GUARANTEE Your Retirement

EXCLUSIVE EDITION

J.D. Mellberg

Disclaimer - This is meant to be a book on issues that many seniors, retirees, and pre-retirees want to consider in making the decision as to whether or not they should buy an annuity, and if they do decide to buy, which type of annuity and which annuity benefits and additional riders might be most appropriate. This information is not designed to be a recommendation to buy any specific financial product or service. Joshua D. Mellberg is an independent Registered Investment Advisor in the state of Arizona and insurance licensed in all 50 states.

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Annuity riders may be available at an additional cost that may provide additional benefits and income guarantees.

J.D. MELLBERG FINANCIAL

OUR PHILOSOPHY

We take the extra step every day and go above and beyond

We are committed to doing the absolute best for our customers

We start with a single focus and end with lifelong relationships

J.D. Mellberg FINANCIAL

KEEPING IT CLEAR. KEEPING IT SIMPLE.

J.D. Mellberg Financial

For more than a decade, J.D. Mellberg Financial has been providing smart retirement strategies to residents across the country, with industry-leading products and exemplary personal service. We firmly believe that retirement is the crowning achievement in an American worker's life and everything we do revolves around making retirement the greatest stage of your life. You deserve a strategy that will leave you feeling happy and confident during your golden years. So whatever stage you are in, it is our mission to help you find your own personal happy place... providing you with tomorrow's results, today!

J.D. Mellberg Financial is designed to address financial concerns with a clear and simple path to retirement. Retirement planning requires a company with a proven track record, integrity and passion for helping financially prepare our clients who are in or nearing retirement. These attributes, along with our unwavering commitment to excellence, earned J.D. Mellberg a reputation as one of the most well-respected retirement planning firms in the country.

We're both honored and humbled by the many awards we've won as a company, including recognition as one of the fastest growing private companies in the U.S. by Inc. Magazine. We've been on the Inc. 500/5000 Honoree list for the last seven years. We're proud of our corporate accomplishments, but our client satisfaction speaks even more directly to our commitment to our customers – to find the best strategy for every person, every time.

J.D. Mellberg Financial is a licensed insurance agency in all 50 states (AR8771938/CA0K73712/TX1908101) and all producers have the appropriate licenses for the products they offer.

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FOUR PRINCIPLES OF SOUND RETIREMENT PLANNING

The goals of the Retirement Planning are encompassed by

FOUR PRINCIPLES

MEET YOUR OWN NEEDS FIRST:

Sometimes we get so focused on leaving wealth behind to our loved ones, we forget about our own needs. Our commitment is to ensure your needs are taken care of first.

JUDGMENT-PROOF YOUR ESTATE TO THE MAXIMUM EXTENT POSSIBLE:

There are ways to accomplish this by using financial products that have Federal and State Creditor Protection. This creditor protection is usually not accounted for by bankers, brokers or insurance agents. However, your retirement and estate plan could be at risk. We will review your options when it comes to judgment-proofing your retirement estate.

PROTECT YOUR ESTATE FROM EROSION CAUSED BY TAXES AND OTHER EXPENSES:

Income taxes, capital gains tax, estate taxes, and unnecessary penalties can derail an otherwise good plan. We will work together so that you are doing the most you can to protect yourself and your heirs from erosion caused by taxes, fees and penalties.

DISTRIBUTE YOUR ASSETS IN AN ORDERLY FASHION:

It doesn't make sense to accumulate your assets for a lifetime and when you pass away leave a hardship for your heirs to sort through. We will discuss options available for you to SIMPLIFY the distribution of your estate according to your wishes.

BBB ACCREDITED SINCE 2005

A+ Rating BBB ACCREDITED BUSINESS

Sound retirement planning nurtures weatlh-building in one's own estate while minimizing the overall tax burden for all beneficiaries. Thus, the best retirement planning contributes to all of the following.

- **The Creation of Wealth**
- **The Preservation of Wealth**
- **The Conservation of the Estate upon death, or even beyond death**

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THE CRISIS IN RETIREMENT INCOME PLANNING

Congratulations on taking the first step to plan for your retirement by reading this book. Generally speaking, people don't plan on failing, they fail to plan. When it comes to planning for retirement, your goal may be to build enough wealth to last you through the longest possible outcome. However, trying to compute your "magic number" or how much money you'll need to maintain your lifestyle and last you through retirement becomes less important when you have the right strategy in place. We believe what truly matters in retirement is creating a monthly income stream that is guaranteed to last for the rest of your life. That means having a predictable paycheck every month to cover all your expenses, just like you had during your working years. Interest rate fluctuations, stock market volatility and the national debt will all be a constant flux during a retiree's life; what doesn't change is the need for consistent, steady, predictable monthly income during retirement.

Robert C. Merton, a recipient of the 1997 Alfred Nobel Memorial Prize in Economic Sciences and University Professor at Harvard University, published a white paper that emphasizes the crisis. In the paper, Dr. Merton concluded that "Our approach to saving is all wrong: We need to think about monthly income, not net worth[1]."

Dr. Merton's white paper went on to draw the following conclusions.

1. We are living longer. The 70's are the new 50's and a couple who is 65 has a life is expectancy of 90-95. This fact creates a longer need for income.
2. Interest rates are low. Lower yield equates to reduced income.
3. The 4% withdraw rate rule is broken in this new economy.

Dr. Merton further states that assets generating income in retirement must be risk-free from capital loss or income reduction. In addition, the income must last for the life of the retiree and account for inflation. In this book, we will dive further into what Dr. Merton's white paper detailed and explained why the conclusions from a professor at Harvard University and Nobel Prize recipient are in fact correct.

In this book, we will discuss extensive research and what we believe are some of the costliest mistakes baby boomers could make with their retirement finances. We'll also discuss several steps you could take now to help avoid these potentially costly mistakes.

Before you read any further, it's important to know we've divided this book into two parts. The first section breaks down all the possible "Retirement Risks" you may face. These are real dangers that could pose a threat to your financial retirement success. Could you see yourself going back to work at the age of seventy-five because your plan wasn't as secure as you thought?

[1] Merton, Robert "Crisis In Retirement Income Planning" *Harvard Business Review* (Pub 2014) https://robertcmerton.com/wp-content/uploads/2017/08/The-Crisis-in-Retirement-Planning-HBR-2014-Merton.pdf

The second part of the book addresses ways to protect yourself from the “Retirement Risks” discussed in section one. Often times, many of these risks can be avoided by having the right strategies in place.

Throughout the second part of this publication, you will find references to strategies designed to get you up to 40% more in retirement income than by using traditional income strategies. The 40% is an increase in your total retirement income. There are several strategic features that can be utilized to achieve income goals.

If your goal is to achieve a secure and steady retirement while ensuring that the money you have will last you for the rest of your life, this book may be just what you’re looking for. What you won’t find in this book are any hot tips on what stocks to buy or a one size fits all solution. You’ll learn about guaranteed income-for-life for you and your spouse and how you can double that income during retirement to pay for qualifying health care related costs. In addition, we’ll teach you ways to receive lifetime increasing income to help combat inflation.

Tens of millions of Americans are now retired and millions more will be entering retirement in the next few years. Many of these retirees are asking themselves these questions: “Will I have the income I need in retirement?” and “How will I get that income?” Unfortunately, a number of retirees and pre-retirees rely on friends or relatives for answers to these important questions. Many work with firms or brokers who don’t specialize in retirement income planning, and that can create harmful consequences down the road that can erode at their finances.

In this book, we will examine some of the best and most comprehensive research that has been conducted by professors at top universities and retirement research groups. Better financial decisions can be made when an individual relies on solid, objective research rather than relying upon the well-meaning but less-informed opinions of the internet, friends, relatives, or neighbors. We will also share with you our findings on how you can more effectively produce the retirement income you need and want.

Many of the individuals we work with were fortunate to have enjoyed a great quality of life during their working years and they want to be able to maintain that same lifestyle in retirement. They want to enjoy their hard-earned retirement without having to worry about paying increasing expenses such as health care. A 2019 study by the Employee Benefit Research Institute (EBRI)[2] found that 4 out of 10 Americans are projected to run short of money in retirement.

The study is referring to the large percentage of retirees who will not always have the money to pay for basic living expenses and uninsured medical costs. Unfortunately for them, this may not be a temporary problem, it can be a problem that lasts for the rest of their lives. Even if you think you may not encounter this problem, you might want to think again. We've found that even some of the highest income brackets could be at risk of running short of money during retirement. Later in this book, we'll discuss some strategies to address this challenge that faces tens of millions of Americans.

In the 1990s the EBRI launched a large-scale project to measure the total dollar amount of retirement savings shortfalls in the U.S. New versions of the model are generated periodically and the figure is updated accordingly. In 2020, the EBRI found that the current retirement deficit for U.S. households is estimated to be $3.83 trillion dollars[3].

With the United States now running up the largest budget deficit in history, our government is struggling to provide a subsistence level income for those most in need.

Seniors and retirees who wish to maintain a higher standard of living will have to rely upon themselves and cannot realistically expect very much government help. In addition to this, most employers have shifted away from providing pensions plans to their employees. It is now the responsibility of the individual to develop a plan through 401(k)s and retirement accounts.

Many other studies, including a study by Senior Finance Advisor, have reached the same unavoidable conclusion: 78% of Americans are not prepared for retirement[4]. The study found that "almost three out of five new middle-income retirees will outlive their financial assets if they attempt to maintain their pre-retirement standard of living."

The same study also revealed that most Americans entering retirement now will have to reduce their standard of living to minimize the likelihood of outliving their financial assets. The study estimated that 54% of Americans have $25,000 or less saved for retirement!

What if people do not have pension plans? What is the likely status of most of those retirees? What does the research reveal on this subject? Many Americans who do not have a defined benefit pension plan could outlive their savings. We believe that they can avoid becoming one of these statistics if they take the appropriate steps now in planning their retirement and are prudent in selecting low-risk investments or low risk savings vehicles.

As you will learn later in this book, there are exciting income-generating financial options that may offer a number of retirees the income they require in retirement.

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[2] Retirement Savings Shortfalls: Evidence From EBRIs 2019 Retirement Security Projection Model® Study by Employee Benefit Research Institute (EBRI), (Pub March 2019)

[3] How Much More Secure Does the SECURE Act Make American Workers: Evidence From EBRI's 2019 Retirement Security Projection Model® Study by Employee Benefit Research Institute (EBRI) (Pub February 2020)

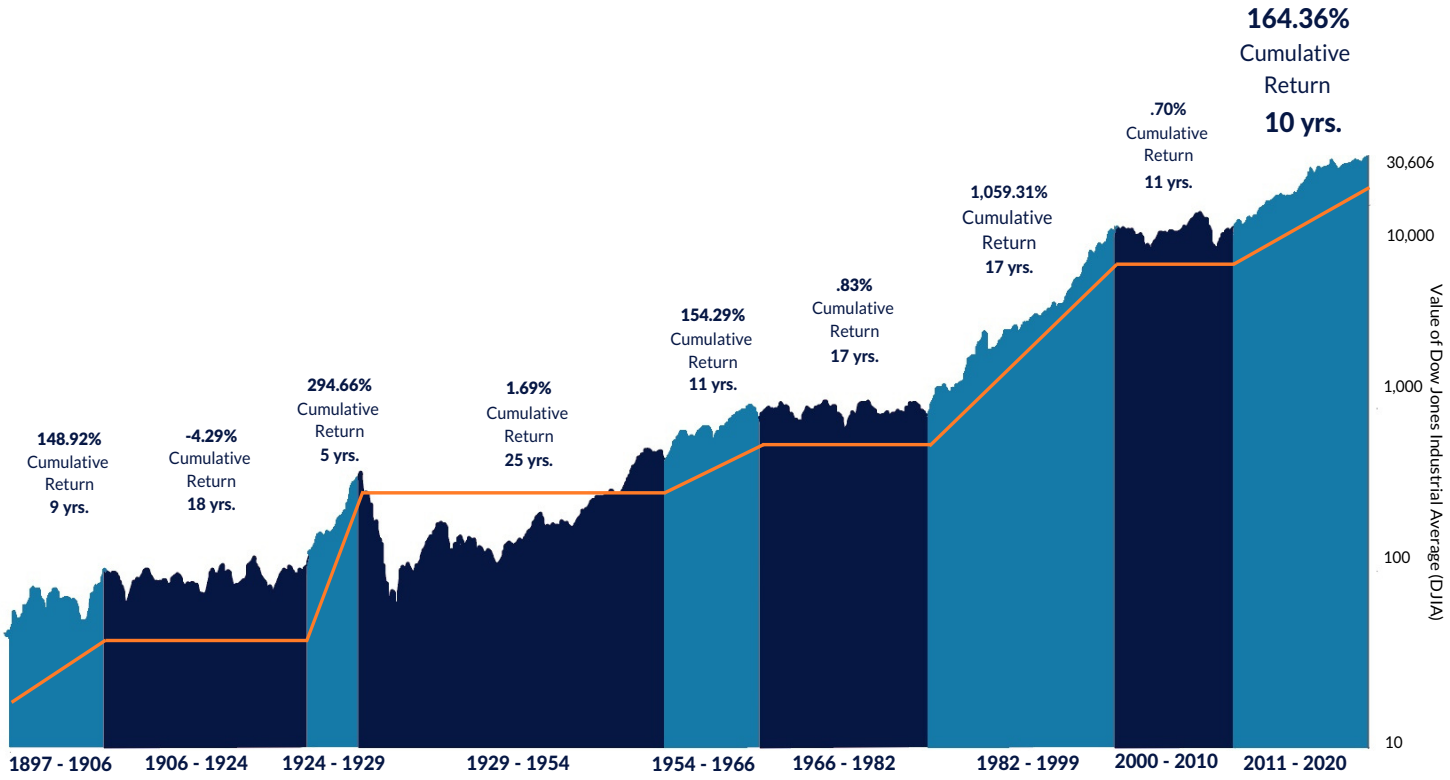
[4] "Why 78% of Americans are not prepared for Retirement." https://news.northwesternmutual.com/2018-05-08-1-In-3-Americans-Have-Less-Than-5-000-In-Retirement-Savings. (Pub May 2018)

RETIREMENT RISK #1 STOCK MARKET VOLATILITY

In the 2000s, the United States saw one of the largest gains in stock market value history [5]. Due to this twenty year rise in values, many of today's retirees and millions of those who are going to be retiring in the next decade have come to see a rising stock market as "normal." However, it is not necessarily "normal" for the stock market to return 200% in a decade like we have seen.

