The Inside Scoop to Annuities

And Selecting a Trustworthy Advisor

By Brent Meyer
President and Co-Founder of Safe Money Resource

Retirement Has Changed, Keep Your Money Safe

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Introduction

If you've reached or you're approaching retirement, the pathway to financial security can be less than clear. There's a lot of thick, confusing information out there about retirement planning. And with the economic turmoil in recent years, many people are feeling pressured about whether they'll have enough money for their retirement.

If you're concerned about protecting your hard-earned retirement savings, annuities can offer a strong alternative to the risks associated with the stock market gamble. But not all annuities are equal in what they deliver. That's why we put together this guide – to help you become educated about what's available and to enable you to make informed decisions about your future.

If you and your loved ones ever have any questions, don't hesitate to contact us at 877-GROW-SAFE (877-476-9723). It is my hope that by reading this guide, you are equipped with knowledge that will help you make the right decisions based on your needs and goals.

- *Brent Meyer*

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What is an Annuity?

What exactly is an annuity? Well, here's a solid definition:

An·nu·i·ty

Noun

Noun: **annuity**; plural noun: **annuities**

- 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.

What makes up an annuity and what is it used for?

In more detail, 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 an annuity pays out are called the annuitization rates.
- The rate that is credited to a deferred account value is called the annuity rate.
- The party who receives the annuity payments over time is called the annuitant.

An annuity does not have to be used for income purposes. However, people often purchase an annuity for future retirement income or for its future value, whereby they will take 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?

There are many types of annuities available for purchase:

- **Fixed Annuities** – This type of annuity provides a fixed interest rate annually.
- **Multi Year Guarantee Annuities (MYGA)** – This type of annuity provide a guaranteed interest rate annually.
- **Fixed Index Annuities –** This type of annuity provides a minimum interest rate and/or index gains, with no losses.
- **Variable Annuities** – This type of annuity is subject to market volatility and therefore may lose value.
- **Immediate Annuities (SPIA)** – This type of annuity is designed to provide immediate Income (or in other words, it is only used for income).

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

- **Flexible Premium Annuities** – This means having the ability to add money.
- **Single Premium Annuities –** This means only having the ability to make one initial deposit.

Annuities are issued by insurance companies. All vary within their contract design. Clearly there are a variety of annuities to help fit many individual needs, but not all annuities are created equal. In fact, some can be very confusing. It’s important to understand the pros and cons behind different annuity options before you determine if an annuity is right for you.

In today’s crowded financial marketplace, an annuity can provide you with a solid option for financial stability in your retirement. It will provide you with principal protection and a hedge against inflation. Furthermore, it may offer you the option of a guaranteed lifetime income if you so choose.

Warning - Potential Annuity Scams

When you're looking for the annuity product that fits your needs, keep in mind: *not all annuities are the same in terms of what they really deliver.*

There are many annuities with different contract variations to consider. Sadly, there are also many misleading sales tactics that make out different annuities to be more "generous" in what they guarantee than what they really are. Should you be too hasty and buy an annuity product that promises returns that sound too good to be true, it will likely have serious implications for your financial future.

These annuity products appear great on the surface. But in reality they are actually carefully designed to be the most profitable for the insurance carriers' pockets and for the advisors selling them. Unbeknownst to them, many annuity salespersons are even unaware that these adverse financial risks are at stake.

When it comes to annuity products, one of the most important attributes of any annuity is the contractual guarantee associated with it. If there are some annuity products with some attractive terms like "8% guaranteed income for life" or "17.2% guaranteed", there's definitely more to the story.

Annuities can be very beneficial to your retirement portfolio. However, the annuity product you choose must be the one that best fits your needs and unique circumstances. Annuities are not and never should make up your entire financial portfolio. After all, as the old financial chestnut goes, strategic portfolio diversification is what offers the greatest chances for a solid financial future.

