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# JUNE 2015

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## School's Out

On May 28<sup>th</sup>, 1975, I graduated from Huntington Catholic High School in Huntington, Indiana. Finishing NOT in the top 5% I was happy to be done with high school. Less than a month later I was doing pushups on the hot concrete of Fort Knox, Kentucky. During the transition from high school attendee in a rural parochial high school to a U.S Army soldier, it occurred to me I probably should have spent more time cracking the books than at baseball practice and chasing girls.

Our Drill Sergeants were fair men who meant business and didn't tolerate failure. Their job was very clear, even to the most obtuse of us; get us ready for the Army, and teach us skills that would keep us alive.

One kind of school was out, and another kind of school was definitely IN. This was the school of getting one chance to get it right, with no excuses.

## School's Out (cont'd)

In the course of the eight week basic training, we learned about many things. The most important thing was the Army expected us to meet certain standards. Every day these standards were drilled in to our heads; wo betide the person who didn't get with the program.

At the end of basic training, we all graduated and were sent on to other assignments. Some of my fellow soldiers, released from this controlled and highly disciplined environment failed at the next level. They found themselves athwart the standards and knowledge they were given. For some the consequences were ones from which they would never recover. For them, School, once again, was out, and they were in a new kind of experience that had no forgiveness or recovery. My experience had its ups and downs, but I managed to control my natural rebelliousness enough to keep my nose clean.

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### *Wherever you are, Be There*

*by Jim Rohn*

One of the major reasons why we fail to find happiness or to create unique lifestyle is because we have not yet mastered the art of being. While we are home our thoughts are still absorbed with solving the challenges we face at the office. And when we are at the office we find ourselves worrying about problems at home. We go through the day without really listening to what others are saying to us. We may be hearing the words, but we aren't absorbing the message. We are so involved in yesterday and tomorrow that we never even notice that today is slipping by. We go through the day rather than getting something from the day. We are everywhere at any given moment in time except living in that moment in time. Lifestyle is learning to be wherever you are. Lifestyle is developing a focus on the current moment, and drawing from it all of the substance and wealth of experience and emotions that it has to offer. Lifestyle is taking time to watch a sunset. Lifestyle is listening to silence. Lifestyle is capturing each moment so that it becomes a new part of what we are and of what we are in the process of becoming. Lifestyle is not something we do; it is something we experience. And until we learn to be there, we will never master the art of living well.



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"Rest is not idleness, and to lie sometimes on the grass on a summer day listening to the murmur of water, "Rest is not idleness, and to lie sometimes on the grass on a summer day listening to the murmur of water, or watching the clouds float across the sky, is hardly a waste of time."

**-- Sir John Lubbock**

## What is Probate?

**Probate** is simply the Latin word for **prove**...the process by which your will is brought before a court to prove that it is a valid will. The courts charged with this responsibility are generally known as **probate courts**, which may actually supervise the administration or settlement of your estate. Supervision of the estate settlement process by the probate court can result in **additional expense, unwanted publicity and delays of a year or more** before heirs receive their inheritance. The publicity, delays and cost of probate motivate many people to explore ways in which to avoid or minimize the impact of probating a will, including:

### State Statute

If **specific requirements are met**, many states have made provision for certain estates to be administered without the supervision of the probate court, resulting in less cost and a speedier distribution to heirs.

### Form of Property Ownership

The **joint tenancy** form of holding title to property allows ownership to pass automatically to the surviving joint tenant/surviving spouse.

### Transfer on Death

Many states have enacted **Transfer on Death statutes** that allow a person to name a successor owner at death on the property title certificate for certain types of property, including real estate, savings accounts and securities.

### Life Insurance

Unless payable to the estate, **life insurance proceeds are rarely subject to the probate process**.

### Lifetime Giving

**Gifts given during life avoid the probate process**, even if made shortly before death.

### Trusts

A "**Totten**" trust, a bank savings account held in trust for a named individual, can be used to pass estate assets at death outside of the probate process. A **revocable living trust**, created during the estate owner's lifetime, can be an effective way to avoid the expense and delay of probate, while retaining the estate owner's control of his or her assets prior to death. Any potential method of avoiding probate, however, should be evaluated in terms of its income and/or estate tax consequences, as well as its potential impact on the estate owner's overall estate planning goals and objectives

Please note these documents can be prepared and executed by using services offered by "Scheiber and Associates Financial". If you need these documents, please contact us to schedule a visit.

"..you have forgotten the encouraging words addressed to you as sons:

***"My sons, do not disdain the discipline of the Lord nor lose heart when he reproofs you; For whom the Lord Loves, He disciplines; He scourges every son he receives."***

Hebrews 12, 5-6

### School's Out (cont'd)

At my office, people come to me with retirement problems. Some of them went to 'school'. Many were never given good guidance. Many were given guidance, did well, and in spite of their own financial 'basic training' once out of school they made catastrophic decisions that damaged their ability to retire comfortably.