Research from several sources[6] shows that for long periods of time in the United States, the norm was for the stock market to either fall in price or show almost no gain (essentially flat returns). For example, from February of 1906 to June of 1924, an 18-year period, the Dow Jones Industrial Average index showed an annualized loss of .24%. If you had held stocks during this 18-year period, you would have lost more than 4% of your money.

The following chart illustrates the history of the Dow Jones Industrial Average (DJIA).



[5] Carlson, Ben. "Where Have All The Stock Market Returns Come From This Decade?," AWealthOfCommonSense.com. (Pub December 2019)

[6] Sources include but are not limited to: https://www.statista.com/statistics/261794/the-best-days-of-the-dow-jones-index-since-1897/ (Accessed October 2021) and https://www.guggenheiminvestments.com/dowjoneshistoricaltrends (Accessed July 2021)

Considering that inflation erodes the buying power of the dollar almost every year, the loss to your spending power and the damage to your lifestyle may have been even greater than the numbers on the previous page indicate. If you had "bought and held" stocks during the time period of September 1929 to November 1954, which is one-quarter of a century, you would have gained .07% per year, for a total gain of 1.69%[7]. When you take inflation into account, if you had left your money in the stock market during those 25 years, your money would have lost a great deal of its spending power.

In the 17 years between February 1966 and October 1982, you would have earned .05% per year by leaving your money in the stock market. And if you held stocks from January 2000 to December 2010, an eleven-year period, you would have earned a compound annual rate of return of .06% on your money.

Let's look at recent history from 2000 through 2010. Since inflation averaged approximately 3% per year during that 10-year period[8], the money you had in the stock market would have lost more than 33% of its buying power. When you add in mutual fund fees of 1% per year and financial advisor fees of 1% per year, you would have lost more than 5% of the spending power of your money each year. In summary, the money you had in the stock market from 2000-2010, you might have lost as much as half of the purchasing power of that money.

To put this in lifestyle terms, unless something else changed in the life of a retiree who had invested most of their money in the stock market, that person's living and lifestyle expenses would have to be reduced by about 50% over a 10-year span. This is one of the reasons we are now seeing a rising number of retirees going back to work to "make ends meet." As you can see, the standard "buy and hold" approach to stock market investing frequently does not work. The figures in the previous chart display historical data from 1897 to 2020, a 123-year period. If you look at the past century, the stock market either did not rise or stood still nearly 50% of the time. Thus, we can see that it is not "normal" for the stock market to rise during any given time period. As you can see from the previous chart, the stock market can sometimes fall for over a decade at a time.

Due to the unpredictable performance of the stock market and the effects of investment management fees, a retiree should not reasonably expect to earn 10% per year in the stock market. You cannot anticipate or make your plans based on "expected future stock market performance," because no one can predict with certainty what the stock market will do tomorrow, much less next month or next year. What we can learn from this chart is that the stock market experiences large fluctuations in value on a regular basis.

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[7] https://www.usinflationcalculator.com/inflation/historical-inflation-rates/ (Accessed October 2021)

[8] http://www.usinflationcalculator.com/inflation/current-inflation-rates/ (Accessed October 2021)

When we experienced downturns in 2000-2002, many experts predicted that we were unlikely to see another stock market downturn of that magnitude for the rest of our lives. Then in 2008, we experienced the second worst stock market crash in our history (after the crash that led to the Great Depression of the 1930s). Banking reforms and stock market "circuit breakers" were put into place in late 2008 and 2009 to prevent crashes like that from occurring again. Yet, on May 6, 2010, the "flash crash" occurred and wiped out nearly $1 trillion market value in less than one day[9].

In 2020 we saw another mini bear market during the global pandemic[10] both domestically and internationally. Here in the US, the markets had three "black days." The Dow Jones had its worse day since the 1987 black Monday. In just six days, global markets lost over $6 trillion dollars! It is not just our stock market that has suffered from these large losses. Stock markets around the world may become more volatile as they become more intertwined.

If all of your retirement savings are exposed to the volatility of the stock market, using a more conservative withdrawal rate could help your money last longer. However, a smaller withdrawal rate may not provide you with enough money to pay your bills and living expenses. Other strategies are needed—strategies that help protect the value of your accounts and that offer guaranteed growth— no matter what the stock market does. J.D. Mellberg Financial specializes in providing these types of retirement income strategies for sophisticated retirees and pre-retirees nationwide.

Are you prepared to lose a substantial amount of your nest egg when the next bear market begins and/or "wait out" another possible bear market in stocks? Do you have the patience to take on a period of losses or no gains for 15 - 20 years? Do you have the financial resources to do so? These are very important questions you should be asking yourself when planning for retirement.

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[9] U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission. Findings Regarding the Market Events of May 6, 2010. (Pub September 2010)

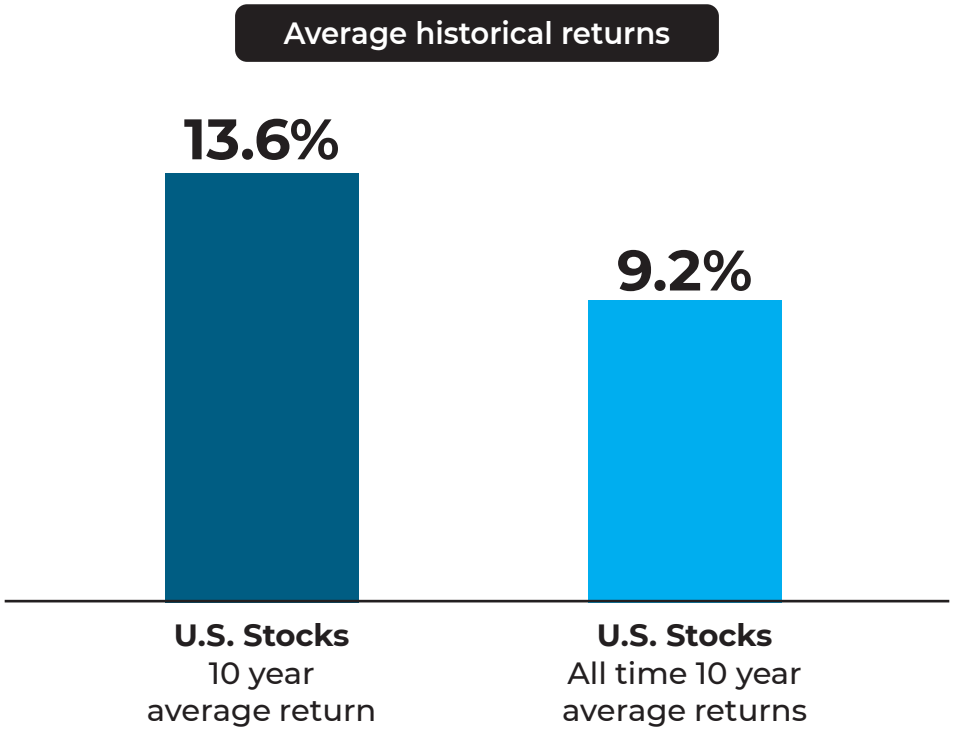
[10] Ell, Kellie. Cramer calls the stock market's nearly 1,600-point plunge a 'flash crash' - it just "broke again." CNBC.com. (Pub February 2018)

RETIREMENT RISK #2 THE NEW "NORMAL"

As the historical figures reveal, it is not necessarily normal for the stock market to rise during any given period of time. During the past 30 years, the U.S. stock market has been buoyed by a confluence of exceptional economic and business conditions. We have witnessed creations of industries, advances in automation and global supply chains, a 30-plus-year bull boom of declining interest rates for the bond market, and a reduced corporate tax structure; all of which have fueled these returns that fall out of the mean average. Because of this, the returns were considerably higher than that of the long-term mean over the last century and a half.

Baby boomers have lived during the "golden era" of investing and have become accustomed to high returns on both stock and bond markets. Over the last 140 years, the US average return on stocks has been 9.2%[11]. During the last decade, we have seen U.S. stocks outperform this long-term average by over 4%.

Historical returns are no guarantee of future returns



Source: Vanguard and Thomson Reuters Datastream

[11] "S&P 500 Returns to Halve in Coming Decade." https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/s-p-500-returns-to-halve-in-coming-decade-8211-goldman-sachs-59439981 (Pub July 2021)

Many of these conditions are weakening or even reversing today. Because of that, retirees should be wary of relying on the last 30 years of investment returns to forecast their retirement portfolio returns and income. Goldman Sachs, perhaps the most respected firm on Wall Street, expects U.S. stock returns to be half of what they have been[11]. McKinsey & Company believes returns in U.S. stocks will be "considerably" lower over the next 20 years [12]. Vanguard also believes that over the next decade, US stock returns will be more than 60% - or worse - than the previous century[13]. In addition to these forecasts by the pillars of Wall Street, Black Rock, J.P. Morgan, Morningstar, and Research Affiliates have forecasted returns over 50% less than the last decade for U.S. stocks[14]. Retirees, pre-retirees, and investors need to understand this reality and prepare themselves for the "new normal."

Expert Return Forecasts for U.S. Equities for the Next 10-15 Years

FIRM	DATE	U.S. EQUITIES
BlackRock	Sep 2020	5%
JPMorgan	Dec 2020	4.10%
Morningstar Inv. Mgmt	Dec 2020	-0.10%
Research Affiliates	Dec 2020	2%
Vanguard	Dec 2020	3.7%-5.7%

[12] "Diminishing Returns: Why Investors May Need To Lower Their Expectations" https://www.mckinsey.com/~/media/mckinsey/industries/private%20equity%20and%20principal%20investors/our%20insights/why%20investors%20may%20need%20to%20lower%20their%20sights/mgi-diminishing-returns-full-report-may-2016.pdf (Pub May 2016)

[13] "Fuel for the F.I.R.E.: Updating the 4% rule for early retirees" https://personal.vanguard.com/pdf/ISGFIRE.pdf (Pub June 2021)

[14] "Experts Forecast Stock and Bond Returns: 2021 Edition" https://www.morningstar.com/articles/1018261/experts-forecast-stock-and-bond-returns-2021-edition (Pub January 2021)

If the forecasts for U.S. market returns concern you, then the bond market forecast for the next decade won't be much help. For the last 30 years, bonds have returned slightly over 5%, which is over 3% more than the last 100-year average return[13]. One might wonder what drove this anomaly. One of the driving factors in the U.S. fixed income "bond boom" was the sharp declines in inflation and interest rates from the unnaturally high levels in the 1970s and 1980s. During this period, interest rates were significantly reduced, which fueled this unprecedented high return in the bond market. These conditions again, are weakening or have already reversed course.

In addition to the reasons that have been addressed in the U.S. stock market, the bond market has another problem. The U.S. debt level is at historical highs and interest rates are expected to climb. As interest rates climb, the value in bonds will decrease. There is an inverse relationship in these two. As such, many well-established firms have again slashed their forecasts for U.S. bond returns. Black Rock, J.P. Morgan, Morningstar Investment Management, and Vanguard all predict U.S. bond returns falling by over 50% from the last 30 years [15].

Expert Return Forecasts for U.S. Bonds for the Next 10-15 Years

FIRM	DATE	U.S. BONDS
BlackRock	Sep 2020	0.80%
JPMorgan	Dec 2020	2.5%
Morningstar Inv. Mgmt	Dec 2020	1%
Research Affiliates	Dec 2020	1.10%
Vanguard	Dec 2020	0.75%-1.75%

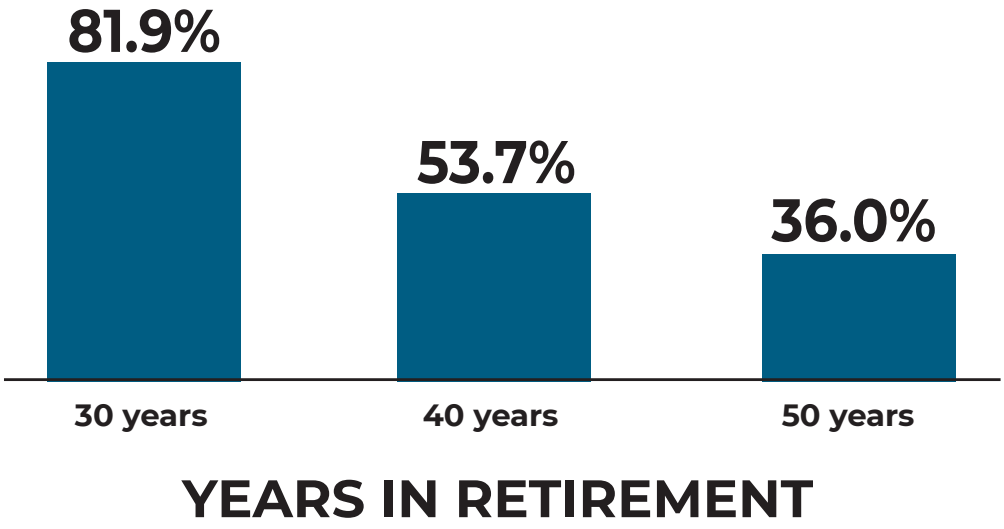
If you own bond funds in your portfolio this should be cause for alarm. More and more investors are realizing that we are in a new era of asset management. The old solutions may no longer work such as the 4% or 5% withdraw rule. This is one of the factors leading to the unprecedented attention to fixed index annuities by retirees and pre-retirees. Index annuity sales are rising almost every year[15]. In fact, about 75% of 401(k) participants would now like an annuity option in their defined contribution plan.[16]

[15] Hallez, Emile. Annuity sales spike as investors sought protection in Q4, *Investment News* (Pub January 2021)
[16] O'Brien, Sarah. The Secure Act may flood your 401(k) with annuities. Here's what you should know. *CNBC* (Pub July 2019)

RETIREMENT RISK #3 INCREASED LONGEVITY AND SLASHED DIVIDENDS

People are living longer than ever before and, with continuing medical breakthroughs, natural life-spans can be expected to continue to lengthen. A recent study by the American Academy of Actuaries concluded that a 65-year old couple has a 50% chance of one person living over the age of 90! The typical retiree will need to plan for income that lasts over 30 years[17]! If you plan on retiring early, you may need to plan for a 40- or 50-year retirement, which could cause for a lower probability of success.

