Retirement: Making the Best Decision for Your Future

Safety- Are you aware of the unique strategy called "indexing," which can help you achieve safety and growth on the same dollar at the same time? Through innovative financial tools, you can make sure your nest egg is safe from market declines. As a matter of fact, we have never lost a dime of our clients' money. The secret is to not place it where it can experience a loss. As you look ahead at the likelihood of increasing volatility in the market, it is important that you preserve your nest egg—the engine that drives your retirement future—from negative volatility.

Opportunity- Despite our current economy and gloomy predictions, periods of tremendous opportunity in the market are still likely. What if it were possible to preserve your assets from market downturns without having to make an emotional decision to buy, sell, or hold any one stock? What if you could take advantage of a strategy that automatically takes you out of harm's way during bad years and positions you for opportunity during good ones? The secret is in linking safely to the market without putting your principal there. By "indexing" to the market instead of "owning" the market, you can link to indices safely on autopilot and lock in your gains without creating a taxable event. According to a recent study by the Wharton School of Finance at the University of Pennsylvania, some indexed products—because of their ability to lock in credited interest in up years and not experience losses in the down years—outperformed the broad market over the last 15 years! (1)

Products- Some will find this news sounds too good to be true. It is hard to believe that there are strategies available that could have preserved your assets from the devastating downturns of the past. Certainly, most of us know how to keep our money safe: insurance companies have been preserving our money for over a century in vehicles like Annuities and Life Insurance. Innovative enhancements to these safe vehicles allow you to experience growth in Fixed Indexed Annuities and Indexed Universal Life Insurance.

The catch? Most indexed products are designed for long-term or nest egg money. Dollars that need to be spent in the near term are best placed elsewhere. For those who have the luxury of time, indexed vehicles like Fixed Indexed Annuities and Indexed Universal Life Insurance have the possibility to outperform the market over time without subjecting principal to market risk and market volatility. Fixed Indexed Annuities and Indexed Universal Life Insurance are regulated by governmental agencies. These well-designed vehicles have many positives and two potential negatives. The first negative is that they don't capture all the up of the market and the second is that they are initially not 100% liquid. These plans have surrender penalties that eventually expire, resulting in the policy becoming 100% liquid. Paying a surrender penalty is a conscious decision. Market loss is not.

Tax-Free Retirement- ***What if you could change your money from forever taxed to never taxed?***

With ballooning annual deficits, unfunded liabilities, and entitlement programs, our country is probably headed toward stifling taxes in the future. Do you have a plan to deal with the possibility of tax increases that will be needed to pay for these programs?

Most individuals are focused during their working years on funding tax-deferred savings plans like IRAs and 401(k)s and fail to adequately prepare for the possibility that future taxes will rise. Generally, planners and advisors advocate that money should be placed in tax-deferred vehicles during the working years because they assume you will live on less in retirement. While this may be the case for the highest income earners, many will find that due to inflation in energy costs, healthcare premiums, and taxes, they may actually need more income during retirement to maintain their standard of living.

In addition, most Americans will rely to some degree upon Social Security to supplement their standard of living during retirement. If a retiree's other income sources are taxable, then the portion of Social Security income that is taxable could rise to as high as 80%.

As part of your income strategy, we suggest that if you have the opportunity, you should make part of your income tax free. In other words, if part of your income in retirement comes from tax-free sources and never has to appear on your tax return, you will actually reduce your taxes on the rest of your income, including Social Security. Of course, the challenge is to find a financial vehicle that will allow you to accomplish this without sacrificing other important goals; we have discovered an innovative approach that combines a number of the following powerful features:

- Principal protection
- Market-linked growth
- Tax-free accumulation
- Tax-free access for major expenditures
- Tax-free access for long term care
- Tax-free access for retirement income
- Tax-free cash to your family or business partners

How Can I Receive Income Tax-Free? - Do you need extra cash to supplement your retirement income? How about to help pay for college expenses? Wouldn't it be nice if these extra income sources were available to you on a tax-free basis? Life insurance, in addition to traditional coverage, offers a means to do this by allowing you to deposit significant amounts of money in addition to the minimum required premium to pay for the life insurance.

Imagine your premium being invested into 2 different accounts. The first is a small account, where the actual cost of the insurance goes to pay the premium. Once the money is deposited into this account, it is spent by the company to pay the actual cost of the insurance. The rest of the money goes into a type of "holding tank." This holding tank is then invested into the life insurance carrier's portfolio. By merging your money with millions of dollars from other investors, the insurance companies are able to achieve better, safer gains than any individual could achieve. In return, the carrier gives the consumer a piece of that interest, which is then credited back to the owner's account as a growth in the cash value of the account.

There are two main ways that the policy holder can take money out of their account. They can make a withdrawal from the cash value at any time, which is subject to ordinary income taxes. However, most insurance policies offer the ability to ***take a loan from the policy*** because, according to the IRS, ***loans are not taxed*** and so these loans from the policy come out tax-free so long as all the funds are not withdrawn from the policy. The death benefit acts as a sort of collateral until the loan is repaid and, in case the loan is never repaid, the difference is simply subtracted from the death benefit and the difference goes to your beneficiaries ***tax-free!***

Get in Touch with Us

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1 Geoffrey VanderPal, D.B.A, CFP, CLU, CFS, RFC; Jack Marrion; and David F. Babbel, Ph.D.; "Real-World Index Annuity Returns"; http://www.fpanet.org/journal/currentissue/tableofcontents/realworldindexannuityreturns/; accessed 01/01/2013.