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Stocks, bonds, mutual funds, CD's, annuities... these are just a few of the financial tools available to you today. With variety comes some level of complexity—which one is best? How much money should I put into it? Should I own more than one kind?

These are just a few of the questions that come up when you start looking at your long term financial goals. The answers to these questions can only be determined by looking at several factors.

- What are your short, medium and long term investment goals?
- What are your cash flow needs?
- What is your risk tolerance?
- Are you a do-it-yourselfer or do you plan to use professional advice?

These and many other questions can help you narrow down which tools would be most appropriate for you. Most times it will be a combination of the tools available to meet diversification, growth and liquidity needs.

No matter the tool or the combination of tools you use—there is one investment you should NEVER invest in....

The Investment You Don't Understand!

You worked hard for your money and you don't want to lose it. The past several years should have taught us that if we don't understand how our money is invested...we are at risk to losing it. The thousands that have had their entire life's savings evaporate will testify to that:

- Bernie Madoff scandal
- · Enron stock ponzi scheme
- Tom Petters \$3.65 Billion swindle
- And the hundreds of other investment ponzi schemes that have turned up in the last 3 years

Though it is important to understand all of your investments, we will just be touching on annuities in this document. This is by no means a detailed account of how annuities work, but it should give the average investor the information they need to determine if further investigation is needed.

For those individuals looking for a much more complete guide to annuities, it can be found at: http://money.cnn.com/retirement/guide/Annuities/

What are annuities and what are they good for?

Annuities, when used properly, can be an excellent vehicle to help you obtain your investment objectives. Not many investment vehicles can match their safe rate of return. On the other hand, when an annuity is not appropriate, it becomes a major albatross around your neck.

- So what exactly are annuities? Annuities are savings plans created by insurance companies. They have several unique characteristics:
- They allow you to put money away on a tax-deferred basis.
- They are vehicles that avoid probate, which just means you can assign a beneficiary to them.
- At some future point in time, you can take your entire sum of money out, take
 just the interest out, and take payments over your lifetime that you cannot
 outlive or keep the money in for your beneficiaries.

Types of Annuities

The first thing we have to understand about annuities is that they come in many flavors. But, in general, there are two types of annuities, fixed and variable. Fixed annuities pay a fixed rate of interest and variable annuities are based on their underlying accounts performance, which can vary daily.

Just like any other financial tool, each type of annuity has its advantages and disadvantages. They are completely different in their levels of risk factors and how they work for you. However, some of the basics of annuities never change. They all:

- Avoid probate
- Are tax-deferred
- Have IRS penalties if you withdraw from them prior to age 59 ½

The big difference between variable annuities and fixed annuities is their risk and return expectations. Variable annuities, while offering more upside potential, carry more risk. While fixed annuities carry much less inherent risk, but have less upside potential.

Fixed Annuities

All fixed annuities have four things in common:

- Your Principal is 100% guaranteed
- You have No Market Risk
- You get a Minimum Interest Guarantees
- You have the option of creating income You Can't Outlive

There are several types of fixed annuities. The difference between the types of fixed annuities is how they pay you your interest. Some pay you a guaranteed interest rate that changes annually. Others will give you a locked in return for several years similar to a 5-year CD (called a multi-year guarantees—see below). While still others will give you a return based on how the stock market is performing.

Multi-Year Guarantee

A MULTI-YEAR Guarantee annuity is a fixed annuity. It will give you a declared rate of interest for a stated number of years. The first year may or may not include a bonus but the underlying interest rate for future years is known. The declared rate will not change during the duration stated in the contract, so you have a guaranteed interest rate over the next several years. Once the guarantee period ends, there is a minimum rate guarantee that the annuity will offer for all subsequent years, although rates can be higher than the minimums depending on market conditions.

Advantages: Multi-Year Guarantee annuities work best during low or declining interest periods. For example, if you purchased an annuity when rates were high, say 7%, and you locked in those rates with a Multi-year annuity—you would be a happy camper if rates began to fall, but you were still receiving your guaranteed 7%. So, Multi-year guarantee annuities work best if you think rates are likely to go down in coming years.

Disadvantages: If interest rates rise, you will be locked in at your guaranteed rate of return and will not be able to participate in the increasing interest rate environment until your guarantee period is over.