Probability of success declines as the retirement period lengthens



Source: Vanguard, from VCMM forecasts

The above table does not include fees, and if their are fees, the likelihood of success drops even further.

The prudent course of action for most retirees is to plan for a long (and hopefully happy) retirement. If your funds are subject to losses early in retirement due to stock market volatility, how will you pay for all the additional years you are likely to live? In our opinion, preservation of assets and preservation of your life savings should be the two most important priorities in retirement.

Once you know your capital is protected, the next task is to make sure you have guaranteed income for life.

While certain stocks may pay dividends, in most cases, these dividends can be reduced, suspended, or even eliminated when the company paying the dividend encounters financial difficulties. In addition, many stocks do not pay dividends and have no plans to begin paying dividends. For these reasons, the stock market cannot guarantee you a steady, predictable income for life.

What about other investment and savings vehicles? Can they provide you with a guaranteed income that you cannot outlive? Can any of them offer this to you and put it in writing?

[17] The Accumulator. Life expectancy for couples: why it's surprisingly long and what you should do about it. Monevator. (Pub May 2019)

Certificates of deposit (CD's) can provide a guaranteed income. However, CD rates are currently very low. Many retirees tell us that due to these low interest rates, CDs cannot provide them with the income they need to pay their bills and enjoy the lifestyle they desire in retirement. Many corporate and government bonds are also offering low interest rates. In addition, corporate bonds are subject to risk, if the company that issued the bonds experience financial troubles. Recent history shows that corporate size does not necessarily guarantee safety, as some of the largest companies in America, including General Motors, Lehman Brothers, Chrysler, Enron, and Worldcom, went bankrupt. When the corporation that issued the bonds goes into bankruptcy, dividend payments usually stop, and in some cases, owners of the corporate bonds may only receive back a small percentage of the capital they invested.

Given that investment returns in the coming decade may be below what many people came to expect in prior years, retirees are now faced with four choices:

1. Select strategies that will both help preserve your life savings and provide a guaranteed income for as long as you shall live, or
2. Invest in bonds and/or stocks, where your capital may not be guaranteed, and where a smooth, steady income for life is usually not guaranteed, or
3. If possible, try to find a job and/or have your spouse find a job, or
4. Reduce your standard of living.

The responsibility of the typical financial advisor is to help you select investments or investment packages that will rise in value. This is fine for the accumulation stage of life (where you are trying to accumulate assets to build a nest egg). However, as a senior and/or retiree, you will want to focus on income protection and the distribution of your assets so that you will have the money necessary to enjoy your life in retirement.

These two specializations in financial planning (accumulation and distribution) are very different. With so many new products being offered and the ever-changing tax rules and regulations, financial planning and income planning have become extremely complex. It's become very difficult for financial professionals to acquire expertise in both accumulation and distribution strategies.

It's not uncommon to find a financial professional that has spent years studying and focusing on just one of these specializations, yet still not fully understand all there is to know. Financial services professions, just like the medical professions and the legal professions, have become increasingly specialized. In our opinion, it is nearly impossible to develop expert skills in all areas of financial planning, asset accumulation, income generation, and asset distribution.

Here at J.D. Mellberg Financial, we have chosen to focus on building our expertise in income generation and asset distribution for our clients. Did you know one of the reasons many retirees lost a large portion of their savings during the 2000-2002 market downturns and 2008 market crash was due to their focus on accumulation. Trillions of dollars of investors' money was lost during these time periods[18]. Think of how much money could have potentially been saved if they instead focused on conservative choices. What we have seen over and over again is that a stock or mutual fund that looks "hot" one day can crash the next day. This is sometimes referred to as the "risk-reward ratio." An investment that has the potential to soar in value usually also has the potential to decline substantially. Why not instead focus on preserving your capital and on generating the income you will need in retirement?

If you are retired or plan on retiring in the next several years, you need to decide if your money management strategies should be focused on accumulation or distribution. Remember, focusing on accumulation, or striving to build wealth, is an important part of your journey during your younger years. However, once you are retired and anytime you need money from your nest egg for living expenses, you need to have available assets that enable you to receive a reliable income you can count on. The question we will now address is how you may want to allocate your money during retirement.

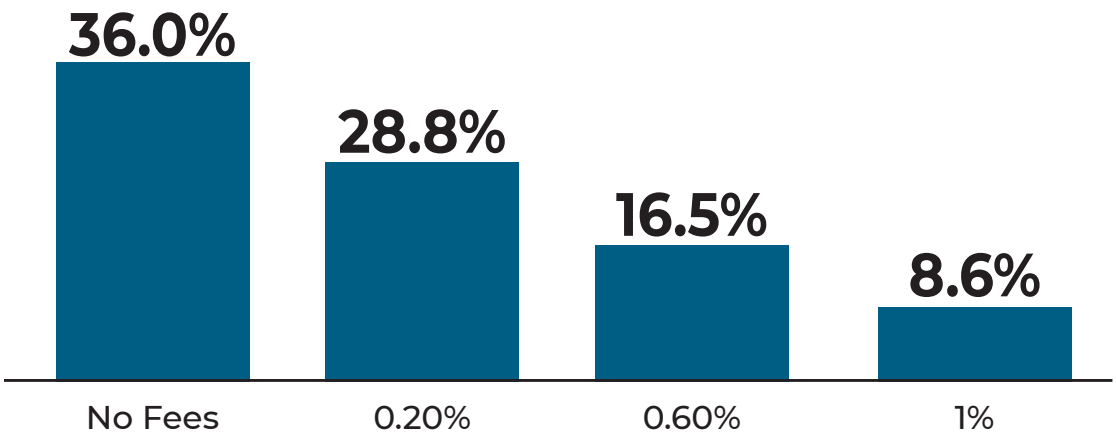
[18] DeGrace, Thomas. The Dot Com Bubble Burst That Caused the 2000 Stock Market Crash. StockPicksSystem. (Pub April 2011)

RETIREMENT RISK #4 FEES, FEES, AND MORE HIDDEN FEES

Nothing is more detrimental to your success as an investor than paying high fees. Fees can cause your retirement plan to fail early. In the financial services field, some fees are disclosed on your statements and are easy to account for, but many are hidden and often difficult to calculate. Some banks and brokerage firms seem to bury information, making it difficult for the shareholder to identify some of the fees they are paying. Mutual funds also have built in costs that may be hidden from the shareholder. Many investors believe that if they invest in no-load funds, they won't need to pay these fees, which is a huge misconception. A no-load fund is a mutual fund that does not contain any sales charges or commissions. However, contrary to the name, no-load funds can still carry fees and costs.

Often times, the cost associated with investing in mutual funds are not taken into account when determining the probability of success of a portfolio providing retirement income. Fees have the ability to reduce net returns, but they are too often overlooked. Vanguard's Capital Market Model® shows how an investor's probability of success at different fee levels varies dramatically.

The higher the fees, the lower the probability of success in retirement



INVESTMENT FEES

Source: Vanguard, from VCMM forecasts

Mutual funds have manager fees, often referred to as a "management fee" or "expense ratio". These are used to pay the manager buying and selling the securities within the mutual fund. According to the Investment Company Institute, the average mutual fund management fee (expense ratio) in America is .50%[19]. This would be acceptable if it were the only fee, but unfortunately that is not the case.

The next fee in the layered cost of a mutual fund is known as the "trading cost." It is linked to the actual buying and selling of stocks and bonds within the mutual fund itself. This little-known fee does not have to be reported by the brokerage firm or bank, and therefore often goes overlooked. We believe you have the right to be informed, as the average amount for this fee is 1.44%.

[19] "Trends in the Expenses and Fees of Funds, 2020" https://www.ici.org/system/files/attachments/pdf/per27-03.pdf (Pub March 2021)

Together, the management fee and trading costs add up to an average of 1.94%, a significant addition to the cost of owning a mutual fund. And remember, these are only averages; these fees can be higher or lower depending on the type of fund (international funds have higher fees than U.S. Government Bond Funds) and the fund family. Keep in mind that even no-load funds have these fees.

There is another fee that some firms charge, called a 12b-1, which is capped at 1%. This fee can be used to advertise a mutual fund, pay for a broker's commission, offer compensation to wire houses who sell funds they don't manage, as well as pay for administrative costs.

Take a look at the following table as an example:

Fee Type	Fee Percentage	Amount Paid for Fee
Expense Ratio	**.50%**	**$500**
Trading Costs	**1.44%**	**$1,440**
12b-1 Fee	**1%**	**$1,000**
Total	**2.94%**	**$2,940**

If you held the sample fund above for ten years with no growth, you would end up paying $29,400 in fees. Even if you had an average growth of 9% a year—which is quite high—according to the table above, 41% of your returns would have been eroded by fees. Many of these fees are not displayed on your statements.

It is important to note that the fees we've discussed so far don't include the 1% fee that many individuals pay their broker or advisor each year to "watch and manage" their investment accounts. For certain funds, if an account drops below a certain dollar amount, an account fee is levied. Some firms also charge a redemption fee if one were to buy and sell within a short time-frame. In addition, consider the exchange fee, which is charged when you move money to other accounts, and the purchase fees.

There are obviously more fees and expenses associated with owning many mutual funds than a typical investor might expect.

Mutual funds inside 401(k)s have even more exhaustive fee schedules. In addition to the fees we have discussed, in a 401(k) you could be charged legal fees, trustee fees, stewardship fees, bookkeeping fees, and finder's fees[20]. This is a normal part of the mutual fund trillion-dollar[21] industry. The extra charges in direct investing will eat away at your returns and the savings you place into those 401(k) accounts.

The mutual fund industry is a trillion-dollar behemoth. Lately, there have been efforts from Capitol Hill to try to reduce the number and amount of fees, but the attempts at legislation have been fought against by the powerful Wall Street lobbyist machine.

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[20] "Mutual Fund Fees and Expenses" https://www.investor.gov/introduction-investing/investing-basics/glossary/mutual-fund-fees-and-expenses (Accessed October 2021)

[21] "Total net assets of US-registered mutual funds worldwide from 1998 to 2020" https://www.statista.com/statistics/255518/mutual-fund-assets-held-by-investment-companies-in-the-united-states/ (Accessed October 2021)

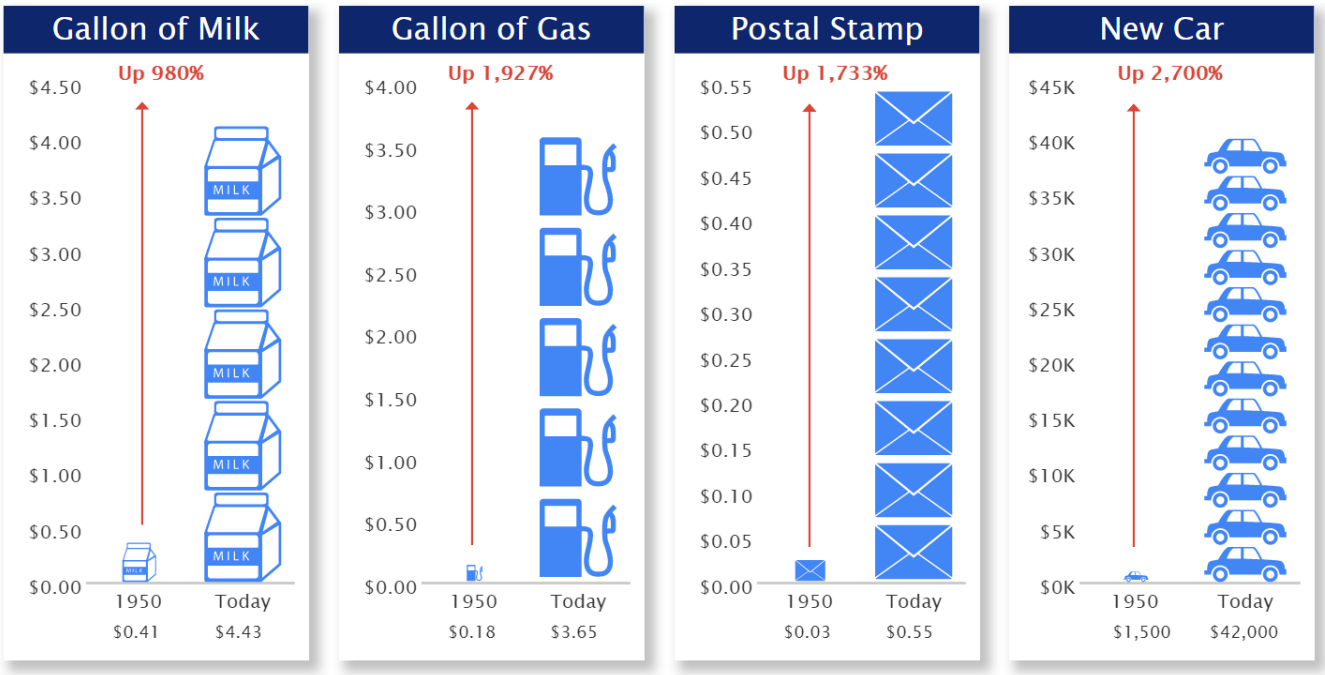
The truth is, when you're paying fees between 2%-3%, it can be difficult to make money in the long term—and impossible for the typical investor in stock market mutual funds. You have to ask yourself, what you are getting for these fees? Is there ongoing financial planning advice? How about tax management planning or preparation? Do you sit down and talk face to face with your brokerage firm on a regular basis? Do they call you to update you on your account on a quarterly basis? Do they make changes based on your aging and needs?

As you saw earlier in this book, the stock market can go through 10 to 15 year periods of flat or declining performance. Management fees paid on a declining stock market balance can be especially painful during these prolonged periods of time. You are losing money on your stock holdings, and at the same time you are having to pay continuous management fees that further erode the value of your account.

RETIREMENT RISK #5 INFLATION

Since seniors have lived through periods of high inflation, some worry about a return of high inflation making the income stream from their retirement savings less valuable. Inflation is difficult to forecast, and we do not claim to have a crystal ball for predicting it. Many experts believe that inflation is going to be a real issue in the next decade. Inflation for the past twenty years hovered around 3%, but in 2021 that number spiked to above 5%. This is the largest increase for that reading since 1992.

How will you deal with the problem of inflation in retirement? As you go through your retirement life span, you will have less spending power available each year to pay for bills that are likely to be higher. In some cases, this spending power could be half of what it was just ten years earlier. One or both spouses may need to go back to work for income. However, at age 75, it may be challenging to find work.



