## Retirees Can Act Now to Derail Probate for Survivors / Heirs

The following tips are things retirees need to know about common methods used to avoid probate:

***Pay On Death accounts** are quick and easy to set up. They can be a life saver for a bereaved, surviving spouse in sore need of ready cash for monthly bills and other living expenses. The Pay On Death designation can be applied to checking and savings accounts, certificates of deposit, United States Treasury Securities and brokerage accounts. By filling out a simple form at the bank, you can ensure that funds pass directly to a named beneficiary without having to get bogged down in probate.

The only hassles come when you need to change beneficiaries on several accounts. Experts suggest doing a periodic review to make sure you've updated your P.O.D.s with the names of desired beneficiaries. Also, some accounts and investment vehicles grow faster than others, meaning some beneficiaries would ultimately get more than others; this is another reason to occasionally review your P.O.D. accounts. The "beneficiary," by the way, is someone you name to receive assets after you die.

The term "probate" refers to the legal procedure courts use to properly divvy up assets and properties someone leaves behind after death. A well drafted will often provides the court with solid guidance on disbursement. However, a faulty will, or the lack of a will, can mean the probate court will divide assets according to state laws.

***Creating an instrument called a "Revocable Living Trust"** gives you control of your assets while you live. After you die, the assets pass to your named beneficiary without interference by the probate system. The term "revocable" means this type of trust can be revoked, or dissolved, anytime. Also, it comes in handy if you become incapacitated since a trusted beneficiary can take over the management of your assets while you're sick. Any assets not included in the trust go through probate.

Disadvantages initially include some simple required paperwork that can be done generally in no more than 2 hours. However, once this process is completed, it is a very easy document to maintain and will fully protect all of your assets from the claws of probate.

***Many couples, or a surviving spouse or child, take a simple path around probate** simply by putting property and assets under equal shares of ownership. This is called "Joint Tenancy." The assets go to the surviving joint tenant when the other joint tenant dies.

Most people need to carefully consider whom they name as a joint tenant because it means the one named owns half of the designated assets or property. It also means the joint tenant could sell his/her half at any time. And if this joint tenant acquired bad debts, a divorce, a lawsuit, would owe back taxes or have a judgment against him/her, your hard-earned dollars could be up for grabs.

For those with estates of $2,000,000 or more, joint tenancy may nix the opportunity for certain tax advantages. Also, you could trigger gift taxes by naming someone as a joint tenant for property valued at more than $12,000.

*__Life insurance money__ can go directly to named beneficiaries after you die, UNLESS the money is left to the insured's estate. If you want the life insurance money to avoid probate, you must name a specific person or charity as the beneficiary.

Life insurance is a great way to make sure designated heirs get immediate cash after you die. For them, the post mortem period will be a trying time, if not emotionally devastating. Imagine being broke at the same time, while probate lumbers on with your heirs' frozen assets!

Also, ask your accountant and Elder Planner how the proper set up of a life insurance policy can avoid future state and federal estate taxes and income taxes.

*__Many retirees have an attorney write a will__ that leaves everything to the surviving spouse. But what if both spouses die at the same time? An example would be a plane crash or auto accident.

**One final note:** These methods were designed to avoid probate, not taxes. Contact your Elder Planner, accountant, a tax attorney, or all three for information about the many instruments designed to decrease the potential tax burden of your estate. Probate is a well-meaning system designed to ensure proper asset disbursement after death, but the same system can stall payouts to survivors and heirs for an indefinite period and heavy financial costs.

## The Stretch IRA

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The facts are abundant. The proportion of retirees is growing dramatically. Between the years 2010 to 2030, the 65 plus population is expected to spike by 75% to more than 69 million. Furthermore, if you are married and make it to age 65, there is a 47% chance that one of you will live to see your 96th birthday. With 7,918 boomers turning 60 each day we should be focusing on retirement income planning. We first need to ensure we can't outlive our income. Next, we need to be certain all remaining funds are distributed to our designated beneficiaries in the way we want with minimal taxation.

**No matter the type of qualified tax deferred retirement account you have, (IRA, 401k, 403b, Profit Sharing, Defined Benefit Plan) there are basically only two phases** - the accumulation phase and the de-accumulation or distribution phase. During the accumulation phase all interest accumulates and compounds tax deferred. During the distribution phase income taxes are due April 15 of the year following the distribution. The year after you turn 70 ½ the IRS requires that you as the account owner begin receiving Required Minimum Distributions (RMD) based on the account balance on April 1 of each year. If the minimum distribution is neglected, an enormous 50% "too late, too little" penalty tax is imposed.

