Retirement Money Deserves a Good Home

by R. Richard Everett

Strategies on How to Get Your Money Working Harder and Smarter

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- Protect your retirement funds against loss.
- Increase your retirement income.
- Insure your "Nest Egg."
- Avoid the risks retirees face.
- Create a steady stream of retirement income you cannot outlive.

INTRODUCTION

We struggle through much of our adult lives to accumulate enough money to retire. For most of us, that involves 40+ years of hard work, career changes, family challenges, successes, and failures. Our generation has faced several obstacles over the years in the journey to achieve a secure retirement. Unfortunately, the future is unknowable. There is no foolproof investment strategy that will work for everyone, all the time, once we are retired and our earning years are over. Most retirees will face the very real possibility of outliving their retirement funds. Inflation and taxes will not disappear just because we decide to retire. The time spent in retirement can be nearly as long as the time spent in the work force – meaning the potential for a nursing home stay or an unplanned medical expense will greatly increase.

Without careful planning, retirees will face the prospect of running out of money before they run out of time. My goal is to educate you on the potential financial risks and challenges you may face once you retire. Some of the realities of a prolonged retirement can be downright depressing. My aim is not to depress you but to help you face the real-life challenges many of us will encounter.

Hello! My name is Richard Everett. I have spent the past 30+ years working in the financial arena. As a Financial Advisor and Money Manager, I have helped thousands of families avoid, minimize, or neutralize the threats to the financial peace of mind they desire.

This booklet is organized to first delineate the financial problems we may face in retirement. Then... the good news... a solution is available.

I hope you enjoy reading this booklet. It was a pleasure creating *Retirement Money Deserves a Good Home*, a guide that may just improve the lives of those who read and implement the outlined strategies.

Best of luck to you!

R. Richard Everett

CHAPTER ONE

Financial Problems Most of Us Will Face

What you don't know about retirement can and will hurt you.

All of us know we will face some financial challenges in retirement. Chapter One contains a few of the major risks you may or may not be aware of.

INFLATION RISK

Inflation has been and, in all likelihood, will always be with us. Although inflation has been relatively tame over the past several decades, it can wreak havoc on our retirement funds if we aren't careful.

Remember the '70s? The average annual inflation rate was 7.06% from 1970–1979. Because of compounding, the cost of living doubled over that fun loving decade. I paid $300 for my first car in 1970 – a 1963 Corvair. *Frankly, I'm lucky to still be alive!* It was a death trap. My newest car cost twice what we paid for our first home. That's inflation!

Here is a quick lesson on inflation: In 1960 the minimum wage was $1.25; now it's over $9. A movie ticket cost $1; now it costs more than $8. A gallon of milk was $0.95 vs. nearly $4 today. Going all the way back to 1950, the median family income was about $3,300 per year; now it's $52,000. As you know, the cost of just about everything goes up over time, including health care (*more about that later*).

LONGEVITY RISK

Did you ever think that living too long would be a problem? The reality is...Americans are living a lot longer. According to a *USA Today* article, published on October 9, 2014: "Life expectancy in the USA hits a record high." The article went on to say that life expectancy for females was 81.2 years; for males, it was 76.4 years. "The average life expectancy for a person who was 65 years old in 2012 was 19.3 years."

With an average retirement age of 62 in the United States, the twin forces of rising life expectancy and falling retirement age will result in a dramatic increase in the number of years the average American will be retired.

Because we are living longer, we also face the risk of staying in a long-term care facility. *I don't know about you, but I won't mind being remembered as being very old.*

RISKS OF A NURSING HOME STAY

According to a MetLife® survey, the average cost of a private room in a nursing home exceeds $90,000 per year. A semi-private isn't much cheaper at $222 daily, or more than $81,000 per year. Forty percent of individuals who reach the age of 65 will enter a nursing home during their lifetime. The average length of a nursing home stay is 835 days, and, according to The Center for Disease Control and Prevention (May 2014), one out of every four of us will die while residing in a nursing home.