An additional alternative is to cut back on living expenses. Retirees may start by cutting out or reducing travel, going to restaurants, and other activities considered luxuries by some.

However, keep in mind one would have to cut their bills and living expenses significantly to make up for a 50% loss in purchasing power. Unfortunately, due to the combined effects of sequence of returns, inflation, and investment management expenses, a number of retirees have found they must completely eliminate some activities and expenditures to live on the income they have.

If you are a pre-retiree or if you are still in the early years of your retirement, there are steps you can take now to help preserve the value of your assets, potentially increase your annual income and perhaps retain the monthly (or annual) income you'll need to maintain your lifestyle in retirement.

RETIREMENT RISK #6 HEALTH CARE COSTS

Millions of Americans have asked themselves the question, "What if I need long-term skilled nursing care?" As lifespan has lengthened over the past decades, an ever-growing number of people are living into their late 80s, 90s, and some to more than 100 years of age!

Unfortunately, health tends to decline the older a person gets, and, thus, more and more people need long-term skilled nursing care, or must move to assisted living facilities, either of which can be costly.

In many parts of the country, costs of assisted living and skilled nursing care are well over $70,000 per year[22] (and can be up to $120,000 per year). At $70,000 per year, just three years of moderately priced assisted living could deplete more than $210,000 of one's savings. Assisted living care costs are expected to continue to rise.

Millions of Americans have purchased long-term care (LTC) policies to help pay for the costs of assisted living and skilled nursing care as they age. While LTC policies can make sense for many retirees, they do have a history of premium increases almost every year. If you buy a LTC policy today the annual premiums you pay may increase the following year, and each year after that.

[22] "Nursing home costs in the U.S. are rising even faster than health care" https://www.cbsnews.com/news/nursing-home-costs-in-the-u-s-rising-even-faster-than-health-care/ (Pub June 2019)

RETIREMENT RISK #7 RUNNING OUT OF INVESTMENT MONEY: SEQUENCE OF RETURNS

The risk of receiving lower or negative returns early in a period when withdrawals are made from a retirement portfolio is known as "sequence of returns risk." Sequence of returns does not have any impact on a portfolio if there are no withdrawals taken. This is why you may be unfamiliar with this risk, as it is specific to retirees who take income from their portfolio. Below, consider the investors who are not retired and don't take any income.

CONSIDER THE FOLLOWING HYPOTHETICAL INVESTMENT SCENARIOS FOR MR. GREEN AND MR. BROWN:

Mr. Green and Mr. Brown both started with a **$1 million investment portfolio** at the age of 65. Both averaged a 6% annual return that grows to the same value after 25 years, but they experience their annual returns in an inverse order from each other.

Take a look at this chart demonstrating their different paths to their ending values.

In this case, the sequence of investment returns had **no bearing on portfolio values** because the average rate of return was the same and no distributions were taken from the account.

	Mr. Green $1 Million 6% Return		**Mr. Brown** $1 Million 6% Return	
Age	**Annual Return**	**Year End Account Value**	**Annual Return**	**Year End Account Value**
65		$1,000,000		$1,000,000
66	5%	$1,050,000	-25%	$750,000
67	28%	$1,344,000	-14%	$645,000
68	22%	$1,639,680	-10%	$580,500
69	-5%	$1,557,696	16%	$673,380
70	20%	$1,869,235	21%	$814,790
71	19%	$2,224,390	5%	$855,529
72	23%	$2,736,000	-16%	$718,645
73	9%	$2,982,240	8%	$776,136
74	16%	$3,459,398	14%	$884,795
75	23%	$4,255,059	24%	$1,097,146
76	22%	$5,191,172	14%	$1,250,747
77	-26%	$3,841,468	5%	$1,313,284
78	-15%	$3,265,247	-15%	$1,116,291
79	5%	$3,428,510	-26%	$826,056
80	14%	$3,908,501	22%	$1,007,788
81	24%	$4,846,541	23%	$1,239,579
82	14%	$5,525,057	16%	$1,437,912
83	8%	$5,967,062	9%	$1,567,324
84	-16%	$5,012,332	23%	$1,927,808
85	5%	$5,262,949	19%	$2,294,092
86	21%	$6,368,168	20%	$2,752,910
87	16%	$7,387,075	-5%	$2,615,264
88	-10%	$6,648,367	22%	$3,190,623
89	-14%	$5,717,596	28%	$4,083,997
90	-25%	$4,288,197	5%	$4,288,197
	6% Return		**6% Return**	

The sequence of investment returns can significantly impact your portfolio when taking (income) distributions. It is important to manage this risk in retirement by maintaining sound asset allocation strategies, by continuing product diversification, and by utilizing good responses to changing market conditions. Since it is impossible to predict how the market will perform early on in your retirement you will want to talk to the professionals at J.D. Mellberg on how we can help.

	Mr. Green, 5% Withdrawals, $1 Million, "Up" Market			Mr. Brown, 5% Withdrawals, $1 Million, "Down" Market		
Age	5% Annual Withdrawal	Annual Return	Year End Account Value	5% Annual Withdrawal	Annual Return	Year End Account Value
65			$1,000,000			$1,000,000
66	$50,000	5%	$1,000,000	$50,000	-25%	$700,000
67	$50,000	28%	$1,230,000	$50,000	-14%	$552,000
68	$50,000	22%	$1,450,600	$50,000	-10%	$446,800
69	$50,000	-5%	$1,328,070	$50,000	16%	$468,288
70	$50,000	20%	$1,543,684	$50,000	21%	$516,628
71	$50,000	19%	$1,786,984	$50,000	5%	$492,460
72	$50,000	23%	$2,147,990	$50,000	-16%	$363,666
73	$50,000	9%	$2,291,309	$50,000	8%	$342,760
74	$50,000	16%	$2,607,919	$50,000	14%	$340,746
75	$50,000	23%	$3,157,740	$50,000	24%	$372,525
76	$50,000	22%	$3,802,443	$50,000	14%	$374,679
77	$50,000	-26%	$2,763,808	$50,000	5%	$343,412
78	$50,000	-15%	$2,299,237	$50,000	-15%	$241,901
79	$50,000	5%	$2,364,199	$50,000	-26%	$129,006
80	$50,000	14%	$2,645,186	$50,000	22%	$107,388
81	$50,000	24%	$3,230,031	$50,000	23%	$82,087
82	$50,000	14%	$3,632,235	$50,000	16%	$45,221
83	$50,000	8%	$3,872,814	$50,000	9%	$0
84	$50,000	-16%	$3,203,164	$50,000	23%	$0
85	$50,000	5%	$3,313,322	$50,000	19%	$0
86	$50,000	21%	$3,959,120	$50,000	20%	$0
87	$50,000	16%	$4,542,579	$50,000	-5%	$0
88	$50,000	-10%	$4,038,321	$50,000	22%	$0
89	$50,000	-14%	$3,422,956	$50,000	28%	$0
90	$50,000	-25%	$2,517,217	$50,000	5%	$0
	6% Return			**6% Return**		

Consider this alternative hypothetical investment scenario for Mr. Green and Mr. Brown:

Mr. Green and Mr. Brown still begin with an initial $1 million investment portfolio. However, in this example, they start taking **5% annual withdrawals (of the initial value)** beginning immediately at age 65.

Mr. Green begins taking withdrawals in an up market, giving him the **optimal environment** to maintain his portfolio value long-term.

Unfortunately for Mr. Brown, he starts taking income in a down market and **depletes his entire portfolio** before reaching age 83.

For retirees looking to preserve their retirement accounts while maintaining growth opportunities, fixed index annuities may be part of the answer. Fixed indexed annuities reduce or eliminate sequence of returns risk. This is because of a feature called the "Annual Reset" which protects your account balance from stock market losses and also locks your gains each year.

S&P 500® ANNUAL POINT-TO-POINT PARTICIPATION RATE:

A crediting method that features an **annual reset** which places no limit on your upside potential.

For this example, we will assume a **$100,000 initial premium** with a **50% participation rate.** Clients simply receive 50% of the S&P 500® upside with **100% principal protection** during the years which experienced a market downturn.

	S&P 500® Price Index		50% Participation Rate	
Year	Return	Account Value	Return	Account Value
1999		$100,000		$100,000
2000	**-10.14%**	**$89,860**	**0.00%**	**$100,000**
2001	**-13.04%**	**$78,142**	**0.00%**	**$100,000**
2002	**-23.37%**	**$59,880**	**0.00%**	**$100,000**
2003	26.38%	$75,677	13.19%	$113,190
2004	8.99%	$82,480	4.50%	$118,278
2005	3.00%	$84,955	1.50%	$120,052
2006	13.60%	$96,508	6.80%	$128,216
2007	3.52%	$99,906	1.76%	$130,472
2008	**-38.49%**	**$61,452**	**0.00%**	**$130,472**
2009	23.65%	$75,985	11.83%	$145,901
2010	12.63%	$85,582	6.32%	$155,114
2011	0.10%	$85,668	0.05%	$155,192
2012	13.29%	$97,053	6.65%	$165,504
2013	29.43%	$125,616	14.72%	$189,858
2014	11.54%	$140,112	5.77%	$200,813
2015	**-0.73%**	**$139,089**	**0.00%**	**$200,813**
2016	9.54%	$152,358	4.77%	$210,392
2017	19.42%	$181,946	9.71%	$230,821
2018	**-6.24%**	**$170,593**	**0.00%**	**$230,821**
2019	28.26%	$218,802	14.13%	$263,436
2020	16.26%	**$254,379**	8.13%	**$284,853**

The above table is based on actual rates for the same time period shown for the S&P 500® excluding dividends, from the end of 1999 to 2020. The 50% participation rate is presented for illustrative purposes only. The hypothetical fixed index annuity in this example uses the annual point-to-point index method based on changes in the S&P 500® to calculate the indexed credit every year. The model assumes a $100,000 initial premium purchased 12/29/1999. Rates are subject to change. Indexed interest credited only on amounts held to term. This example assumes no money is withdrawn. Index returns for a given year have been calculated by comparing the close from the last trade of the proceeding year with the close from the trade day of the given year. A fixed indexed annuity is an insurance contract. You are not buying shares of any stock or index. Data used from Yahoo! Finance. Guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company and do not apply to the performance of the index, which will fluctuate with market conditions. This is not a comprehensive overview of all the relevant features and benefits of fixed index annuities. Be sure to review all of the material details about any product and discuss the suitability of the product with a financial professional.

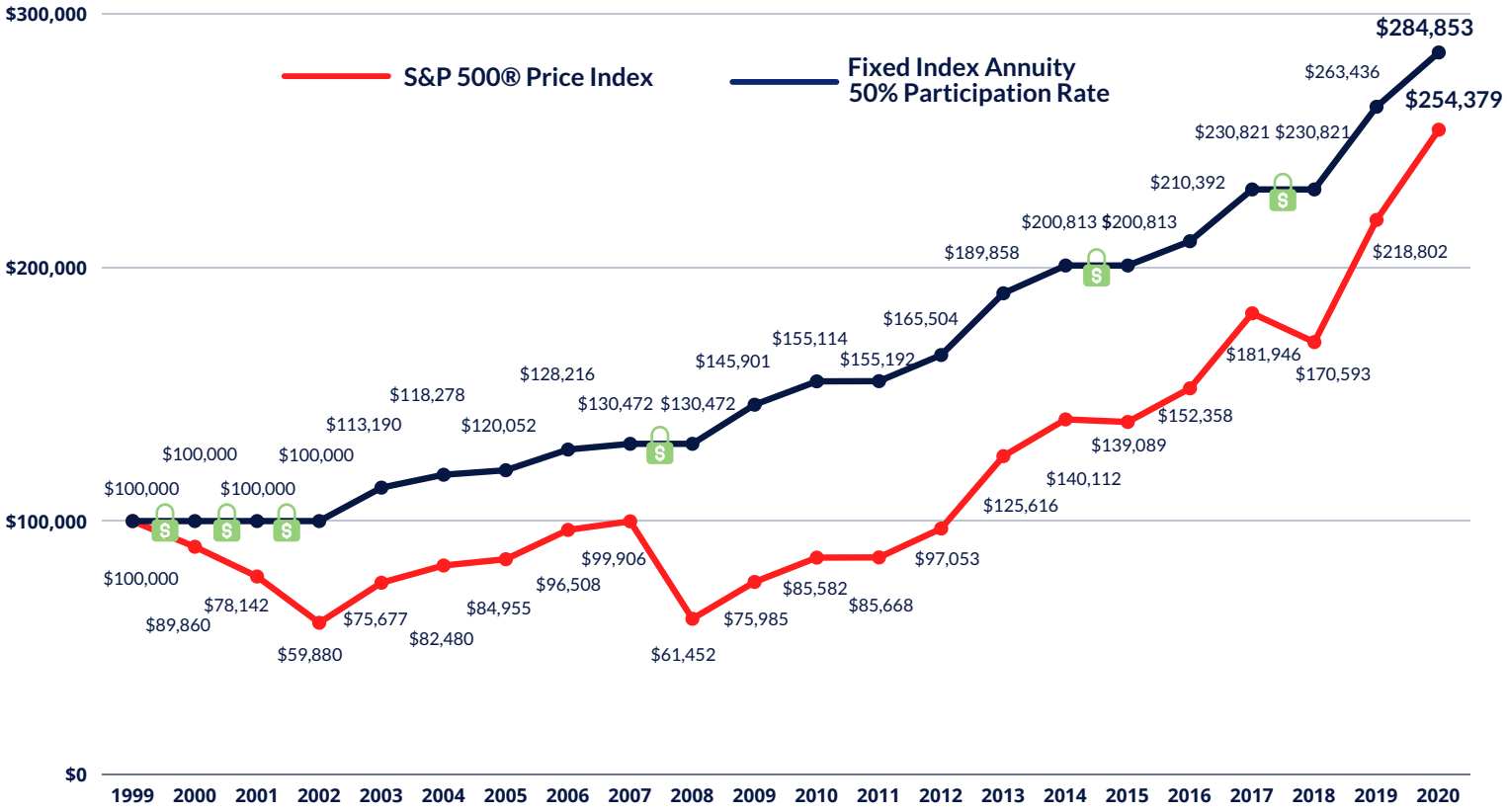
PROTECT FROM MARKET DECLINES WHILE DELIVERING COMPETITIVE RETURNS

This graph demonstrates how fixed index annuities move with the S&P 500. In up years, the contract's account value is credited interest and in the down years it maintains its value. This feature serves as a hedge against market corrections, especially when market valuations are currently so high. Assets are protected and **what goes up, won't come down.**

LOCKS IN INTEREST CREDITS

Did You Know? Fixed index annuities do not have a memory past one year, so previously credited interest is protected from current stock market declines. This allows the fixed index annuity account value to remain level during declines and to gain on subsequent increases.