### *RMD Table Reduced Over 50% in 2002*

Fortunately in 2002 the Required Minimum Distribution Uniform Lifetime Table published by the IRS was significantly reduced from 7% to a shade over 3%. For example, for every $100,000 in account value at age 71, $3,774 annually must be withdrawn verses $7,225 that was required prior to 2002. Today an 80 year old must receive $4,525 each year and an 85 year old $4,630 per $100,000.

If you are planning to only withdraw the Required Minimum Distribution from your retirement account, chances are you will leave an account balance to your beneficiaries. Today there are annuities available that guarantee a lifetime return of 3% to 6%, insuring that if no additional withdrawals are taken from your "qualified" account your beneficiaries will receive a sizeable inheritance.

This factor alone has created a greater need to properly plan the non-spousal distribution of your retirement accounts. What most people don't realize is that with little pre-planning their "qualified accounts" can be stretched out over multiple generations. And you can control the distribution to your heirs through predetermined beneficiary distribution elections. By failing to preplan you could actually forfeit up to 70% of the remaining balance to the IRS, in the form of estate and income taxes.

**A Helpful Example:**

**Robert Simpson** is a 65 year old engineer, with $500,000 in an IRA that he rolled over from a 401k he had with a previous employer. His wife Jean is 62. They have two children, Steve, 40 with no dependents and Rachael, 37 who has 3 children. Their son Steve has a difficult time with money and usually spends it as fast as he gets it. Rachael and her husband on the other hand are very responsible and do very well.

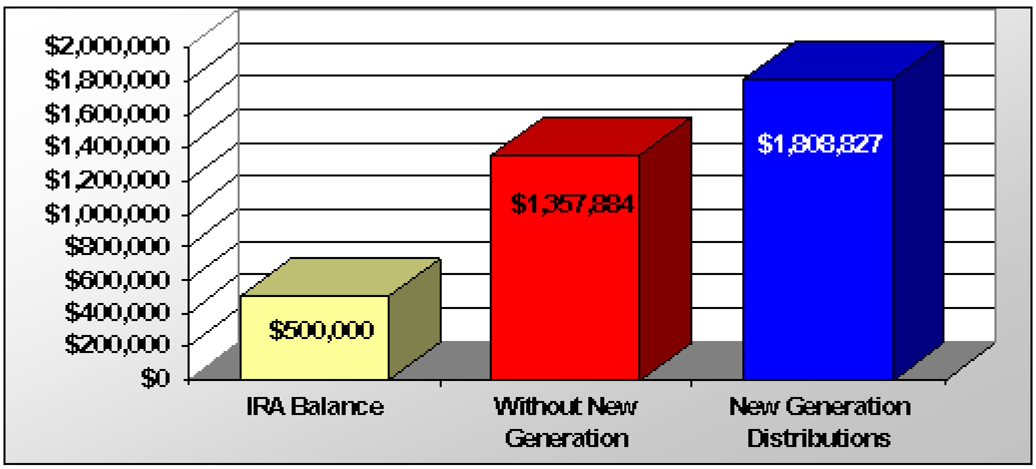
With the income he will receive as a consultant, his social security and pension payouts from another source, Robert has no need to withdraw from his IRA. He plans on letting it continue to compound until Required Minimum Distributions are required in five years. He has listed Jean as his primary beneficiary and his children as the secondary (contingent) beneficiaries.

Assuming his IRA compounds at 5%, his account value in five years will have grown to $638,141 with an RMD at year end of $23,290. His life expectancy is 21 years or to age 85, his total RMDs through the years would have paid out $531,156 and the account balance at death would be $641,587. Jean would be 83 years old at that time and would roll Robert's IRA into her own account and begin RMDs lasting until her passing at age 88 or another 6 years for a total distribution of $257,123, leaving a balance of $569,605 to be inherited by the children. If properly pre-planned Rachael can take her half - $284,803 and chose one of the following options:

