The SAFE MONEY guide

RETIREMENT. SECURITY. INVESTMENT. GROWTH

RETIRE VILLAGE
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Contents

AN INSIDER'S GUIDE TO ANNUITIES

Whatever your picture of retirement, the best way to get there – and enjoy it once you've arrived – is with a focused, thoughtful plan.

Introduction

As with all things in life, complexity becomes a part of daily living. The same is true for those who are working on your retirement planning. It seems everyone has a better idea or the next great idea. My approach is far more straightforward; I take an honest look at my current situation and how it matches my horizon timeline.

I then gauge my assets and calculate my risk management.
I plan for my guaranteed foundation of income:

- Social Security
- Pension
- Guaranteed annuities

People live so much longer, and the mortality statistics have changed due to a complete surprise: COVID 19. While an individual life may not be affected, we as a group are because life expectancy has decreased for the first time ever!

Now add budget deficits, political nonsense, and the stock market volatility, and planning becomes more difficult.

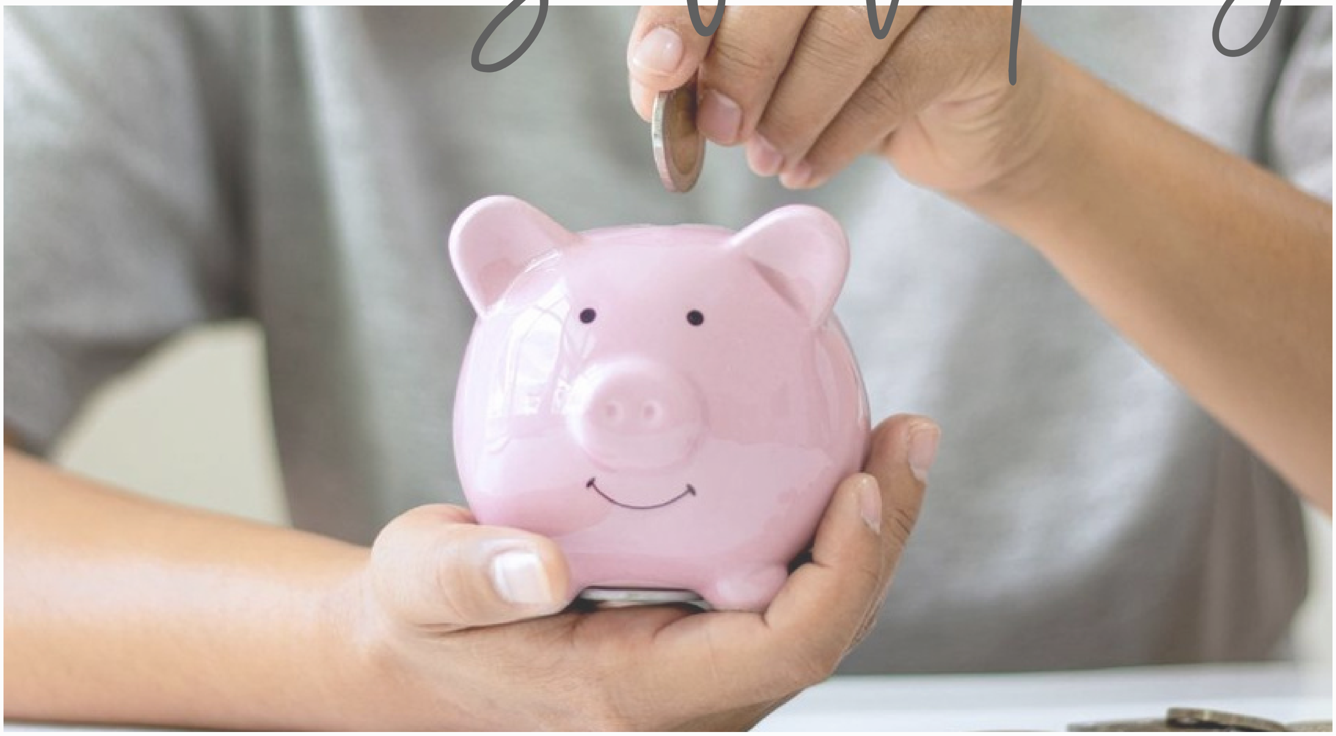
Many people have decided to reduce risk exposure and outsource the responsibility to a risk bearer.

~Bill Broich
Leading Financial Industry Advisor & Author

A risk bearer is an insurance company.

Thus, the incredible demand for annuities.

WHAT IS Safe Money



This guide will introduce you to annuities in a very basic format. If you decide to look deeper, please consult with a licensed and authorized professional.

Think of Safe Money as money free from exposure to risk. FDIC insured bank funds, US Treasuries, and Insurance Company annuities. During a lifetime, we may face a low economy, political volatility, the mortgage meltdown, federal budget deficits, and mounting health care costs; it seems never to stop. Most of us want stability; that is what Safe Money is. **Secure money that provides guarantees and stability!**

When talking about Safe Money, it can mean so many things to different people. Given this context, it just depends. What is "**Safe Money**?" For those planning for or are already at the door of retirement, Safe Money means risk management. Freedom from loss or exposure to risk.

Regardless of the definition of **Safe Money** that fits your situation, the Baby Boomer generation has introduced a new concept, and **Cash has become King**! The rule is simple, and one most retirees are living by:

It is not how much money you have; it is how much income you have each month!