A HISTORICAL LOOK AT FIXED INDEX ANNUITY PERFORMANCE



Annuity contracts typically require money be left in the annuity for a specified period of time, usually referred to as the "surrender charge period." If you fully surrender your annuity contract at any time, guaranteed payments provided for in the contract and any rider will typically be in force, and you will receive your contract's cash surrender value. The annual reset allows for any interest credited on each contract anniversary to be "locked-in" and it cannot be taken away due to market decreases. The interest credited is added to the accumulation value of your contract, which then becomes the guaranteed accumulation "floor" that will be included in the calculation of the interest that is credited going forward, subject to any withdrawals and applicable rider fees. The annual reset sets the index starting point each year at the contract anniversary. This reset feature is beneficial when the index experiences a severe downturn during any given year because not only do you not lose accumulation value from the downturn, but the new starting point for future growth calculations is on the lower index value. Although an external index may affect your interest credited, the contract does not directly participate in any equity investments. You are not buying shares of an index. The index value does not include the dividends paid on the equity investments underlying any equity index. These dividends are not reflected in the interest credited to your contract. Early withdrawal charges may apply if money is withdrawn during the surrender charge period. The S&P 500® is a trademark of Standard & Poor's Financial Services, LLC and its affiliates. J.D. Mellberg is not affiliated with, nor does it have direct business relationship with Standard & Poor's Financial Services, LLC.

Not FDIC Insured | May lose value | No bank or credit union guarantees | Not a deposit | Not insured by any federal government agency or NCUA/NCUSIF

YOUR STRATEGY AGAINST THE 7 RETIREMENT RISKS

In the first part of this book we identified the **7 Retirement Risks** you should be aware of when planning for retirement. In this next section, we will discuss ways to guarantee your retirement and ensure your retirement income lasts as long as you do. We're going to start off by discussing a few very powerful studies and findings from Ivy League University Professors that will help you understand why annuities should be part of the foundation of a well-balanced retirement plan.

There are four types of annuities: variable, fixed, income, and fixed index. This book is exclusively going to focus on fixed index annuities, which typically have no fees. If we use a hybrid version of a fixed index annuity, the fees are transparent and typically at or below 1%. There is no investment risk and you don't lose control of your funds. For all of these reasons, we typically don't offer any of the other types of annuities.

Everyone's financial situation is a little different. However, millions of Americans took systematic withdrawals from their retirement accounts in the years 2000-2002, during the tech bubble. We then witnessed another downturn in 2008 with the financial and housing crisis. Those who had to take withdrawals for their income in a declining market, in order to pay their bills and meet their living expenses, ran the risk of depleting their retirement account. Due to the declines in the stock market averages during these times, millions of retirees found themselves engaging in sequence of returns risk behavior—although they never planned for it! Almost no one expected to be hit by such big stock market losses. Those losses, although they happen frequently, are almost always experienced as a "surprise." If people had been expecting such stock market losses, they probably never would have invested the way they did.

The truth is, financial advisors were not expecting these losses to occur. If they had any indication of these losses, they likely would not have advised their clients in the way they did. Financial advisors do not want to cause their clients any pain or financial loss. The conventional strategies that were once accepted as nearly "gospel" include:

- buy and hold; buy stocks when they are "on sale"
- buy the hottest performing stocks and mutual funds (the so-called "top" stocks and mutual funds)
- the 5% withdrawal rate

This is why it is imperative you work with someone who specializes in retirement income when you are planning for retirement. Working with an organization or professional who specializes in this area will ensure that you properly plan for many of these unique risks such as "Sequence of Returns." They will also have the ability to help reduce these risks from your portfolio. One way to help eliminate various risks is to utilize a fixed index annuity with a lifetime income rider.

WHAT DO PROFESSORS FROM THE WHARTON SCHOOL OF BUSINESS SUGGEST?

Professor David F. Babbel and Professor Craig B. Merrill of the Wharton Financial Institutions Center were leading academics in the area of retirement income planning. In their 2007 paper, "Investing Your Lump Sum at Retirement[23], they stated that retirees were facing "the perfect storm," which is a storm that is now engulfing us. Professors Babbel and Merrill explained that the five forces converging to form this perfect storm, and that are accepted as nearly "gospel," include:

1. The decreasing levels and importance of social security benefits
2. The demise of defined benefit plans (pensions)
3. The aging of the Baby Boom generation
4. The emergence of post-Boomers
5. The increasing longevity of the American population

Together, all of these have indeed added up to an economic time bomb. The professors pointed out that we cannot stop these demographic and economic changes from occurring. The only action that we can take as individuals is to work hard to plan our retirement finances and make choices that protect us from the forces of this perfect storm. In explaining the benefits of annuities, the authors stated, "In the case of life annuities, the risk of outliving one's income is pooled among all annuity purchases, providing a kind of insurance against outliving one's assets." This insurance is extremely important, as the research of Babbel and Merrill shows, because approximately half of all retirees have the potential to fail in covering "their economic needs throughout the remainder of their expected lifetime."

Benefits of Annuities: It is important to point out that the authors of the study do not sell annuities. They were professors at Wharton, which you may recognize as one of the most prestigious business schools in America.

Professors Babbel and Merrill wrote about the benefits of annuities and compared annuities to the risks of stocks and mutual funds. They made it clear that pre-retirees and retirees have a number of choices available when building a retirement portfolio. They can build a portfolio heavily weighted toward stock market investments or one weighted toward annuities or other conservative choices. The professors also wrote about the income that different retirement portfolios could potentially generate and how much money can be safely taken from different types of portfolios. All their insights are still true today. They explained that since stock market returns are not guaranteed or known, retirees should spend, at least initially, at a lower rate since they do not know what future returns on the stock market will be. Babbel and Merrill stated, "However, if they choose a life annuity instead, they will be able to spend at the same rate, and be covered for as long as they live. A life annuity is the only financial vehicle that features this advantage." Note that annuities are not one of several choices that feature this important advantage. Annuities are the only choice that features this advantage.

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[23] Babbel, David F. & Merrill, Craig B. "Investing your lump sum at retirement" *Wharton Financial Institution* fic.wharton.upenn.edu/fic/policypage/InvestingyourLumpatRetirement.pdf, (pp 1-3). (Pub Aug 2007)

It is important to note that annuities are not considered investments. Investments put risk on the asset owner. Instead, all of the risk with annuities is placed upon the insurance company that issued the annuity. The insurance company has the obligation to fulfill the terms, conditions and promises of lifetime income, inflation protection, and any other benefits guaranteed by the annuity contract and riders which may be available for an extra fee. In summary, with annuities, all of the risk is placed on the insurance company, and none of the risk is placed on you. With investments, you bear all of the risk. This is why annuities are not considered investments.

Are annuities affordable? Whether you buy stocks, mutual funds, real estate, or any other investment, you will have to pay fees. Fixed Index annuities typically do not have fees, but if you purchase a rider within your Fixed Index annuity there may be fees. Retirees and pre-retirees sometimes wonder, "Are the fees of annuities appropriate for the benefits I receive?"

Professors Babbel and Merrill looked into the issue of affordability. They concluded, "Trying to replicate this advantage of a secure lifetime income, but without the risk-pooling of a life annuity, will cost you from 25% to 40% more money, because you would need to set aside enough money to last throughout your entire possible lifetime, instead of simply enough to last throughout your expected lifetime. Even at this higher cost, you cannot be sure you will achieve a secure lifetime income, because interest rates could change over the next 30-50 years while you are in retirement." The research of Babbel and Merrill found that when it comes to generating a steady, guaranteed income stream in retirement, annuities are perhaps the most affordable choice of all. Annuities could potentially save you 25% to 40%, as compared to other choices that might guarantee the same level of secure lifetime income.

After all of their research, what did Professors Babbel and Merrill suggest?

Here is a summary:

1. Annuitize enough of your assets so that you can provide all you need for your basic comforts in retirement. Annuitization provides the only viable way to achieve this security without spending a lot more money.
2. Annuitize a significant portion of your remaining funds, but also invest in stocks, fixed income, securities and money markets.
    a. Make provisions for health costs and institutional care with supplemental health and long-term care insurance, or perhaps from annuity riders.
    b. Provide for your heirs, "but balance this provision against your own desire to live above your minimum acceptable living standard."
    c. If you have a high risk tolerance, you could place funds not required for your basic needs in stock market investments.
    d. Balance your lifestyle against bequest wishes and other financial goals.

Given all of the benefits that annuities, and only annuities, offer in these uncertain times, why don't more people own them? Professors Babbel and Merrill also researched this question.

Many retirees still believe that stocks, even with all of their risks, are a good place to invest much of one's retirement savings. These researchers disagreed. They stated: "But our study showed that over the long haul, unless stocks achieve excess returns above Treasury bonds at least twice as high as they are generally expected to generate, it often makes more sense to annuitize most of ones wealth at retirement." Think of the implications of that finding. The professors believe that stocks would have to receive returns above Treasury bonds that are at least TWICE as high as they are generally expected to generate. How likely do you think it is that stocks will generate such high returns during your entire retirement? Are you willing to risk the security of your retirement on such a gamble that stocks will have such an unusually high rate of return over the years that you will be retired?

The love affair that Americans seem to have with the stock market is just one reason that more retirees don't purchase annuities. Another reason is the belief that annuities are "too expensive." As shown earlier, in fact, **annuities save you money** compared to other choices if you want to generate guaranteed income in retirement.

A concern of many retirees is "What if I get sick—how will I pay for healthcare?" Some seniors falsely believe that if their money is placed in annuities, they might not be able to access those funds as needed to pay for healthcare expenses. The authors showed why this is not necessarily the case. They pointed out that Medicare pays many of the healthcare costs of retirees. In addition, supplemental health insurance can be purchased, which pays for some or nearly all of the gaps in Medicare coverage. Next, they showed that long-term care insurance can be purchased that will help pay for institutional care, should it be needed.

Professors Babbel and Merrill also explained that certain annuities are now available that will increase monthly payments by up to 100% when the annuitant requires assistance with in home health care or assisted living. Imagine being able to retire confidently knowing that your retirement income will go up by 100% for up to 5 years to help pay for qualifying home and assisted living costs while retired. While annuities with this feature cost more than regular annuities that provide level payments throughout life, they can be well worth the extra cost. The authors showed that there are other innovative annuities that allow you to withdraw a certain amount of money each year—or when you think you need it—with no penalties.

Do extra benefits have extra costs? Yes. These extra benefits are usually provided via riders. You are not required to purchase a rider. Different riders have different costs, which are explained to you before you make a purchase decision.

Regarding the extra benefits some annuities provide via riders, the Wharton professors pointed out: "Yes, some of these provisions cost extra money, but you can pay for them now, or pay later at perhaps much higher prices. None of them are really excuses for not annuitizing a substantial proportion of your remaining wealth at retirement."

During an interview in ***Annuity Digest***, Dr. Babbel was asked for whom fixed index annuities are best suited. He answered: "The FIA can be a product particularly suited to people with moderate-to-high risk aversion, yet who still wish to have some exposure to equity returns." In other words, if you are a retiree who dislikes risk yet you still want to enjoy some of the gains that the stock market can potentially provide, the fixed index annuity strategies may be a well suited for you.

Dr. Babbel was also asked to provide advice for the consumer who is considering purchasing fixed index annuities for retirement income. He stated: "The main advice would be that the consumer (1) is comfortable with the quality of the company standing behind the contract, examine carefully the structure of the FIA and see whether it (2) provides them with satisfactory downside protection and (3) an upside potential that is sufficiently attractive." Even he was surprised by some of the findings of this study. In the interview, he revealed: "However, what surprised me was that the returns on FIAs outperformed the alternatives over the lifetime of their existence (since 1995) for every year that they have been issued. This relates to 9-year FIAs and 14-year FIAs, held through maturity. This superior performance prevailed EVEN BEFORE there was any adjustment for risk, which adjustments typically reduce the risk-adjusted returns of the alternatives to FIAs, thereby boosting even more the FIA relative returns."

If you are interested not just in outperformance but also in steady, year-after-year strong returns, fixed index annuities may be very worthy of your consideration.

In serving our clients across the United States, we frequently use fixed index annuities with crediting methods based on the S&P 500®.

Dr. Babbel was assisted in this landmark study by the following other primary researchers: Dr. Miguel Herce and Dr. Kabir Dutta. In total, this research project took more than two years to complete and involved the work of six Ph.D. financial economists and two highly respected actuaries. It is important to note that the researchers conducting this study were objective and they did not sell annuities.

