Annuity Do's & Don'ts

for Baby Boomers

J.D. Mellberg FINANCIAL

Hello,

Congratulations on taking the first step towards greater financial confidence in your future!

We hope you'll find the book you hold in your hands informative and valuable as you navigate the many options available to you today in the vast financial market – and as you create your own personalized roadmap towards a happy and fruitful retirement.

In the following pages, we'll share with you some of the best industry-recognized Do's and Don'ts of Annuities.

These simple, easy-to-follow tips will help guide you through:

- Evaluating your retirement goals
- Exploring whether or not an annuity is right for you
- Figuring out what you want and need out of an annuity
- How to move forward once you've found an annuity that's right for you
- What to do if you don't know where to start with annuities

At **J.D. Mellberg Financial**, we believe that your retirement years should be the best years of your life, filled with doing the things you love and look forward to everyday.

That's why we're committed to bringing educational materials to the community in a way that is clear, honest, and easy to understand.

Our philosophy is that when people are given all the facts, they're empowered to make the best decisions about what they want in their ideal retirement.

We hope you'll walk away feeling like you're in the driver's seat headed towards the best years of your life.

That's the J.D. Mellberg Financial mission.

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Annuity Do's & Don'ts

Practical tips for getting the most out of your annuity.

Do: Outline your wants, needs, and goals.

No two retirement plans are the same. Start your plan at the beginning – with you, and what matters most in your life.

What do you want out of retirement? How have you envisioned the golden years of your life?

For many Americans, retirement isn't just a time to kick back and relax (though it is certainly that, as well!) – it's a time for new ventures and fulfilled passions. It's the time where our lifelong aspirations and personal interests become realized.

Those vacations we always planned to take, the books we meant to read, the hobbies we always wanted to take up... retirement is the time and place to make that happen.

As you go through this book, and as you prepare to make some of the most important decisions of your life, keep your focus on what you're setting aside this money for. What matters most to you?

Now is also a good time to evaluate what you're going to need during your retirement.

Take a close look at the income and assets you know you'll have available to you. Does it make sense in your retirement to have a reliable stream of income to supplement any other plans you have?

Use the worksheet to the right to help you gather all your financial information into one place so that you can really start to look at the big picture.

Don't: Rely on your neighbor's advice for an annuity.

While your neighbor, family member, or somebody else you know may be very smart and may have the perfect annuity set up for themselves, unless they're professionals in the field, they probably don't have all the information available to help you find the best option for you.

What turned out to be a fantastic idea for your cousin, may disrupt your idea of a perfect retirement. Or, it might not be the most optimized solution based on your unique situation.

If you do whatever it is your neighbor is doing without having a qualified specialist reviewing what the best option is based on you, you're likely leaving a substantial amount of money on the table.

MONTHLY INCOME	CURRENT	EXPECTED IN RETIREMENT
Salary	$	$
Social Security	$	$
Stocks, Bonds, Commodities	$	$
Pension(s)	$	$
Annuities	$	$
Savings	$	$
401(k) or IRA (any qualified account)	$	$
Other	$	$
Total Monthly Income	**$**	**$**

MONTHLY EXPENSES	CURRENT	EXPECTED IN RETIREMENT
Mortgage or Rent	$	$
Housing Insurance	$	$
Car Payment	$	$
Car Insurance	$	$
Gasoline	$	$
Utilities	$	$
Food	$	$
Clothing	$	$
Entertainment	$	$
Medical (office calls, prescriptions, etc.)	$	$
Health Insurance/Medical Supplements	$	$
Life Insurance Premiums	$	$
Gifts (birthdays, weddings, anniversaries, etc.)	$	$
Hobbies	$	$
Other	$	$
Total Monthly Expenses	**$**	**$**

PERIODIC EXPENSES	CURRENT	EXPECTED IN RETIREMENT
Property Tax	$	$
Emergency Medical	$	$
Car Repairs	$	$
Home Repairs	$	$
Other	$	$
Total, then divide by 12	**$**	**$**
Add Total Monthly Expenses	**$**	**$**
Grand Total Monthly Expenses	**$**	**$**

Do: Learn everything you can about annuities before making a decision.

There's a lot to know about annuities, but to get you started, let's cover some simple basics. At their heart, annuities are a guaranteed stream of income provided for a set duration of time, purchased either in one lump sum or several.