Annual renewal annuities

Another type of fixed annuity is one where you know the first year's interest and a new interest rate is declared each year following—Acting like a typical 1-year bank CD. During the subsequent years, for the duration of the annuity, you do have a minimum guarantee but your rates generally tend to be higher depending on the interest rate environment

For example, your annuity may have paid you 5% the first year. The next year if rates have fallen by 1%, your next 12 months interest rate would be 4%. If you had a guaranteed minimum of 2.5% interest... your annual rate could never fall below 3% interest, regardless of how far interest rates fell. Many annuity owners with guaranteed minimum rates of 3% were enormously happy during 2008 and 2009 when bank CD's were paying 1% and 2%.

Advantages: These annuities work best during a rising interest rate environment. That's because if interest rates go higher, these annuities will renew at rates higher than the minimum guarantee.

Disadvantages: If interest rates fall, your interest rate will fall with them.

Index Annuities

The third type of fixed annuity is the index annuity or equity index annuity. These can either be the best or worst performing fixed annuities over time. And unfortunately, are the least understood.

These annuities' returns are tied to the performance of a stock market index (most commonly the S&P 500). In general, if the market the index the annuity is tied to goes up, you will share in that increase. On the contrary, if the market index goes down, your account will not go down in value.

Pretty good, huh? If the market goes up you make money and if it goes down you don't lose money. And depending on the indexed annuity you use, and how the market performs, it can be a terrific way to grow your money. However, the way these types of annuities work when it comes to market performance vary widely. It may not be as simple as if the market goes up 10%, you'll get a great rate of return. Because of this...it is essential that you understand, completely, how the index annuity you are considering pays its interest.

In a year that the S&P 500 goes up 10%, the return on 5 different equity indexed annuities could vary widely. One giving you 10%... and another giving you 5% and another giving a negative return. Whoa! That is quite a difference isn't it? So as you can see, you might be very happy...or extremely frustrated depending on which equity indexed annuity you were in this year.

However, where they all perform the same is if the market had gone down 10%...none of them would have lost principal. So as far as risk control, all equity indexed annuities work well. But, it is essential that you understand how they perform on the upside to ensure you get one that works in your best interest.

When considering an equity indexed annuity, you must make sure that your advisor walks through exactly how your annuity credits interest when the market goes up. Make him or her give you at least 3 examples of how it would work depending on market conditions.

So again, these types of annuities are fantastic ways to grow your money with much less risk than a typical stock market account...if you find the right equity indexed annuity. If you have a longer time horizon and don't want to take any market risk, this is the annuity gives you the highest potential return of all fixed annuities.

Advantages: Possibility of higher returns, if the market index it is tied to, performs well. Due to the way equity indexed annuities credit interest, you will be able to utilize the theory of "buying low and selling high" automatically which can dramatically increase your returns during volatile times with much less stress than trying to time the market. And worst case scenario—you do have a Minimum Guarantee for the Duration of the Contract which cannot be said for any other investment tied to the stock market.

Disadvantages: Requires a little time and effort to truly understand how you will earn your interest. During years the market index it is tied to goes down....you will earn no interest. In general, you will not get the entire return the market gets for the year; you will receive a percentage of the return.

Note of Caution: While equity indexed annuities can offer you a very good way to grow your money safely...You MUST understand how they will pay you your interest BEFORE you put any money into them.

Immediate Annuities

Immediate annuities pay a guaranteed income over a specific period of time or over your lifetime based on the amount of money you put in. These types of annuities have really come into vogue in the last few years. Even the President of the United States and many in Congress are publically declaring their advantages. These annuities are excellent vehicles for those people that have more need of guaranteed income than interest in managing their investments for income.

Advantages: Guaranteed income for a specific period of time or for an entire lifetime. Non-qualified immediate annuities may also offer you significant tax advantages.

Disadvantages: Generally, any lump sum deposited into these accounts is no longer available except through your annual income.

Variable Annuities

In contrast to Fixed Annuities...Variable annuities are annuities that have mutual funds type accounts as investment options. They have both the potential of higher returns, and the risk those underlying investments entail.