1. Take full distribution and pay income taxes the next April.
2. Pass the inheritance onto her children or grandchildren.
3. Receive the distribution over five years and pay income taxes on each withdrawal.
4. **A new option** – Roll the account value into a newly created personal IRA. Note: No matter how old the **non-spousal beneficiary** is the RMD **must** begin based on their age and the RMD table. Furthermore, the **non-spousal beneficiary must** roll the inherited funds into a separate personal IRA and be a trustee to trustee transaction. In other words it must be a pre-selected option on the IRA or 401k beneficiary designation form and no funds can be personally received and then transferred. ***It can't be an afterthought.*** If she elected to ***stretch*** her father's IRA that she inherited from her mother, she would receive a total payout of $527,979 throughout her life expectancy verses $284,803 lump sum, minus 35% in income taxes or **$185,121** net inheritance.

Robert also wanted to make certain his son Steve didn't blow his inherited IRA, so in his beneficiary designation form he provided the stipulation that Robert could only receive the inherited IRA through the Stretch distribution method, which in this example would hypothetically begin at age 64 with a payment of $13,064 in the first year with total payouts of $527,979 until his life expectancy at age 85. Any unused balance would go to Steve's designated beneficiary.

By properly exercising the Stretch options a total payout of $1,808,827 is received instead of $1,357,884. Furthermore, the original IRA owner's wishes are clear and concise, with no second guessing and full control exercised for multiple generations.




## *Most Custodians Do Not Perform Stretch IRA Duties*

The problem with the Stretch concept is that most IRA custodians, and virtually all 401k custodians do not want to participate in multi-generational IRA distributions. It requires the ability to spread IRA distributions to a multitude of potential beneficiaries throughout their lifetimes. This distribution begins with a unique beneficiary form that makes certain your "qualified" accounts are stretched to all your non-spousal beneficiaries.

An ideal "qualified" retirement account custodian must:

1. Guaranty the principal
2. Guaranty a minimum rate of return
3. Administer the distribution of all beneficiaries at no cost

4. Provide binding beneficiary language to make certain you control the distribution well beyond your lifetime
5. Periodically review and revise your beneficiary designation form when needed

Today in reality only a handful of life insurance companies have mastered the art of proper “qualified” retirement account multi-generation distribution and accountability based on the new laws and provisions. These companies not only offer an easy to complete binding beneficiary form that will logically distribute your IRA the way you want for multiple generations, but will also guarantee a minimum return of 3% to 6%, guaranteeing your RMDs do not deplete your account, insuring your heirs or charities an inheritance.

*Your retirement account beneficiary form is the single most important document in your estate plan because it guarantees that the person you name as the beneficiary of what may be the single largest asset you own – your retirement savings – will actually inherit that asset when you are gone.*

**Another Example Might Be Helpful:**

**Doug Wilson**, is 70, and will need to begin taking his Required Minimum Distribution at the end of the year. The current value of his IRA is $500,000. At the end of the first year his RMD is $18,248. His account is guaranteed to increase by 5% per year. Even after the RMD in the first year, his account value would have grown to $506,752.

His RMD for subsequent years will be:

- Year 2 - $19,123
- Year 3 - $20,038
- Year 4 - $20,995
- Year 5 - $21,996
- Year 6 - $23,043

On his 75th birthday Doug dies. The total of his RMDs for the six years of withdrawal would have been $123,443. Because his account was guaranteed to grow faster than it was being depleted, his remaining account balance will be $531,033 the day he passes on.