I dare say – most of us never planned for living too long or paying $7,000 a month for care in a nursing home.

Several years ago, my grandfather had Alzheimer's disease and ended up in a nursing home. Once you go in a nursing home for Alzheimer's, you don't typically come out. His stay lasted for over five years before he passed away. He ended up losing everything. (FYI – Medicare only pays for the first 100 days in a nursing home and only under certain circumstances).

My mother told me it was one of the saddest days of her life when the state came in and auctioned off everything he had left, after spending down all of his investments and savings. My grandfather ended up on Title 19. As you may be aware, you cannot go on Medicaid until you are broke, which is how it ended for my grandfather.

INVESTMENT RISK

I have lived through some of the most turbulent times in the stock market. Not only were the swinging '70s known for inflation but also for some very lousy investment returns. According to www.moneychimp.com, the annualized return for the S&P 500 for the decade of the disco crazed '70s was -1.45%, with dividends reinvested. After inflation, $1.00 was worth $0.86 (on 12/31/79) – not good! *I sure hope we don't have to go through another ten-year period like that again. Oops – sorry, we did!*

According to www.investopedia.com, "By most measures, the period from 2000 to 2009 was a true lost decade for most U.S. households, as steep declines in real estate and stock prices resulted in massive wealth erosion." The S&P 500 recorded its worst ever ten-year performance in that decade, with a total return (including dividends) of -9.1%, which was even worse than its performance during the '30s Depression.

Who can forget the stock market crash of 1987? I sure can't -- talk about high anxiety! The Dow Jones Industrial Average dropped 508 points, a 22.61% decline, on October 19, 1987.

What about September 11? One of the most horrifying days of my life – September 11, 2001. I lost neighbors and colleagues that morning in the World Trade Center. Things did not bode well for the markets either. According to Investopedia, the Dow Jones Industrial Average lost 14% the following week. An estimated $1.4 trillion in value was lost in those five days of trading!

The point? It takes time – sometimes lots of time – to recoup your losses in the stock market when something bad happens.

According to MorningStar®, the 1929 crash and subsequent downturn lasted almost three years. The recovery took another 151 months. From start to finish, that's 15+ years!

The 9/11 tragedy triggered a market decline that lasted two years with a 47.7% market loss. To make matters worse, it took another 49 months for the market to recover. In total, it took nearly six years to break even.

The last major market decline was in November, 2007 through February, 2009. The S&P 500 was down 50.9%. *Ouch!* It took 37 months to recover from that nasty downturn.

Sorry, but I need to add insult to injury here. Think about what would have happened to you if you were taking income from your retirement funds during these sharp declines. Depending on how much you needed to live on made it that much longer for you to recover.

I know many people who have yet to break even from the 2007-2009 meltdown because they needed to take income to pay their bills and make ends meet. Consider this...if your retirement funds were invested in the stock market, and you needed to withdraw $2,000-$3,000 per month to live on, and the market declined by 50%, you'd be forced to sell twice as many shares of stock or mutual funds in order to generate the same income. If the downturn is long enough, your portfolio could implode. *That's scary! Sorry... but it gets worse.*

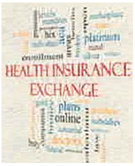
According to Professor Peter Rodriguez, the Dean of Degree Programs at the Darden School of Business, "The average annual per capita income growth in the United States between 2001 and 2010 was about one-half of one percent." Professor Rodriguez went on to say that the average American saw their wallet grow by only $6 per day over the period between 2001 and 2010. *Wow! It appears the so-called golden years will be spent at the golden arches. McDonald's, here we come!*

Remember what Mark Twain said – "There are two times in a man's life when he should not speculate – when he can't afford it and when he can." *I don't know about you, but I can't take much more of this bad news. I'm getting depressed just doing the research and writing this booklet. Nevertheless, it's important that we cover a couple more of the risks we will face.*

HEALTH CARE RISK

As of the writing of this booklet, I will be turning 65 shortly and have begun to ask my older friends many questions about Medicare and Social Security. *I have to admit – I'm a little giddy about receiving a check from Uncle Sam every month in the very near future.* I started paying into the Social Security system when I began my first part-time job in 1969. I haven't done the math, but I can safely assume I have paid the government a lot of money over the past 45 years. It's exhilarating to think that the Social Security Department is actually going to send me a monthly check!