In the last decade or so, variable annuities have added features that claim to protect your principal. In other words you can have your cake and eat it too...you can invest in the stock market but if things go sour, you principal will be safe.

As in anything that sounds too good to be true... you'd better read the small print. (More on this later)

Let's start with the negative aspects of variable annuities in general. First of all, they are very expensive. What do I mean?

First, you need to understand, just because you are able to invest in annuities at "no cost"...that doesn't mean you aren't paying fees every single year. Unfortunately, most investors are unaware of the "hidden" fees they are paying.

The US Securities and Exchange Commission cautions investors about Variable Annuity Fees (find report here http://www.sec.gov/investor/pubs/varannty.htm)

They talk about the following fees:

Mortality and Expense Charges	Typical charge 1.25% per year
Administrative Fees	Typical Fee 0.15% per year
Underlying Fund Charges	Typical Charge 1%
Fees for other benefits	Typical Fee 0.25%
Total Typical Fees	2.65% per year

Though all Variable Annuities have fees...few consumers actually know what they are paying.

Think about it—if you earned 10% in a year...you'd lose 26.5% of it to fees. And this doesn't even include the surrender charge fees.

It ALWAYS pays to read the small print...and make sure you understand all the fees...even the hidden ones.

Furthermore, variable annuities bear all the downside risk on top of all of the fees. So, on the flipside, if the market (or funds you are invested in the variable annuity) declined 10%, you could lose an additional 26.5% or upwards of 12.65% when you include the fees above. Numbers wise, the same mutual funds outside of the variable annuities will just about always outperform the same mutual fund type account in a variable annuity.

So in performance terms, though variable annuities are marketed based on their performance... they are not always the best idea.

Billions and billions of dollars in variable annuities have been sold in the last ten years. Why? One major reason is the living benefit riders that most now offer. Unscrupulous annuity sales people will imply that you can get all the returns of the market if things go well...and can still earn 5%, 6% or even 7% on your money if the market tumbles. Holy Cow! Who wouldn't want that? Thus, billions of these variable annuities with these riders have been sold.

Think about it. How much are CD's at the bank paying? 2%...maybe 3%.

If the market tumbles 10%, how can an insurance company give you double that interest...AND COVER YOUR 10% LOSS?

Obviously, it is either too good to be true or there is an awful lot of small print you need to read to find the "catch".

The "catch" can be any number of things in the contract. It can be that you lose control of your money after any significant market loss. It could be that the guarantee is negated if you should take even one dollar out of the contract. It could be that you lose your entire principal by turning it over to the insurance company for the guarantee of income for the rest of your life. It could be something else completely.

The point is...there is a "catch". It doesn't mean that variable annuities are bad...it just means that putting your money into one and not understanding the catch is...bad. Many people are going to be very frustrated down the road when they try to cash in their variable annuity "guarantee" and find out it didn't work any way close to how they thought it would work.

Think about it---How else could they afford to give you a 5%, 6% or 7% return---because they love and care for their clients?

There is a "catch" with these guarantees and you must sit down with a competent professional for a 2nd opinion to truly understand how they work.

So why even consider a variable annuity? As with any investment tool, there are advantages and disadvantages. The two good features of variable annuities are... First, they allow you to re-balance your portfolio without any consequences (until you take the money out to spend). This feature allows you to manage your money without the concern of paying taxes when you sell your investment to place it elsewhere. In a variable annuity, you can sell and invest in something else without having to pay the taxes.

In addition, there are no taxes on the capital gains and dividends from the mutual fund type accounts in the annuity each year. You will only be taxed on that money after it comes out as long as it is more than what you put in (non-qualified accounts).

This advantage turns to a disadvantage when you withdraw your money. Instead of being taxed at capital gains rates, it will be taxed as income, which in most cases, can be twice as high depending on how much you are earning. The flipside is that if you have a loss, you also will not be able to use it against any other gains when you switch to a different account within your variable annuity.

The problem with the death benefit feature is that it costs you each year. And the more your account grows...the more it costs...and the less you need it (remember if your account goes up, your beneficiaries get the account value...not the death benefit).

So...

You pay more and more for a benefit you are getting less and less likely to get. Not smart.

Another downside with the death benefit is that beneficiaries will not get a step up in basis and will have to pay taxes on all the gains as ordinary income which can be much more costly than if they were not in the annuity.