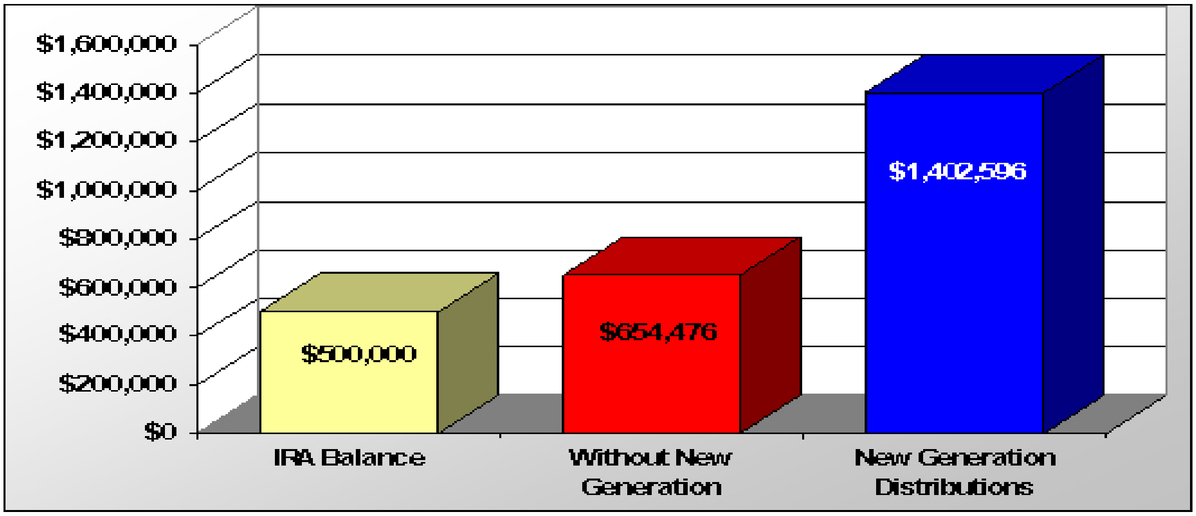
He was a widower and had listed his only child Matthew, (age 54 when his dad dies), as the beneficiary of his IRA. Before he met with us his IRA custodian was Schwab and they made it clear that the only way Matthew could receive the inherited IRA was in a lump sum, or **$531,033**. Doug’s total estate was under the estate tax exclusion ($2 million for 2007-2008), so no estate taxes were due. Because Matthew was scheduled to receive the lump sum, his tax bracket would have jumped to the highest possible and a **federal income tax of $185,851** would be due April 15, the year following the year he received the inherited IRA. Matthew would also be required to pay state income taxes ranging from 0% to 11% depending on the state of domicile. The net inheritance for Matthew would have been **$345,171 or less.**

After meeting with us, Doug transferred his IRA into a 5% guaranteed annuity that provides comprehensive ***Stretch IRA*** language in the beneficiary designation form. On the form Doug states that Matthew can choose to either receive the IRA account balance in a lump sum, over 5 years or based on Matthew's RMD calculations for the rest of his life. Matthew would have the ability to accelerate his distributions at any time, but Doug wanted to make certain Matthew had the choice to spread the income over his life, thus spreading the income tax, or pay the tax all upfront.

One important point to note is that, had Matthew been a spend thrift, or a wayward child, through the beneficiary form, Doug could have put specific qualifications in place to control the distribution. He could have done the same had there been any other beneficiaries. The main idea behind the ***Stretch IRA*** concept is that it provides options. Most custodians do not want options. Only insurance companies have the ability to truly stretch out the distribution of the IRA funds to multiple beneficiaries and multiple generations.

Had Doug's son Matthew taken the RMD throughout his lifetime, the total before tax payout, (assuming 5% interest each year and a life expectancy of 84, based on the IRS tables), would have been **$1,279,153**. Of course each year he would have to pay income taxes on his RMD, but most likely, the RMD income would not throw him into the top bracket each year. In the 10th year his RMD would be $27,000, in the 20th it would have grown to $46,146.

Rather than receiving a net payout of **$345,171** Matthew will now receive a gross payout of **$1,279,153, or 4 times more!**




**Who Should Consider A "Stretch IRA"?**

- If you currently are not withdrawing more than your RMD from your "qualified" account.
- If you have multiple beneficiaries with different needs and personalities.
- If someone other than your spouse will possibly inherit any of your "qualified" retirement plan.
- If you want to control distributions to multiple generations.
- If you want to spread the income over multiple generations.
- If you want to spread the income tax over multiple generations.

**Action Items:**

1. Make certain your IRA/401k custodian allows for the "Stretch Option" for your non-spousal beneficiaries, which includes any contingent or secondary beneficiaries.
2. Make certain your IRA/401k custodian allows you continuous multi-generational distribution control of any retirement funds your non-spousal heirs could inherit.
3. Make certain you have your IRA/401k beneficiary designation form reviewed by a qualified Retirement Exit Specialist.
4. Make certain you receive and review a personalized "IRA Stretch" analysis.

