

*The Future Belongs to Those Who Prepare*

*Have you started yet???*



Are you concerned about the  
low interest rates you  
are receiving on your **Fixed  
Financial Products???**



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# Or are you

One of the millions concerned  
about market volatility????



Ask yourself.....What is most important to your Financial Security??

Place an X beside the FIVE most important concerns to you.

- Tax Deferral.
- Reducing or Avoiding Taxes on Social Security.
- Guaranteed Income for Life
- Present or future need of income.
- Potentially avoiding probate and other costly expenses..
- Protection from creditors.
- Liquidity.
- Guaranteed return of your money.
- Protection of assets against nursing home expenses.
- Protecting IRA assets from unnecessary taxes.
- Safety.
- Market Volatility
- Rate of return.

# Tax Deferred Growth



With an annuity you can earn interest on your interest rather than paying taxes on your earned interest.

As your money grows...you pay.....

**NO STATE TAXES!!!  
NO FEDERAL TAXES!!!**

**AND**

**GROWTH IS NOT TAXED AS INCOME HELPING  
TO POTENTIALLY REDUCE TAXES ON SOCIAL  
SECURITY!!!**

The Internal Revenue Code already provides tax deferral to IRAs, so there is no additional tax benefit obtained by funding an IRA with an annuity; consider the other benefits provided by an annuity, such as lifetime income and a death benefit.

Therefore your money grows faster because you earn....