When selecting an annuity product, it's best to consult with a trusted independent advisor. Our independent associates are product experts representing 40+ insurance carriers. We provide all due diligence, analysis, and research on each product before making any product recommendation to our network of independent advisor associates.

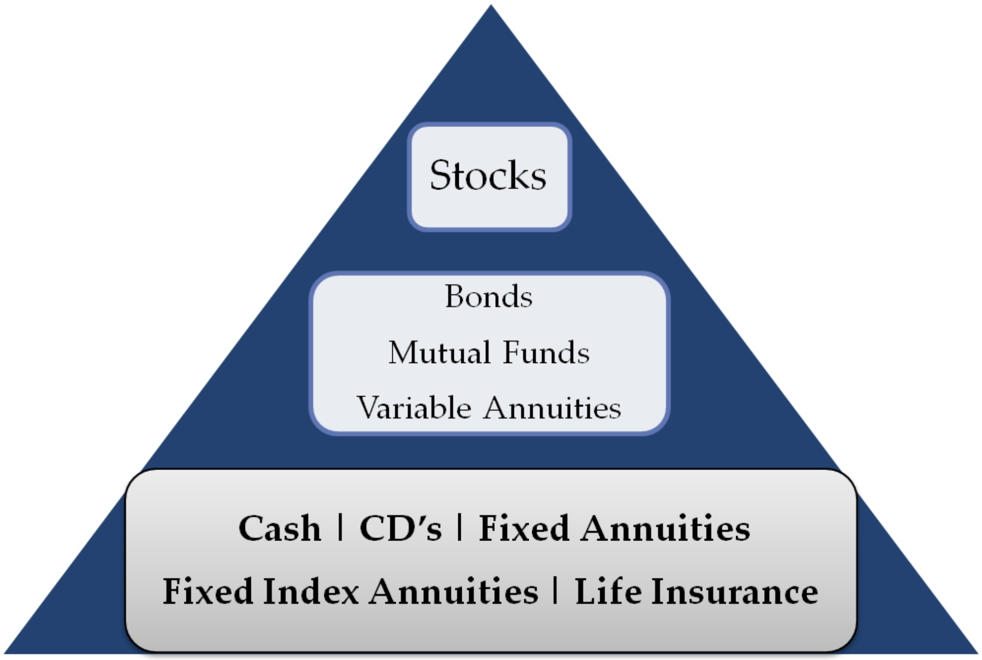
Call us at 877-GROW-SAFE (877-476-9723) for a free, confidential consultation.

Building Your Plan with "Safe Money First" Principles and Why

When you're coming up with a plan for your retirement, two important factors to consider are different investment options' growth potential and market risk. If you're approaching retirement age or you've reached it, market risk becomes an even weightier factor in where you decide to allocate your hard-earned money for greater gains.

According to "Safe Money First" principles, a retirement plan will account for these varying levels of risk associated with different investment options.

A "Strong Foundation First" would look like this:



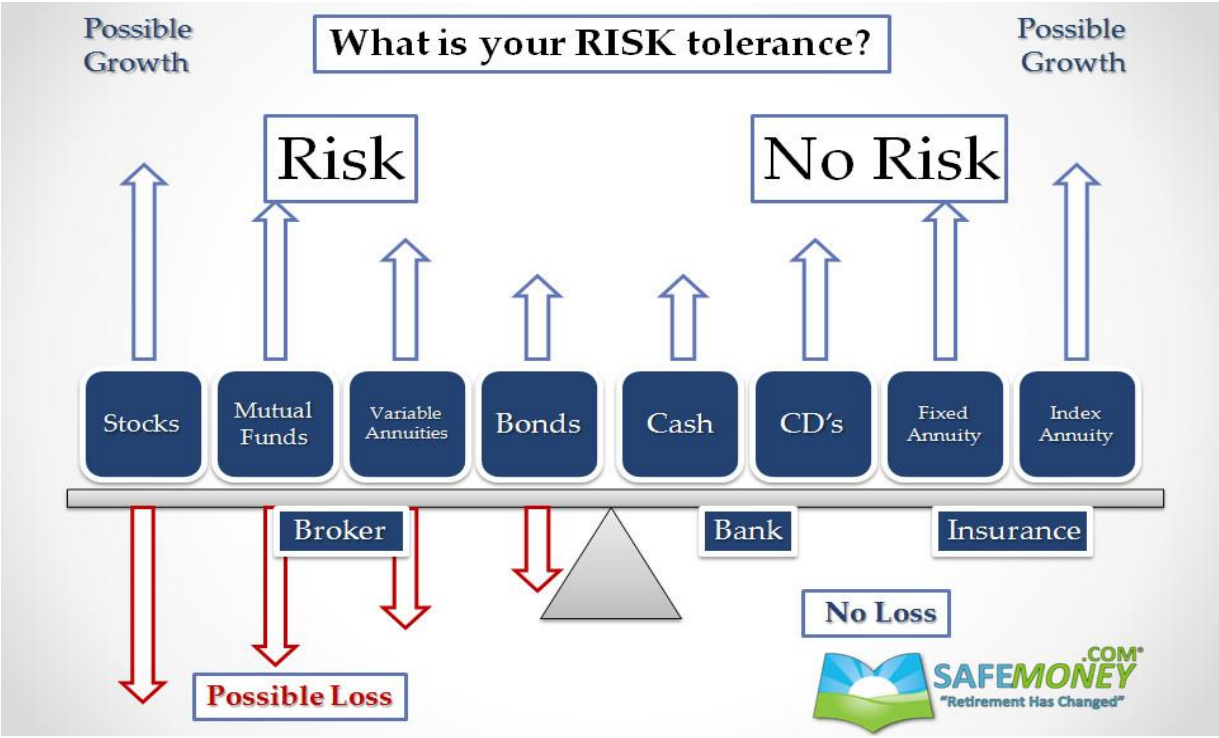
The investment options in the upper portions of the pyramid are the ones with the greater market risk. For illustration, consider the following scenario of when "-30 + 43 = 0."

Building Your Plan with "Safe Money First" Principles and Why (Continued)

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! If you're in a time crunch to build up your retirement savings, that's an unacceptable outcome.

Therefore, your financial plan should reflect the level of risk tolerance you're comfortable with at your stage of life in your portfolio. Here's a basic overview of the growth potential and risk for losing past gains – or even your principal amount – posed by different investment options.



Building Your Plan with "Safe Money First" Principles and Why (Continued)

With these elements in mind, here's a breakdown of product features that will help provide further guidance while you decide how you will allocate your money.

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.

Should any of these terms be unclear, we offer a helpful Terminology Section at SafeMoney.com.

Please don't hesitate to call us at 877-GROW-SAFE (877-476-9723) with questions, as well.

What are the Rules of 72 and 108?

Two rules worth knowing to double your money

The Rule of 72 and the Rule of 108

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.