THE NEW RETIREMENT RULE

Safe Money

How did this evolution occur? Baby Boomers are different from their predecessor, the Greatest Generation, in one simple yet powerful way. Baby Boomers spend more and save less, so having income each month is more powerful than how much Passbook Saving you have on deposit.

Being honest with yourself takes real effort. Make sure your plans for retirement and the exact path you are taking make logical sense.

Remember, financial security begins by considering these important questions:

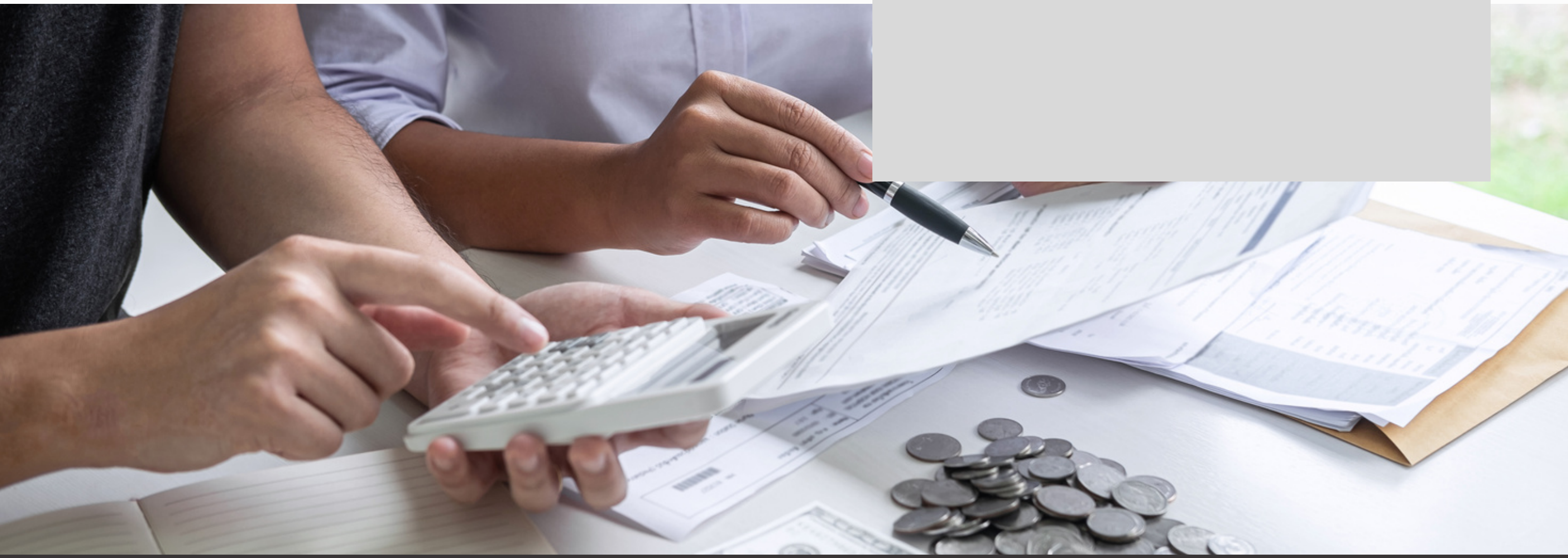
01 What is your time horizon date? When are you planning to retire?

02 Have you planned for decumulation?

- What is your risk exposure, and how does it compare to your time horizon?
- Where do you invest?

03 Who has earned your trust as a financial consultant, and what are their goals for investing your money?

04 Does moving to safety damage your accumulation goals?



Annuities

THE FIRST STEP TOWARDS SAFE MONEY

Annuities are an important part of any retirement plan as they are safe, secure, and risk-free. An annuity allows you to accumulate funds for retirement on a tax-deferred basis. Upon retirement, you'll receive income from the annuity the insurer can guarantee to last either a fixed number of years or as long as you live.

A quick summary of annuity benefits includes:
• Tax-deferred earnings
• No contribution limits
• Flexibility in decumulation
• No required minimum deposits
• If there is a named beneficiary, proceeds may not be subject to probate..

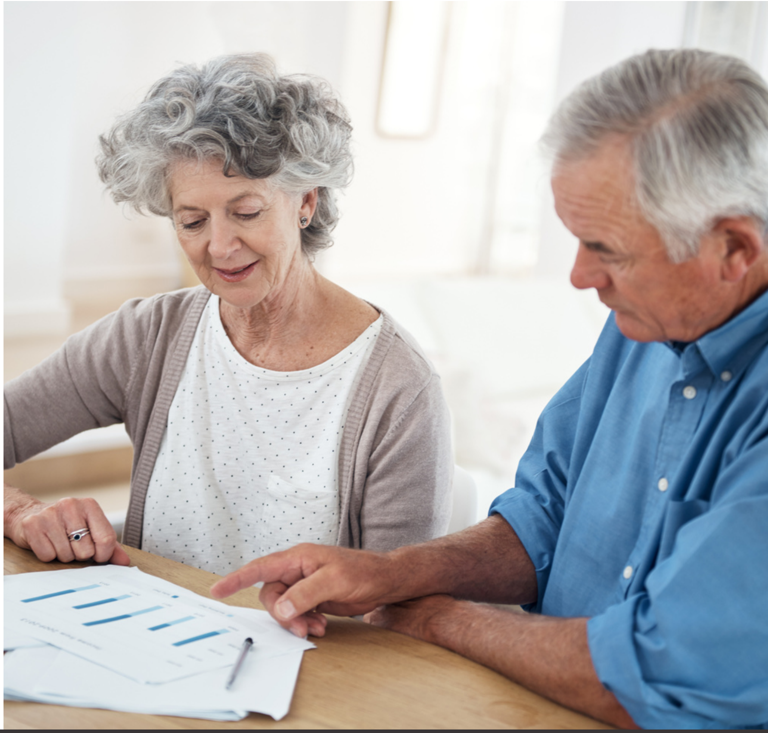
Annuities represent a formidable option for someone looking to enhance their retirement planning strategy. Not only do they add to the mix of tax-deferred growth you may be getting from your IRAs or 401(k)s, but they also offer significant investment and distribution options.