Everyone's situation is different and you need to consult a professional to see if a variable annuity is right for you or not.

Advantages: Death Benefit and ability to re-balance account without worrying about taxes (until you pull the money out of the account)

Disadvantages: TOO EXPENSIVE... Gains taxed as ordinary income... volatility... very complicated.

The Questions You Need to Ask Before You Buy an Annuity

Now that you are familiar with the types of annuities that exist, you have to ask yourself do ANY of them work or me? That is the first question you need to ask and it's a good one.

While annuities can be used for a variety of purposes, they are not necessarily the right choice for everyone.

Before you buy an annuity, you should ask yourself the following questions. Not only will they tell you if an annuity is right for you... it should guide you to the type of annuity that would work best for you, if an annuity is right for you.

- Why am I thinking of buying the annuity—to save for retirement, to generate guaranteed retirement income, or both?
 If you are considering an annuity for retirement, then looking at annuities is a good choice. Annuities are primarily retirement vehicles and using them for any other purpose is probably a stretch.
- What is my time horizon?

Annuities are designed to be long-term retirement investments. If you think you might need the money soon, cancellation of a contract may result in a surrender fee. Therefore, if there is a good chance that if you will need to withdraw money shortly after you buy the annuity (for college payments, for example), a deferred annuity may not be the best investment; particularly if the money is withdrawn before age 59½ as the 10% tax penalty may apply. In addition, other features in your annuity may make early access problematic. So you must carefully consider your liquidity needs, or in other words, your potential need to access cash.

- What kind of returns do you expect?
 It is generally not advisable for an individual to invest 100% of his or her retirement assets in an annuity or any other single investment vehicle.
 Investors should plan to consult with a qualified financial professional in order to determine a portfolio that would make sense for your particular situation.
- What guarantees are you looking for?
 Annuities provide a wide range of guarantees (such as lifetime income payments, death benefits, minimum accumulation/withdrawal benefits) that are unavailable in other financial instruments, making them advantageous

over other retirement savings and income strategies. Since annuities differ from one company to the next and one product to the next... it is important to clearly understand the guarantees in a particular contract, as well as the financial strength of the insurance company issuing the annuity contract. This can be found from one of the 4 primary insurance rating companies.

- What fees are associated with variable annuities?
 As stated earlier, variable annuities contain various fees not readily visible on your statements. It is essential that you understand what these fees are. You could be losing 20% to 30% of your return or more to these fees. This can cut into your growth exponentially.
- What is your risk tolerance?
 Your risk tolerance will depend on your age, personality, income, time horizon, and retirement goals. The type of annuity purchased will depend largely on your risk tolerance. Variable annuities offer a wide range of investment choices from aggressive growth funds to more conservative investments such as money market funds and fixed-rate instruments.

Fixed annuities can help investors minimize risk by locking in a fixed rate of return. And as discussed, equity indexed annuities can provide upside potential while minimizing your risk.

As with any type of financial tool, it makes sense to seek out a financial professional to assist you in your asset allocation and to help you identify and manage your personal risk tolerance and develop an investment strategy to meet your needs.

What are the Reasons to Consider Replacing Your Annuity

When does it make sense to transfer your annuity from one company to another? This is something you really need to put some thought into. Generally you can exchange your annuity contracts for a new one, tax-free. Special rules must be followed to assure that either a complete or a partial exchange or transfer qualifies for tax-free treatment.

So, when does it make sense to consider exchanging your annuity for another? The reasons can include:

 Your fixed annuity has a substantially lower interest rate than other contracts currently available.

- The new annuity has substantially better features, such as an enhanced death benefit, guaranteed minimum income benefit, etc.
- The new annuity has better-performing investment options available.
- The new annuity has lower fees and charges.
- The new annuity has a higher minimum guarantee

Your state may have regulations requiring certain procedures to be followed before an annuity contract is replaced. This may include needing both you and your agent to sign a statement as to whether the contract being purchased will replace an existing one.

If this is the case, the new annuity company must promptly notify your old annuity company. The new annuity company must provide you with a statement about important factors to consider before buying the replacement contract. If you are going to get hit with a surrender charge, it becomes even more important to understand and weigh the advantages versus the disadvantages of the new annuity. You must be convinced that the new annuity is in your best interest.