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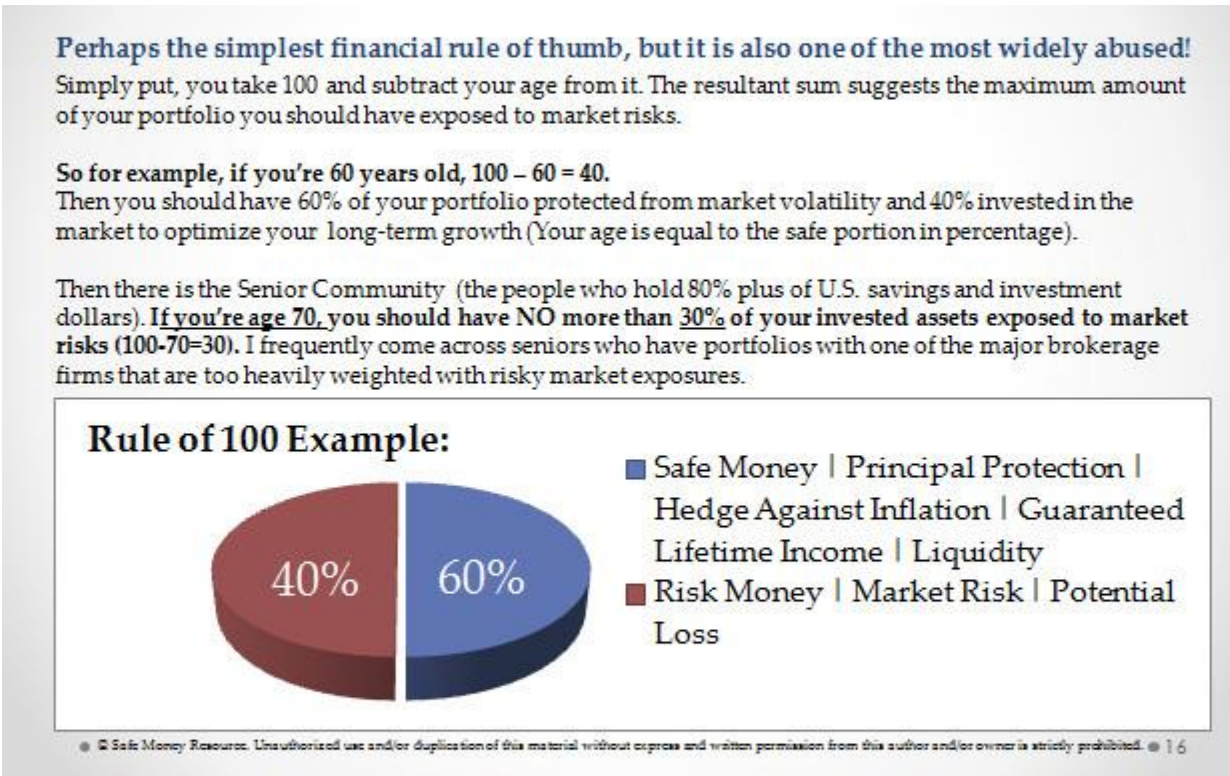
What is the Rule of 100?



Should any of these terms be unclear, we offer a helpful Terminology Section at SafeMoney.com.

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Captive vs. Independent Advice

Wealth planners can also differ in the value they extend. Aside from their experience, knowledge base, and financial expertise, it matters whether they are captive or independent advisors.

Captive Advisors

When someone is a "captive" advisor (or captive agent), he or she works for only one insurance company. Therefore, he or she is obligated to give business only to that insurance carrier. His or her foremost priority is business development for this parent company above all others.

Captive advisors also receive several benefits from their parent company, including:

- Office allowance
- Benefits package
- Pension
- Oftentimes starting resources

Because they are so closely aligned with this one insurance carrier, captive agents can face accountability measures from the insurance carrier related to their performance. The insurance carrier can also do a number of other things that can directly impact the captive advisors' practices. These negative-facing dynamics include:

- The insurance carrier can prohibit cross-selling of products from other insurance carriers, which limits the options a captive advisor can offer a client
- The insurance carrier can discontinue selling certain lines if they're unprofitable, which causes a captive advisor to lose clientele
- An insurance carrier pushes certain policies (e.g., whole-life insurance), which limits client options
- The captive agent is required to meet strict quotas at risk of being terminated and is forbidden from referring clients to products from "outside" the company

Captive vs. Independent Advice (Continued)

Independent Advisors

Unlike captive advisors, independent advisors represent multiple insurance carriers. As a result, they are better-positioned to work on behalf of their clients and provide the best products and policies for their needs.

