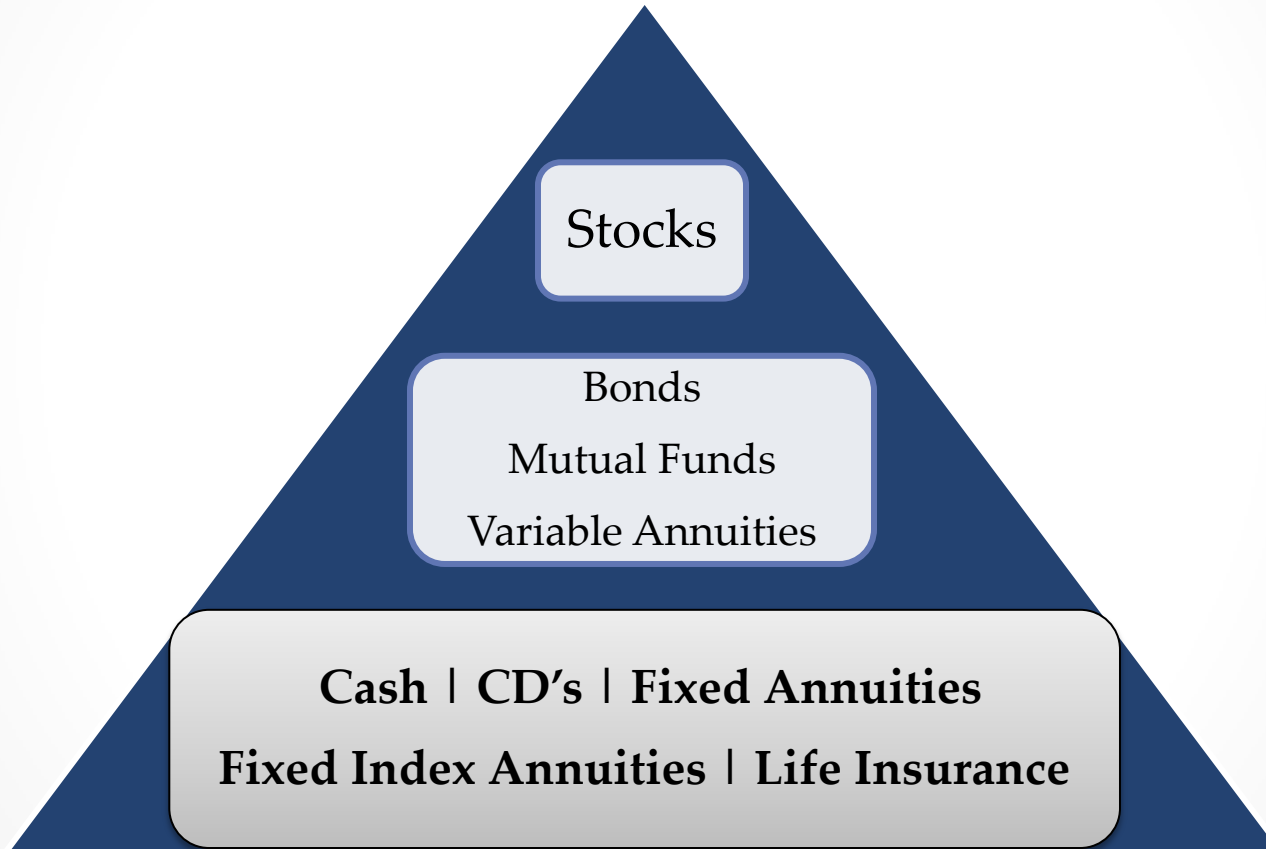
- **Fixed Annuities – A Fixed Interest Rate Annually**
- **Multi Year Guarantee Annuities (MYGA) – A Guaranteed Interest Rate Annually**
- **Fixed Index Annuities – Minimum Interest Rate and or Index Gains, No Losses**
- **Variable Annuities – Market Volatility, May Loose Value**
- **Immediate Annuities (SPIA). – Immediate Income (Only used for income)**

Here are some terms that help to identify specific features within the annuity:

- **Flexible or Single Premium Annuities:**
This means having the ability to add money or not
- Annuities are issued by insurance companies and, all vary within the contract design. There are a variety of annuities to help fit your individual needs. All annuities are not created equal and can be very confusing. It is important to understand the pros and cons to annuities before determining if an annuity is right for you. In today's world an annuity can offer you more stability in your retirement. It will provide principal protection, a hedge against inflation and may offer you the option of a guaranteed lifetime income if you so choose.