**Other Points To Consider:**

1. IRA owners seldom review their beneficiary designation form. In fact, most couldn't locate it if they were asked to.

2. For your beneficiaries to get the **Stretch IRA** option, you must see if your custodial agreement allows stretch distributions – and then make sure you have correctly designated your beneficiary(ies) on your beneficiary form. If your custodian is reluctant to assist you, you need to switch custodians.
3. Most custodians do not want to perform the duties multi-generational **Stretch IRAs** require.
4. Few people understand the new regulations drafted in the 2006 Pension Protection Act about **non-spousal IRA** rollovers.
5. Most people think that they can't control **non-spousal IRA** distributions after they pass away. They believe everyone has to be treated the same. Not true, with the robust new beneficiary forms a trust isn't required and can be as specific and controlling as you want for as long as the money lasts.
6. If you are not a surviving spouse, it is not possible to rollover a deceased person's IRA into an existing IRA account. It must be a separate and new IRA account with the funds being transferred from trustee to trustee. No money can touch the IRA beneficiary's hands.
7. In the case of 401k's, most custodians are set up to **cash out** or **pay out** not transfer inherited funds. That's fine when the spouse is the beneficiary, but for **non-spousal beneficiaries** that can be a disaster. If your custodian isn't willing or able to perform **Stretch IRA/401k** duties you should transfer your account to a custodian that will.
8. If you want income guaranteed to you and your beneficiaries, you cannot get guaranteed income from a non-guaranteed account. Today there are accounts that have huge upside growth potential with full guarantees ranging from 3% to 6%.

## Indexed Annuities - The Safe Alternative

**Indexed Annuities** — a hybrid strategy that promises the safety of traditional annuities and offers tax-deferred long-term equity growth potential, guaranteed minimum interest, and no risk of principal loss—may be a good alternative, particularly for savers looking for an alternative to bond mutual funds, CDs, and fixed-income annuities.

### *History of the Indexed Annuity*

Introduced in the early 1990s but largely overlooked during the exceptional run-up in equity values during the past decade, Indexed Annuities have attracted considerable attention lately. In fact, Sales have remained nearly double what they were in 2003 closing out 2006 at $25.3 billion.

Moreover, Indexed Annuities have consistently outperformed comparable investments—bond funds, CDs, stock, and index funds—since their inception a decade ago when Keyport Life introduced the first annuity with returns linked to the Standard & Poor's 500 index.

The tradeoff, however, is that investors receive less than full index market gains. How much less depends on several factors, including the Indexed Annuity's participation rate, spread, growth caps, and calculation method. Insurance Carriers must have some means of covering the guarantees and volatility of the underlying index.

For example, a carrier could reduce the participation rate, which defines what percentage of the index gain the investor will receive. If the participation rate is 80% and the applicable index rises 10%, the value of the Indexed Annuity will rise 8%. While at first glance, a lower participation rate may seem preferable, other factors — the index chosen, calculation method, spreads and Company strength — are equally important considerations. You should not choose an Indexed Annuity for "excitement" or for the *high risk/high return* portion of your investment portfolio. They are intended as an alternative to other traditional fixed savings vehicles that protect your principal from market risk.

Like other annuities, gains on Indexed Annuities are tax-deferred until withdrawal. But unlike municipal bonds, Social Security computation does not include interest remaining inside an Indexed Annuity, nor is the interest subject to probate if paid to a beneficiary. In addition, in most states, Indexed Annuities are creditor-proof. This can be very important for those with high exposure to lawsuits, such as business owners, physicians and dentists, putting them on equal footing with IRAs and 401k plans.

### *Beware of the calculation method*

An Indexed Annuity's growth can vary wildly, depending on the method used to calculate index performance. According to *Jack Marrion*, President, Advantage Compendium, LTD "The average Indexed Annuity total return for products purchased on Sept. 30, 1998, and reaching the end of their initial index period on Sept. 30, 2003, was 30.4%. The lowest return was 15.93% for annuities using the term-end point-to-point method. The highest was 46.7% using the annual reset crediting method with daily averaging."

So although one calculation method yielded less than 16% during the five-year period, another method generated almost three times that amount. That's some difference.

The four basic methods of calculation include annual reset, point-to-point, averaging, and high-water look back. Although the latter has seen some renewed interest lately, it is infrequently used.

There is a wide variety of calculation methods available. Your financial circumstance, investment objectives, risk tolerances and assessment of market direction will dictate which calculation method is best for you. A financial annuity advisor familiar with the pros and cons of the various methods can help you here.