There are many types of annuities offered by various insurance companies. The first step is to speak with a qualified professional to receive an annuity quote, so you can best gauge how an annuity would fit into your specific financial plan.

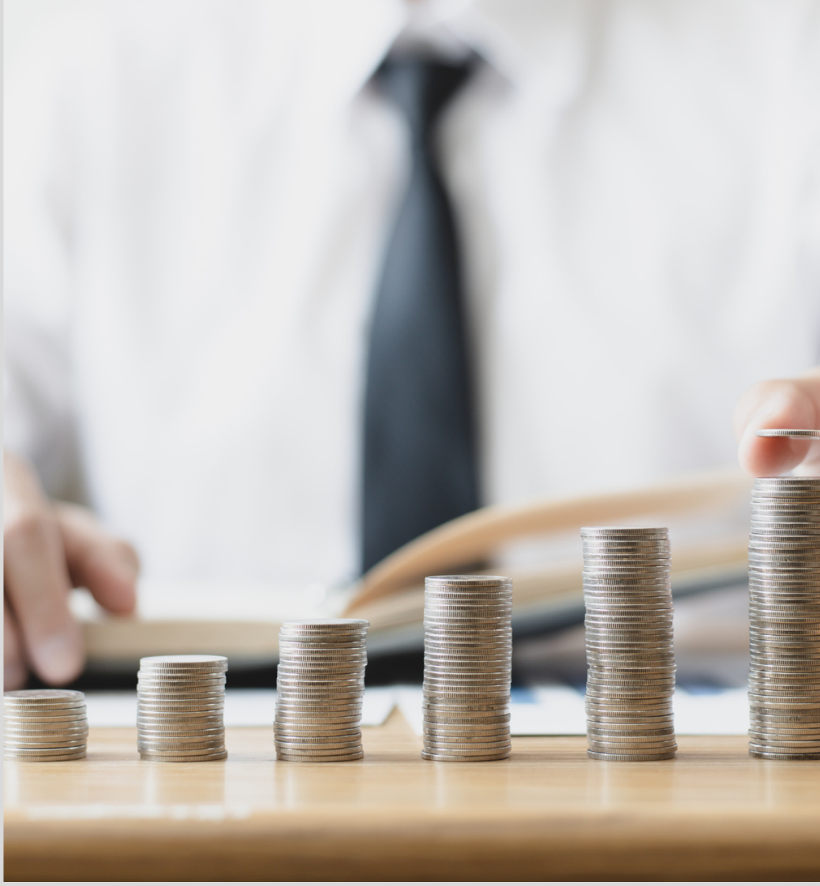
ANNUITIES = SAFETY

The Importance of Compound Interest
This really isn't a secret (we hope not!), but it's worth mentioning anyway... Delaying retirement savings can keep you from realizing your retirement dreams because the power of compound interest only works when it has time. A quick estimator is to use the mathematical "rule of 72", where you divide the interest rate you receive on an investment into the number 72, and the result is the number of years it will take for your money to double.

* When considering taxation issues, always consult your tax professional for information regarding your specific situation.



WHAT IS AN *Annuity*?



SECRET

YOU CAN CONVERT YOUR IRA TO CREATE INCOME FOR LIFE. A BANK CANNOT DO THIS. *

If your IRA is at a bank and earning interest all you can ever receive is the value of your IRA plus any interest earned. That same rule does not apply to insurance companies. You are allowed to convert your IRA to an income that will pay for as long as you live.

* Based on your current age and your life expectancy.

In its simplest definition, an annuity is an amount payable annually. For our purposes, however, an annuity describes a contract offered by an insurance company that allows you to accumulate funds for retirement on a tax-deferred basis. Upon retirement, you'll receive income from the annuity the insurer guarantees to last either a fixed number of years or as long as you live.

An annuity is neither life insurance nor a health insurance policy, and it's not a savings account or a bank Certificate of Deposit. Your value in an annuity contract equals the premium payments you pay in, plus interest credited, less any applicable charges. The insurance company uses this value to calculate the amount of the benefits you'll receive from them when you begin taking distributions.

HOW DOES AN ANNUITY WORK?

An annuity is an investment vehicle primarily for accumulating retirement savings. Again, you pay premiums to the insurer, and, in return, they pay you an income stream later. Based on this description, you'll see that there are two phases to an annuity:

- The Accumulation phase
- The Payout phase (decumulation)

During the Accumulation Phase, the money you put into the annuity earns interest, less applicable charges by the insurer (if any). The earnings during this phase grow tax-deferred – you won't owe taxes until you withdraw.

Because of this tax-deferral, your funds will grow faster than if taxes had to be paid out annually on any gains. Also, the longer you leave your funds in this Accumulation phase, the more significant the impact this tax-deferral may have on your annuity value.

During the second phase, the Payout Phase (decumulation), the company pays income to the designated annuitant. Unlike many other retirement savings instruments, you will typically have flexibility in how you receive your funds. For instance, you can choose to accept a 10-year payout, 20-year payout, or even a lifetime payout of income.