How to Build Your Plan Safe Money First and WHY!

Example of a Strong Foundation



When Does $-30 + 43 = 0$?

When it involves placing your hard earned money directly into the market.

If during the first year you:

LOST 30% it would

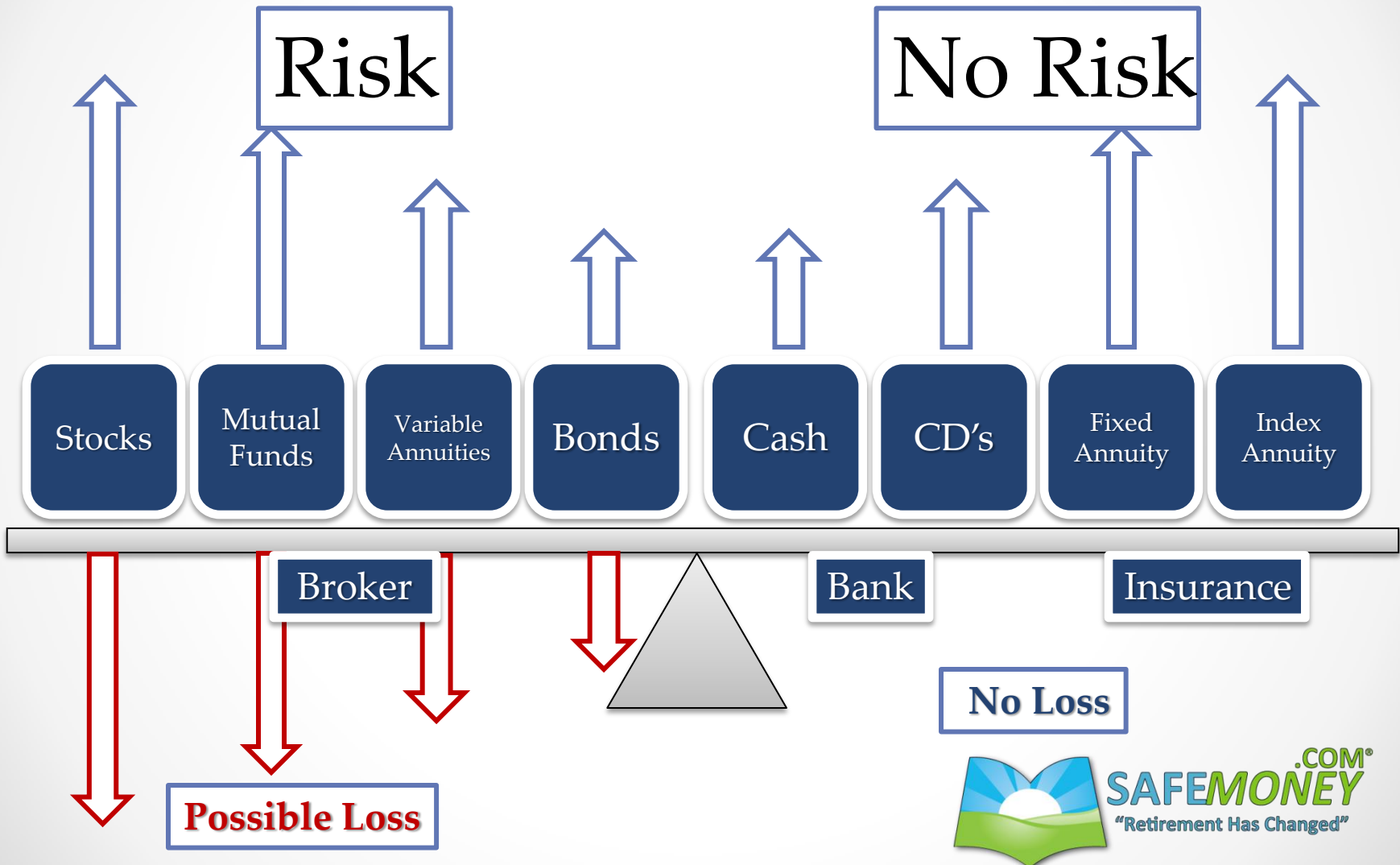
take a 43% GAIN

the following year just to get you back to where you started!

Possible Growth

What is your RISK tolerance?