Because of their independent status, these agents are more self-supporting:

- Independent agents have the freedom to sell products from multiple carriers with quotas
- They use their own resources to start their practices
- They have the freedom to cross-sell other lines of insurance
- Independent agents are free from the strict regulations of one insurance carrier to sell only that company's products

With these dynamics at play, independent advisors can therefore offer more value to their clients in three ways:

- They can draw upon a much more diverse product selection
- They are able to compare prices, products, features, and services from among a variety of insurers
- They are able to sell a policy through another insurer if the primary insurer can't write the policy

Therefore, independent agents have greater flexibility and ease with which they can evaluate, discuss, and meet client needs.

Our network of experienced financial specialists is made up of licensed, qualified independent agents. They have been carefully vetted for professional ethics and integrity.

Should you need help from a trusted, capable wealth planning expert, give us a call today at 877-GROW-SAFE (877-476-9723).

Important Questions to Ask When Considering an Annuity

Before you purchase an annuity product, there are a number of questions that need to be answered. It's best to have your financial advisor answer all of these questions so you're fully apprised of your options.

What Questions Should I Ask My Advisor?

The first questions are related to the annuity itself and the payment benefits it delivers:

- Is this a single premium or flexible premium contract?
- Is this a fixed, variable, multi-year guarantee, fixed indexed, or immediate annuity?
- What is the initial interest rate and how long is the interest rate guaranteed?
- Does the initial rate include a bonus rate? If so, how much is the bonus? Is it a vested bonus or premium bonus? If vested, how long until it is 100% vested?
- What is the guaranteed minimum interest rate?
- What renewal rate is the company crediting on annuity contracts of the same type that were issued last year?
- Most important of all— does the company publicize its renewal rates?

Then it's best to ask about details relating to ending the annuity contract early, as well as if there's a market value adjustment (MVA) provision and/or death benefit in the annuity.

- 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?
- Can I get a partial withdrawal without paying surrender charges for reasons such as death, confinement in a nursing home, terminal illness, or just because I need a little extra cash?

Important Questions to Ask When Considering an Annuity (Continued)

- Is there a market value adjustment (MVA) provision in my annuity? (If you're unsure about the MVA provision, you can look it up in our Terminology Section)
- What other charges, if any, may be deducted from my premium or contract value?
- If I pick a shorter or longer payout period or surrender the annuity, will the accumulated value or the way interest is credited change?
- Is there a death benefit? If so, how is it set? Can it change?
- What income payment options can I choose? Once I choose one payment option, can it be changed?
- Does this annuity offer an income rider without annuitization? If so, is there a fee and how is it calculated?

Annuity Benefits and Restrictions to Keep in Mind

Some annuity benefits to consider include:

- Tax deferral (compounded interest)
- Income, if you so desire (not mandatory)
- Guaranteed principal protection (no risk of loss)
- Gains that are locked in every year
- An interest rate better than the bank
- Probate may be avoided

Also keep in mind that annuity guarantees rely upon the financial strength and claims-paying ability of the issuing insurer.

Some annuity restrictions to keep top-of-mind are:

- Penalized if money is withdrawn before 59.5 years of age

Important Questions to Ask When Considering an Annuity (Continued)

- These are retirement accounts — access to money in emergencies of more than 10%
- Surrender charges if liquidated early

Summing It Up

Fixed, indexed, or variable annuities can be complicated, but they can also offer a ton of great benefits to your retirement. The first thing to keep in mind is that not all annuities are the same and each annuity is contractually designed with specific benefits.

Some annuities offer more liquidity (or in other words, more free access to your money, as needed). Some annuities have shorter contract periods than others. Some annuities offer guaranteed annually credited returns, whereas others may offer returns linked to an index.

The point is that with every annuity contract comes varied benefits. Therefore, it's imperative to pick the correct annuities to complete your diversified retirement plan.

Disclaimer:
This is meant to be a general annuity educational guide for seniors, retirees, and pre-retirees considering the purchase of an annuity. This educational guide is not designed to be a recommendation to buy any specific financial product or service.