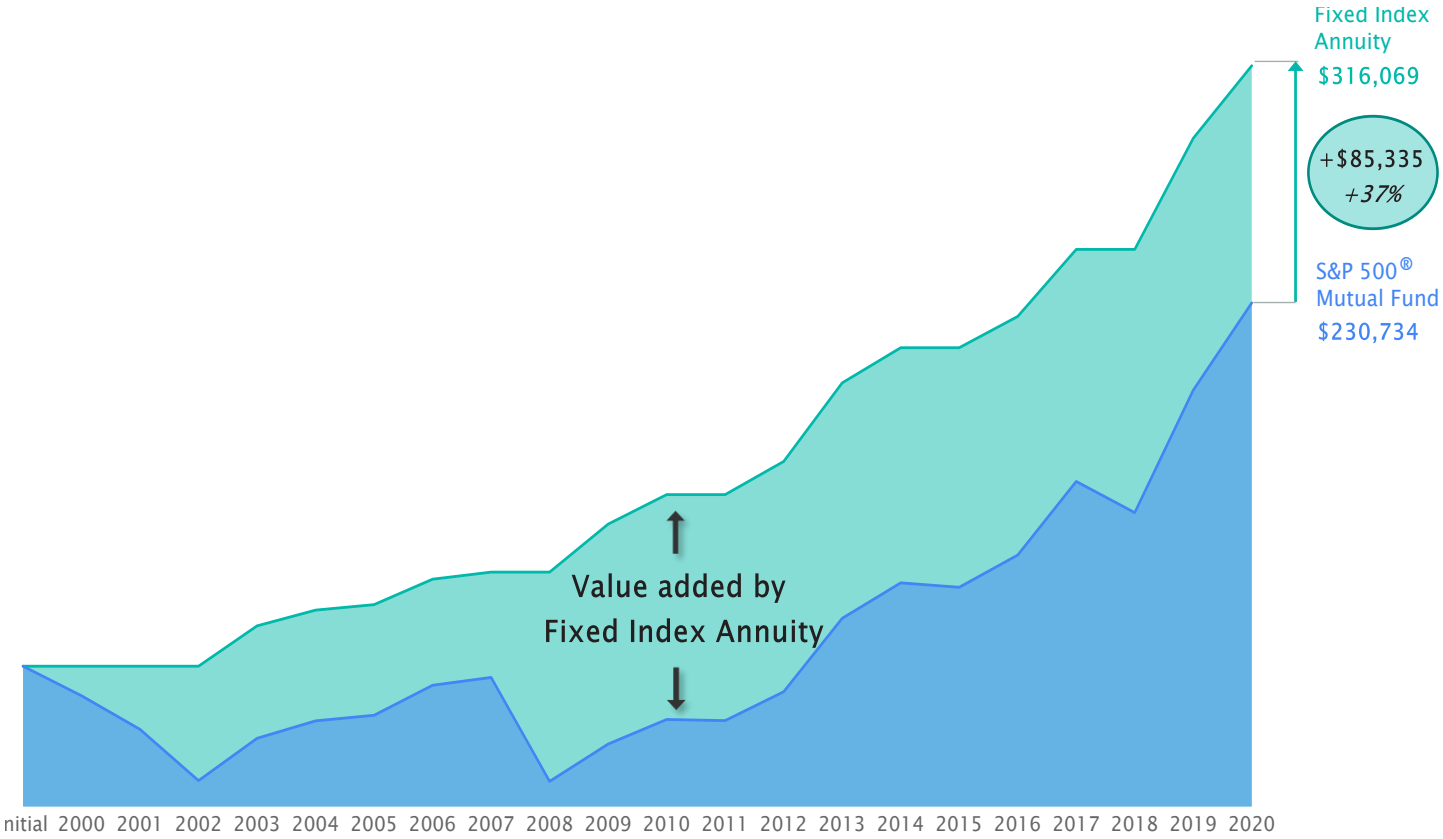
Conclusions: The conclusions of the Wharton Study are worth sharing with you here. In part, Professors Babbel and Merrill stated: "When individuals consider the list of positive attributes associated with life annuities, i.e., guaranteed payments you cannot outlive, low cost, access to invested capital, and reasonably priced features, such as inflation adjustment and legacy benefits, the argument for this income solution in retirement is compelling. By covering at least basic expenses with lifetime income annuities, retirees are able to focus on discretionary funds as a source for enjoyment." Their final words of wisdom were, "when this is undertaken, you can enjoy your retirement without the burden of financial worries and focus on more productive uses of your time and attention!"

Think about the implications of their findings. The use of annuities is much more than just a financial decision. This is a lifestyle decision. Do you want to live your retirement in constant concern about another stock market crash? Do you want to have uncertainty about your income in retirement? Or would you rather enjoy your retirement knowing that the money you want and need to guarantee your lifestyle will be generated in each and every month?

COMPARING THE PERFORMANCE OF ANNUITIES WITH THE S&P 500® AND BONDS

Standard and Poor's S&P 500® stock index is perhaps the most widely followed and most widely traded stock index in the world. It is based on a diversified group of 500 of the largest publicly-traded stocks in the U.S.

Fixed Index Annuity vs. S&P 500® Mutual Fund



Graph illustrates fixed index annuity with interest credited based on the S&P500® Index with a 55% participation rate and no fees or riders versus a mutual fund with a .50% fee that tracks the S&P500® index return without dividends. The S&P 500® is a trademark of Standard & Poor's Financial Services, LLC and its affiliates. J.D. Mellberg is not affiliated with, nor does it have direct business relationship with Standard & Poor's Financial Services, LLC.

The most important feature of a fixed index annuity is the annual reset. The annual reset not only protects your initial investment from losses due to stock market volatility, it also protects any interest credited to your account. As you can see, in the last twenty years as the S&P 500® has gone up and down, the value of the annuity has steadily increased without the turbulence. This is why trillions of dollars have been placed in fixed index annuities.

We also want to share some information from Dr. Roger G. Ibbotson who is among the best-known scholars in the field of asset allocation. He's a professor in the Practice Emeritus of Finance at Yale School of Management and Chairman and Chief Investment Officer of Zebra Capital. In his latest research, Dr. Roger Ibbotson argues that fixed indexed annuities have the potential to outperform bonds in the near future and smooth the return pattern of a portfolio. Ibbotson's seminal work was around the idea that, as you take on more risk in a portfolio, you get a higher return. But that risk is volatility, and as one approaches retirement, one can't afford that lack of stability.

In the white paper, Fixed Indexed Annuities: Consider the Alternative, Ibbotson and his team at Zebra Capital Management ran hypothetical return simulations from 1927 to 2016, and found that, net of fees, fixed indexed annuities had an annualized return of 5.81% compared to 5.32% for long-term government bonds and 9.92% for large-cap stocks over that period. And this is a period of both rising and falling yields[24].

FIA Hypothetical Net Return (1927 - 2016)

	Large Cap Stocks	Long Term Gov't Bonds	Fixed Index Annuity
Annualized Return	9.92%	5.32%	5.81%
Minimum Annualized 3-Year Return	-27.00%	-2.32%	0.00%
Maximum Annualized 3-Year Return	30.76%	23.30%	27.56%

Source: 2017 SBBI Yearbook, Roger G. Ibbotson, Duff & Phelps; Zebra Capital; AnnGen Development, LLC

Dr. Ibbotson concluded that "Annuities serve as an important alternative to traditional fixed income options like bonds. Recent innovations in annuity product design, combined with an increasingly competitive marketplace, have given individuals preparing for, or in retirement, powerful and more affordable tools to not only mitigate retirement risks, but also to serve as a vehicle to increase wealth leading up to retirement."

[24] "Fixed Indexed Annuities: Consider the Alternative" https://dta0yqvfnusiq.cloudfront.net/commo93759149/2018/02/Ibbotson-White-Paper-5a78d2dea0f40.pdf (Pub January 2018)

NEXTGEN™ ANNUITY STRATEGY #1 – PROTECT YOUR PRINCIPAL

When you purchase stocks, bonds, mutual funds, real estate, gold, silver, or most other investments, your principal is not protected. The values of your investment can gain or lose value at almost any time (including loss of principal). When you purchase a Fixed Index Annuity, your principal is protected. Most Variable Annuities, by contrast, do not protect your principal.

A primary benefit of Fixed Index Annuities that many retirees find attractive is the fact that you cannot lose your principal no matter how much the stock market declines in any year. This makes Fixed Index Annuity funds more protected than mutual funds, 401(k) plans, or Variable Annuities that do not have a guarantee of principal protection.

If you have an annuity with an insurance company, you have several sources backing up and protecting your capital.

First of all, you have the assets of the insurance company itself backing up your annuity. Insurance companies are some of the most highly regulated companies in America. They are subject to strict capital reserve requirements to help ensure that they will have the money to pay their claims and their contractual commitments, such as annuity payouts

Protection from Creditors: By law, the assets of insurance company policy holders cannot be attached by creditors of the insurance company. The assets of policy holders (your assets in an annuity) are held in segregated accounts that are beyond the reach of other creditors.

If an insurance company is sued and loses the lawsuit, the plaintiff cannot go after the money of policy-holders! In other words, lawyers and plaintiffs cannot go after your annuity assets.

Strong Reserves: Insurance companies must have $1 in Reserves for every $1 in pay-outs promised to policy-holders (promised to you if you own an annuity contract).

Surplus Capital: Some insurance companies do not just have $1 in reserves for every $1 promised to policy holders. They have even more in reserves and this is called having a surplus capital. Many of the fixed index annuities we recommend are issued by insurance companies which have surplus capital.

Re-Insurance: Not only are client assets held by an insurance company protected from creditors, backed by the strongest and most conservative investments, and supported with $1 in reserves for each $1 in promised payouts. Many are also backed up by re-insurance. Re-insurance is an extra level of protection where a multibillion-dollar re-insurance firm guarantees and backs up a percentage of the reserves of the issuing insurance company.

At this point, you might think that all of these protections on top of protections are excessive. Yet, it is these protections that have helped keep the vast majority of insurance companies strong and financially sound for the past several hundred years.

NEXTGEN™ ANNUITY STRATEGY #2 – HELP PAY FOR YOUR FUTURE HEALTH CARE COSTS WITHOUT PAYING FOR LONG TERM CARE INSURANCE

Earlier in this book we mentioned benefit riders, which help pay for some or all of qualifying costs for skilled nursing care or medically assisted living. Skilled nursing care may be provided in your own home and many seniors are now receiving 12-hours-a-day or 24-hours-a-day skilled nursing care at home, which this confinement benefit rider helps pay for. With the appropriate rider, your income will increase by 100% each year you are confined to a qualified care facility or you meet the confinement requirements and stay at home. That's right, your income will double when you need it the most! The requirements to trigger this benefit differ according to the individual annuity contract, but they typically involve the loss of two of your "Activities of Daily Living" or "ADLS." Please note that the number of years of doubled payments is limited and will be disclosed to you in the terms of your contract prior to purchase. Examples of ADLS are the ability to bathe, eat, dress and walk; and physical abilities, such as getting out of a bed/chair.

For example, assume that you retired and were receiving $5,000 a month in income from your annuity. If you required skilled nursing care in year 10, your monthly income from the annuity would be boosted from $5,000 to $10,000.

Because the confinement benefit increases so much each year, this rider offers protection from the continued rise in the cost of health care. You will not have this concern of rising long-term care costs with the confinement benefit rider in an annuity. You will never be asked for more money to pay for the confinement benefit. For all of the above reasons, many retirees are looking at a fixed index annuity with a confinement benefit rider as an alternative to buying a separate long-term care policy.

Compare a fixed index annuity with a confinement benefit rider to placing money in a stock or mutual fund account. As you know, your fixed index annuity protects your principal from a stock market downturn. By contrast, you could lose a significant amount of money with stocks or mutual funds in a down stock market. Your fixed index annuity is guaranteed to pay you the annual income promised. A stock or mutual fund investment will usually pay lower annual income and in almost all cases, that income is not guaranteed.

Then, if you find that you have qualifying healthcare needs, **many fixed index annuities with a confinement benefit will double your annual income**. There is no stock or mutual fund investment that will double your annual income if you need assisted care or long-term skilled nursing care.

NEXTGEN™ ANNUITY STRATEGY #3 –GUARANTEE YOUR RETIREMENT INCOME WITH A HYBRID ANNUITY

Index annuities provide the guarantees of fixed annuities combined with the opportunity to earn interest based on potential market index gains, without directly participating in the market. This exciting family of hybrid annuities offers enhanced benefits, including guaranteed income riders that increase every year, death benefit guarantees, home health care cost protection, and spousal continuation. We call these features the hybrid annuities. We have provided you with a detailed review of some of the most important studies that have been conducted on fixed index annuities. We have also reviewed the performance of the Dow Jones Industrial Average over long periods of time, and have shown that major stock indexes can go for periods of 15 years or longer with losses or no gains. All of this scientific research indicates that fixed index annuities may provide a powerful and viable alternative for retirees and pre-retirees who desire a consistent guaranteed income during retirement—an income they cannot outlive!

You know that Americans are living longer. With all the continuing medical breakthroughs we are having with new drug treatments, actual cures for some diseases (including some forms of cancer), and with the breakthroughs we have experienced in organ transplants, you may live much longer than you ever expected. You must plan now to have the income you will need during the long retirement you will hopefully enjoy.

Some of the primary benefits of an Income Rider are: lifetime income for both you and your spouse, income payments that increase each year you defer taking income, increasing income once you begin taking income, and the ability to turn the annuity's income stream on or off as desired.

In the past, when an annuity was annuitized, the client lost control of their money in exchange for the guarantee of receiving regular income payments from the insurance company. The income stream could be for a predetermined number of years or for life. In the past, when the retiree passed away, contracts stipulated that all payments stopped and if money was still left in the account, it stayed with the company instead of going to heirs or beneficiaries of the annuitant.

While annuities like that can still be purchased, a newer generation of fixed index annuities offers enhanced benefits that many retirees desire today. With some of the new Blended or Linked Income Annuities (which are also sometimes called hybrid annuities), you do not lose control of your money. Instead, you now have the ability to turn on income payments when you want them and to turn them off when they are not needed. By turning off the income payments, you could significantly reduce your taxes. Then, whenever you desire, you can turn the income payments back on.

Depending on the length of time the income stream is turned off, as well as the features, benefits, and riders of your annuity when you turn on income payments again later in life, those income payments could be bigger than ever!

With almost all Fixed Index annuity income riders, your annuity covers the lifespan of two people. For example, after you pass away, your annuity could continue to make income payments to your spouse for as long as he or she might live.

The exact features and benefits of Income Riders differ among insurance companies offering these annuities. If this benefit is important to you and your spouse, make sure you read the annuity contract and rider language before you buy the annuity to make sure the Income Rider will have this benefit. We are also happy to answer any questions you have about the exact benefits offered by various Income Riders.

After this thorough review of the research, we will now turn our attention to some actual case studies to illustrate for you just how powerful fixed index annuities can be in potentially providing a retiree more income and greater financial security. We will first look at the different benefits a baby boomer might expect to receive from a carefully selected hybrid fixed index annuity and rider(s).

For our first case study, the client, whom we will call Adam Smith, age 60, wishes to purchase a fixed index annuity for $400,000. With the fixed index annuity, he also has an income rider, which is a popular feature many retirees and pre-retirees desire today. Due to the presence of the income rider, we will refer to this as a "hybrid" annuity, because the income benefits will be enhanced, compared to a fixed index annuity without the income rider.

Another benefit of this index annuity is that the client will receive an immediate 5% bonus of $20,000. This means that the value of his annuity is boosted from his $400,000 initial premium to $420,000 from the first day it is in effect, if he keeps the annuity until its maturity date.