Possible Growth



Product Features

Feature	Stocks	Mutual Funds	Variable Annuities	Bonds	Fixed Annuities	Index Annuities
Tax Deferral	NO	NO	Yes	NO	Yes	Yes
Premium Bonus	NO	NO	NO	NO	Yes	Yes
Guaranteed Lifetime Income	NO	NO	NO	NO	Yes	Yes
Minimum Interest Guarantee	NO	NO	NO	NO	Yes	Yes
Dividends	Yes	Yes	Yes	NO	NO	NO
Surrender Charges	NO	Yes	Yes	NO	Yes	Yes
Death Benefit	NO	NO	Yes	NO	Yes	Yes
Market Risk	Yes	Yes	Yes	Yes	NO	NO
Avoid Probate	NO	NO	Yes	NO	Yes	Yes

This does not represent funds within qualified plans such as IRA's. This is for feature understanding purposes only.

The Rule of 72 & 108

Two rules worth knowing

The Rule of 72 and the Rule of 108

to double your money

1. The “**Rule of 72**” estimates how long it takes **tax-deferred** funds to double given an anticipated growth rate. Simply divide 72 by the anticipated growth rate to determine the number of years. For example, tax-deferred funds growing at 5% would double in approximately 14 years (see table)

2. The other rule worth considering is the “**Rule of 108**”. This estimates the time needed for **taxable funds** to double, assuming an anticipated growth rate. Taxable funds will double in approximately 22 years at a 5% growth rate.

Growth Rate	Rule of 72* (Tax deferred)	Rule of 108 (Taxable @ 33%)
2%	36 years	54 years
3%	24 years	36 years
4%	18 years	27 years
5%	14 years	22 years
6%	12 years	18 years
7%	10 years	16 years
8%	9 years	14 years

*Once funds are withdrawn from a tax deferred annuity they become taxable.

The Rule of 100

The Rule of 100

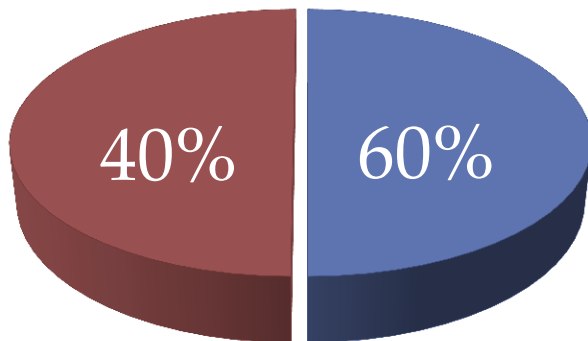
Perhaps the simplest financial rule of thumb but it is also one of the most widely abused!

Simply put, you take 100 and subtract your age from it and the resultant sum suggests the maximum amount of your portfolio you should have exposed to Market Risks.

So for example, if you are 60 years old, $100 - 60 = 40$ you should have 60% of your portfolio protected from market volatility and 40% invested in the market to optimize your long term growth. (Your age is equal to the safe portion in percentage)

Then there is the Senior Community (the people who hold 80% plus of U.S. Savings and Investment Dollars) if you are age 70 you should have NO more than 30% of your Invested assets exposed to Market Risks ($100-70=30$). I frequently come across Seniors that have portfolios with one of the Major Brokerage Firms that are too heavily weighted with risky market exposures.

Rule of 100 Example:



- Safe Money | Principal Protection | Hedge Against Inflation | Guaranteed Lifetime Income | Liquidity
- Risk Money | Market Risk | Potential Loss

Captive Advice VS. Independent Advice

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Captive Vs. Independent Advice

Captive Advice:

- Works exclusively for one insurance company, obligated to give business to only that company.
- Priority is to develop business for the parent company above all others.
- Provided with office allowance, benefits package, and pension from parent company.
- Starting resources are often provided by the parent company.
- Parent company can prohibit cross-selling other insurance carriers limiting options for the client.
- Parent company can discontinue selling certain lines if unprofitable, resulting in loss of clientele.
- Inability to refer customers outside parent company.
- Parent company pushes certain policies (example: Whole-Life Insurance) over others and requires agent to meet strict quotas at the risk of being terminated.

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Captive Vs. Independent Advice

Independent Advice:

- Represent multiple insurance companies and work on behalf of the client to provide the best products and policies to suit the client's needs.
- Freedom to sell multiple carriers without quotas.
- Provide their own resources to start their business.
- Freedom from strict regulations from a parent company to only sell one company.
- Freedom to cross-sell other lines of insurance.
- Ability to compare prices, products, features, and service among a variety of insurers.
- Ability to sell a policy through another insurer if primary insurer cannot write the policy.
- Much larger product selection.