HOW DO ANNUITIES BEST SERVE DEPOSITORS?

There are three reasons to consider an annuity for your safe and secure funds:

1. You are building a future foundation of guaranteed money that will grow tax-deferred.

2. You are creating a future guaranteed income stream for retirement.

3. There are other strategic estate planning situations where annuities may also be warranted, but these will depend on your specific financial situation. The rest of this guide will focus on understanding how annuities work, the various types that exist, and what role annuities should play in your financial planning.

SECRET

Naming a beneficiary can avoid probate *

If a beneficiary is named in an annuity, the funds are paid immediately and without delay. The proceeds will not be subject to probate and may be passed directly to your designated beneficiary.

* Always seek legal advice regarding wills, probate, and estate planning issues

TYPES OF *Annuities*

While annuities might seem complex at first, breaking them into the following components makes them easier to understand.

- How money is **paid** into the annuity contract
- How money is **withdrawn**
- How the funds are **invested**

There are two broad classes of annuities: "Deferred" annuities and "Immediate" annuities. Each class has numerous sub-classes.

DEFERRED ANNUITIES

A **deferred** annuity is most appropriate for people who want to:

- Save for future retirement
- Not touch the principal and interest until age 59 ½ or older
- Find an investment that may earn tax-deferred interest for many years
- Save more than the maximum annual contribution of their IRA or 401(k).

With a deferred annuity, you pay a premium to the insurance company, which issues a contract promising to pay interest made on the premium while deferring the income and the taxes until you withdraw the money or begin receiving an income.

THERE ARE THREE MAJOR TYPES OF DEFERRED ANNUITIES:

(1) Fixed Deferred annuities
(2) Fixed Indexed annuities
(3) Variable Annuities

FIXED DEFERRED ANNUITY

A fixed deferred annuity pays a guaranteed "fixed" interest rate (based on the current market rates of interest) where the earnings compound and grow tax-deferred. Fixed annuities offer the safety of your principal from typical day-to-day market fluctuations in the stock, bond, or other investment markets.

However, since this rate of return is fixed, it is crucial to consider the impact of inflation on your investment.

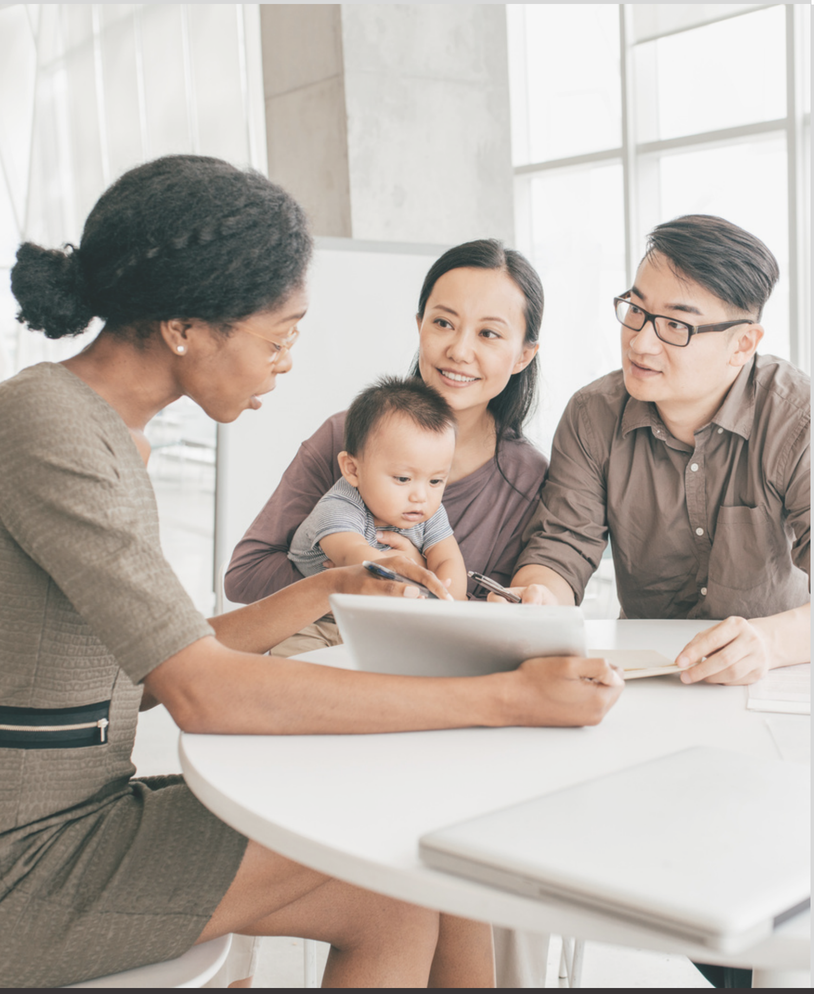
You will also want to consider the financial strength of the annuity-issuing insurance company since they guarantee the return of principal and interest. Several independent financial analysis companies such as A.M. Best and Standard & Poor's rate the strength of such insurance companies for you.

SECRET

Tax deferred annuities may work in favor of inflation. *

The benefit is based on the concept that when the taxes are paid in the future the net out of pocket in real dollars may be reduced because the tax will be paid with inflated dollars. The actual tax liability could be lessened by the reduction in the net out of pocket cost because of inflation.

* When considering taxation issues, always consult your tax professional for information regarding your specific situation.