Annuities come in many flavors. The four types of annuities are:

- Immediate
- Variable
- Fixed
- Fixed Index

Keep in mind that each company that offers annuities has different terms, conditions, limitations and benefits captured in each of their annuity contracts. The following are basic definitions to help you clarify how they work and interact on a base level:

Immediate Annuity

This is sometimes called a Single Premium Immediate Annuity. You can purchase an immediate annuity with a lump sum and begin to receive regular payments right away (some immediate annuities allow you to wait for up to a year to begin payments). You are assured that specific amount of income for the rest of your life.

Immediate annuities are often more attractive to older retirees. Actuaries calculate longevity and other factors to determine how much income this type of annuity will pay out. Since older clients will likely be collecting over a shorter number of years, their monthly payouts will be higher.

For example, if you buy an immediate annuity for $100,000 premium in your 60's, your payout may be around $6,000 per year. But if you buy the same contract in your 70's, your pay may be around $10,000 per year.

Immediate annuities may be a good choice for someone who hasn't saved sufficient funds for retirement, or if he/she wants a spouse to receive a steady income if the spouse lives longer. (With some contracts, this feature is standard. With others, it may require the purchase of a rider.)

Fixed Annuities

A fixed annuity offers a set, guaranteed rate of increase for a pre-determined amount of time. They also offer tax deferred growth, with taxes due when funds are withdrawn.

A fixed annuity also offers a higher level of protection. Generally the longer the interest rate period, the higher the interest rate.

They can also allow you to withdraw up to 10% of the policy value per year, without the penalty. However, the funds will be subject to income taxes. In that way, you retain control of your money. Depending on the term of the annuity's contractual agreement, there may be a penalty fee for early withdrawals of over 10%, so that needs to be considered if you think there is any chance you might need to recover your principal before the contract matures and penalties are phased out.

All of these terms are dependent on the provider and contract pertaining to your specific annuity.

Variable Annuity

Finally, there's the variable annuity. This type of annuity includes an investment feature, managed by mutual fund managers. Because the funds are exposed to the stock market, they are exposed to higher risk which means they carry the potential for substantial losses.

Variable annuities have worked well for high income earners, particularly for younger people who have many years to wait out stock market volatility to attain greater growth before they need the income.

Unfortunately, it is often variable annuities that give annuities in general a bad name. The reasons are often due to fees and market volatility.

Because they are tied to investments, variable annuities open up to the possibility of a lot of growth, but they also leave you open to losses, including a loss of principal, if there are downturns.

If you are paying fees and making withdrawals from your variable annuity, your funds could be on the line.

Fixed Index Annuity

A fixed index annuity (FIA) is kind of a blend of other annuity types and utilizes beneficial elements of each.

The fixed index annuity gives you the protection of a fixed annuity with the potential for growth like the index annuity.

An FIA is tied to a major stock market index – such as the S&P 500®, however your money is not actually invested in or exposed to the market. When a related index performs well, so does the annuity.

Don't: Leave your employer's money on the table.

Did you know you could use your **401(k)** and roll it into an annuity? Getting the most out of your annuity is a lot easier when you're picking up all the money available to you in the first place.

If you have a **401(k)** or other employer-sponsored retirement program, take full advantage of it. When you're utilizing programs with employer-matching, you're getting free money – money that will help you live a more financially confident retirement.

Do: Set aside the appropriate funds for your annuity.

Once you've evaluated your goals, what your needs will be during retirement, and the assets you have available, it's time to make sure that you're reserving enough money for your annuity to be sure you'll be supported throughout your retirement. The last thing you want is your money running out before you do!

We know that saving money is always easier said than done, but here are a few quick tips that can help you enjoy your retirement with financial confidence.

Know the difference between your paychecks and your *playchecks*.

This will help you simplify money decisions that make sense in your life. What money is being funneled into covering your needs – both predictable and unforeseen? What money is leftover for the things you want to do?

Do: Strategize the timing of your annuity.