What if You Need Your Money Before You are 59 1/2?

Most people are familiar with the fact that you are hit with a tax penalty if you pull money out of your retirement accounts before age 59 ½. This penalty applies to annuities as well...even if they are not in your IRA.

So, are you stuck with the penalty if you absolutely need the money in your annuity? While, you should always think twice about accessing any retirement account, including annuities, before age 59 ½, there is a way around the 10% penalty.

It is called the IRS 72q provision. It is not well known, but if you find yourself in absolute need of the funds, make sure you sit down with your financial and tax professionals to tap into this rule. If you are in a situation where you absolutely need the money...the last thing you need is a 10% penalty on top of everything else!

How Do You Use Your Annuity to Your Greatest Advantage?

OK, now that you have your annuity, how do you make it work hard for you?

Again, that is going to depend on what your goals are and what type of annuity you have purchased. So, what we'll do here is break down the best way to use your annuity by the goal you are trying to achieve.

Want to get a 15% to 35% discount on your car payment or insurance payment every month?

Car payments, insurance premiums... Wouldn't it be nice to get a discount on those things?

You obviously can't get a 15% or 35% discount on your car or home payments... or on your insurance unless you are willing to change insurance carriers every few month (and that would be crazy).

But you do have another discount available to you... and a big one. Before I discuss that discount we need to agree that most of us pay these monthly bills with our paychecks... or our earnings. And what happens to our earnings each paycheck? We get taxed on it!

What if we got Uncle Sam to give us the discount on our home, car or insurance?

Did you know that there is a special I.R.S. Regulation that allows you to cut the actual costs of your monthly bills from 15% to 35%? Just think what kind of savings that could give you over the next 10 years!

Here's how it works. IRS Code Sec. 72(e) (5) allows us to create income that is 93% tax free. So if you are in the 20% tax bracket and 93% of your income is tax free... that's equivalent to giving you an 18.6% "discount" on your taxes.

So why isn't everyone using this fabulous break?

As usual, there is a catch. Here's the catch. In order to get this tax "discount" you need to get your income via an immediate annuity. So this works best for covering a monthly bill. Here's why:

Let's say you have a \$399 a month lease on your car. If you are paying for that out of your paycheck you get no tax break. However, if you paid for it from income from your immediate annuity, you WOULD get a tax break. How much? It depends on your tax bracket.

Let's assume you are in the 25% federal tax bracket and the 5% state tax bracket, so combined you have a 30% tax bracket. By utilizing this little beneficial tax code, you would be paying far less for your car lease using this tax break.

Instead of \$399 out of pocket every month...because of the tax "discount", you would only be paying an effective \$287.68 per month. Now of course you will still have to send \$399 to your car lease company, but you will be saving the equivalent of \$111.32 in taxes each month (\$1,335.84 each year in tax savings).

That's a 28% discount on your car lease... try to get that from your car dealer!

In order to generate \$399 per month for five years you would need to deposit around \$23,000 (depending you the immediate annuity you choose) into your immediate annuity. So you see, because of the need to deposit a chunk of money into an immediate annuity, this terrific tax break can only be utilized for one or two of your bills, depending on your access to a lump sum.

To get the best interest rate and the highest tax "discount" it is essential that you sit down with an insurance professional that understands immediate annuities.

How to Pay as low as 1.8% Tax on Your Investment Income.

This technique is very similar to the one we just talked about but works best for people retired and tapping their investments for income.

You'll actually see in this example how to pay as low as 1.1% (15% Tax Bracket), but we will focus on the 25% tax bracket; therefore, we will use how to achieve a 1.8% tax.

Using a hypothetical example: Investor desires \$10,800 income from their \$200,000 non-qualified portfolio.

If you are in the 25% tax bracket, by using this technique, the taxes owed on \$10,800 of income would be just \$189 or 1.8% of income. Due to the exclusion ratio (IRS Code Sec. 72(e) (5), only \$189 is taxable, the remaining \$10,044 is return of principal and therefore not taxable (keep in mind, this is a non-qualified portfolio).

