
FEBRUARY 2014

Obstacles to Income Planning

One of the challenges of being in my position is getting people to focus on the real numbers of what they need for retirement income. The main problem is changing the mindset from 'accumulation' to 'safe harbor' and distribution planning. Another problem is breaking down the tendency for people to listen to family members or coffee club friends who all have opinions, and their own 'success stories'. Probably the last factor is the 'financial planner' who has never addressed how the funds they are in are going to be used for income distribution or legacy planning.

Given these obstacles, it is no wonder that the vast majority of new people that I meet have not given a thought to where or how their income is going to be structured. Many simply look at their stock market reports, or the latest 'success story' from their friends, and try to talk themselves in to a sense of security from these sources. Studies on retirement age people show that the #1 concern is income that cannot be outlived.

Obstacles to Income Planning (cont')

My challenge is to look at these conditions and attempt to restate the performance of these assets into how they relate to what the clients are really trying to accomplish: a secure and unchallengeable income flow that lasts not just for their lifetime but for a spouses' lifetime as well.

There are many types of products and planning that meet these challenges head-on. In almost every new meeting, there has never been a discussion with a stockbroker or financial planner on how these assets should be converted to provide the long term security for which the assets were accumulated in the first place. The anxiety revolves around 'what I will lose if the market goes up' or 'that product has limits on what I can make' or 'your product has a fee!'

These are all nonsensical anxieties that just parrot what they heard from their friends or advisors. It is my job to remove anxiety, and be there with the checks when they are needed. I'd challenge advice – givers without a fiduciary guarantee to write those checks.

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When you will call, and the Lord will answer;
you will cry for help, and he will say: Here am I.
"If you do away with the yoke of oppression,
with the pointing finger and malicious talk,
¹⁰ and if you spend yourselves in behalf of the hungry
and satisfy the needs of the oppressed,
then your light will rise in the darkness,
and your night will become like the noonday.
Isaiah 58: 7-10



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"Life is no brief candle to me. It is a sort of splendid torch which I have got a hold of for the moment, and I want to make it burn as brightly as possible before handing it on to future generations."

-- **George Bernard Shaw**

WHAT IS YOUR BASIC RESOURCE?

by Tom Hopkins

What is your most basic resource? It's not money, not brains, not who you know. Your basic resource is time. Unless you use your time well, you'll never even get a glimpse of what your potential is. Using your time well isn't easy -- which is why so few people do it. We all have challenges with organizing our lives, setting priorities, and planning our time.

Regardless of what you do in life, time is money. If I gave you a check for \$86,400 and said, "From this moment you have 24 hours to invest it. You can invest in anything you want to with this money. Whatever you don't invest, I get back tomorrow at this exact same moment." What would you do during the next 24 hours? You'd be out there working hard and fast to invest that \$86,400, wouldn't you?

That being your attitude, why aren't you busily investing as much as you can of the 86,400 seconds given to you every day? That's right -- at the beginning of every day we're all given 86,400 seconds. As each second ticks by, we've lost the benefit of it forever unless we find a way to invest that moment in the future.

The seconds of your life -- and that's the way you live it, one second at a time -- can be invested in countless ways that will bring you a future return.

Many of these ways will give you repeated returns stretching over many years. You can invest your seconds in the creation of future income, in gaining new knowledge and acquiring useful skills, in making contacts, in enhancing your personal life.

The methods of gaining future benefits from present time are myriad. And so are the ways of wasting time. The seconds you squander vanish forever with no potential return. If you don't invest your daily treasure of 86,400 seconds wisely, in essence you hand them back at the end of each day to the force that gave them to you. So, invest your time wisely.

"One man practicing sportsmanship is far better than a hundred teaching it."

-- Knute Rockne

How Much Life Insurance do you Need?

How much life insurance is enough depends on your individual needs and your financial objectives for your family.

While life insurance cannot replace you, it can provide the funds to:

- • **PAY FINAL EXPENSES**

Who knows what our final expenses might be? We don't know what our final illness will be, or the cost of a funeral, or what other lingering costs might be out there that complicate the settlement of an estate.

- • **REPLACE ALL OR A PORTION OF YOUR INCOME**

Replacing an income takes a large capital sum. Because replacing an income is not just a cash flow discussion, it is also a quality of life discussion. Income replacement also enables a beneficiary to set aside funds for retirement. The impact of the premature of a wage earner is not just in the immediate income needs of a family. It impacts future social security benefits (wages not earned cannot provide a healthy benefit), as well as contributions that will not be made to a pension, 401k or 403b.