The other side of the coin -- Medicare and health care costs after age 65 can be a killer. The more I look into it, the more frightening the future looks. According to www.ssa.gov, Medicare costs are inflating at roughly 7% per year, while Social Security's cost-of-living adjustments are expected to be only 2% at a maximum for the foreseeable future. So, the longer I live, the more Medicare is going to cost me. At the same time, my Social Security increase will be minuscule. In other words, *what Social Security giveth, Medicare taketh away* – and more! Thanks to our government and politicians, Medicare is now means tested. The more you make, the more you pay. *Sounds a lot like Socialism to me!* Apparently, they want to penalize those of us who tried to plan properly!



Based on my current income, I will have to pay the Medicare Part B premium, plus 220%! For Part D, I will have to pay the premium, plus $66.60/month. *Before you get the wrong idea – I'm not a wealthy guy. Upper middle class, yes. But not wealthy.* Because of my economic status, I will be forced to pay more for Medicare – a lot more.

I figured out that, over the next 20 years, my wife and I will have to pay almost $300,000 for Medicare Part B, Part D, and Part A Medigap policies, plus out-of-pocket health care expenses. That means that health care costs will eat up about half of what I expect to receive from Social Security. When I found out the bad news, I came up with a couple of choice words (which I hesitate to share with you here), but, if you know what a vacuum cleaner does, you'll get the drift.

It gets even worse. What about the people who can't afford to pay their medical bills? According to a new survey from the Commonwealth Fund, "About 40% of Texas and Florida residents reported struggling to pay their medical bills in 2014, compared to about 25% of Californians and 30% of New Yorkers." The survey went on to say, "Texans and Floridians had trouble getting needed medical care because of cost. About 43% in both states said they did not see doctors when sick, did not fill prescriptions, and skipped a needed medical test, treatment, or follow-up visit. The Commonwealth Fund also reported that, "America's health system is the most expensive and least effective in the developed world." Reports like this will, in all likelihood, continue to get worse, not better, as health care and Medicare costs continue to climb. Finally, let's deal with everyone's least favorite subject...

TAX RISK

You tell me – will taxes be higher or lower 5, 10, 20 years down the road? The top federal tax rate in 1913 was 7%. By 1944, it was as high as 94%. *That's insane! Why work? Why save?* I guess we should be grateful that the highest rate is only 39.6% now!

According to www.usgovernment.us, the current federal debt is about $18,406,804,740,000. That's 18 trillion, 406 billion, 804 million, 740 thousand dollars. *I can't even think of something witty to say about a number so large.* If every American paid the U.S. Government $50,000 this year, Uncle Sam would still be in debt. To make matters worse, the U.S. national debt has grown by more than a trillion dollars over the last 12 months.

Who is going to pay the bill? You and I are – in the form of higher taxes!

Part of our retirement planning should involve sitting down with a financial professional to figure out how we can keep our tax bill as low as possible.