The assumed rate of return for the stock market index the annuity uses is 4%. Please note that this return is not guaranteed. We believe it is a realistic return, given that the stock market has historically returned approximately 8% per year on average. Of course, the index will not rise 4% each and every year. In some years, the index might rise 15% or maybe even more. In other years, the index might produce a 0% return or a negative return. However, it is important to note that even if the stock market declines in any given year, you will not lose your principal or any locked in gains in a fixed index annuity. ***The stock market could decline 30% and you would not lose one penny in your guaranteed annuity.***

Depending on the features and riders your annuity possesses, you might even make money during years in which the stock market is flat or loses money. One way this can be accomplished is through the purchase of an inflation rider (available at an additional cost, which is fully disclosed). The inflation rider will increase your annuity's income based on increases in the rate of inflation. So, if you purchase a fixed index annuity with an inflation rider, you could enjoy an increase of income in the years which the stock market is down but inflation is present.

The time horizon for this annuity is 41 years. Adam Smith, who purchased the annuity, wants and expects to receive payouts for the next 41 years over his life and his wife's lifetime. As you can see from the chart below, he doesn't have to wait 41 years to start receiving benefits from this annuity. He will receive benefits from this fixed index annuity from the very first year and each and every year after that.

Adam and Susan Smith

Year	Age	Income Account Value (4%)	Guaranteed Income for Life	100% More Income for Healthcare	Balance
Issue		$420,000			$420,000
1	60		$18,900	$37,800	$417,144
2	61		$19,656	$39,312	$413,388
3	62		$20,442	$40,884	$408,663
4	63		$21,260	$42,520	$402,899
5	64		$22,110	$44,220	$396,021
6	65		$22,995	$45,990	$387,947
7	66		$23,915	$47,830	$378,594
8	67		$24,871	$49,742	$367,871
9	68		$25,866	$51,732	$355,686
10	69		$26,901	$53,802	$341,936
11	70		$27,977	$55,954	$326,518
12	71		$29,096	$58,192	$309,319
13	72		$30,260	$60,520	$290,222
14	73		$31,470	$62,940	$269,103
15	74		$32,729	$65,458	$245,829
16	75		$34,038	$68,076	$220,263
17	76		$35,399	$70,798	$192,258
18	77		$36,815	$73,630	$161,660
19	78		$38,288	$76,576	$128,307
20	79		$39,819	$79,638	$92,027
21	80		$41,412	$82,824	$52,640
22	81		$43,069	$86,138	$9,954
23	82		$44,791	$89,582	$0
24	83		$46,583	$93,166	$0
25	84		$48,446	$96,892	$0
26	85		$50,384	$100,768	$0
27	86		$52,400	$104,800	$0
28	87		$54,496	$108,992	$0
29	88		$56,675	$113,350	$0
30	89		$58,943	$117,886	$0
31	90		$61,300	$122,600	$0
32	91		$63,752	$127,504	$0
33	92		$66,302	$132,604	$0
34	93		$68,954	$137,908	$0
35	94		$71,713	$143,426	$0
36	95		$74,581	$149,162	$0
37	96		$77,564	$155,128	$0
38	97		$80,667	$161,334	$0
39	98		$83,894	$167,788	$0
40	99		$87,249	$174,498	$0
41	100		$90,739	$181,478	$0
Total Income $1,886,722					

These results are hypothetical, and, as you know, past performance is no guarantee of future performance.

The guaranteed income for life payout value is $18,900 per year on this joint-payout annuity contract. What this means is that $18,900 per year is guaranteed to be paid out to Adam Smith or his wife Susan Smith for their entire lives. This $18,900 per year is guaranteed to be paid out no matter what the stock market does over the next 41 years. Even if the stock market crashes, they will still get their guaranteed $18,900 per year!

WHAT HAPPENS IF YOUR ACCOUNT BALANCE DROPS TO ZERO?

When some seniors and retirees see the generous returns offered by a select group of the fixed index annuities, they ask, ***"Is it possible the insurance company could pay out so much money to the annuity holder that the account balance could drop to zero?"*** Yes, it is possible for the annuity's account balance to drop to zero. In fact, you see the account balance dropping to zero in the table at age 82, after the annuitant has been receiving income payments for 22 years straight. However, there is little need to worry. Even though the account balance drops to zero, the annuity owner still continues to receive at least the minimum guaranteed income! Because Adam purchased the inflation protection rider, his income even continued to rise. This is the power of purchasing riders for your annuity.

There is extra cost for this benefit, as we have mentioned previously. However, many retirees across the country have told us that, in their opinions, the cost is worth the greater financial peace of mind knowing that they will have **guaranteed income for life** even if the annuity's account balance drops to zero!

Obviously, if your retirement funds are only in stocks, or mutual funds, or bonds, or some combination of those, and the account balance drops to zero, you will NOT receive any future income. In fact, your account will be worth nothing. However, the income rider on a fixed index annuity will continue to pay you the guaranteed income similar to that shown in this example, even if your account balance drops to zero. The exact amount of the income payments you will receive and the number of years you will receive those payments will depend on the initial annuity premium (what you pay for the annuity), the age at which you buy the annuity, and the terms of the annuity and riders you selected. Your payments are guaranteed by the insurance company that issue the annuity, and rely on the financial strength and claims-paying ability of that issuing insurer.

In this example, you can see that the annuity owner would have continued to receive a significant income every year until he or she is 100 years old—even though the account balance was at zero for the last 12 years of their life! At that point, the annuity owner would have received a total income of $1,886,722—over $1.8 million dollars—even if the stock market had crashed several times during the period they owned this annuity!

Obviously, it is impossible to receive this kind of guaranteed income from a stock portfolio, bond portfolio, or mutual fund portfolio. For this reason, more and more retirees each year are deciding to purchase a fixed index annuity with riders that provide additional benefits they want. The combination of features and benefits in a fixed index annuity with a suitable rider like the one illustrated may guarantee you not just an income, but an ever-increasing income during all of the years specified in your contract.

NEXTGEN™ ANNUITY STRATEGY #4 – USE A HYBRID ANNUITY TO GUARANTEE AN INHERITANCE

Let's look at a second example of the benefits that an enhanced fixed index annuity may be able to provide you. In our new example below, we will look at a fixed index annuity which has multiple extra benefits. To enable direct comparisons with our first example, we will use the same couple we used in our first example, Adam and Susan Smith, age 60, who have $400,000 in their retirement nest egg.

In this case, the **up-front bonus will be 8%**, which is $32,000. With this bonus, the initial amount of money that will go to work for them in this annuity is $432,000.

Adam and Susan Smith

Year	Age	Income Account Value (8%)	Death Benefit (4%)	Guaranteed Income for Life	Long Term Care Benefit
Issue	60	$432,000	$432,000	$17,280	$34,560
1	61	$466,560	$449,280	$18,662	$37,325
2	62	$503,885	$467,251	$20,155	$40,311
3	63	$544,196	$485,941	$21,768	$43,536
4	64	$587,731	$505,379	$23,509	$47,018
5	65	$634,750	$525,594	$28,564	$57,127
6	66	$685,530	$546,618	$30,849	$61,698
7	67	$740,372	$568,483	$33,317	$66,633
8	68	$799,602	$591,222	$35,982	$71,964
9	69	$863,570	$614,871	$38,861	$77,721
10	70	$932,656	$639,466	$46,633	$93,266
11	71	$1,007,268	$665,044	$50,363	$100,727
12	72	$1,087,849	$691,646	$54,392	$108,785
13	73	$1,174,877	$719,312	$58,744	$117,488
14	74	$1,268,868	$748,084	$63,443	$126,887
15	75	$1,370,377	$778,008	$75,371	$150,741
16	76	$1,480,007	$809,128	$81,400	$162,801
17	77	$1,598,408	$841,493	$87,912	$175,825
18	78	$1,726,280	$875,153	$94,945	$189,891
19	79	$1,864,383	$910,159	$102,541	$205,082
20	80	$2,013,533	$946,565	$120,812	$241,624

The time horizon in this case is 20 years rather than the 40-plus years assumed in the first example. Why might someone have a 20-year time horizon rather than a 40-year time horizon? There could be several reasons. If the person has health problems, he or she might be looking at a shorter time horizon. Also, if you will be inheriting money or a significant amount of property on a given date, you might have a shorter time horizon. Once you receive that inheritance, you might have less need for the annuity income.

We have found that one of the most common reasons that people assume a shorter time horizon is the presence of health problems. Tens of millions of Americans suffer from one or more fairly serious health concern. Let's look at how annuities can help them get a higher level of income that they may desire during their retirement. To help pay for healthcare costs, a retiree with health problems may want to consider purchasing a fixed index annuity with a confinement benefit rider. This rider is illustrated in the previous table in the column labeled "Long Term Care Benefit." With a confinement rider, if the annuity owner needs to spend some time in a skilled nursing facility or requires skilled assistance at home for a qualifying health condition, the income he or she receives from the annuity will double. Please note, at the passing of the annuity owner who was receiving increased income due to the confinement rider, the income for the surviving spouse would revert back to the original amount.

As we mentioned at the start of this section, this is an enhanced fixed index annuity with several additional benefit riders. Another benefit which has been added is the death benefit rider. This benefit guarantees that when the annuity holder dies, the beneficiary will receive a minimum guaranteed return of 4% on the premium annually. This rider is illustrated in the table above in the column labeled "Death Benefit."

Earlier in this example, we discussed the income benefit rider. The enhanced fixed index annuity also has an income benefit rider. Due to this rider, even if the stock market posts absolutely no gains while you own the annuity, your income base will continue to increase every year you own the annuity. It will increase by the specified percentage as stated in your annuity rider contract.

The guaranteed annual rate of return is 8% for your future income value. This guaranteed rate of return applies to the income base you receive and does not apply to the accumulated value remaining in the annuity. Therefore, your guaranteed annual income will rise by 8% per year.

This rider is illustrated in the previous table, in the column labeled "Income Account Value."

This rising income benefit can also offer you protection against inflation. Not even the most dire pessimist is predicting 8% inflation in the next few years. The fixed index annuity shown above not only gives you an increase in income each year, but it also provides you with an increase in your spending power even after inflation as well as a guaranteed death benefit that grows annually.

As we discussed earlier, Adam and Susan Smith decided to purchase a death benefit rider with this fixed index annuity. This rider guarantees that an heir or loved one will receive the full remaining accumulation value or the premium payments compounded at 4% annually, whichever is greater. With older style annuities that perhaps your parents purchased, if you passed away at an early age, the insurance company kept the remaining value of the annuity.

Let's look at how much money the death benefit rider in the previous fixed index annuity offers (please note this assumes an annuity where the spouse is only a beneficiary). This rider guarantees that if you pass away in year 5, your heir or loved one will receive $525,594. If you pass away in year 10, the person you selected as your beneficiary will receive $639,466. If you pass away in year 15, your heir or loved one will receive $778,008. Remember that you only paid $400,000 in premium for this annuity.

Your heir or loved one will receive this money regardless of what the stock market has done during the intervening years. Even if the stock market produced a loss during those years, your beneficiary will still receive the amount of money shown.

Compare a fixed index annuity to an annuity with this death benefit rider. If you pass away in year 15, and your annuity had no growth, with out the rider your heir or loved one would have only received $432,000.

While there is, of course, a cost for the death benefit rider, many retirees consider it a small price to pay for the benefit that could be received by their loved ones or heirs. The cost of the death benefit rider is factored in at the time you purchase the annuity, and many times it is at or below 1% of the annuity's value. You do not have to write a separate check for the death benefit rider. In this case, Adam and Susan Smith simply paid a premium of $400,000 to purchase this fixed index annuity with the death benefit rider. They did NOT write a separate check for the death benefit rider. They obtained all of these benefits and an up-front bonus of 8% simply through buying this annuity. This up-front bonus boosted the value of their annuity from the initial $400,000 to $432,000 on the first day their annuity was in effect. Please remember that bonus annuities may carry higher fees and charges than annuities without the bonus feature, and will not pay the bonus in case of early withdrawal.

Most annuities provide a guaranteed income stream and thus may help provide greater financial peace of mind. This fixed index annuity with a death benefit rider goes one step further. It not only provides a guaranteed income stream and may help provide greater financial peace of mind, but it also provides a guaranteed amount of cash to your heir or loved one. Thus, in this sense, it provides benefits that are superior to the benefits offered by other annuities without a death benefit rider.

Once again lets compare the benefits offered by this annuity to the benefits of holding your retirement funds in a stock market account. There are no written guarantees that Wall Street can provide on stock, bond, or mutual fund investments that would offer any of the benefits offered in the previous example. There are no guaranteed income, death benefit, or inflation riders that can be added to those types of investments.

Think of all the people who retired in 2008. They had experienced a strong bull market in stocks over the previous decade and many retirees expected the rally to continue. What if Adam Smith had invested his $400,000 in the stock market in early 2008 and died in late 2009? Some major stock market indexes declined by more than 50% during that time. His heirs might only have received about $200,000 upon his death. However, if Adam Smith had instead used his funds in 2008 to purchase an annuity with a death benefit rider and if he had passed away in late 2009, his heirs would have received all of the initial $400,000 in addition to the bonus and it all would have grown at the 4% guarantee! This fixed index guaranteed annuity with a death benefit rider would have returned to Adam's chosen beneficiary $210,000 more than a comparable stock account during this time period.

This is a very real example. Tens of thousands of Americans retired in 2008 and many did invest large portions of their retirement savings in the stock market at that time. Large numbers of Americans lost money in that stock market crash. Real money was lost in the stock market crash and the cherished retirement plans of many Americans were shaken. Some seniors went back to work just to have enough money to pay their bills and living expenses. During a bear market, an annuity with a death benefit rider has the potential to deliver far more funds to you and your heirs and loved ones than a stock market account. Your fixed index annuity is able to provide this benefit because the money you money you place in your annuity continues to earn interest based on the crediting strategy that was selected at purchase. You can enjoy this benefit regardless of what the stock market might do.

With a fixed index annuity that has a death benefit rider, you can leave money to more than one person.

Let's say you have three children and you wanted to leave them each an equal one-third portion of your annuity. If you passed away in year 17, as you can see in the previous example in the column titled "Death Benefit," each of your three children would receive more than one-quarter of a million dollars. No matter what the stock market did during this 17-year time period, even if the stock market lost money, each of your three children would receive $280,498 upon your passing (the gains portions being taxable to them). Remember that you paid only $400,000 for this annuity.