8 Most Common Mistakes Annuity Buyers Make

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“8 Most Common Mistakes Annuity Buyers Make”

1. Diversification:

One of the most common mistakes consumers make in their purchase of an annuity is the amount of liquidity/ emergency access to the annuity funds. You first need to realize and quantify your retirement assets before you start the retirement planning process. Annuities only allow for a stated amount of liquidity within each individual contract.

Take all these questions into account before making any decisions:

- **“What are my objectives with this money?”**
- **“How important is principal protection to me?”**

Once you understand what your expectations are and whether fixed annuities meet your objectives, then you will be able to plan for its placement:

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“8 Most Common Mistakes Annuity Buyers Make”

2. Understand the various types of annuities available and how they differ:

All annuities do not serve the same purpose.

- A. SPIA's can provide immediate income for a period of five years and up to a lifetime guaranteed.
- B. Fixed Rate Annuities will protect your principal and grow tax deferred providing a guaranteed interest rate annually.
- C. Fixed Indexed Annuities allow you to link your gains to a market index; if the market goes up you lock in a percentage of the gain and if the market goes down, you receive a zero for that year.
- D. Variable Annuities offer the greatest potential for gain but also allow for the greatest chance of loss.

3. Ask your advisor the right questions:

- A. What type of annuity are you proposing?
 - I. Is this a SPIA?
 - II. Is this a Fixed Annuity?
 - III. Is this a Fixed Indexed Annuity? (Equity Indexed Annuity)
 - IV. Is this a Variable Annuity?
- B. Is this a single premium or flexible premium contract?
- C. What is the initial interest rate and how long is it guaranteed?
- D. Does the initial rate include a bonus rate, and how much is the bonus?
- E. What is the guaranteed minimum interest rate?
- F. What renewal rate is the company crediting on annuity contracts of the same type that were issued last year?

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"8 Most Common Mistakes Annuity Buyers Make"

Asking your advisor the right questions (*Continued*)

- G. Does the insurance company publish their renewal rates?
- H. What are the insurance companies' ratings?
- I. Are there withdrawals, surrender charges or penalties if I want to end my contract early and take out all of my money, if so, how much are they?
- J. Can I get a partial withdrawal without paying surrender charges for reasons such as death, confinement in a nursing home or terminal illness?
- K. Is there a market value adjustment (MVA) provision in my annuity? What is an MVA?
- L. What other charges, if any, may be deducted from my premium or contract value?
- M. If I pick a shorter or longer payout period or surrender the annuity, will the accumulated value or the way interest is credited change?
- N. Is there a death benefit? How is it set? Can it change?
- O. What income payment options can I choose? Once I choose one payment option, can it be changed?
- P. IS THERE A FEE FOR THE INCOME RIDER? HOW IS IT CALCULATED?

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“8 Most Common Mistakes Annuity Buyers Make”

4. Understand the terms of the contract:

- The terms of the contract are explained in the disclosure statement of each product. Make sure you ask your advisor to answer any questions you have; there is no such thing as a dumb question. If you do not recognize what certain words mean, visit SafeMoney.com under Terminology.

5. Not Knowing the PROS and CONS and variations between contracts:

- Most of the pros and cons were already discussed but there are variations to every Annuity. For example, some annuities offer more liquidity (more access to your money in times of need). Some annuities have special features that others do not. Annuities have changed drastically over the years and now provide benefits that you need to look into and assess as to whether they meet your goals and objectives.
- ***Pros:** Guaranteed Account Growth, Linked Index Gains / NOT LOSSES, Principal Protection, Tax Deferral, Probate Avoidance, Lifetime Income Guarantees; without Annuitization (All annuity contracts are different, so not all pros can be addressed in this guide).
- ***Cons:** Understanding the best product to fit your needs, terms, surrender charges, potential fees the living benefits and how they work. (All annuity contracts are different, so not all cons can be addressed in this guide). Please keep in mind that a negative for one situation may be a positive for another. There are many insurance carriers that offer annuities and all annuities are NOT the same. Please take some time to understand the contract rules before purchasing.

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“8 Most Common Mistakes Annuity Buyers Make”

6. Knowing your maturity date (free and clear) and or death benefit:

- You need to understand what a surrender charge is and how it works. Every annuity has a surrender fee/charge based on the term (duration) of the contract. Some have decreasing surrender charges i.e.: ten year annuity contract may look like this; 10, 9, 8, 7, 6, 5, 4, 3, 2, 1% surrender charge on the portion of money liquidated above the free withdrawal amount. Other annuities may have surrender values that work different from the example.
- **Death Benefit:** Most annuities offer full accumulation value at death. The full value, including gains, transfer to the beneficiaries at death, in a lump sum . Other annuity contracts must be taken by the beneficiary over a 5-10 year period. SPIA's work differently. If you request a life only payout option, you will receive a greater income for your lifetime but no death benefit value for your beneficiaries. This only comes into play with a life only SPIA. Please understand the death benefit within the contract before purchasing, in order to help you plan accordingly.