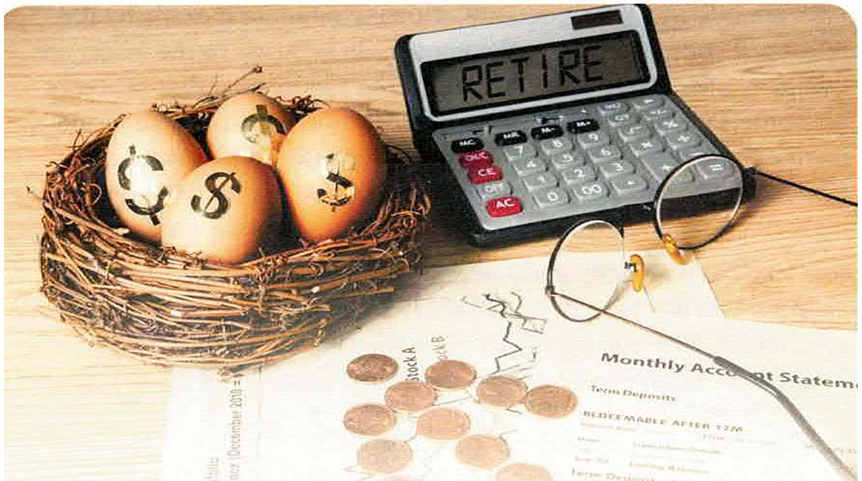
One last note before we move on to the next chapter...

Prior to 1984, Social Security income was tax-free. Today, however, taxpayers pay taxes on up to 85% of their Social Security income!

The IRS calculates the tax on Social Security income based on total income from almost all sources. There are, however, a few financial vehicles left that allow you to defer taxes. By deferring taxes, you may be able to shelter enough income to lower the taxes on your Social Security check. *It's worth looking into; a double tax savings strategy sounds really good to me.*

Honestly, retirement planning shouldn't have to be difficult and complex, but it is. What an irony – retirement planning is actually hard work. All the risks we now face are frightening. I remember observing "older people" when I was a child. Retirement planning was so much easier back then. You retired at age 65, and you died in the next couple of years because of shorter life expectancies. Not now! We could easily spend 20 or 30 years in retirement. That's why it's critical to have a long-term retirement plan in place.

So, let's move on to the next chapter to look at some of the solutions for the problems and risks we will face down the road. The payoff could be big for you – a greater probability of economic freedom in retirement!



CHAPTER TWO

The Solution

What if there was a product available that offered the following features and benefits:

- Insurance for your Nest Egg
- Tax Deferral
- 100% of Your Money Goes to Work for You from Day One
- A Steady Stream of Retirement Income
- Penalty-Free Withdrawals
- Probate Avoidance
- Upside Potential with No Downside Market Risk
- Guaranteed Income for Life
- A Bonus on Your Original Deposit
- A Long Term Care Benefit

Such a product DOES exist! It's called a Fixed Index Annuity (FIA). FIAs are insurance products, designed to protect your retirement and savings. FIAs are tax-deferred and are designed to meet long-term needs for retirement income. They provide guarantees against the loss of principal and offer the assurance of a death benefit to named beneficiaries. With an FIA, you are able to participate in a portion of a market index (such as the S&P 500) gain during the positive years but never incur a loss during the negative years.

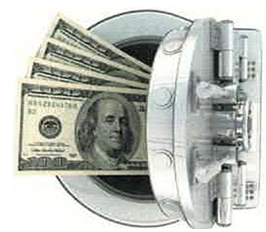
FIAs are safe and have guarantees. One guarantee is made by the insurance company issuing the annuity. In addition to the insurance company guarantee, there is a guarantee association that protects consumers in the unlikely event an insurer becomes insolvent and is unable to honor its commitments. For example, in the state of Connecticut, the association will cover up to $500,000. In Florida, it's $300,000 per contract owner. *I think you'll agree – that's a big deal!*

The truth is, you can't know which risks (outlined in the previous chapter) you will face in your retirement years. The reality is, you can't predict the future, but a Fixed Index Annuity can help you prepare for it. *Allow me to give you three powerful examples.*

Example One

$100,000 invested in the year 2000 in an FIA vs. the S&P 500

As shown in the table below, at the end of 2013, the S&P value was worth $125,438, compared to the FIA account balance of $160,341 -- a $34,903 difference! Most people would concur – that's a solid investment.



