

Smart Future, LLC Newsletter January 2010



Nancy Curtin, CLTC

Annuitants and Retirement Planning

You've heard it before – it is always wise to begin planning at an early age for your retirement. Retirement may seem a long ways off if you are under age 40. But, given today's fluctuating market conditions, rising inflation and uncertain economic forecasts, the small steps you take today to add to the retirement "kitty" will translate into nice income streams in later years.

I always advise my clients to utilize several financial vehicles that will eventually generate retirement income. By leveraging both insurance-based products and market-based products you can get both security and peace of mind. I also strongly recommend diversifying the carriers issuing the various products within your portfolio. With the 2008 downfall of large financial institutions this is a wise investment strategy.

One stable savings instrument that can offer a guaranteed income stream is an annuity. Annuities are often misunderstood financial products, and hopefully this newsletter will help you to gain a better understanding of them.

"To hedge your interest-rate bets, you could split up your money among several fixed annuities."

Source:
www.kiplinger.com

There are two basic types of annuities, **deferred and immediate**, then sub-grouped into **fixed and variable**. **Fixed annuities** are non market-based instruments. You are guaranteed both your principal and a fixed, predetermined rate of return on the principal. **Variable annuities** are market-based securities, often times comprised of mutual funds. For the purpose of using annuities as a solid retirement planning tool I will focus on **deferred fixed annuities**.

The principal is your initial investment into the annuity as well as any subsequent additions to that investment. You can choose to invest a lump sum and allow it to grow at the fixed interest rate, or choose to put money into the annuity on a regular basis to add to your original investment. Once the set rate of interest is determined it cannot be changed for the life of the annuity. You may choose various accumulation phases, such as 5-year, 10-year, 20-year or 30-year. In the accumulation phase, your principal accumulates the interest at the set rate.

SmartFuture, LLC

331 W. 57 St.
Suite 434
New York, NY 10019

PHONE:
212-767-1500

E-MAIL:
njcurtin@gmail.com

WEB:
www.smartfuture.biz

An annuity should only be purchased as one of several investment vehicles. You should not purchase an annuity with money you will need to have liquid before the expiration date of the annuity, as there are hefty surrender charges for early withdrawal. Insurers have sound reasons for these penalties. It costs them quite a bit to set up the annuity, and as with any insurance product, an annuity is a legal contract between you and the insurer. As such, you have "promised" to leave your money with the insurer for a set period to grow it. The insurer has "promised" to return your principal in addition to the agreed-upon interest rate at the end of the annuity period.

The main objective of a fixed annuity is to grow it so that an income stream is created for you in later years. It is an extremely stable investment that you can count on. The interest grows on a tax-deferred basis, which means you will pay tax on the interest portion at your attained tax rate at time of payout of the annuity, known as the annuitization phase.

Another strategy I recommend for my clients is to purchase several annuities over a period of time so that the payouts vary and produce a steady stream of income. This is known as laddering. Of course the earlier you build your ladder, the higher the return in your retirement years. I encourage you to explore how deferred fixed annuities can become a key component of your sound retirement strategy.

Call me today to talk about where an annuity would fit into your financial plan!

Sincerely,

Nancy Curtin, CLTC
