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Powerful Tools

Everyone wants to have the best of both worlds. They want growth in their financial portfolios, they also want to not experience any 'downside risk' and they want to avoid taxes where it is possible. The problem is, this strategy seemed at crosspurposes to each other. The quandary was: how can one get a decent rate of return without taking risk?

The question is logical, but it doesn't shed light on the real issues at play. The real issues at play are (a) managing inflation risk while at the same time growing a savings method, (2) minimizing the effect taxes play during both accumulation and dispersement phases of a retirement plan. In my opinion, solving these two vexing problems are more functional long-term than worrying about what is going on in the stock market

There are no products out there that will give you full market performance, and then keep you from losing ground when the market adjusts itself. There are products, both life insurance, and annuities designed to give a percentage of market index performance, in exchange for protection against market corrections, stagnartion, or interest rate underperformance.

These are powerful tools.

Powerful Tools (con't)

Consider current interest rates. Flat, or worse, after taxes and inflation, a person could find themselves under water. Add in the stock market, which has been going gangbusters the last year, but what if a series of corrections happen right when you are prepared to retire?

Indexed Life Insurance and Indexed Annuities provide a stable and 'centered' strategy. In each case, the products follow an index (i.e. S & P 500). At the end of the policy year, a percentage of the indexes positive gain is awarded to the contract. That interest is locked in until the next anniversary date, and can never go down. By a similar note, if the indexes are down, the product treads water*, but no deposited or earned funds are lost. This strategy can help beat the inflation struggle between secured savings and risk.

The tax battle is won by avoiding taxes on the earnings. Disbursement methods between the two vehicles can be complex, and that is where I can provide personal advice.

*annuity contracts can have an 'income rider' attached to them so they grow no matter what the index performance is, and life insurance contracts grow each year also by adding the premium to the contract, regardless of performance.

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Phillip M. Scheiber, FICF
(952) 649-0504
www.srins.com

WHY USE AN ANNUITY FOR RETIREMENT?

In planning for financial security in retirement, an annuity can satisfy two basic objectives:

1. To accumulate retirement assets on a tax-deferred basis: If you're already contributing the maximum to IRAs and any employer-sponsored retirement plans and need to save more for retirement, a deferred annuity may be the answer to your retirement savings need.

2. To convert retirement assets into an income that you cannot outlive: On the other hand, if you're near or at retirement, an immediate income annuity can be used to convert existing retirement assets into a lifetime income. An annuity is a long-term savings plan that can be used to accumulate assets on a tax deferred basis for retirement and/or to convert retirement assets into a stream of income.

While both are insurance contracts, an annuity is the opposite of life insurance:

- ***Life insurance provides financial protection against the risk of dying prematurely.***

- ***An annuity provides financial protection against the risk of living too long and being without income during retirement.***

If you are already contributing the maximum to an IRA and/or an employer-sponsored retirement plan, an annuity can be an excellent way to save for financial security in retirement.

Contact my office if you'd like additional information on the role an annuity might play in your retirement planning

Life Insurance as a Gift

Regardless of your reasons for giving, a gift of life insurance can represent a substantial future gift to a favorite charity at relatively little cost to you. You can:

Make a Charity the Beneficiary of an Existing Policy:

If you have a life insurance policy you no longer need, you can name the charity as the beneficiary of the policy, meaning that the charity will receive the policy's death benefit after you die. While there are no current tax benefits to this approach, the value of the policy will be removed from your estate for federal estate tax purposes.

Make a Charity the Owner and Beneficiary of an Existing Policy:

Instead of simply naming the charity as beneficiary of an existing life insurance policy, you transfer full ownership of the policy to the charity. The charity will then receive the policy's death benefit after you die. In addition to removing the value of the policy from your estate for federal estate tax purposes, this approach also provides you with current federal income tax deductions.

Help a Charity Purchase a New Insurance Policy on Your Life:

If you wish to make a substantial future gift to a charity at a relatively low cost to you, another alternative is to consider purchasing a new life insurance policy and name the charity as the policy owner and beneficiary. You then arrange to pay the premiums through gifts to the charity. This approach provides federal income tax deductions and the policy proceeds are not included in your estate for federal estate tax purposes. Important Note: Most states through their "insurable interest" laws allow a charity to be the owner and/or beneficiary of an insurance policy on a donor's life. Since state laws do vary, however, it is important to consult with a professional advisor before making a gift of life insurance to a charity.

Please contact my office if we can be of assistance.