***Safe Money Resource & SafeMoney.com does not provide tax, legal, accounting, fiscal, or investment advice. Please do your homework and consult with a licensed financial expert in regards to your personal situation.**

The advisors in our network come highly recommended.

8 Common Mistakes Annuity Buyers Make

Now that you know what questions to ask your financial advisor before making an annuity purchase, it's helpful to cover what not to do.

8 Common Mistakes of Annuity Purchasers

1. **Diversification:** 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 during the deferral period as well as the potential pay-out period.

   Consider the following questions before making any decisions: *"What are my objectives with this money and at what level of importance is principal protection to me?"* Once you understand what your expectations are and whether annuities meet your objectives, then you will be able to plan for product placement.

   Benefits:

   - Help maximize retirement income
   - Consolidating IRA's and 401(k) accounts
   - Retiring early (potentially depending on how much money you have and where your money is currently allocated)
   - Help minimize income taxes through tax deferral
   - Simplifying and consolidating my current investments
   - Principal protection
   - Transference of wealth? (May avoid probate) If transference of wealth is of high importance, then an annuity may not be the best choice for these funds. Life insurance may be a better alternative.

8 Common Mistakes Annuity Buyers Make (Continued)

- Minimize estate taxes—you may avoid probate
- Support for relatives

2. **Understanding the various types of annuities available and how they differ:** *As discussed earlier:* Single premium immediate annuity (SPIA), fixed annuity, multi year guaranteed annuity (MYGA), fixed indexed annuity, and variable annuity. An annuity can be extremely valuable within your retirement plan if it's properly selected and used for the correct objective. Each annuity differs in the purpose it serves.

   Purpose of Different Annuities

   - SPIA's can provide immediate income for a period of five years and up to a lifetime guaranteed.
   - Fixed rate annuities will protect your principal and grow tax deferred providing a guaranteed interest rate annually.
     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.
   - Variable annuities offer the greatest potential for gain but also allow for the greatest chance of loss.

3. **Asking your advisor the right questions:** When you're looking for the right annuity for your needs, be sure to ask your advisor the right questions (we covered these in our "Important Questions to Ask Before Buying an Annuity" section above).

8 Common Mistakes Annuity Buyers Make (Continued)

4. **Understanding 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's no such thing as an unintelligent question. If you do not recognize what certain words mean, visit our Financial Terminology section.

5. **(FIA) Fixed Indexed Annuities – not knowing pros, cons, and variations between contracts:**
   Most of the pros and cons were already discussed, but there are variations to every fixed index annuity. For example, some annuities offer more liquidity (or in other words, give you more access to your money in times of need). Some annuities have special features that others do not. Fixed index annuities have changed drastically over the years. Now they 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)

8 Common Mistakes Annuity Buyers Make (Continued)

Cons:

- Understanding which product will best fit your needs
- Terms
- Surrender charges
- Potential fees
- Living benefits and how they work (All annuity contracts are different, so not all cons can be addressed in this guide)

Keep in mind that a negative for one situation may be a positive for another. There are many insurance carriers that offer annuities, all of which are different. Make sure you fully understand the contract rules before purchasing.

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., a 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 differently from the example.

   Death Benefit: Most annuities offer full accumulation value at death. The full value, including gains, transfers to the beneficiaries at death, in a lump sum at once. 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 commuted value will go to your beneficiaries. This only comes into play with a life only SPIA. All other annuities should have a death benefit.

8 Common Mistakes Annuity Buyers Make (Continued)

Make sure to understand the annuity's death benefit before purchasing the annuity in order to help you plan accordingly.

7. **Forgetting about your annuity and not reviewing annually:** It is of the utmost importance for you to communicate with your advisor at the very least every year. Make sure he or 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 in the most efficient way. For example, you may have money that you would like to deposit into your existing annuity because there is currently 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. Therefore, there are many great reasons why you need to be in contact with your independent advisor.