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“8 Most Common Mistakes Annuity Buyers Make”

7. Forgetting about your annuity and not reviewing annually:

- It is of the utmost importance for you to have a communicative relationship with your advisor at the very least once every year. Make sure he/she is keeping in touch with you about your annuity in order to make sure you have made the right decisions, and that you are utilizing your finances the most efficient way.

For example, you may have money, that you would like to deposit into your existing annuity because currently there is no better alternative. You may need a little extra cash and not realize you can take up to 10% from your existing annuity penalty free. There are so many great reasons as to why you need to be in contact with a qualified agent/advisor.

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8. Believing The media's blanket discussions about annuities:

- Many annuity buyers listen to the media and believe what they are told about annuities, therefore running to their advisor to change their current strategy. There are many misconceptions about annuities that were created by the media many decades ago that are not true. Any blanket statement about annuities is not valid until you investigate it. Trust yourself by empowering yourself with knowledge. Only work with a [Safe Money Expert](#) you trust. Make sure the representative you are taking advice from gives you the time you need to understand and validate buying an annuity. Not all annuities are created the same; not all annuities are good and not all annuities are bad. The first thing you need to do is determine your goals.
- Most important thing to remember is that, **Not All Annuity Sales People are Qualified** and may not even understand all the pros and cons to what they are offering you.
- *Is your agent [Safe Money Approved](#)? And what does that mean?

Where to Get the Best Annuity Advice

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Where to Get the Best Annuity Advice:

- SafeMoney.com was created to assist you in seeing through the confusion called the financial industry. We have had the opportunity to see this industry from every angle: as financial advisors, as consumers, as consultants and currently as wealth planners to the consumer, and financial coaches to independent financial service professionals. We have had countless opportunities to see the difference that great financial advice can create. Unfortunately we have also witnessed what can happen when people receive mediocre financial guidance: costly, unnecessary mistakes that put clients' goals and dreams in jeopardy.

Inspired by these experiences, we have built an independent network of top financial professionals in the country. Through our [Safe Money Approved](#) qualification process, we introduce those financial advisors to successful families whom they are very well qualified to serve.

- If you are looking for a financial plan with an emphasis on retirement income planning, I'd encourage you to take a close look at the information provided at safemoney.com and ask us anything on your mind! Starting SafeMoney.com has not been easy, but it's been a long time coming and I hope the thousands of people we advise each year will help to create a change in this industry and the way people just like you, get the financial advice you deserve
- We want to help you see through the smoke screen of retirement planning and help you get back to the basics, so that you can truly create a plan that is guaranteed to fulfill your expectations. Phone calls are always free, 100% confidential, and there is never an annoying sales pitch. Just good, quality advice, to help point you in the right direction. 877-GROW-SAFE (476-9723)

Closing

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Closing

I sincerely hope this information has been helpful to you and I would greatly appreciate your feedback. If you have suggestions for improvement, or words of encouragement, please reach out to me at brent@safemoney.com Retirement planning used to be simple. As long as you worked for 40 years at one company you would retire with a pension that would last your lifetime. But, today most pensions are no longer affordable for companies to offer their employees therefore leaving the planning up to you. Plus the environment we live in is much more complex & confusing when it comes to taxation, inflation, life expectancy and risk!.

I hope that by reading this information you are now armed with knowledge that will help you make the right decisions based on your needs and goals. If you know anyone else who may benefit, feel free to send them a copy. Or better yet, just have them go to SafeMoney.com and request their own.

It is my wish that you do the best you can with the resources you have. Continue to educate yourself, and surround yourself with those who care about your well being more than their own. Never assume there is only one correct way to do anything, including investing.