'Democracy will last until the people in power learn they can perpetuate their power through taxation.'
--Ronald Reagan

'Do you trust those in power to always tell you the truth – especially when it will hurt them at election time?
-- Glenn Beck, Common Sense

What sources of income may be available to your dependents if something happens to you?

Evaluate these potential income sources as you decide how to provide an income for the support of your loved ones in the event of your death:

Social Security Survivor Benefits

When a person who has worked and paid Social Security taxes dies, certain family members may be eligible to receive survivor benefits. Your surviving spouse may be eligible to receive monthly payments if caring for your child who is under age 16, or of any age if disabled before age 22.

Payments may also be made to surviving spouses beginning at their age 65 (60 if a reduced benefit is elected). In addition, monthly payments may be made to your children who are under age 18 (19 if in high school full time), or of any age if disabled before age 22. Finally, your mother and/or father, age 62 or over, may receive survivor benefits if, at the time of your death, either was dependent on you for at least 50% of his/her support. In order to estimate the survivor benefits your family may be eligible to receive, visit the Social Security website where you'll find several calculators that can be used to estimate survivor benefits (http://ssa.gov/planners/benefitcalculators.htm).

Survivor Income Benefits

Will your surviving spouse and/or dependent children be eligible to receive survivor benefits from, for example, a retirement plan or an employer-provided survivor benefit?

Investment Income

Do you have investments that can provide a continuing source of income to your survivors, such as investment real estate? Keep in mind that this income source should not include any investments that may need to be liquidated at your death.

UP COMING EVENTS AND PRESENTATIONS.MEDICA MEDICARE COMMUNITY MEETINGS

Tools for Thought

Observations from the Field

❖ *Recently I had foot surgery to repair some parts of my left foot thatc were no longer 'working'. Ironically the pain wasn't in my foot, but manifested itself as pain in my hamstring, back, and knee.. While the surgery was minor in a medical scope, the recovery was more extensive.*

This made me think about the crashes of 2001 and 2008. Recently the big upturns in the stock market have made people forget about the beating they took during those two crashes. Now there is a renewed confidence that since they have gained back all they lost, that the market is now stable, and and they can trust its performance to support most of their retirement needs.

I rel;ate this top my foot. Since my foot was the cause of the pain, but it wasn't the actual center of pain, the wrong poars of my fody were treated. By the time the real problem had been diagnosed, I was unable to walk without pain, or sleep without pain, or do anything on a sustained bassis. The surgery was postponed months longer than need be, and once the fundamentals were addressed, I still had an extended period of pain and recovery setbavks.

The people who are entrusting the market with all of theuir retirement aspirations ignore the fact that in the last crash they lost 5 YEARS of time valuie of money. No amount of 'return to before' can make that up. A prolonged recovery has to result in something demonstrably better, and the fundamentals have to be sound.

The only point I am making here is that often we treat the wrong problem. Recovery from this mistake can be more painful than the problem itself

The Special Needs Trust

The purpose of a special needs trust is to provide financial assets for your child's future care and well being,while maintaining the child's eligibility for government benefits.Under current federal law, an individual with more than $2,000 in assets is disqualified from most needs-basedgovernment benefits. State assistance programs may also be based on need. If your child were to receive aninheritance from you directly, it's highly probable that the inheritance would disqualify your child from receivingneeded benefits. Do not leave assets to the child directly.

With a special needs trust, however, you leave assets to the trust. The trust is managed by a trustee, whothen can use trust assets on your child's behalf. Special needs trust requirements are stringent, so it'simportant that you consult with an experienced attorney in setting one up.

In a properly-structured special needs trust, the trust holds title to the property for the benefit of the disabledchild or adult. The assets in the special needs trust can then be used to provide for the needs of the disabled individual, as well as to supplement benefits received from government assistance programs. For example, trust assets can be used for:

- ***transportation, including purchase of a vehicle;***
- ***training, rehabilitation or education programs;***
- ***equipment;***
- ***medical, dental and eyesight expenses;***
- ***entertainment;***
- ***insurance premiums;***
- ***companion/home health aide expenses; and***
- ***items to enhance quality of life/self esteem.***

A special needs trust can hold cash, as well as title to stocks, bonds, mutual funds, real estate and personalproperty. In addition, it can own and/or be the beneficiary of life insurance policies. Another use for special needs trusts is to receive any proceeds from personal injury settlements without jeopardizing eligibility for government

The people pays me lip service but their heart is far from me. Empty is the reverence they do me because they teach as Truth mere human precepts'
. –***Mark, 7.7***

S & R INSURANCE SERVICES
1008 LEXINGTON AVE N.
NEW PRAGUE, MN 56071

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