FIXED-INDEXED ANNUITY

A Fixed Indexed Annuity differs from a fixed deferred annuity. The rate of return on your investment is based upon the better of either: a) the growth of a named stock market index, such as the Dow Jones Industrial Average, or b) a minimum guaranteed interest rate.

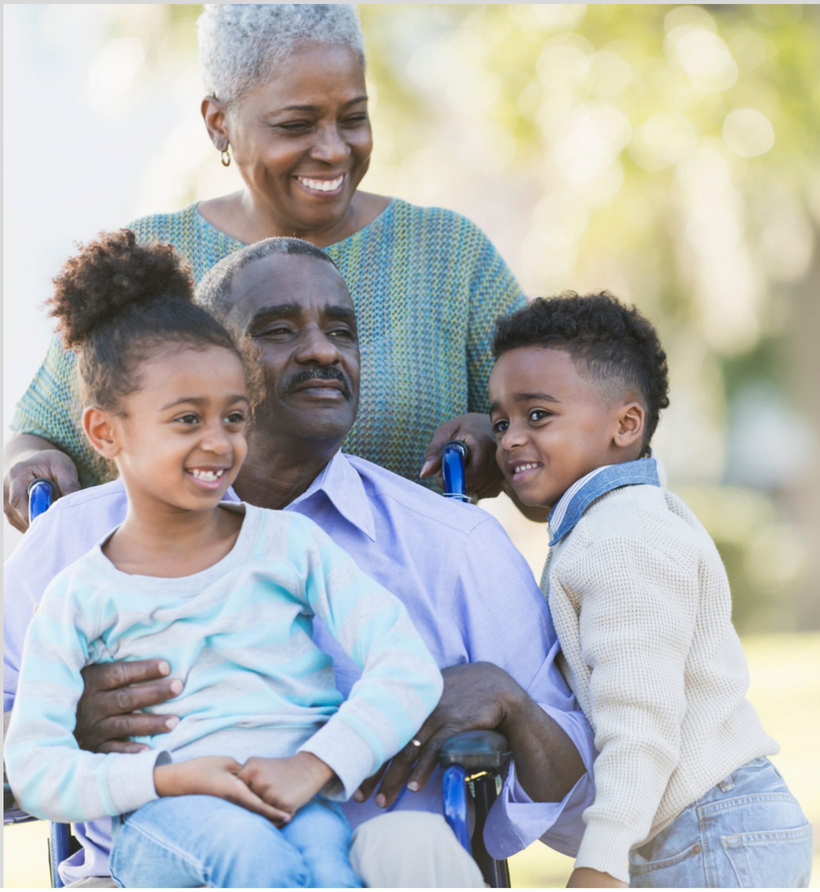
Many Fixed Indexed annuities offer you a portion (not a full 100%, generally 50% or less) of the selected indices gain. Still, this type of annuity does allow for potentially higher returns than a typical fixed annuity since you may participate in a rising stock market yet be protected on the downside by the minimum guaranteed rate of return.

VARIABLE ANNUITY

A variable annuity is a registered security that may allow the flexibility to invest your funds in a wide range of investment options through "sub-accounts." Sub-accounts are similar in design to mutual funds and allow for investing in stocks, bonds, money markets – even guaranteed fixed-rate instruments.

The ability to choose and change investment options allows you to participate fully in any market gains (not fractionally), thus potentially providing even higher returns than equity-indexed annuities. However, unlike fixed-indexed annuities, many variable annuities offer no guaranteed rate of return. Therefore, the value of the variable annuity and its sub-accounts will fluctuate day-to-day based on the performance of the underlying investments you choose.

Such an annuity may be better suited for those investors with a longer-term time horizon who can afford these day-to-day market gyrations. As with a fixed annuity, any gains in the variable annuity credited to the account may be tax-deferred until the funds are withdrawn. Unlike a fixed deferred annuity, your funds are not guaranteed by the insurer against market fluctuations, including the risk of principal loss. A key benefit of variable annuities is the ability to transfer assets among the various investment options, as necessary, in response to market conditions or your changing investment goals without incurring current taxes on any capital gains and/or income.



IMMEDIATE ANNUITY

An **immediate** annuity is most appropriate for people who want to:

- Retire in the very near future
- Begin drawing an income from a lump sum of money they currently own
- Receive an immediate and predictable payout for life (based on life expectancy)

The immediate annuity allows you to deposit a lump sum and begin receiving regular payments generally within one year after the deposit. It is usually funded with a single premium and purchased by retirees with funds they have accumulated for retirement. These annuities can provide a predictable stream of payments that will continue for a period you choose (including for life).

FIXED VS. VARIABLE

Annuities

The choice of fixed versus variable annuity depends primarily on the investor's specific needs.

A **fixed annuity** is most appropriate for people who want to:

- Earn a tax-deferred fixed rate of interest without any market risk
- Save on contract expenses and management fees.

A **variable annuity** is most appropriate for people who want to:

- Have the opportunity to make more substantial gains, depending on the market and sub-account performance.
- Respond to changing market conditions by transferring money to different funding options within a variable annuity without paying taxes on any earnings you have made.
- With a named beneficiary, proceeds may not be subject to probate expense exposure.