Tax Analysis	Tax Rate	25.00%	_		Tax Savings				
	Annual	Non-Taxable	Non-Taxable Taxes Owed		Taxes Owed	Taxes Owed	Annual Tax		
	Distribution	%	Amount	Each Year	without TREE	Using TREE	Savings		
Asset #1	\$ 10,800.00	93%	\$ 10,044.00	\$ 756.00	\$ 2,700.00	\$ 189.00	\$ 2,511.00		

If you are in the 15% tax bracket and with a 93% exclusion ratio, the news is even better. Your taxes owed on \$10,800 of income would be \$113, or only 1.1%. THE SMART SAVERS GUIDE TO USING ANNUITIES... INSTEAD OF THE OTHER

Tax Analysis	Tax Rate 15.00%				Tax Savings				
	Annual Non-Taxable		Non-Taxable	Taxes Owed	Taxes Owed	Taxes Owed Taxes Owed Ann			
	Distribution	%	Amount	Each Year	without TREE	Using TREE	Savings		
Asset #1	\$ 10,800.00	93%	\$ 10,044.00	\$ 756.00	\$ 1,620,00	\$ 113.40	\$ 1,506.60		

¹For purposes of the hypothetical the following assumptions were used: 5-year period certain immediate annuity with EquiTrust Life Insurance Company with payments beginning 06/2009 and ending 05/2014. An assumed exclusion ratio of 93% is used in this hypothetical.

²Assumed rate of return for illustration purposes only. This return is not indicating a promise for return or performance of any product.

What is not included in this illustration is your ability to reduce your taxes even further, if you currently receive Social Security income. Social security is taxed at either the 50% or 85% level, depending on your overall income. By using this immediate annuity technique, you may be able to halve or even eliminate the tax you pay on your Social Security income as well.

To get the best interest rate and the highest tax "discount" it is essential that you sit down with an insurance professional that understands immediate annuities.

Grow AND Spend Your Money...with peace of mind

What if you need both income and for your money to grow? Is there a way to utilize annuities to help you achieve this better than other more traditional investments?

Many people, especially those that are retired, use their investments to supplement their other retirement income sources. The problem with this is in most cases, you never know exactly how most traditional investments will perform year by year. In fact, almost all types of investments went down significantly in 2008, crippling many peoples' portfolios and incomes.

So, the major problem with drawing income from your portfolio is predictability. You don't know how much your stocks, bonds, or mutual funds will be worth next year. So you do one of two things:

You invest conservatively to make sure the money is there when you need it...the only problem with that, is that you could fall behind because of inflation.

You roll the dice and hope that your investments perform well enough to continue to give you income without running out of money... the only problem here is the sleepless nights and the real chance you might run out of money.

But there is another choice that will allow you to both invest to stay ahead of inflation and get a stable income stream you can count month after month...without worry that you are depleting your assets.

Here is an example of how utilizing Split Income Funding would compare to just withdrawing money from your mutual fund or stock portfolio for income:

					Befo	re Split Fu	nding					
\$10	00, 000 in N	lutual Fund	s, D	iversified l	Portfol	lio, with a 8.	3% ave	erage anni	ual ret	urn		
	Value of			Annual	Val	ue Before	А	nnual	Inco	me Taxes		
	Funds	% Return		Return	Withdrawal			ndrawal	@ 28%		Net	Income
\$	100,000	10%	\$	10.000	\$	110,000	\$	8.000	\$	2,240	\$	5,760
\$	102,000	6%	\$	6,120	\$	108,120	\$	8,000	\$	2,240	\$	5,760
\$	100,120	-10%	\$	(10,012)	\$	90,108	\$	8.000	\$	2,240	\$	5,760
\$	82,108	3%	\$	2,463	\$	84,571	\$	8,000	\$	2,240	\$	5,760
\$	76.571	12%	\$	9,189	\$	85,760	\$	8,000	\$	2,240	\$	5.760
\$	77,760	11%	\$	8,554	\$	86,313	\$	8,000	\$	2,240	\$	5,760
\$	78,313	11%	\$	8,614	\$	86,928	\$	8,000	\$	2,240	\$	5,760
\$	78,928	11%	\$	8,682	\$	87,610	\$	8,000	\$	2,240	\$	5,760
\$	79,610	21%	\$	16,718	\$	96,328	\$	8,000	\$	2,240	\$	5,760
\$	88,328	Ending Va		.5,710	Ť	55,020	-	5,000	Ť	_,	_	5,. 55
					Afte	r Split Fund	ding					
		iable Annu					\$50,000 in Immediate Annuity					
wit	th a 8.3% av	erage annu	ıal r	eturn			10 Ye	ear Certair	ո - Gua	aranteed In	come	e
	Value of		i	Annual					*Inco	me Taxes		
	Funds	% Return		Return			Annu	al Income	(0	20%	Net	Income
\$	50.000	10%	\$	5.000			\$	5.890	\$	130	\$	5.760
\$	55,000	6%	\$	3,300			\$	5,890	\$	130	\$	5,760
\$	58,300	-10%	\$	(5,830)			\$	5,890	\$	130	\$	5,760
\$	52,470	3%	\$	1,574			\$	5,890	\$	130	\$	5,760
\$	54,044	12%	\$	6,485			\$	5,890	\$	130	\$	5,760
\$	60,529	11%	\$	6,658			\$	5,890	\$	130	\$	5,760
\$	67,188	11%	\$	7,391			\$	5,890	\$	130	\$	5,760
\$	74,578	11%	\$	8,204			\$	5,890	\$	130	\$	5,760
-	82,782	21%	\$	17,384			\$	5,890	\$	130	\$	5,760
\$	100,166	Ending Va	lue				* Lower ta	x bracket due to I	RS Treatm	ent of 89% Exclusi	on Ratio	on Immediate Annuities
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Add gua cou	aranteed inc uld you have	ome, could y	you b	ee more agg ey in 10 yea	gressive ers?		ther inv	estments?	If you	were not a	ggres	sive,

It is essential, when setting up a Split Income Funding portfolio, that you spend time mapping out your goals and expectations with your financial professional. This technique, while simple, still requires knowledge of inflationary expectations, immediate annuity profiles, and investment planning. Please seek advice from your tax and financial professional.

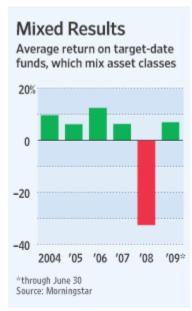
What if you Don't Need Income... but just want to grow your money?

What if you are in the enviable position of not needing extra income, but are instead more interested in growing your income? Annuities were never designed for aggressive investors. Annuities are instead designed for those people that feel protecting their money is at least as important as growing their money...

And that would mean that they think like the wealthy do.

What the wealthy understand is you become rich by NOT losing money!

For decades the mantra of Wall Street is to diversify for safety. While this seemed to work while the markets were going up... the diversification theory of not putting all of your eggs in one basket completely broke down in 2008. As you can see below, a diversified portfolio went down over 30% in 2008. So much for the fail-safe mantra of



diversification.

What is the true purpose of diversification?

We don't diversify so that we can have a dozen or more different investments.

We diversify so that not all of our accounts will go down at once. If you knew what account was going to go up next year and which account was going to go down next

year—You'd move all of your money to the account that was going to go up and empty the account that was going to go down.

Unfortunately, we can't predict that, so we spread our money around into different types of investments in the hopes that not all of them will go down at once. And as we just pointed out, that technique failed miserably in 2008.

So what is the true purpose of diversification?

It's Safety!

The best diversified account never goes down! It goes up...but never goes down.

Warren Buffet's Two Rules for Becoming Wealthy

- 1. Never lose money
- 2. Never forget rule #1

The most critical aspect to making money is not losing much... that is not how the average guy on the street thinks... he's looking for the next hot stock believing it will make him lots of money.

The wealthy on the other hand look to making money...but always...ALWAYS...in not losing money. Look at this example:

Here is a table of returns. I just randomly chose them to prove a point...what at first might seem obvious...when looked at closely becomes wrong.

Rate of Return Account B
5.5%
5.5%
5.5%
5.5%
5.5%
5.5%
5.5%
5.5%
What is the average return?

So in account A, you had great returns 75% of the time... similar to the stock market. Account B you had so-so returns 100% of the time.

Which had the higher overall rate of return?