**INTEREST ON PRINCIPAL!!!  
INTEREST ON INTEREST!!!**

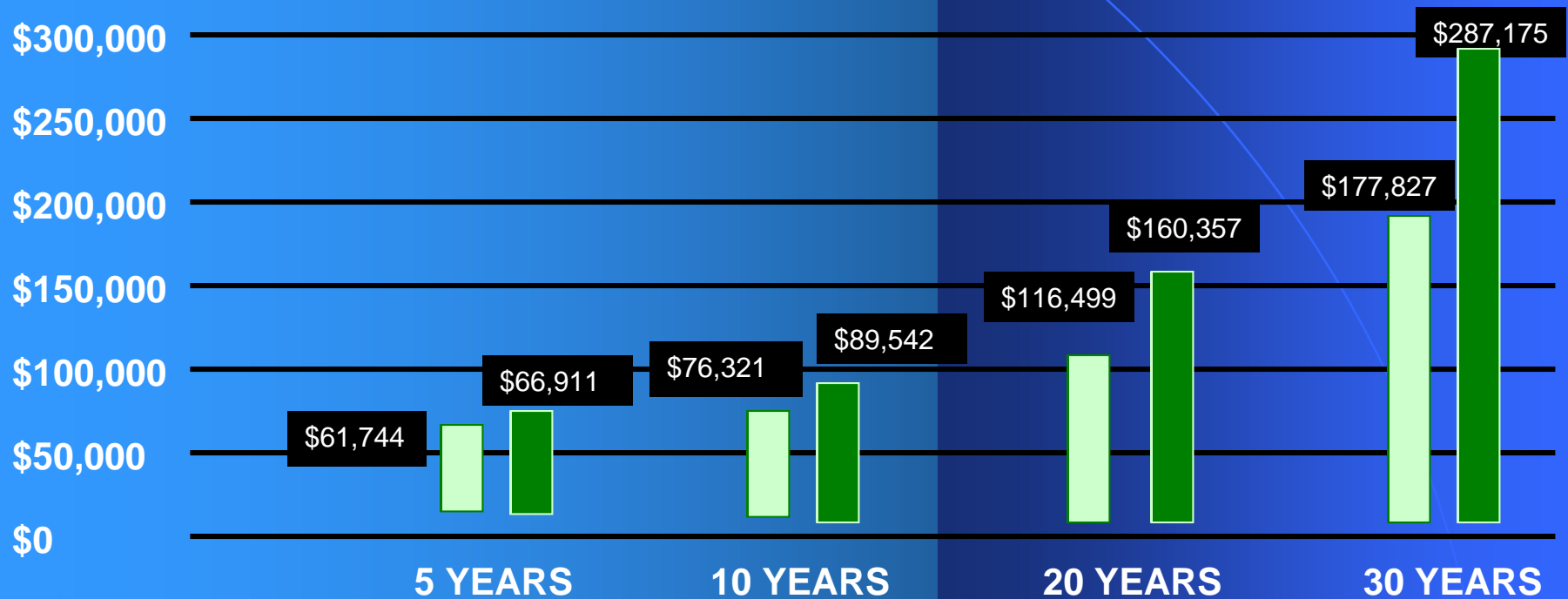
**AND**

**INTEREST ON THE MONEY YOU  
WOULD NORMALLY PAY IN TAXES!!!!**

# A Tax-Deferred Annuity Puts You in Control of When You Pay Taxes.

The Difference is Dramatic!

## THE POWER OF TAX DEFERRAL



Taxable Account at 6%



Tax-Deferred Account at 6%

**\$50,000 Initial Deposit**  
**28% Individual Tax Bracket**

This hypothetical example is for illustration purposes only and is not indicative of past, nor intended to predict future performance of any Index or annuity product. The Internal Revenue Code already provides tax deferral to IRAs, so there is no additional tax benefit obtained by funding an IRA with an annuity.

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In 1983 Congress legislated that up to 50% of Social Security could be taxed when combined income exceeded household limits.

In 1993 the law was amended again to allow up to 85% of Social Security income to be tax under certain conditions.

Henssler University

Social Security Benefits and Potential Tax on Benefits

By: Patricia T. Henssler, C.P.A

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# Threshold Income Limits

	Total Income Including ½ Social Security	Percentage of Social Security that is Taxable
Single	\$25,000 up to \$34,000	Up to 50% (Maximum \$4,500)
Single	Over \$34,000	Up to 85% (See maximum below)
Married	\$32,000 up to \$44,000	Up to 50% (Maximum \$6,000)
Married	Over \$44,000	Up to 85% (See Maximum Below)

Please Note: The IRS is limited in the amount of Social Security they can tax.  
The amount cannot exceed 85% of the taxpayers total Social Security received this year.

# TAXING OF SOCIAL SECURITY

A single retired person who receives \$950 per month (\$11,400 annually) from Social Security, a pension of \$1,600 per month (\$19,200 annually) and taxable interest from CD's, etc..\$1,220 per month (\$14,400 annually)

1/2 of Social Security	\$5,700
Pension and Taxable Accounts	+\$33,600
Total Combined Income	\$39,300
Threshold Single	-\$25,000
Exceeded Threshold	\$14,300
<b>Income in excess of threshold</b>	
50% X \$9,000=	\$4,500
85% X \$5,300=	\$4,505
Social Security Subject to Tax	\$9,005
<b>Potential Tax on Social Security</b>	<b>*\$2,521</b>

An additional tax was created because Social Security became taxable. A potential tax increase Of \$2,521, (28% of \$9,005 = \$2,521 in taxes).

This hypothetical example is for illustration purposes only and the use of alternate assumptions would produce significantly different results.

(\*Based on a 28% Federal 1999 income tax bracket)

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By transferring taxable interest accounts into **deferred annuities**, it might reduce enough of the reportable income so the threshold is below the limit (\$25,000 or \$32,000 threshold).

Using the example from the previous slide:

By placing 100% of the taxable assets or savings into the annuity, it potentially reduced the total tax from \$6,320 down to \$1,669. A potential tax savings of \$4,651. It all but wiped out the tax on Social Security.

We arrived at the figures above by taking into account the standard tax deductions.

This hypothetical example is for illustration purposes only and the use of alternate assumptions would produce significantly different results.



# GUARANTEED INCOME FOR LIFE

Mathematically redesign your retirement assets so you will never run out of money in retirement...Which is a big fear among Seniors today!!!

An **annuity** can provide.....

Guaranteed monthly income that you can never out-live.

Significantly increase your monthly income stream  
--if needed

An **annuity** is one of the ONLY financial products that can give you a guaranteed lifetime income.