RETIREMENT INCOME CONSIDERATIONS

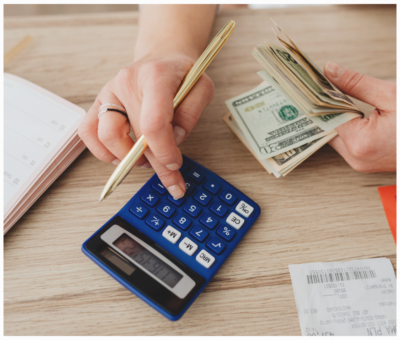
You will have several options when it comes to deciding how you want to receive your annuity income. Here are a few things to consider before making your decision:

YOUR AGE AND HEALTH

Life expectancy continues to fluctuate. While currently on the decrease, the average person living a healthy lifestyle may still expect to live longer. Studies show a 48% chance that one member of a couple age 65 today will live to be age 95. It is conceivable that you could spend as many years in retirement as you did working towards retirement.

SOURCES OF RETIREMENT INCOME

In the past, defined plans such as Social Security and employer-sponsored plans were the major sources of retirement income. Today, these plans provide a smaller portion of retirement income, requiring you to provide a more significant portion of your retirement income.



INFLATION FACTORS

Inflation, regardless of rate, will erode the value of your savings and reduce your spending power. Taking this into account, it is crucial to plan your retirement carefully. You need to review all sources of income to determine whether you will have sufficient income for your entire retirement.

TOP SECRET

Insurance companies do not care if you live or die!

They just don't. If you live a long time, then someone else didn't. They base their income liabilities on the mortality table which the IRS uses to determine life expectancy. * How do you protect yourself and your heirs in the event of a premature death? If you decide to convert your annuity to a lifetime income, consider placing an underlying guaranteed rider on the payout. This would place a guarantee of a certain number of years that would be paid to your beneficiary in the event of a death. These guarantees can be almost any time period from 5 years to a 30-year guarantee. Many contracts have several options, so make certain you fully understand how these guarantees can benefit you.

*Future liabilities are based on the mortality table and insurance companies make their assumptions from a large number of people.

CHOOSING A PAYOUT OPTION

You have various choices when it's time to begin taking withdrawals from your annuity. Although a lump sum withdrawal is possible, most people choose a monthly annuity-type payment.

The size of your payout (settlement option) depends on:

- The value of your annuity contract
- Whether there are minimum required payments
- Your life expectancy (or another payout period)
- Whether payments continue after your death

SECRET

Fixed or Variable Payments

You may choose fixed or variable income payments or a combination of both, depending on the options offered by the insurance company. Fixed Income Payments: Provide a fixed dollar amount for each payment. The fixed dollar amount may not keep up with or out-pace inflation. Variable Income Payments: Provide a payment, the value of which varies based on the market value of the underlying investments. Therefore, payments may decrease during periods of market downturn. However, variable payments may provide better protection against inflation.

The most common forms of payout include:

Fixed Amount: A fixed monthly amount that continues until the annuity is used up.

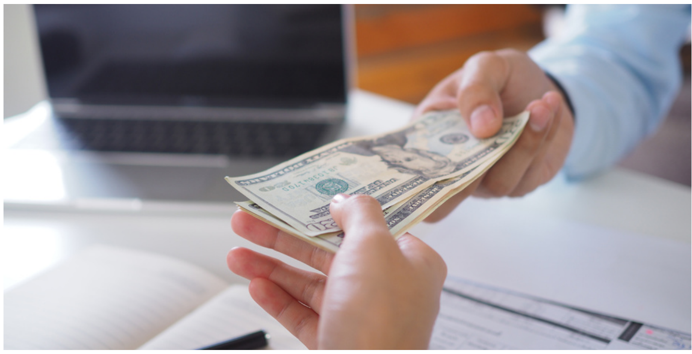
Fixed Period: A fixed amount over the time period you choose (example: 10 years).

Lifetime or Straight Life: Payment continues until you die, with no payments to survivors.

Life with Period Certain: Payment continues as long as you live, but with a minimum period during which you or your beneficiary will receive payments.

Installment-Refund: Payment continues as long as you live and guarantees that should you die early, whatever is left of the original investment is paid to a beneficiary.

Joint and Survivors: Monthly payments are made during the annuitants' joint lives, with the same or a lesser amount paid to whoever is the survivor.



TAX TREATMENT OF *Annuities*

Below is a general discussion about taxes and annuities.

During the Accumulation Phase:

- Earnings credited on the funds in an annuity are tax-deferred, meaning that the gains are not taxed while they remain in the annuity.
- Withdrawals from a tax-deferred annuity during the accumulation phase are treated as withdrawals of earnings to the extent that the annuity's cash value exceeds the total premiums paid and are taxed as income in the year withdrawn. To the extent that a withdrawal exceeds any earnings, that portion of the withdrawal is considered a non-taxable return of principal.
- In addition, a 10% penalty tax may be imposed on withdrawals made before age 59 ½ unless certain conditions are met. The penalty is in addition to the regular income tax on the withdrawal.
- Suppose the annuitant dies during the accumulation phase. In that case, the value of the tax-deferred annuity is generally included in the annuitant's estate, to the extent of the deceased annuitant's proportional contribution to the annuity purchase price.

During the Payout Phase:

- The annuity purchase price is returned in equal income-tax-free amounts over the expected payment period (based on the annuitant's life expectancy).
- The portion of each payment in excess of the tax-free return of the purchase price is taxable in the year received.
- In summary, a portion of each annuity payment is received income tax-free, and the balance is taxable as received.
- At the annuitant's death, the present value of any remaining annuity payments due is generally included in the annuitant's estate, to the extent of the deceased annuitant's proportional contribution to the annuity purchase price.