Protecting Your Money
AND Your Gains
Makes a BIG Difference
$100,000
Starting Value

Year	S&P Return	Account Value Invested	Account Value FIA**
2000	-10.14%	$89,860	$100,000
2001	-13.04%	$78,142	$100,000
2002	-23.37%	$59,888	$100,000
2003	26.38%	$75,677	$106,000
2004	8.99%	$82,480	$112,360
2005	3%	$84,955	$115,731
2006	13.62%	$96,525	$122,675
2007	3.53%	$99,933	$127,005
2008	-38.49%	$61,469	$127,005
2009	23.45%	$64,521	$134,625
2010	12.78%	$85,681	$142,703
2011	0%	$85,681	$142,703
2012	13.41%	$97,171	$151,265
2013	29.09%	$125,438	$160,341

Summary: After the account value turned negative, it took nearly 13 years to get back to a positive value. For many, that is a lifetime. The difference between getting part of the upside but none of the downside results in a 27.82% difference.

Nearly 27.82% Difference

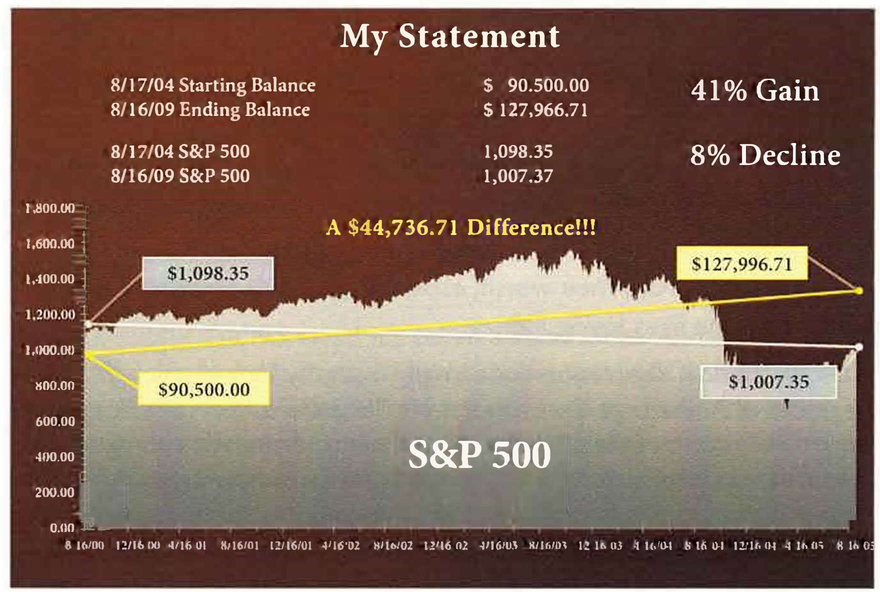
Example Two

My own fixed indexed annuity.

Yes, I eat my own cooking and put my money where my mouth is.

Back in 2004, the stock market began to misbehave – again. I remember saying to my wife that we should start looking for a safer place to put some of our retirement funds. The volatility was like being on a roller coaster ride. We decided to roll over one of our retirement accounts into an FIA. On 8/17/04, we transferred $90,500. At the end of five years, 8/16/09, our balance was $127,996.71. *Was that good or bad?* You can't tell unless you have something to compare it to. The S&P 500, for the same period, lost 8%. In other words, my $90,500 original deposit would have been worth only $83,000 (not counting any fees and commissions) if I had invested my money in an S&P 500 index fund.

