

The Financial Edge

Published bi-monthly to promote sound financial opportunities

Insurance and
Investment Consultants,
Inc.

Volume 3 Issue 4

July/August 2006

The Perfect Tool—The Equity Indexed Annuity

Over the last ten years, sales of all types of annuities can be charted with a line that goes straight up. The reason: For conservative investors, particularly those who have passed life's accumulation page, annuities are the only investment product that offers both market participation and principal protection. Many investors are demanding an opportunity for market participation with little or no risk to principal. And, at last, these conservative investors have a tool that can participate in stock market gains with no downside risk. This is what an equity indexed annuity will do for you.

Take Arnold, for example. He is a retired business owner who is 76. Back in 1995, Arnold started out buying some fixed and variable annuities, investing the variable annuity money in an S&P 500 fund. If the S&P index went up, he got it all, if it went down he took a loss. In 1999, Arnold was introduced to the equity indexed annuity that he really liked. It protected his principal from a market downturn. He could see that the equity indexed annuity was doing the same for him without any downside.

The following are some advantages of an equity indexed annuity—

- 1) **S&P 500 Index**—Crediting rates are linked to S&P 500 index values. The S&P 500 index is based on the stock

prices of 500 companies considered to be leaders in their industries, and does not include dividends.

- 2) **Upside Potential**—Historically, over long periods of time the S&P 500 index has outperformed traditional fixed interest products. With crediting rates linked to the changes in S&P index values, there is opportunity for potentially higher returns.
- 3) **Power of Tax Deferral**—Federal and state taxes are deferred on interest earnings until the money is withdrawn, allowing your money to grow faster.
- 4) **Estate Planning**—Avoid the costs and delays of probate with direct payments to your designated beneficiary.
- 5) **Rate Guarantee**—A minimum guaranteed fixed interest rate protects your money in the event of consistent market losses.
- 6) **Interest Locking Feature**—This feature locks in your interest when it is credited, so you don't have to worry about losing interest you have already earned if the S&P 500 index value falls later. You will never be credited with a negative

return.

Many people shy away from investments that carry too high of a market risk. They are obviously worried about the impact of a down market. For instance, if the stock market goes down 20%, and you don't add more money to your investment to get even, the market would have to gain 25% in order for you to break even. Indexed annuities allow you to stay above zero. By avoiding negative losses, you're never losing money due to market declines.

Is an equity indexed annuity right for you? It could be if you want the potential to achieve higher returns without worrying about stock market losses.

(Source: Advisor Today, Feb 2004)

For more information on equity indexed annuities, call or fax us or visit us at:

www.insuringourworld.com



With an equity indexed annuity, you experience the market gains, without experiencing the losses

successful programs have been a part of an employee benefit program.

Consumer-driven health care is delivering on its promise. It is winning high satisfaction scores from consumers and lowering their premiums.

(Source: Advisor Today—Mar 2005)

For more information on consumer-driven health care plans or even a free quote contact us today by fax or mail. You may also visit us at:

www.insuringourworld.com

DID YOU KNOW?

- Over 40% of Americans lack health insurance

- In order to be successful, you need to work to live rather than live to work.

- A journey of a thousand miles begins with one step

- It's hard to beat a person who never gives up

- "Success" comes before "work" only in the dictionary

- Don't let what you cannot do get in the way of what you can do

- The cancer incidence rate in the US is 462 per 100,000

- 7.3% of Americans have been told by a doctor that they have diabetes

- The death rate for heart disease in the US is 232 per 100,000

- The death rate for stroke victims in the US is 53 per 100,000

- The death rate due to firearms in the US is 10 per 100,000

- The death rate due to motor vehicles in the US is 15 per 100,000

- 21% of adult Americans claim to be smokers

- 21% of Americans are considered obese

Consumer-Driven Health Care

Newspapers these days are focusing increased attention on consumer-driven health care and health savings accounts.

As currently defined, consumer-driven health care consists of a high-deductible insurance plan and some sort of a consumer controlled savings account. The idea behind consumer-driven health care is that the consumer, with their own money at stake, will start shopping smarter, causing costs to fall or at least to rise at a slower rate.

All this sounds good and will be, if consumers will hold up their end of the responsibility. Most providers are aware of the responsibility placed on the consumer and are providing ongoing and intensive education and support. Without this support, the consumer will not be able to take full advantage of this type of plan.

It is also important that the consumer-driven health plans include wellness incentive programs. These have proven very successful in motivating consumers to live a more healthy lifestyle. The most

**Insurance and Investment
Consultants, Inc.**

P. O. Box 55447
1101 Richard Arrington, Jr. Blvd. South
Birmingham, AL 35255

Phone: 205-933-2920
Fax: 205-933-2925
Email: iic@insuringourworld.com

“Your need is our opportunity.”



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Insurance and Investment Consultants was incorporated in 1970. Prior to that, the principle stockholder, Walter G. Barnes, had been in the financial services business as a sole proprietor since 1962. Therefore, we have been offering financial services to clients throughout Alabama, as well many other parts of the nation, for over forty years.

We are an independent brokerage agency representing many insurance companies and are free to select from any of these companies the appropriate plan or product that best meets the needs of our clients. We offer a full range of life and health insurance, as well as investments that include mutual funds and variable annuities.

Our pledge to you is - *“In all my relations with clients I agree to observe and follow the following rule of professional conduct: “I shall, in the light of all circumstances surrounding my clients, which I shall make every conscientious effort to ascertain and to understand, give them that service which, had I been in the same circumstances, I would have applied to myself.”*

- Society of Financial Service Professionals

Newsletter Editor - Randy Barnes, Vice President

Securing A Happy Retirement

Whether you are late to the game or ahead of the plan, you should save faithfully, take financial planning seriously and adopt a balanced approach to retirement planning. This would be the advice of most financial planners.

In San Diego, a 57-year-old tech firm employee we'll call Stan retired early a few years ago, taking with him more than one million in a 401K plan, which he wanted to rollover to another plan. Stan sought the advice of a reputable financial planner who suggested they take at least half the money and place it in a very conservative position and take a little more risk with the rest. He also suggested that Stan find a job because his lifestyle could not be supported by retirement. Stan didn't care for that advice and sought out a different financial advisor.

Eighteen months later, Stan

showed up at the door of his first advisor, begging to see him. By then, in his life of leisure, Stan had spent or lost a substantial portion of his retirement savings—more than 40 per cent. They got together and crunched the new, now depressed numbers. Stan also told his advisor he had gotten a consulting job, out of desperation, not as part of a plan.

As the advisor moved on to his next piece of advice, Stan interrupted and said he knew that he would need to put half of the money he had left into some conservative investments. Unfortunately, his advisor responded that he would now need to put in a lot more than half.

This demonstrates the value of a caring and knowledgeable financial advisor. It also validates the single top piece of advice that an advisor can give—**Save More.**

The following are some important points on the path to a rosy financial future—

- 1) Save, save, and save more
- 2) Use retirement-income analysis tools as appropriate
- 3) Find a reputable financial advisor and stay in touch with him/her
- 4) Don't forget to use life insurance and annuity products
- 5) Become educated as to a balanced approach to retirement planning

(Source:Advisor Today—May 2005)

For more information on retirement planning contact us by fax or mail or visit us at—

www.insuringourworld.com



Make retirement planning simple by taking a balanced approach, save early and often, and be diligent and serious about your planning.