8. **Believing the media's blanket discussions about annuities:** Many annuity buyers listen to the media and believe what they are told about annuities. Then they run 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 study it. Trust yourself by empowering yourself with knowledge. Only work with an expert you trust. Make sure the representative you are taking advice from gives you the time you need to understand and validate an annuity before purchasing it. Not all annuities are created the same; not all annuities are good and not all are bad. The first thing you need to do is determine your goals and then it comes down to which one is the right fit.

Where to Get the Best Annuity Advice

Safemoney.com was created to help you see through the confusion called the financial industry. We've seen 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've had countless opportunities to see the difference that great financial advice can create. Unfortunately, we've 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 these independent advisors to successful families whom they are very well qualified to serve.

If you're looking for a financial plan with an emphasis on retirement income planning, I'd encourage you to take a close look at the information at SafeMoney.com and ask us anything on your mind!

We want to help you see through the smoke screen of retirement planning and help you get back to the basics that way you can truly create a plan that is guaranteed to fulfill your expectations. Phone calls are always free, completely confidential, and there's never an annoying sales pitch. We're here to make sure you receive high-quality advice to help point you in the right direction.

Don't hesitate to contact us with any questions or feedback at 877-GROW-SAFE (476-9723)!

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.

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. You can also contact me or my team with questions anytime at 877-GROW-SAFE (476-9723).

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.

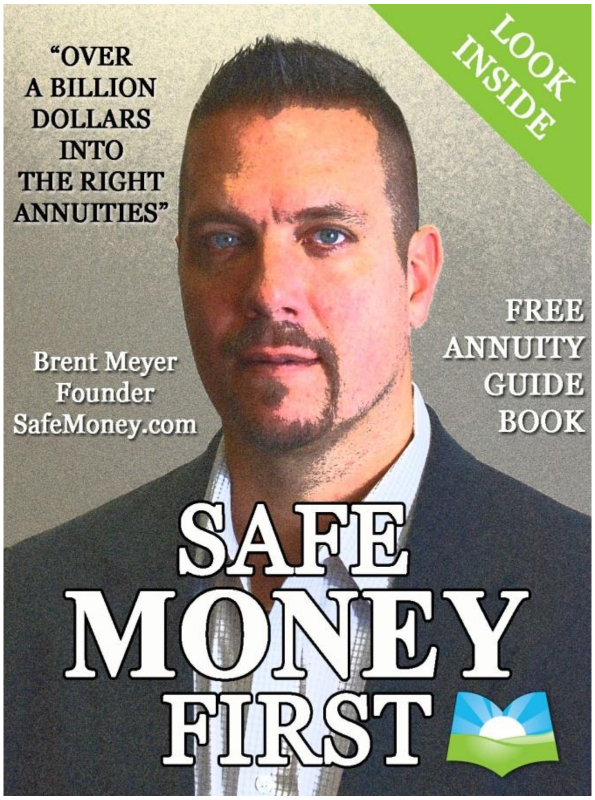
About the Author

Brent Meyer has spent many 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 he enjoys sharing his knowledge of retirement income planning and the financial industry with everyone.

You can reach Brent at brent@safemoney.com or by calling 877-GROW-SAFE (476-9723).



Resources

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

SafeMoney.com is fully committed to equipping aging and retiring investors with timely, up-to-date information on issues related to their financial well-being. One of the ways we're helping drive investor awareness is through endorsements we receive.

SafeMoney.com has been featured on or in segments on many notable programs, networks, channels, and other communications avenues including:

- NewsWatch TV's Biz Report
- Leading Edge Series with Jimmy Johnson
- Fox Business
- CNN
- CNBC
- MSNBC
- USA Network
- Yahoo! Finance

In Fall 2014, SafeMoney.com will be making timely appearances on many other leading networks and channels, including CNN Headline News, The Learning Channel, Family Net, Discovery Channel, and more.

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)