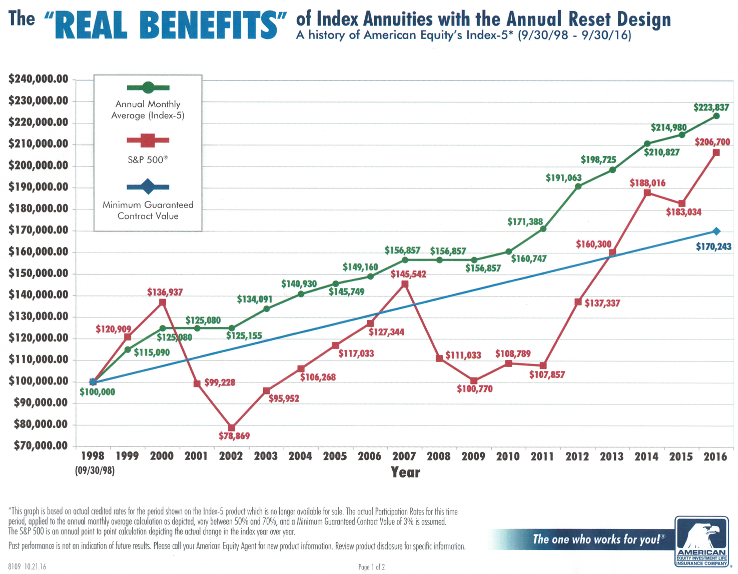
Focusing on the key numbers, my FIA account balance on 8/16/09 was $127,996.71. If I had invested the same dollars in the S&P 500, my balance on 8/16/09 would have been $83,260 – almost a $45,000 difference! *Sorry, but I have to brag. That turned out to be a home run!*



Example 3:

<u>A Fixed Index Annuity</u>
vs.
<u>The S&P 500 over the long-term</u>

As you can see in the chart below, the FIA put a lot of extra money into retirees' pockets.



So, why do these FIAs do so well against the stock market and other investments? It's the value of zero. Remember – when the stock market has a down year, you don't lose money, you get zero. *You have to admit that zero is better than a negative stock market return, not to mention peace of mind!*

FIAs absolutely prove their worth, especially in times of trouble, because no one likes losing money.

In a hypothetical illustration done in July, 2009 by Jack Marrion, President of Advantage Compendium (a St. Louis-based consulting firm), if FIAs were available back in the 1920s and 30s, the average annual index annuity return during the Great Depression would have been 6.4%, and this is during a decade that ended 65% lower than when it began – *impressive, VERY impressive!*

CHAPTER THREE

What the Experts Say

The annuity world can be complex and confusing. There are various kinds of annuities – fixed, variable, immediate, and fixed index – to name a few.

Generally speaking, the press does a poor job of writing about annuities. Remember they are journalists, not financial experts. I can't tell you how many articles I have read over the years about annuities. The problem is – the writers of these articles make claims about "annuities" in general terms, grouping all kinds of annuities together. For instance, they state, "Annuities have high fees." I have read that statement countless times, and it is just not true! Fixed annuities, for the most part, have no fees at all. Variable annuities do have fees, and, depending on the specific company you do business with, the fees can be high – but not always. So, to make a blanket claim that annuities have high fees is just poor journalism.

Remember – most fixed annuities have no fees, and most variable annuities have fees associated with the purchase and/or maintenance of the product.

Now that we have cleared that up, let's look at what some of the experts have to say about annuities:

Suze Orman (author, financial advisor, TV host, and motivational speaker): *Who might want to buy an index annuity? Anyone who wants to invest in the market but is afraid of losing any money.*

Ben Stein (actor, writer, commentator, lawyer, teacher, humorist and TV personality) claims his parents (both economists) are well-off, thanks to annuities. He is thoroughly convinced that most people should put at least a portion of their savings into annuity products when they retire.

According to the *Associated Press*, former Federal Reserve Chairman, **Ben Bernanke's** biggest assets were two annuities.

Kiplinger Personal Finance: *Imagine a retirement savings well that never runs dry, no matter how long you live. If that's the dream of future retirees, why are annuities, which make that very promise, such a miniscule part of our collective nest egg?*

Bloomberg Business: *The Obama Administration is weighing how the government can encourage workers to turn their savings into guaranteed income streams, following a collapse in retiree accounts when the stock market plunged.* The article goes on to say that the U.S. Treasury and Labor Departments are looking into ways to promote the conversion of 401(k) savings and IRAs into annuities.