TOP SECRET

Your Annuity May Have a Death Penalty; You May be Penalized if You Die!

*Some annuity contracts have a penalty when you die, which means that if you die before the end of your surrender period, the insurance company may charge your beneficiary the balance of the surrender charge rather than paying the full account value! Make certain that you understand this portion of your contract. It is easy to find an annuity that does not charge this penalty so make certain that you fully understand all aspects of your contract. Be informed.

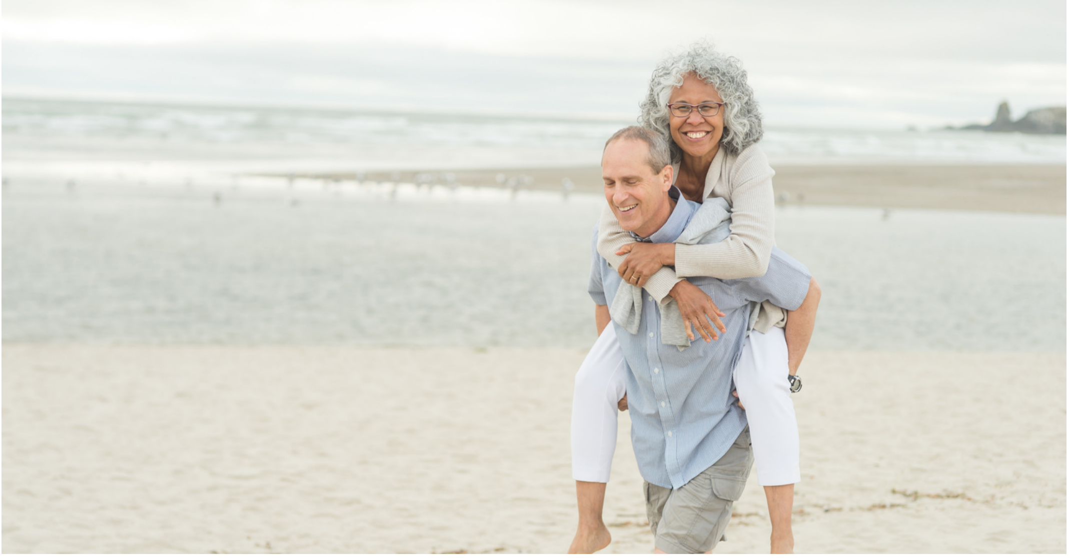
* Many contracts make provisions for alternative forms of payouts to the beneficiary. Please consult your specific contracts for details.

QUALIFIED VS. NON-QUALIFIED ANNUITIES

The way your payouts are taxed differs for qualified and non-qualified annuities.

A **tax-qualified annuity** is used to fund a qualified retirement plan, such as an IRA, Keogh plan, 401(k) plan, SEP (simplified employee pension), or other retirement plans. When used as a retirement savings vehicle, the tax-qualified annuity is entitled to all the tax benefits—and penalties—that Congress saw fit to attach to such qualified plans.

A **non-qualified annuity** is purchased with after-tax dollars. With a non-qualified annuity, you are not subject to the minimum distribution rules that apply to qualified plans after you reach age 70 ½. You still get the benefit of tax deferral on the earnings. However, you pay tax on the part of the withdrawals that represent earnings on your original investment.



SECRET

Annuities Can Reduce Taxation on Social Security. *

Annuities can help reduce this taxation because interest credited to an annuity contract is not taxed until used. If your earned interest is not immediately needed, then an annuity may reduce your overall tax liability.

*When considering taxation issues, always consult your tax professional for information regarding your specific situation

SUMMARY OF ANNUITY BENEFITS

- **Beneficiary Protection:** While annuities can provide the satisfaction of knowing that you will have income for the remainder of your life, the death benefit provided by variable annuities protects your beneficiaries. If you die before receiving income from your annuity, the death benefit will provide your beneficiary with the guaranteed benefit. The death benefit amount will vary depending on the type of annuity you purchased. Also, your annuity assets can be transferred directly and immediately to your beneficiary by simply naming your beneficiary, bypassing probate.

- **Tax-Deferred Compounding:** Earnings from an annuity grow tax-deferred, meaning that any income taxes that would have been paid on interest, dividends, or capital gains are deferred until you make a withdrawal from your account. Therefore, money invested in an annuity may grow faster than in a taxable investment with a similar rate of return since the money that would have been used to pay taxes remains invested in the annuity. Also, if you wait until retirement to make withdrawals, you may be in a lower income tax bracket since you are no longer working.

- **Unlimited Contributions:** Non-qualified annuities offer an advantage over other tax-favored retirement plans such as 401(k)s, IRAs, SEPs, and Keoghs. There is no limit to the amount that can be invested for tax-deferred growth (subject to insurance company maximums).

- **Tax-Free Transfers:** Variable annuities allow moving money among the annuity's investment options without incurring a current income tax liability.

- **No Forced Distributions:** Unlike many retirement plans that require distributions of funds by age 70 ½ (new law has changed the date necessary for minimum withdrawals, it is now 72 or 73 for most people; please consult your tax advisor for your specific situation) non-qualified annuities allow you to defer withdrawals. Annuities funded with qualified assets will still be subject to the terms of the qualified plan.