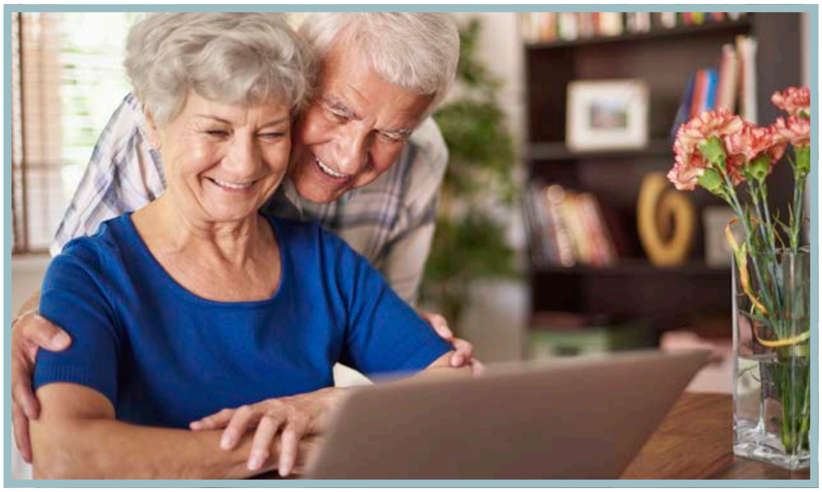
Sometimes it's not enough to know which annuity is right for you, but when the optimal time to get it for you is.

This requires accounting for a number of factors, the chief among them being taxes and your age.

Coordinate your annuity with any other pensions, 401(k)s, Roth IRAs, and any other income or assets you have to get the best tax break available to you.

Keep track of what's tax-deferred, what's not, and how much income you expect to claim each year to get the most out of your money.

When it comes to timing, it also counts to strategize your issue age. If you have enough assets to last through the first part of your retirement, you may find that you'd prefer a later issue date so that your annuity checks will be larger.



Don't: Forget about your spouse.

If you have a spouse who relies on your income for their needs, talking to your financial advisor or annuity representative about getting a joint life annuity could ensure that your spouse is protected and provided for, even after you're gone.

Some companies have products that allow you to purchase riders to provide ongoing payments to your spouse. There may be an additional cost for these riders, but it could mean an entirely different quality of life for your spouse if you don't.

Explore all your options and talk to your spouse about the best course of action for the both of you.

Do: Set aside emergency funds.

Once you purchase an annuity, that money is locked up in your contractual agreement to give you the biggest paycheck in the long-term.

Because there are often surrender charges associated with withdrawing money from your annuity early, most people sleep easier when they've kept some of their money aside.

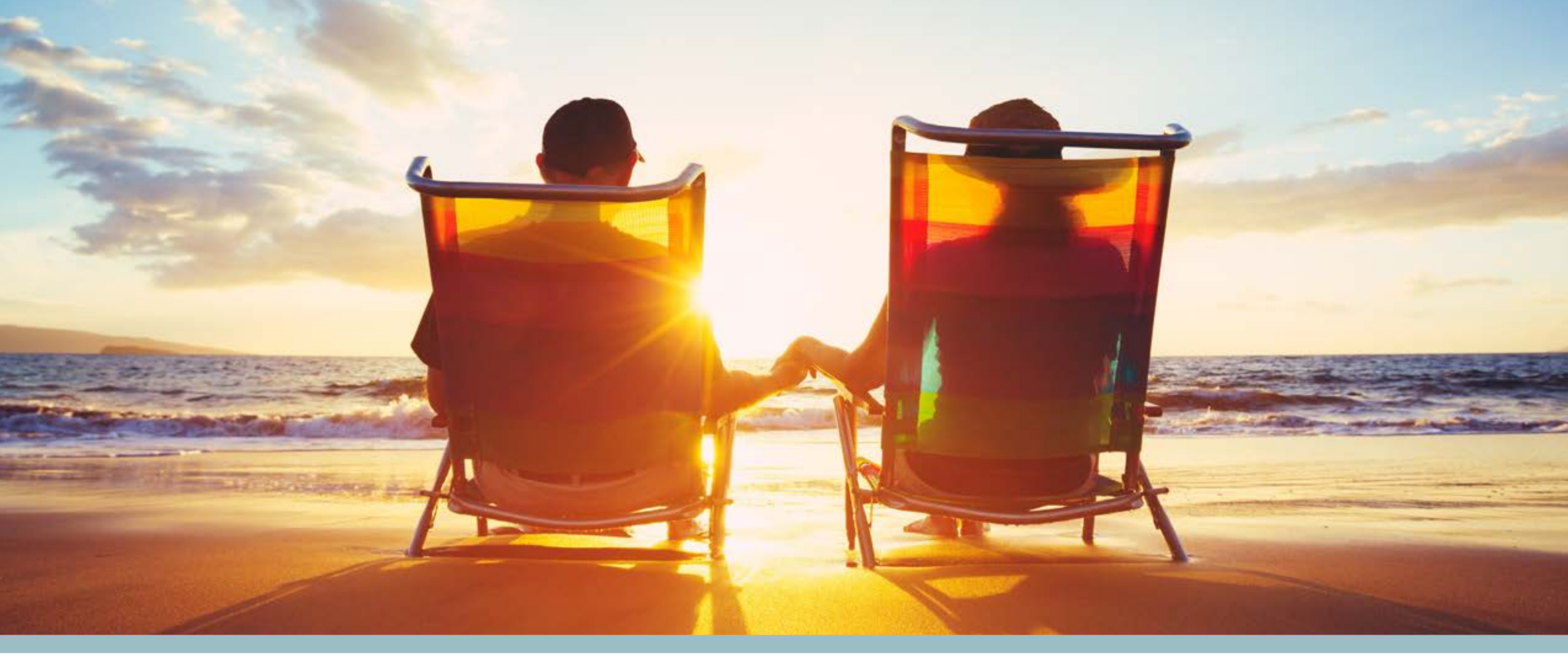
Assume that there could be a surprise or two you didn't foresee between now and your issue age and be prepared.