# Probate

This is a very important concern of seniors.  
The fact that upon death your funds can potentially pass directly to your  
named beneficiary.



May avoid:

**DELAYS**  
**PUBLICITY**  
**LEGAL FEES**

# INCONTESTABLE

Upon death, often times family members have been known to dispute over the deceased person's assets by contesting the will.

The results are a delay in passing on the assets to one's family members and tremendous attorney fees. With an **annuity**, upon death the funds may pass directly and immediately to the named beneficiary and eliminates any contestability of your account.



# PROTECTION FROM CREDITORS

With an **annuity**, many state statutes say:

“No one can garnish, levy, or attach your funds while in an annuity, nor through the judicial process.”  
One example of creditor protection is that of Ken Lay, the former Enron CEO

Unlike Lay’s other assets, which are threatened by lawsuits, different state laws put annuities out of reach of creditors and plaintiff’s lawyers. Although 80% of his net worth which included Enron stock, stock options, deferred income and his 401K plan, were lost, \$4.7 million in **annuities** are still intact and will pay a guaranteed income of \$900,000 per year, beginning in 2007.

While some people buy **annuities** to lock in a safe return on their investments, others are attracted by the fact that their assets will be shielded from unforeseen threats.

Creditor protection varies by state.

MotherJones.com

[Ken Lay’s Nest Egg](#)

By: Bill Hogan February 21<sup>st</sup> 2002

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## COMPARE FIXED **DEFERRED** ANNUITIES TO OTHER FINANCIAL PRODUCTS

	Safety of Principal Guaranteed Interest	Tax Deferral	Guaranteed Lifetime Income	Inflation Protection	Index Linked Earnings	Growth Potential
Savings Account	✓					
Certificate of Deposit	✓					
Savings Bond	✓	✓				
Multi-Year Fixed Annuity	✓	✓	✓			
Fixed Index Annuity	✓	✓	✓	✓	✓	
Variable Annuity		✓		✓		✓
Stock Mutual Fund				✓		✓

# Long Term Care

- What do you think of when I mention “Long Term Care”?
  - Home Health Care?
  - Adult Day Care?
  - Assisted Care Living Facilities?
  - Nursing Homes?

# Long Term Care

- What Are The Odds?

- 63%

Your chance of spending some time in a nursing home after reaching age 65.

- 78%

Your chance of needing some home health care after reaching age 65.

Long Term Care, Knowing the Risk, Paying the Price. HIAA, 1997

# Long Term Care

- Medicare

- Daily Skilled Nursing Care
- Restorative
- 3-day Hospital Stay
- 30-Days to Find a Facility

- Short Term Coverage

<u>Days</u>	<u>Medicare Pays</u>	<u>You Pay</u>
1-20	100%	0
21-100	100%	\$192
101+	0	100%

Long Term Care A Senior Friendly  
Informational Website

<http://ltc-usa.com/LTCI/medicare.htm>

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# Long Term Care

- Medicare Supplement
  - \$95.50 pays the co-insurance and the deductible
  - Covered expenses only not beyond the 100 days

# Long Term Care

- Medicaid
  - Spend Down
  - Welfare Program
  - Look-Back Periods

# PROTECTION FROM NURSING HOME COSTS

In our state if you need long term care, you will have to pay for it out of your own pocket. (Unless you have long term care Insurance)

That means, if you have your funds in.....

Bank CDs

Money Market Accounts

Municipal Bonds

Mutual Funds

Stocks and Bonds

Checking Accounts

And you have this amount of Money

\$10,000

\$20,000

\$30,000

\$40,000

\$50,000

\$60,000

\$70,000

\$80,000

\$90,000

\$100,000

**Then This Will Only Last>>>>**

# THIS LONG!!!!

\$10,000-----	1 Month*
\$20,000-----	2 Months*
\$30,000-----	3 Months*
\$40,000-----	4 Months*
\$50,000-----	5 Months*
\$60,000-----	6 Months*
\$70,000-----	7 Months*
\$80,000-----	8 Months*
\$90,000-----	9 Months*
\$100,000-----	10 Months*



Then, after you have exhausted **YOUR funds**, MEDICAID will step in and pay for the cost of long term care. Note that according to the Connecticut Partnership web site over 75% of Medicaid recipients were single when they applied and became eligible after their assets were depleted to \$1,600 and all of their income, (except \$65 or \$155 for war time veterans each month, which is used to buy toothpaste, haircuts, greeting cards, etc.), was used to pay for their care.