The other day I had a couple in my office. They had a financial advisor in whom they were very confident. They disclosed to me how the advisor took great pride in growing his clients' portfolios. After going on and on about how this advisor was a good friend who had made them money, I stopped them and asked: "congratulations on having a good advisor. Why are you here?"

The School Bell rang. Class was in session.

The wife looked at her husband, and said "he didn't have any solutions we were looking for". The husband nodded. He interjected; "we told him we wanted to put some money in a safe place that we could draw on a lifetime income. He told us that wasn't right for us, and continued to talk about how he made us money in the past."

The man's wife's hands were on my desk. She looked right at me and said, "that isn't what we wanted to hear. Can you help us?"

School was in session. It was time to teach and time for them to learn. The advisor was stuck in Basic Training. His charges were ready for a complete change in approach, though process, and risk assessment. They had in a sense, graduated.

Very often we meet people who are ready for change. They see what is going on, and they don't want to risk their accumulated retirement funds. They know they have 'graduated' from the 'risk and reward' doctrine of relying on the stock market. They yearn for a new environment; one of safety, predictability, and having an income they can't outlive. It is a good job, helping people graduate.

## Indexed Annuities at a Glance.

An indexed annuity has characteristics of both a fixed interest annuity and a variable annuity.

Similar to a **variable annuity**, the insurance company pays a rate of return on annuity premiums that is tied to a stock market index, such as the Standard & Poor's 500 Composite Stock Price Index. Similar to **fixed interest annuities**, indexed annuities also provide a minimum guaranteed\* interest rate, meaning that they have no market risk like variable annuities. Since the minimum guaranteed interest rate is, however, combined with the interest rate linked to a market index, indexed annuities have the potential to earn returns better than fixed interest annuities when the stock market is rising.

Many Indexed Annuities have the 'income riders' that guarantee an escalating percent growth on an income account that acts like a pension plan. This removes the risk of the plan not growing sufficiently in a flat or down market. Other features include income enhancements for nursing home costs and in home care expenses.

## UPCOMING EVENTS:

1. Pier 500, Hudson Wisconsin, Retirement Planning June 2 and 4 Workshop, 6PM
2. Bucas, Eden Prairie, 6PM, Retirement Planning Seminar, June 16 and 18.
3. Chart House, Lakeville, July 21 and 23, Dinner Seminar, 6pm.

Contact us through our website at [www.srins.com](http://www.srins.com) to register.

## Tools for Thought.

Recently I read an article by Arthur Postal, entitled "Annuities with GLB's Pose Risk to Financial System." The title caught my eye, so I read it in detail.

The first salient point was his dissertation on the risks in Variable Annuities. Driving through the technical details of his article, he repeatedly refers to the use of 'derivatives' by Variable Annuity providers. The use of 'derivatives' by these providers is seen as a major risk factor in the solvency supporting 'living benefits' in Variable Annuities. Mr. Postal hints this risky type of corporate investment strategy is a direct threat to the contractual benefits touted in the sales process of Variable Annuities.

What does this mean for those holding Variable Annuities or those considering a Variable Annuity purchase? It means that if you have a living benefit (GLWB, GMIB, GMLIB, etc) that the COST of these benefits are in danger of going up to the guaranteed maximum. It also means the insurer could come back to you and offer to 'buy you out' of your plan. I cannot stress this enough. If you have one of these, you need to consult with someone who doesn't carry that type of annuity. You need to do it as soon as possible.

What it means for those considering or being offered a Variable Annuity is this: RUN. RUN FAST. You are not only taking risk with your funds, but you are also adding additional risk by adding any living benefits. You need to seek counsel that does not offer these financially risky and costly products. If you see one, RUN.

## Indexed Annuity Riders

*Indexed annuities may offer several riders, all designed to provide guarantees and additional flexibility. These include:*

### **Guaranteed Lifetime Withdrawal Benefit**

Provides a guaranteed annual withdrawal throughout your lifetime, without the need to annuitize the contract. With the GLWB rider, withdrawals continue even if the annuity's account value decreases or is exhausted. The annuity owner can elect to stop taking withdrawals and still have access to any principal remaining in the contract. Withdrawals are subject to ordinary income tax and, if made prior to age 59-1/2, may be subject to a 10% penalty tax.

### **Enhanced Death Benefit**

An enhanced death benefit rider should be considered if you want to pass on a legacy to your heirs. Some enhanced death benefit riders guarantee that the death benefit will increase by a specified amount each year, regardless of the annuity's underlying performance. Other enhanced death benefit riders combine an income stream with an enhanced death benefit.

### **Long Term Care Rider**

An LTC rider offers the flexibility of having access to a portion of the annuity's principal to pay for long-term care expenses without any applicable annuity withdrawal or surrender charges. In addition, the cost of any long-term care benefits paid from the annuity contract will not be included in income for income tax purposes.

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