Don't: Sign anything without understanding your contract in full.

You deserve to be confident in every detail of your contract before committing to it.

If you have any questions about what you're agreeing to, seek the advice of a licensed annuity representative. They'll be able to explain to you what you're getting and any applicable obligations on either your part, or the part of the issuing provider.

This can save you a lot of headaches and potentially a disastrous situation waiting to happen. When you're better informed, you're better in control.



Do: Talk to a professional in the industry.

Annuities are legal contracts with many options and a lot riding on the line.

It's not something you'll want to leave up to chance.

Always be absolutely sure you're doing the right thing for you by discussing the details of the annuity and how it fits into your overall retirement goals with someone who is educated and experienced in this area.

If you'd like to talk to an **J.D. Mellberg Financial** professional on annuities, call today at **(800) 200-3948** to schedule your **FREE** one-on-one meeting.

This meeting comes at no cost or obligation on your part. If you have discovered that your personal retirement financial goals could be served by building an annuity strategy described here, our team can:

- Provide you with an in-depth, personal report that details the provisions of the vehicles you may already have in place.
- Help you determine what your income number is, so that you can be confident that you have enough coming in to maintain your lifestyle.
- Research insurance companies and annuity products that could be leveraged to get you more income in retirement.

At **J.D. Mellberg Financial**, we believe in helping people retire with confidence and informing retirees and pre-retirees so that they can make empowered decisions for their retirement.

(800) 200-3948
www.jdmellberg.com

Retirement isn't the end of the story – it's the beginning of a new chapter and you are the writer. Call us today,

(800) 200-3948

Annuity guarantees rely on the financial strength and claims-paying ability of the issuing insurance company and are not guaranteed by any bank or the FDIC.

Some annuities may have a lifetime income guarantee as part of the base policy; others may have riders available that provide this benefit. Riders may also be available for benefits like an annual increase to help combat inflation or for as much as doubling your income in case of a qualifying health event. These annuities are not long-term care and are not substitute for such coverage. Optional riders may be available with a charge.

Increased income is possible following a specific strategy suited to your financial goals and may require buying multiple annuities. Results could vary.

Most annuities have a withdrawal (surrender) period for the first five to 15 years of ownership. After the first year, however, you may be able to withdraw up to 10% of the account value without penalty. Withdrawals may significantly reduce the guaranteed* withdrawal and death benefit amounts, and any withdrawal prior to age 59½ may be subject to an additional 10% federal income tax penalty. See your annuity contract for terms, exclusions and limitations.

Many annuities have a death benefit; however, if the annuity-owner has received the full amount of withdrawal value, no death benefit may remain at the annuity-owner's death. Loans and excess withdrawals will reduce the policy value and death benefit. See your annuity contract for terms, exclusions and limitations.

Please note that the examples herein are not company nor product specific. They are concepts shown to give you general information of the benefits and limitations of the products and strategies and are not designed to be a recommendation to buy any specific financial product or service. Products change and such product concepts may not be suitable for your needs or available in your state.

This report is meant to provide general information on issues that many people consider in making the decision as to whether or not they should purchase a financial vehicle, including insurance products; and if they do decide to buy, which types and benefits will best suit their goals and needs. This information is not designed to be a recommendation to buy any specific financial product or service. This material is not intended to provide, and should not be relied upon for, accounting, legal, tax or investment advice. Please consult with a professional specializing in these areas regarding the applicability of this information to your situation.

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