### *Other considerations*

In addition to participation rates and calculation methods, the more than 300 Indexed Annuities currently available also contain significant differences in minimum interest guarantees, issuer strength, spreads, earning caps, surrender charges, and distribution restrictions, all of which can have a noteworthy impact on investment returns.

One of the largest issuers of Indexed Annuities markets them with a tempting additional up-front bonus payment. However, a closer examination reveals stringent withdrawal restrictions, including a provision that requires that investors annuitize their funds at the end of the contract. This means they cannot receive their money in a lump sum; they can only withdraw funds in predetermined portions over a set period of time, typically at a fixed rate that is less than competitive.

Also, like other retirement plans such as 401k's and IRA, Indexed Annuity withdrawals before age 59 ½ are subject to a 10% penalty. They are intended as a long-term strategy.

Even Indexed Annuity detractors admit the product can be appropriate for those 50 and older. One life insurance advisor, a particularly harsh critic of Indexed Annuities, acknowledges that the astute investors who might correctly invest in an Indexed Annuity are investors in their 50s and 60s making their final investment push to retirement, leaving their investment time horizon between five and 10 years.

“Since there is little time to earn back any investment mistakes, new investments and the repositioning of equity invested assets might now be prudently invested with an eye on conservation,” the advisor says. “If fixed-income yields were low and expected to remain so, the Indexed Annuity might be the ideal investment product for this investor.”

Indexed Annuities can be an ideal choice for your safe money, but it is important to scrutinize the myriad features of a product, as well as the strength of the product’s sponsor, before purchasing.

## Indexed Annuities: a no risk option

Annuities are a popular retirement plan because they guarantee a certain rate of return. They are a no risk long-term option to consider when planning for your financial security.

An annuity is a tax-deferred contract issued by an insurance company. There are many kinds of annuities. A fixed annuity has an interest rate that is fixed by an insurance company’s board of directors. An Indexed Annuity, also known as a fixed Indexed Annuity or just Indexed Annuity, has an interest rate that is tied to the stock market.

Your money doesn’t go into the stock market, but rather the interest amount is determined by the performance of a stock market index, such as the Standard and Poor’s 500, Dow Jones 30 Industrials, or the NASDAQ Composite. The rate of return is a certain percentage of the increase in the index up to a certain amount.

### *Benefits of an Indexed Annuity*

Some benefits of an Indexed Annuity are the same as those for a fixed annuity, namely:

- There cannot be any loss of the premium -- this is guaranteed by the insurance company
- There is a guaranteed minimum interest
- The earnings are tax-deferred
- The annuity doesn’t go through probate if it is paid to a designated beneficiary

**The advantage of an Indexed Annuity is that it is tied to the stock market, which despite periodic setbacks, has continued to grow steadily over the long term.**

## Worlds Greatest Market Timer

**Most Indexed Annuities** have a critical component called the Annual Reset. **The Annual Reset credits your interest earnings at the end of each contract year**. If the index's performance is up and your interest earnings are positive, your Indexed Annuity will be credited the gains for that year. These gains are Locked In, and once credited can never be lost or taken away. If on the other hand, the stock index performance is negative, your Indexed Annuity return will be zero.

### *Let Zero Be Your Hero*

The first Indexed Annuities came out in 1995. Those who were savvy enough to get in at the beginning enjoyed phenomenal gains thanks to the stock market's performance until the recession of 2000 hit. Starting January 1st, the S&P 500 index lost -10.14% in 2000, -13.04% 2001, and then down -23.37% in 2002. Indexed Annuity owners with the Annual Reset component were able to sit safely on the sidelines watching the debacle unravel. Meanwhile, their Indexed Annuity funds didn't losing a single penny of principal or previous years' gains.

Better yet, when the stock market recovered in 2003, their Indexed Annuities were able to participate back into the market and enjoy the nice rebound. In a sense, the Annual Reset allows you to become the world's greatest market timer, with the ability to participate in the stock market indices' gains when they're up, but then be 100% out of their performance when they are down.

## Indexed Annuities: details

### *A Closer Look*

The typical contract period, also called the accumulation or surrender period, for an Indexed Annuity is seven to ten years. You can make a lump sum deposit or a series of payments. After the contract period, you can receive a lump sum, or annuitize your payout and receive monthly, semi-annual, or annual payments usually for life or a set period of time.

