

Karen Adams Insurance



Will Rogers once said, "I am not concerned with the return on my money, I just want to get my money back." Today that isn't so easy. If you have a few years until retirement, you will see your investments increase again. However, if you are in retirement without a sizeable and guaranteed nest egg, it must be very frightening!

If you watch TV, read the papers, magazines or listen to the radio, you know our financial world is **unpredictable at best**. Every pundit, investment show and blog gathers its proponents and prognosticators. So what do you do during these hard financial times when most of our investment portfolios have lost 30 to 50% or more of their value? Many conservative investors have discovered the benefit of Annuities.

Are you looking for ways to Protect Your Capital? Look no further than a fixed or indexed annuity. How do you create your own monthly pension program? You create it by using an annuity in your financial and retirement planning thus producing hundreds of thousands of extra dollars in your estate. Read on for the facts about annuities.

What is an Annuity?

An annuity is a contract in which an insurance company makes a series of payments to you at regular intervals in return for a premium. Annuities are often bought for **future** retirement income. The proceeds from an annuity can provide you with an income for life, or for a specified period of time. There are two basic types of annuities.

- The first is when you pay a lump sum to an insurance company and they start to pay it out to you right away in periodic installments. **This is an immediate annuity.**
- The second, and most common, is where money paid by you accumulates interest over a period of time. If you choose this type of annuity, the principal and accumulated amounts will be paid out to you in periodic installments, usually when you retire. **This type is called a deferred annuity.**

FORBES, MONEY MAGAZINE and THE WALL STREET JOURNAL have recommended annuities as an alternative to CDs and are one of the safest investments in America today.

For more information, please check out the Calif. Department of Insurance site about annuities at <http://www.insurance.ca.gov/0100-consumers/0060-information-guides/index.cfm>

Yes, there are disadvantages to an annuity

Annuities have certain disadvantages when used for retirement planning. Payments into an annuity aren't tax deductible (unless you place it inside your IRA). Most experts recommend maxing out contribution to other available retirement plans before you think about an annuity.

Another disadvantage can be the withdrawal of money before the "maturity" of the annuity—called surrender charge. Based on the contract, you will be subject to a declining surrender charge. (Most annuities allow you to take 10% withdrawal a year with no penalty and contain a nursing home clause.)

Lucky 13 Benefits to Annuities

Where else can you get these benefits?

1. Guarded by California's State Guarantee Fund up to \$250,000.
2. Guaranteed minimum rate of interest by contract.

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3. Deferral of income taxes that result in tax savings.
4. Deferral of income taxes allows triple compounding interest on principal, interest on interest and interest on tax savings. (See the chart below.)
5. Little downside risk since most insurance companies do not speculate with the insured's money.
6. 100 % of principal goes to work immediately since no sales charges are taken out.
7. If you move, you can take it with you.
8. At death, proceeds are available immediately.
9. No annual service fees or charges by contract.
10. Beneficiary avoids probate costs which can be up to 6% in California.
11. Guaranteed lifetime retirement income.
12. Offer a variety of payout options.
13. Peace of mind and security not offered by any other investment.

As an insurance agent, **I have marketed and sold annuities for years.** I am always surprised how much my clients that have purchased annuities love them—and I mean love them! And I am also confused as to why some financial advisors don't like the security of annuities. If they would have really learned about annuities, their security and their ability to protect their clients capital, they wouldn't be dodging phone calls in this terrible economic climate.

One of my insured's put them in a Pension and Profit Sharing Plan for their employees during the 80's and 90's. During this time period, the market had its ups and downs but the employer found the continued guarantees an advantage over mutual funds with no guarantees.

Some that have purchased annuities have split their contributions—one for an immediate annuity and the remainder in a deferred annuity to build an accumulation for use at a later date. This has worked especially well for a safe diversification. And finally, one of clients who has taken an income every month, hasn't watched in fear since her principal and interest was guaranteed.

Let us help you decide if you could benefit from an annuity.

Power of Triple Compounding and Tax Deferral

Year	Beginning Balance	Interest @ 4%	Taxes 25%	Taxes ending balance	Beginning Balance	Interest at 4%	Annuity Ending Balance
1	\$50,000	1,975	494	51,481	\$50,000	1,975	\$51,975
2	51,481	2,034	508	53,006	51,975	2,053	54,028
3	53,006	2,094	523	54,577	54,028	2,134	56,162
4	54,577	2,156	539	56,194	56,162	2,218	59,381
5	56,194	2,220	555	57,858	58,381	2,306	60,687
6	57,858	2,285	571	59,572	60,687	2,397	63,084
7	59,572	2,353	588	61,337	63,084	2,492	65,575