- Account A had an average return of 5.25%.
- Account B had an average rate of return of 5.5%.
- Account B, with the slow and steady approach beat the start and stop approach of Account A.

What seemed obvious

Invest in something that gives you great rate of returns most of the time... is not necessarily the right option for you. You need to ask yourself which one of these accounts makes more sense to you.

That's why Equity Indexed Annuities can make a Great Diversification Tool

They are inherently designed to give good steady returns and protect against the account ever going down.

Here's an easy way to think of equity indexed annuities as compared to other market investments. I choose not to use numbers but instead use words so you can come closer to the actual emotional, as well as the monetary benefit that equity indexed annuities can offer you.

Equity Indexed Annuity	Typical Market Based Investment (i.e. stock or mutual fund)
Good returns possible	Great returns possible
No market losses possible	Large market losses possible
Guaranteed return of principal at end of surrender period	No Guaranteed return of principalever
Automatically buys low and sells high	You are in charge of determining when a price is highto sell. And when a price is lowto re-invest.

There are many reasons, both to use equity indexed annuities...and not to use equity indexed annuities.

When investing or setting up your portfolio, it is essential that you look at the advantages and disadvantages of all of your investment choices. There is NO perfect investment. There are however, good choices for whatever your goals may be.

If you are not comfortable doing thorough research on each of your portfolio choices, you must seek out the help of a financial professional. Your hard earned money is not the place you want to skimp on research. One slip and your retirement could be ruined. A fact, unfortunately, many people found that out in the last market down turn.

Prepare for the "What if"...without paying expensive premiums

The tax benefits contained in the Pension Protection Act of 2006 created a new tool for those people that want to plan ahead. It allowed annuity companies to combine the benefits that annuities inherently offer with the included ability to protect a family's assets from long term care costs.

Most people understand the problems, both emotionally and financially, that long term care can bring on a family. The 2008 AARP Long Term Care Cost survey found that:

• The national average annual cost of a private room in a nursing home is \$76,460 – \$209 per day, and 17% higher than it was in 2006.

It doesn't take long to drain a families net worth at those costs...

On the other hand it doesn't take long to drain a family's standard of living when paying annual premiums for Long Term Care insurance either.

So, what to do? Roll the dice and hope your family never faces long term care costs...or sacrifice your cash flow by paying out expensive long term care insurance premiums each year.

It would be easy to argue both sides of that particular coin...but what if there was another solution?

One that helped you cover the costs if long term care was ever needed, but wouldn't drain your cash flow if it wasn't.

There are new annuities that combine the benefits of annuities but will protect your family should you ever need long term care. This annuity works best for people in

their late 50s and early 60s in the upper-middle bracket who often have \$100,000 saved in low-risk bank certificates of deposit or money market funds.

By switching those funds instead to an annuity/long-term-care product, you would have the option of immediately getting lifetime long-term-care coverage for up to three times the amount that built up in the annuity. That's a tremendous benefit compared to the other savings vehicles, because there is no interest rate that can give you that kind of return if long term care was ever needed.

2010 Tax Incentive makes this technique even more attractive

The enactment last August of the sweeping pension reform that includes provisions that make distributions from annuity contracts used to pay long-term care riders excludable from taxable income.

You will be able to use the income from an annuity to secure your retirement, while at the same time, have money to help pay for long-term-care expenses if the need arises. Congress pushed through the pension legislation because it believed there needs to be a product answer to solve the long-term-care crisis

The advantage of combining an annuity with long term care insurance is you now have the ability to say, "Well, if I don't use one, I probably will use the other."

Summary

Though it is important to understand all of your investments, we just touched on annuities in this document. What you've read is by no means a detailed account of how annuities work, but it should give you the information you need to determine if further investigation is needed.

If you have found enough in this paper to be interested in annuities, then you should:

- Find a competent professional that specializes in annuities and the techniques needed to make them work for you...and not the insurance companies
- 2. Explore what techniques will work best for you and your situation
- Research that technique—looking at all the advantages and disadvantages

And then...

4. ACT! – Do not delay once you have decided something will work for you. These types of ideas generally are limited time opportunities…make sure you get in on the opportunity.

If you are looking for someone specializing in utilizing annuities to grow your wealth... your best starting point is the source from which you obtained this report.