There is a solution...when your funds are in an **annuity**, you may be able to protect them from MEDICAID!\*\*

\*Based on the GENWORTH FINANCIAL 2008 COST OF CARE SURVEY for state of CT

\*\*Depends upon the state you reside in and when and how your funds are transferred to an annuity

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# We Care About Families

- Personal Assets
  - You’ve spent a lifetime accumulating assets in order to enjoy retirement
- Family
  - Relying on family can be a burden and cause “burn-out”

*break*

"Inheriting an Individual Retirement Account (IRA) or other tax-deferred plan from a spouse is easy. You either can assume the account under your name or roll it over into your existing IRA. But if you are an adult child, other relative or friend, inheriting an IRA usually means only one thing: a fat bill from the Internal Revenue Service."

**USA Today, January 8, 1999**

# “Stretch” IRA Concept - What is it?

- An estate planning tool where, upon the IRA owner’s death, the beneficiaries choose to receive the IRA proceeds over their life expectancies.\*

\*Assumes contract has the cash value to support withdrawals. All guarantees are subject to the claims paying ability of the insurer.

# The Benefits of a Stretch IRA

- Potentially maximize the value of your IRA for your heirs
- Minimize the current income taxes paid by your beneficiaries by spreading out the IRA payments and associated income taxes
- Create a stream of income\* for your beneficiaries based on their life expectancies

\*Assumes contract has the cash value to support withdrawals. All guarantee are subject to the claims paying ability of the insurer. Future changes to tax laws may alter the tax-related benefits associated with beneficiaries spreading out payments through a Stretch IRA.

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# Stretching With a Roth IRA

- No Required Minimum Distributions
- Contributions may continue after age 70 1/2
- Income tax free withdrawals

# Is a Stretch IRA Right For You?

- You may wish to consider a Stretch IRA strategy if:
  - You (or your spouse) do not anticipate needing your IRA money during your lifetime
  - You would like to leave more money to your beneficiaries
  - You are seeking to leave a legacy for future generations (grandchildren)

# *What can the Family Stretch IRA do for you?*

*It can save you Thousands of dollars in taxes and stretch your modest IRA*

*into a large legacy.*

*It can provide a Lifetime Income for you and your Spouse.*

*It can create a Family Legacy for your children and even your grandchildren.*



# As Your family grows...so can your IRA

**You can combine the power of compound interest and tax-deferred earnings.**

**Provide a Lifetime Stream of Income for you, your spouse, your children and grandchildren**

**Control the timing and distribution of your retirement savings.**

**Protect your retirement savings from creditors, depending on state.**

**Replace wealth lost to unnecessary taxes.**

**Accomplish your objectives with safety using guaranteed principal vehicles.**

# ECONOMIC DEPRESSION PROTECTION

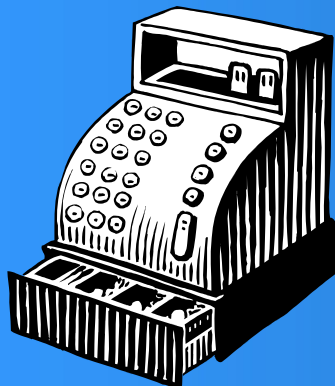
If you recall the great depression, you may remember what happened to people who had their money in banks.

***They lost it !!!!!***

Do you know what happened to the people who had their funds in an **annuity account?**

***They kept it !!!***

***And their funds grew!!!***



In fact, during the Great Depression, the assets of insurance companies actually grew. They continued to employ people and paid their claims!! Retail giant J.C. Penney was able to not only withstand the depression but flourish because of investments in the insurance industry.