An annuity is meant for long term savings. You can loose money if you have to withdraw funds before the contract is up. Depending upon when the withdrawal is made, there may be significant surrender fees and tax penalties. Also the guarantee may take several years to be fully realized. That said, depending on the plan, you may be able to withdraw up to 10% of the interest, or the premium without penalty. Some plans also come with several other free withdrawal provisions such as when entering a nursing home or to pay expenses related to a terminal illness.

Indexed Annuities are different than a 401(k) or IRA in a few ways. An Indexed Annuity is typically not registered with the Security and Exchange Commission, and it is not government insured. However, federal and state governments do regulate insurance companies, and laws offer certain protections. One big advantage of an annuity over the other plans is there is no limit to the amount of money you can contribute. And the amount contributed is not limited to just earned income.

### *Examples of some interest calculations*

Many companies offer indexed annuities and each company has several versions. Each version may also have several index crediting strategies. Some common features that companies use to determine the interest credited to your contract are: caps, participation rates, margins, and indexing methods. We call these Interest Crediting Modifiers.

Interest rate caps are a trade-off to the guarantee of a minimum interest rate with no loss of premium. You don't loose money when the stock market index goes down, but your gains are limited when the index goes up. For example, if the index gained 10%, but the cap is 8%, then just 8% would be credited to your contract.

Participation rates are a percentage of the index used to figure the interest rate. For example, if the participation rate is 80% and the increase in the index was 9%, then the return would be 7.2% (.80 x .09 = .072).

Margins, also called spreads or administration fees, may also be subtracted from the index. For example, if the margin is 3% and the index gain was 9%, then the return would be 6% (9% - 3% = 6%).

In addition to utilizing Crediting Modifiers to calculate returns, carriers may also use different Calculation Methods to determine how the change in the stock market index is calculated. Some common methods are the Annual Reset, Point-to-Point, and High Water Mark.

The Annual Reset, or Lock-in method is based on the gains the index makes from the beginning to the end of the year. These gains, once credited, are locked in every year and can never be lost or taken away.

The Point-to-Point method is based on the gains generated from the crediting period to the end. This method may also be used monthly, annually bi-annually or even over the entire contract. period The Point-to-Point method is often combined with the Annual Reset.

The High Water Mark method is based on gains made from the start of the contract to the highest gain made of all the annual anniversary date gains.

## Indexed Annuity Questions to Ask

- How is the financial strength of the company holding my annuity?
- What are their financial ratings?
- What is the guaranteed minimum interest rate?
- Is there a sign-up bonus?
- Do I have to annuitize my contract?
- Which indexing methods are used in my contract?
- Point-to-Point? Highwater Lookback? Annual Reset?
- Is return recalculated using Averaging?
- What is the participation rate?
- Is there a minimum participation rate?
- Does my contract have a cap and floor?
- Is there a margin, spread, or fee?
- Is the margin deducted or participation rate applied before or after the cap.
- What is the renewal rate history? Are the participation rates, spreads and caps of new contracts comparable to the same type of contracts issued in years past?
- Is interest compounded on the account value or principal?
- What other charges, if any, are deducted from my premium?
- What charges, if any, are deducted from my contract value?
- What are the liquidity charges or penalties if I want to end my contract early and take out all of my money? How long do the charges last?
- Does early withdrawal charges include market value adjustment?
- Can I get a partial withdrawal without paying charges or losing interest?
- Does my contract have a vesting period on the interest earnings or bonus credited?
- Does my annuity waive withdrawal charges if I am confined to a nursing home or diagnosed with a terminal illness?
- What annuity income payment options do I have?
- Do I receive a bonus if I choose to annuitize at the end of my contract?

- What is the death benefit?
- Is there a liquidity charge at death?
- Are there additional death benefit riders available to cover taxation on the growth of my contract? If so what is the cost?
- Is there language which potentially makes the contract Medicaid Friendly?
- Can I use an Indexed Annuity for my retirement plan like a 401k or IRA?
- Is the representative totally independent and unbiased?
- Does the representative have a good understanding of my financial needs and concerns?

## 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. Chopoton
Fmr. Asst. Secretary of the U.S. Treasury
Testifying before the Senate Finance Committee, March 30, 1980