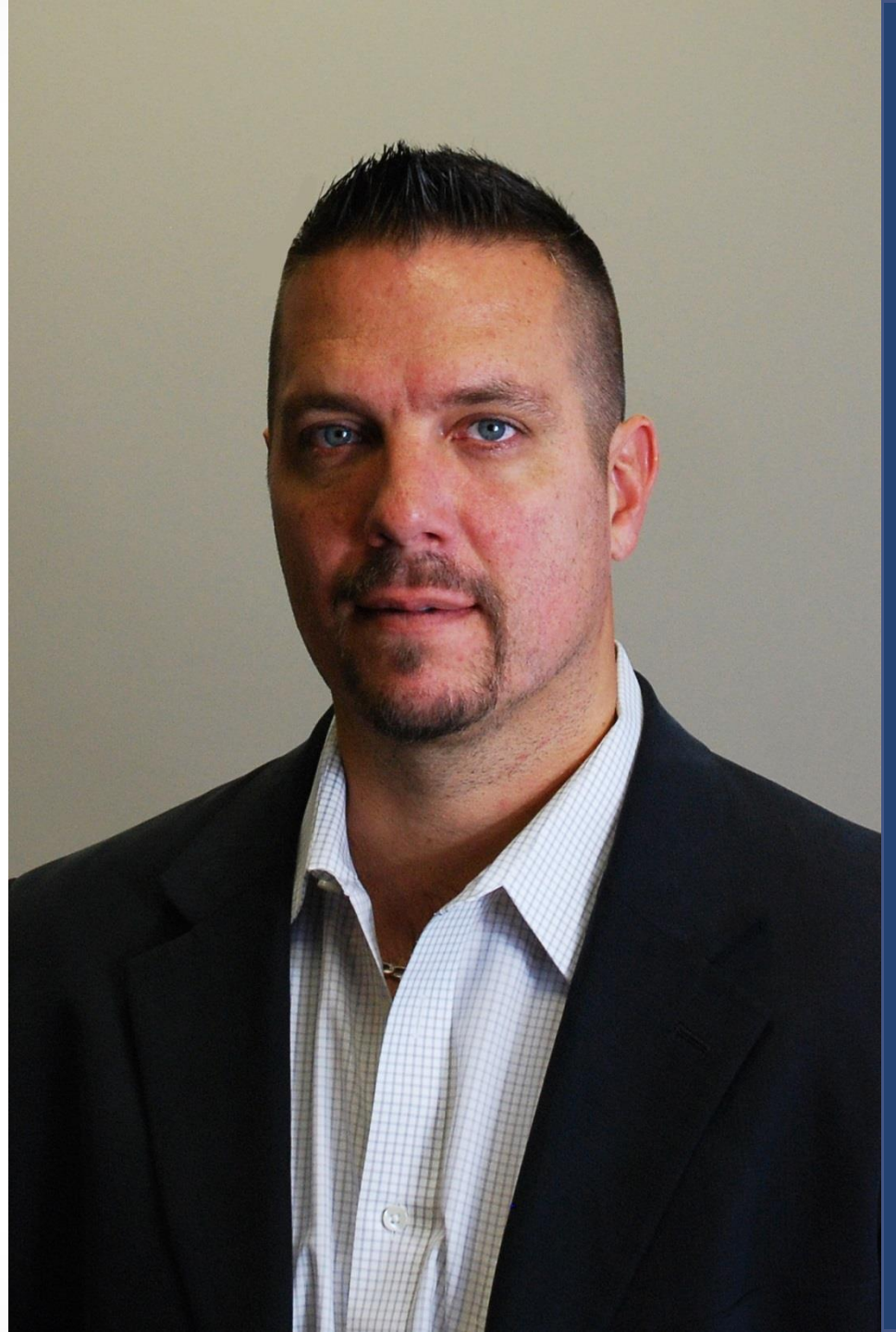
About the Author

Brent Meyer

Brent Meyer has spent the last 13 years witnessing the financial services industry from the inside and building a network of trustworthy independent licensed agents nationally.

He owns SafeMoney.com and runs a boutique wealth planning brokerage firm in Cherry Hill NJ - *Safe Money Resource Inc.* Brent has assisted in directing billions of dollars into the right annuities. He likes to spend most of his time with his family and enjoys sharing his knowledge of the financial industry and retirement income planning, with everyone.

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Resources

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<http://en.wikipedia.org/wiki/Annuity>

<http://www.investmentnews.com/>

<http://www.naic.org/>

<https://livingto100.com/>

<http://www.nolhga.com/policyholderinfo/main.cfm/location/ga>

<http://www.safemoney.com>

Endorsements

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This electronic information has recently been released. We would enjoy hearing your feedback. If you liked the information and would like to contribute an endorsement, please email your thoughts to:

brent@safemoney.com

Sincerely,
Brent Meyer
President
Safe Money Resource
877-GROW-SAFE (476-9723)