# SAFETY

Financial  
Backing

**Annuities, unlike other products are backed by the issuing insurance company.**

# A Quote from the Assistant Secretary of the U.S. Treasury

"From the standpoint of the contract holder, a deferred annuity during its accumulation period does not significantly differ from the long term certificate of deposit (which incidentally, also may be subject to penalty if it is surrendered prematurely), or any other portfolio investment which may be reduced to cash at any time. Nevertheless, interest from other portfolio investments is taxed currently whereas earnings credited to a deferred annuity are not.

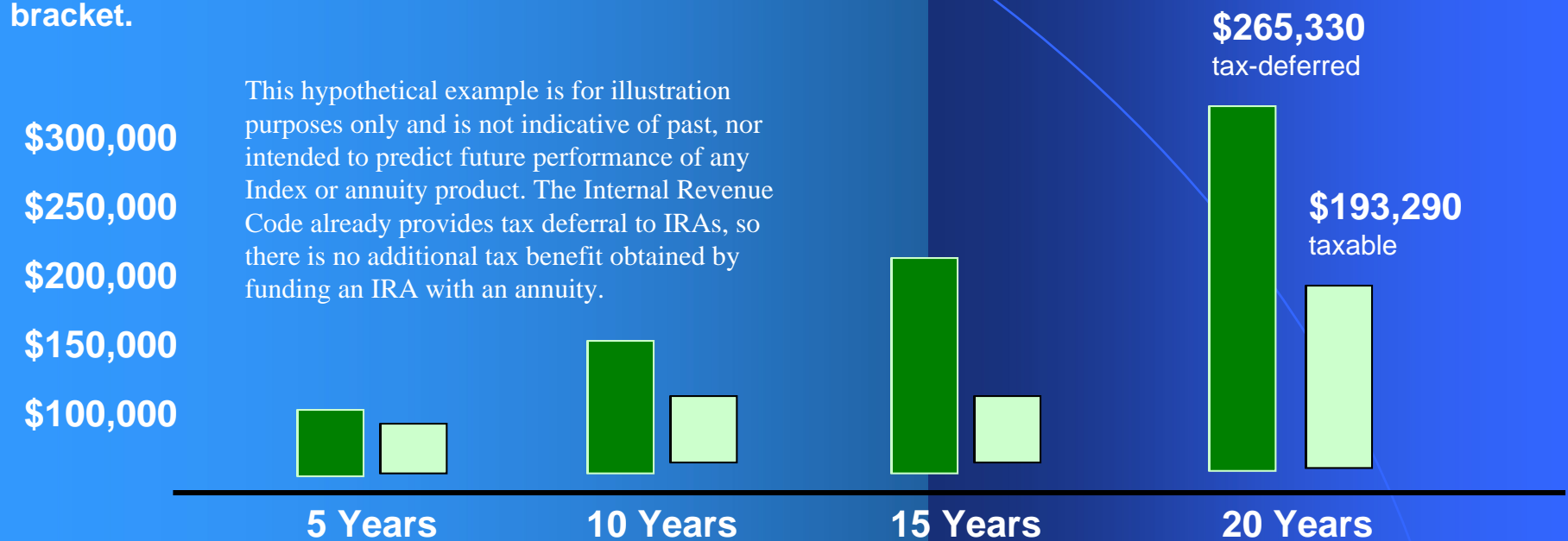
To the extent that annuities can be fashioned to offer interest rates that are competitive with rates paid by other financial instruments, ***there is little reason why a potential investor should purchase anything but a deferred annuity.***"



Hon. John E. Chopton  
Fmr. Asst. Secretary of the U.S. Treasury  
Testimony on Misc. Tax Bills Before Senate Finance Committee

# Tax Deferral

Unlike a bank CD, an annuity offers interest that grows tax-deferred. No income taxes are due until the funds are withdrawn. This graph shows the difference this tax-deferred advantage can make.

This example assumes \$100,000 invested at 5% annual compounded rate of return, at a 33% tax bracket.