- • **KEEP YOUR FAMILY IN THEIR HOME**

Keeping a family intact in its home is often the difference between emotional health and family chaos. The home is more than a roof and walls; it is the marker of one's privacy and stability. Enabling beneficiaries to not make hasty decisions is a reason for life insurance.

- • **ESTABLISH A COLLEGE EDUCATION FUND**

Whether minors go on to college or not isn't the issue here; the issue is that the insured thought about futures that might not be if a child were deprived of a post secondary education.

- • **COVER FINANCIAL EMERGENCIES**

How many times have we been told we need a new roof, or the car conked out, or we had a storm, or that there was some other mechanical emergency with our property, our business, or our vehicles? What if there were a medical emergency below a beneficiary's deductible? Life Insurance provides these funds.

- • **PROVIDE A CHILD AND/OR HOME CARE FUND**

For a young family, the cost of daycare can be crushing. Take away one of the earners' incomes, and the challenges to make ends meet can be frustrating and debilitating. Life Insurance provides the funds to ensure a family doesn't have to make choices about work or care that cause unnecessary anxiety.

Having been a commander in units that lost men, I can tell you that life insurance is often the linchpin between simple mourning the loss, and true terror of the future.

How Can an Income Annuity Protect Against the Risk of Living Too Long?

The purpose of an annuity is to protect against the financial risk of living too long...the risk of outliving retirement income...by providing an income guaranteed for life.

In fact, an annuity is the ONLY financial vehicle that can systematically liquidate a sum of money in such a way that income can be guaranteed* for as long as you live!

Here's How an Income Annuity Works:

1. The annuitant pays a single premium to an insurance company.
2. Beginning immediately or shortly after the single premium is paid, the insurance company pays the annuitant an income guaranteed* to continue for as long as the annuitant is alive, assuming the annuitant selects a life income option. There are other payout options also available.
3. The insurance company pays survivor benefits, if any, to the annuitant's designated beneficiary after the annuitant's death

Annuities offer many other guarantees and security not found in other financial products

UPCOMING EVENTS.

- 1.. Social Security Information Meeting
Feb 11th, 6pm Country Inn and Suites, Forest Lake.
- 2.. Social Security Information Meeting
Feb 13th, 6PM Country Inn and Suites, Coon Rapids.

To Register for the Social Security Meetings, Please call (800) 848 4029.

Tools for Thought

❖ Sometimes things get confusing. As an 'income practitioner' I don't focus on asset accumulation as much as I focus on how those assets can be structured to remove the risk of running out of income in retirement. While there are many competitors to the products that anchor this concept, there is no denying the force of nature that is the anxiety surrounding income needs after a person stops their working life.

Many people are advised to do different things; invest in variable annuities, invest more in bonds, buy gold, or tax-free municipal bonds, or maybe just do nothing; leave their money in mutual funds or with their employers' 401k. While I don't pretend to me the Oracle of Delphi, I do pretend to be an amateur historian.

For those of us north of 50, we have experienced 3 major stock market crashes, as well as stagnation in the market. Few of us can outsmart these events. Fewer of us have the time to recover our most protected assets if another major and protracted correction should befall any asset relying on market forces (or complete collapse). What I specialize in is to make some of our assets do what we want them to do on a sustained and guaranteed basis: generate lifetime income. Lots of tools, lots of guarantees. A good prescription for sleeping well at night.

Getting it Done, Estate Planning Methods.

One of the missions of my company is to make sure that everyone I meet has taken care to plan their estate. In my seminars I tell the attendees there are two types of problems: (1) Being dead problems and (2) Being Alive problems.

Being 'dead' problems involves the disposition of assets. The Probate Court executes the wishes of a decedent who prepared a will, or guesses at the decedent's wishes if there was no will.

Being 'alive' problems can be vexing and expensive. If a person has not made a durable power of attorney or a medical power of attorney and had them properly executed, the entire family can end up in court, or worse.

There are three methods to get these things done.

- (1) You can go to a law office. My sources tell me the cost of a his/her will is about \$1,500.
- (2) You can follow the advertisements on TV and do it yourself over the internet.
- (3) You can subscribe to a legal service, such as Legal Shield, pay a small monthly fee, and have ongoing service, consultation, and other legal issues handled for mostly no additional cost. Either way, getting it done is the key.

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