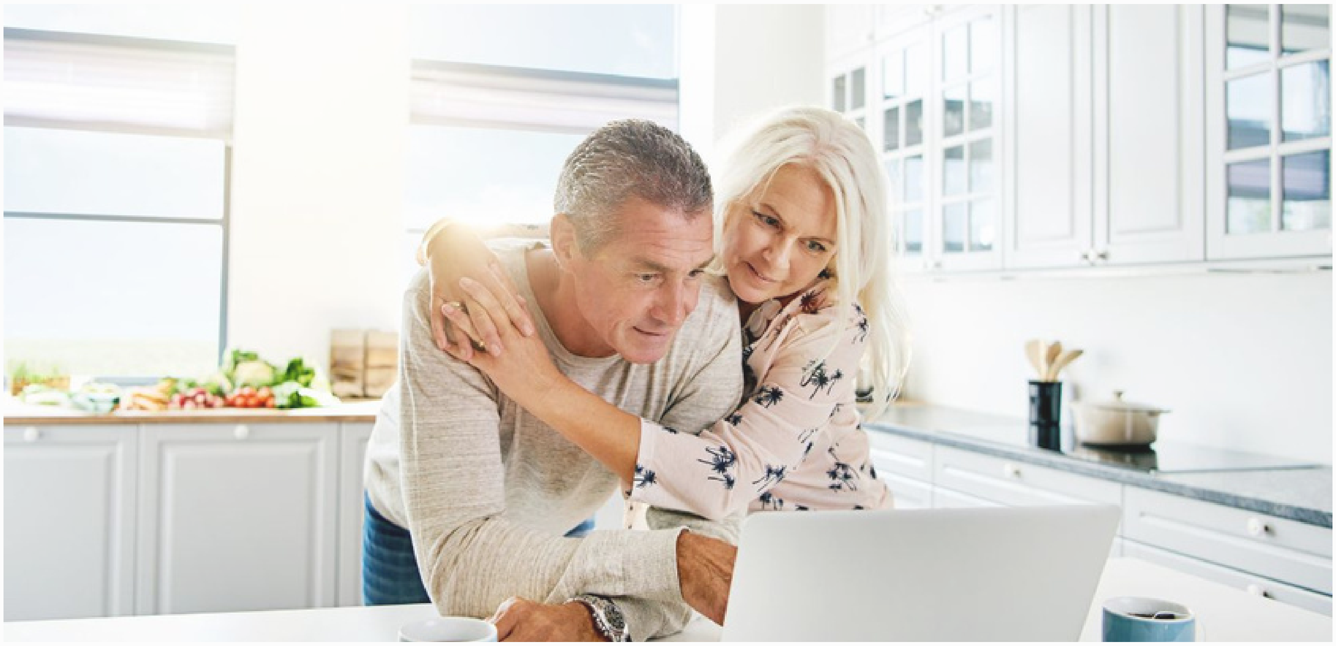
TOP SECRET

Surrender Fees May Mean More Contractual Benefits for You*

Almost all annuities have surrender fees. These fees are in place to guarantee the insurance company has the use of your funds for a longer or specific term. Is this bad? No, the flip side is with the insurance company holding your funds for a longer time period means that more benefits may be provided to you!

*Some annuity contracts waive fees for certain benefits and there are some contracts that do not have surrender fees, please consult your specific contract for details.

Financial decisions are much more complex because they affect your future and the future of the people closest to you. When you plan your retirement, you're not just planning for yourself but also for your family. It's both a challenge, a responsibility, and a time when objective help can mean the most.



Safe Money IS AN ANSWER: BUT NOT THE "ONLY" ANSWER

The financial decisions we each need to make will be made based on factors and variables unique to each of us. However, the idea of "safe money," is a theme that is common to everyone. We all need retirement options, including guaranteed income that cannot be outlived, inflation protection, safety, security, and risk management. These options should be blended with versatility and the ability to make necessary changes and adjustments over a period of time.

As we point out with all our reports, we strongly advise you to speak to a qualified financial professional to discuss the specific options available to you that fit your retirement needs. We live in a different era than our parents and the available products, options, and strategies available reflect that. The changes we are experiencing make planning for retirement complex and time-consuming, but how you respond and adapt to these changes is undoubtedly one of the most important things you will do. We all have dreams of how we want our retirement years to be. With careful planning, you'll be better positioned to realize those dreams.

GLOSSARY OF *Annuity* TERMS

Annuitizations - The period of time when you receive income payments from your annuity.

Death Benefit - The amount of money your beneficiary receives if you die before you start receiving payments from your annuity.

Deferred Annuity - Your contributions grow tax-deferred until you start receiving payments, usually when you retire.

Fixed Annuity - Your money earns a fixed rate of interest that is guaranteed by the insurance company.

Flexible Payment Annuity - A fixed or variable annuity purchased by making ongoing contributions.

Immediate Annuity - Once you make a lump-sum contribution, income payments usually begin within a month.

Joint and Survivor Option - An immediate annuity with a joint and survivor option guarantees income payments continue for the life of the primary owner and the person they choose.

Life Option - An immediate annuity with a life option guarantees a specified income for as long as you live.

Single Premium Annuity - A fixed annuity purchased by making a single lump-sum payment.

Surrender Fee - A fee charged if you surrender, or Cash in, your annuity within a specified period, usually the first seven years of owning it.

Variable Annuity - Variable annuities offer a range of investment options like stocks, bonds, and money market accounts. Your earnings depend on the performance of those options.

Tax-Deferred - You do not pay taxes on the earnings in your annuity until you begin receiving payments.

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Like all important decisions, always seek advice from an authorized and licensed professional. Also, obtaining a second opinion is a smart decision, be careful.

Annuities are not for everyone, but for people who can use their benefits, they can be the perfect product.