-  Growth if tax-deferred
-  Growth if taxable

**Get the advantage of compounding with an annuity.**

**You will:**

**Earn interest on your money.**

**Earn interest on your interest.**

**Earn interest on the money you would have paid in taxes.**

# Marketplace Versus Annuities Rate of Return

\$100,000.00 Lump Sum Investment



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<u>Year</u>	<u>Market</u>	<u>Annuity</u>
1	+15%	+5.6%
2	+16%	+5.6%
3	+11%	+5.6%
4	-17%	+5.6%
5	+10%	+5.6%
6	-4%	+5.6%
7	+17%	+5.6%
8	-8%	+5.6%
9	+10%	+5.6%
10	+12%	+5.6%

**How Do You Think They Compared?**

Market  
\$172,089.00

Annuity  
\$172,440.00

# Growth Potential AND Protection

Would you rather have a guaranteed return of your principal  
or  
a guaranteed return **on** your principal????

## YOU CAN HAVE BOTH

Annuities allow you to be linked to the performance of an outside market index and still receive a guaranteed return on your money without risk to your principal or previous credited interest.

Fixed indexed annuities are not registered securities or stock market investments and do not directly participate in any stock or equity investments. Market Indices do not include dividends paid on the underlying stocks, and therefore do not reflect the total return of the underlying stocks; neither an Index nor any market-indexed annuity is comparable to a direct investment in the equity markets.



# Annuity Examples

- How long do you want your money to last?

Most people respond that they want their money to last a lifetime.

- Immediate Annuity

- (I.e. 61 year old J/S)
- **Annuities** are one of the only products that can give you a guaranteed lifetime income.

Guarantees provided by annuities are subject to the financial strength of the issuing insurance company; not guaranteed by any bank or the FDIC. Annuities contain limitations including withdrawal charges, fees and a market value adjustment which may affect contract values.

# Annuity Examples

- Would you rather pay taxes on your earned interest or earn interest on your interest?
- Most people want to earn interest on their interest due to the compounding factor.

This is another way of saying “Tax Deferral”

- **Premium Bonus Annuities** (5 to 10%)
- **Fixed Indexed Annuities** (no downside market risk)

Guarantees provided by annuities are subject to the financial strength of the issuing insurance company; not guaranteed by any bank or the FDIC. Annuities contain limitations including withdrawal charges, fees and a market value adjustment which may affect contract values. Bonus annuities may include lower cap rates, higher spreads or other restrictions that are not included in similar annuities that don't offer a premium bonus feature. The Internal Revenue Code already provides tax deferral to IRAs, so there is no additional tax benefit obtained by funding an IRA with an annuity.

# Annuity Examples

- What are the odds again concerning LTC?
- 48.6% chance of spending some time in a nursing home after reaching age 65.
- 71.8% chance of needing some home health care after reaching age 65.
  - **Annuity**
    - FREE disability rider
    - Increased annuitized payments by 30% to 60% based on loss of ADL's (bathing, stairs, eating, etc.)

Now you can see why **annuity accounts** are very important for seniors and their savings

**Value-added features of annuities :**

**Safety**

**Liquidity**

**No Downside Market Risk**

**Tax Advantages**

**Flexibility**

**May Avoid Probate**

**Incontestability**

**Creditor Protection**

**Lifetime Income Options**

**Privacy Protection**



Annuities contain limitations including withdrawal charges, fees and a market value adjustment which may affect contract values. Fixed indexed annuities are not registered securities or stock market investments and do not directly participate in any stock or equity investments. Market Indices do not include dividends paid on the underlying stocks, and therefore do not reflect the total return of the underlying stocks; neither an Index nor any market-indexed annuity is comparable to a direct investment in the equity markets. This material has been prepared for informational and educational purposes only. It is not intended to provide, and should not be relied upon for, accounting, legal, tax or investment advice.

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Why not relax and join the millions of people using **annuities** to ensure their futures, and guarantee an income throughout their lifetimes.



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*ISN'T IT GREAT TO KNOW  
THAT THERE IS A  
PRODUCT THAT CAN  
MEET MANY OF YOUR  
NEEDS?*