Kiplinger's Personal Finance headline: *Guaranteed Income for Life. Stretch your Retirement Savings with an Annuity.*

The President's Middle Class Task Force concluded that fixed annuities could reduce the *risks that retirees will outlive their savings or that their living standards will be reduced by investment losses or inflation.*

Financial Planning Magazine: *Why academics love annuities – Not only are annuities good for a mid-size retirement portfolio, they're also good for a retiree's mental health.*

U.S. News & World Report: *But properly understood and used, annuities can be a great addition to retirement plans.*

U.S. News & World Report: *Why you should give annuities a serious look. Annuities are the only practical private financial product today that provides guaranteed streams of retirement income for as long as you live.*

AARP: *Social Security lasts for life, and so does an employer pension. If you don't have a pension, annuities can serve as a pension substitute.*

U.S. News & World Report: *Why annuities can be a strong retirement tool – annuities retain appeal for providing secure retirement income.*

Barron's Magazine: *Investors are realizing what academics have long preached. Fixed-income annuities outshine all retirement options.*

So, if you were living on a fixed income that is now broken, maybe you should consider a Fixed Income Annuity that can provide you a guaranteed income for life.

Wouldn't you agree that the ability to support a stable, predictable retirement standard of living is critical to our financial survival?

Losing money

CHAPTER FOUR

Let's Sum it Up

What's keeping you up at night? Fear of losing money? Fear of outliving your retirement savings? Fear of a prolonged nursing home stay? Fear of increasing healthcare costs and taxes?

Do you want a secure income stream, guaranteed to last for your lifetime? How about the ability to grow your money without market risk, fees, or commissions? Wouldn't it be nice to pass your money on to your loved ones without the delay, hassle, and expense of probate? Does lowering the taxes on your income, savings, and Social Security interest you? Do you want to improve your current financial condition, eliminate market volatility, and remove the pain of market losses?

A Fixed Index Annuity is designed to help address your fears and concerns. An FIA is designed to defer taxes, bypass probate, and provide an income stream you cannot outlive. It is designed for growth and safety. A Fixed Index Annuity is insurance for your nest egg.

If you're fed up with losing money, if you want peace of mind, if you want to stop losing sleep because of market volatility and uncertainty, if you're paying too much in taxes, if you're looking for guarantees and safety, if a bigger monthly check sounds appealing to you... **then it's time to check out a Fixed Index Annuity!** It's what smart retirees want and need. I'm very glad I own Fixed Index Annuities.

When it comes to my own investments, I can be quite content with the best of everything.

Stock Tip:

Unless you can watch your stock holdings decline by 50% without becoming panic-stricken, you should not be in the stock market.
– Warren Buffett

Remember – always do your homework, and meet with a licensed professional before you invest your money!

THE FINE PRINT

Attention: All Regulators, Attorneys, and Prospective Buyers of Annuities! Please read the following important disclosures.

This booklet is not intended to give any legal, investment, or tax advice. It is the reader's job to make sure that the individual he or she chooses to purchase an annuity from is competent, knowledgeable, and properly licensed.

Fixed Index Annuities are not a security. No two annuity products are identical. Each company offers annuities with unique features and benefits. Therefore, this booklet is not intended to make any comparison between various products, either Fixed Index Annuities and/or any other financial instrument. It is not my intention to give all of the details of all Fixed Index Annuities available in this booklet. You need to do your own research before making a Fixed Index Annuity purchase. Inquire if there are any fees and charges. Learn about risks, guarantees, liquidity, surrender charges, caps, and participation rates offered by each product you are considering.

All financial products have some risks, such as market risk, interest rate risks, and lost opportunity risk. Therefore, know what you are buying. Choose the kinds of risk you can live with long-term.

The terms "safe" and "secure" used to describe a Fixed Index Annuity are based on the financial strength and claims-paying ability of the issuing insurance company.

Stock Tip:

October. This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February.

– Pudd'nhead Wilson

Remember:

Always do your homework, and meet with a licensed professional before you invest your money!

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