The beneficiaries of your annuity do not have to be your children. If you like, you can leave money from your annuity to your brothers, sisters, cousins or other relatives, your best friend, your favorite charity, or your church, synagogue, or temple. Over the years, universities, colleges, charities, and houses of worship have received hundreds of millions of dollars from annuity payouts. As you can see, your annuity can benefit many more people than just you and your spouse. With a fixed index annuity and riders that are most suitable for your situation, you can be assured of a guaranteed income in retirement and you can also contribute funds to create a lasting legacy in your name and make this a better world.

NEXTGEN™ ANNUITY STRATEGY #5 – USE A HYBRID ANNUITY TO CONTROL INCOME

While many annuities offer fixed income payments year after year, some fixed index annuity offers you the ability to turn your income on or off at will. Of course, there are some restrictions and limitations that apply. The limitations vary by annuity and are fully disclosed before you make a purchase decision. Let's take a closer look at some benefits this feature conveys. If you find that you do not need the income from your annuity one year, you can tell the insurance company not to pay you that income.

Why might you want to take such a step? First of all, some taxes will be owed on the income payments you receive (the portion of your payment that represents return of principal is not taxed but the portion that represents a gain is taxed). Why pay taxes on income you do not currently need? Secondly, and more importantly for many retirees, the longer you let the funds in your annuity grow, the higher the value of your annuity and the greater income you can later take from it.

Take a look at the previous example (Adam & Susan Smith Table), and locate the column titled **"Guaranteed Income for Life."** You will notice that if you start taking income in year one your annual income will be $18,662.

However, if you don't need the extra income that year and instead turn on your income stream in the row titled "Year 5," your annual income will be $28,564. If you wait until year 10 to turn on your income, it will be $46,633 per year. What you need to keep in mind is that you will get this boost in your income for every year you delay taking payouts—even if the stock market loses value! In addition, you can start and stop your income at will (subject to certain limitations described in the terms of the individual annuity contract).

Let's say that you started taking income from your annuity in year 5. You would then receive $28,564 in annual income. However, let's say that in years 6 and 7 you found you did not need the extra income, and so told the insurance company not to pay you during those years. If you turned on the income stream again in year 8, you might think that your income would be $28,564 per year. However, since you did not take income in years 6 and 7, you would receive an even higher annual income if the account balance is higher than the income account value. This is because your annuity has had extra time to grow—and your income is guaranteed to grow, even if the stock market has lost money during the time period you did not take an income from the annuity.

NEXTGEN™ ANNUITY STRATEGY #6 – USE A HYBRID ANNUITY TO PROTECT AND GROW YOUR RETIREMENT ASSETS

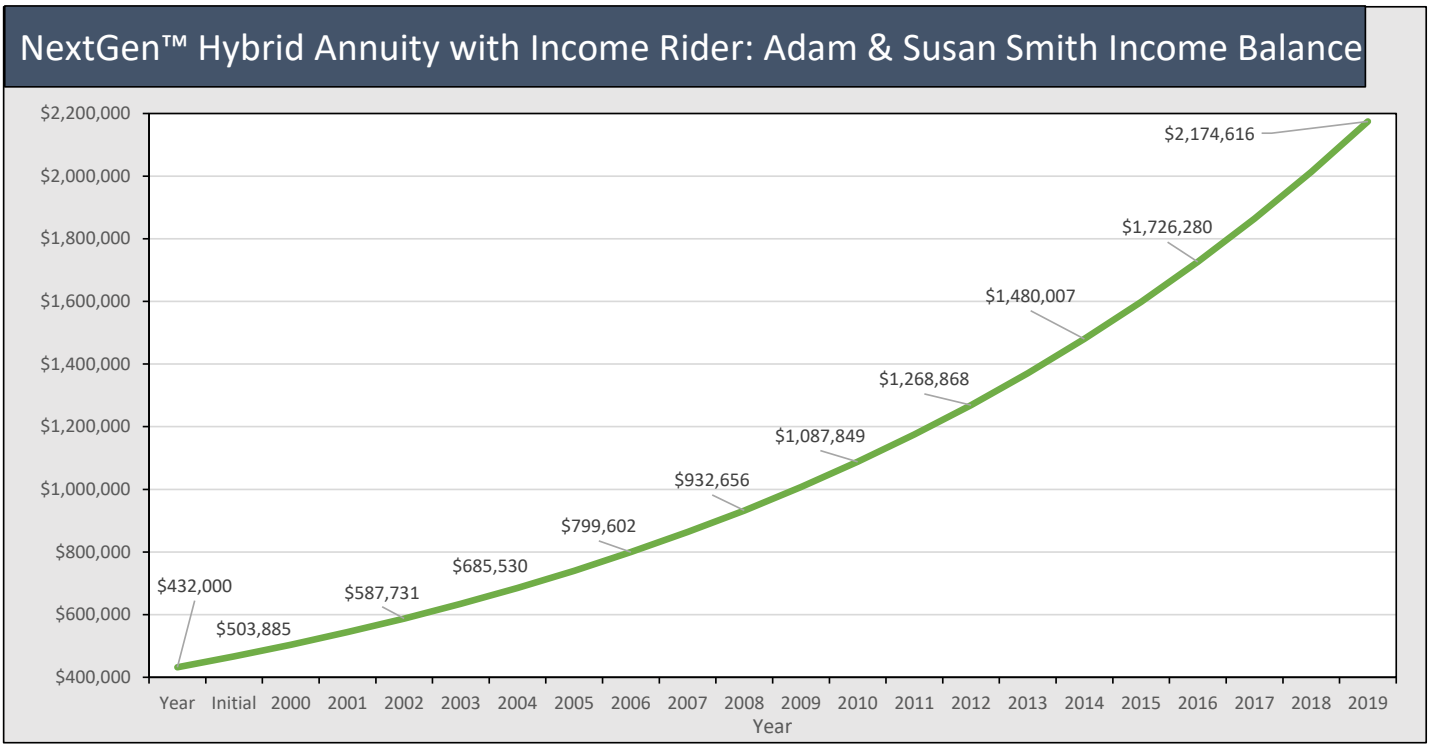
As indicated previously, retirees who invested in any of the major stock market indexes or in any of the majority of stocks, and who took systematic withdrawals from 2000-2002 and again in 2008, saw their funding resources shrink. Furthermore, this was NOT a unique period in history. We could go back and show even more examples of what would have happened to retirees taking systematic withdrawals from stock market accounts during the time periods of 1906 to 1924, from 1929 to 1954, from 1966 to 1982, and from 2000 to 2010.

If you are like many retirees, you are planning to take income from your retirement accounts each year to pay your bills and support your lifestyle. Given that the stock market may decline during about half of the years you will be retired, unless you take preparatory action now, you may run out of money during your retirement due to bad timing and sequence of returns risk. As you have learned previously, this may deplete your resources quickly even with a positive overall average return on your portfolio. The damage done by sequence of return risk during early down markets in retirement years helps explain why many retirees are unable to live the retirement they had expected and helps explain why many retirees have gone back to work to help pay their bills.

The purchase of fixed index annuities offers one alternate strategy to the potential downside of early losses in retirement (sequence of return risk). Fixed index annuities offer you a steady, guaranteed retirement income no matter what the stock market does or when it does it during your retirement.

In Retirement Risk #7 (Sequence of Returns) you saw what could happen to a retired individual who had an average return of over 6% while taking 5% withdrawals from their retirement account each year to maintain their lifestyle. You saw that due to the effects of early down markets in retirement this retiree ran out of money 17 years into retirement (2018). Imagine being that far into retirement and having to worry about living solely off Social Security. Would you go back to work? Sell your home? Lower your quality of lifestyle?

Now, let's compare that to the retirement they could have enjoyed if they had instead decided to purchase a Hybrid fixed index annuity carefully selected for suitability to their situation. Refer back to the case study of Adam Smith. Adam Smith retired with $400,000 in his retirement savings. Immediately upon buying his $400,000 fixed index annuity, the insurance company placed a $20,000 bonus value in his annuity, bringing its total value to $420,000. As you saw in the example, he immediately began to withdraw the first of his MANY guaranteed income payments for life. Now, Adam Smith and his wife don't have to worry about their retirement income. Even if the stock market never has an up year again, they will receive their $18,862 every year from their Hybrid Annuity; and if the annuity goes to zero, the income still is in place! This is the peace of mind that retirees have by utilizing a fixed index annuity with guarantees provided with the use of an income rider. (Please note: Bonus annuities may carry higher fees and charges than annuities without the bonus feature and may not pay the bonus in case of early withdrawal.)



Hypothetical example using an 8% rate for the rollup. The rollup is not available as a lump sum, it is used to determine the income value. Guarantees are backed solely by the claims-paying ability and financial strengths of the issuing insurer. Riders are available at an additional cost, and are subject to terms, restrictions, and limitations.

This positive experience of the Smiths during a difficult period of stock market history was made possible due to the power of the fixed index annuity to help protect from the downturns the stock market took. A fixed index annuity with riders can help protect a retiree from early stock market losses, help ensure that withdrawals remain steady, and eliminates sequence of returns risks from retirees experiences.

In a declining stock market, a mutual fund account may expose assets of the retired person to all the potential negative results. Over the time period discussed earlier, the stock market investor would have lost a significant percentage of their retirement savings. The annuity owner would have actually seen their account value grow!

LONG-TERM ADVANTAGES OF UTILIZING NEXTGEN™ ANNUITY STRATEGIES RATHER THAN THE STOCK MARKET

As we all know, the stock market can rise over long periods of time. Historically, the stock market has increased in value over time. We hope that it continues to do so. However, we seem to be living in a world of continuous stock market volatility and uncertainty. Fixed Index annuities are one of the few choices that can help offer certainty in uncertain times.

With a stock market or mutual fund investment, your retirement income is not guaranteed. Furthermore, it will never be guaranteed to increase every year. With a suitable fixed index annuity and the most appropriate income rider to meet your needs, your retirement income can not only be guaranteed, it can actually be guaranteed to INCREASE every year—regardless of what the stock market does.

Understanding this is the key to understanding how owning a fixed index annuity can potentially help you increase your personal wealth in almost any economic environment. It is NOT necessary for the stock market to rise for the fixed index annuity owner to benefit. This is one of the key advantages a suitably structured fixed index annuity with riders has over an unprotected stock account.

As explained earlier in this book, depending on which riders you purchase for your fixed index annuity, your guaranteed income payments for life may actually INCREASE whether the stock market rises, stays flat, or even if it falls in value. While millions of retirees continue to be concerned about a stock market crash or stock market correction, the owner of an appropriate fixed index annuity has no such concerns. He or she is free to sleep late, ignore the opening bell on Wall Street, ignore the daily changes of the market and even ignore the weekly and monthly changes in stock prices. His or her retirement income is secure and protected—no matter what the stock market does. Let's take a look at the long-term benefits of owning a fixed index annuity as compared to owning stocks, mutual funds and/or exchange-traded funds.

As we saw earlier, the person who retired with over a 6% average return from 2000-2020, but did so with early retirement years having negative returns, lost over 50% of the value of their retirement account over the next three years and their retirement was ruined in 18 years!

Adam Smith, the fixed index annuity owner, had started his retirement with $400,000, yet in his fourth year of retirement, he enjoyed an income of $21,260—and his income was guaranteed to increase EVERY year after that due to the income rider he had purchased! If Adam lives 41 years in retirement, his guaranteed 41-year income stream will total $1,886,722! He is guaranteed to receive ever-increasing annual income payments regardless of what the stock market does. To put this into perspective, remember again that he started his retirement with only $400,000.

For a retiree, this is perhaps the greatest advantage a fixed index annuity has over a stock market or mutual fund investment: With a carefully selected annuity and the right combinations of riders, you can be guaranteed to enjoy an ever-increasing retirement income for as long as you live—regardless of what the stock market does.

It is impossible for the stock market retiree who began retirement with down years to ever catch up to the income annuity at the age of 78. The stock market investor had no money left, and they still needed income to pay their bills. Adam Smith had $408,663 left in his retirement account but—even more importantly—he had a guaranteed income stream of more than $1.8 MILLION dollars coming to him if he lived another 38 years.

It is our belief and value that you should make sure you allocate enough of your savings to guaranteed choices that will provide you with all the income you need to meet your lifestyle expenses and to pay your bills for as long as you live. That is exactly what fixed index annuities may be able to do for you. As you've learned throughout this book, they can do far more. Not only can fixed index annuities guarantee an income stream you can never outlive but certain annuity riders can also guarantee an ever-increasing income for each year of your retirement. They can also protect you from inflation and provide extra money to meet qualifying health expenses in your later years, should that ever be necessary. We've also revealed how fixed index annuities can potentially increase your personal net worth to help you live more of the retirement of your dreams.

NEXTGEN™ ANNUITY STRATEGY #7 – USE A HYBRID ANNUITY AND REMAIN IN CONTROL OF YOUR FUNDS

Retirees used to be wary about the loss of control that came with the purchase of the older styles of annuities. Specifically, they were concerned about: the inability to withdraw money without paying penalties, the inability to change the income stream, and about the possibility that when they died, the insurance company might keep the remaining value of their annuities, depending on how the annuity contracts were written.

The subsequent development of fixed index annuities with a new generation of riders addresses all of these concerns.

- First of all, if you are over the age of 59½, you can take out up to 10% of the annuity's value each year in addition to the structured payout stream with no penalty. (Please note, withdrawals can impact the payout stream.)
- Secondly, as shown earlier, with some of these annuities, you can change the income stream whenever you desire (subject to certain limitations that you will be informed of before you buy the annuity). Insurance companies have different limitations but they are always disclosed before you make any purchase.
- What do we mean by "change the income stream"? If you find that one year you do not need the extra income from your annuity, you can tell the insurance company not to send it to you. You will avoid paying income taxes on annuity gains that year, and when you do decide to turn the income back on, you may qualify for an even higher income for all future years.
- Third, as we have shown earlier, a fixed index annuity that has a death benefit rider guarantees that your heirs or favorite charity will receive the full remaining value of the annuity when you pass away. This could range from zero to millions of dollars, depending on the premium you initially paid for your annuity, how much the annuity's value increased over the years, and how much income and withdrawals you took out over the years.

There are other death benefit riders that guarantee a return of all the premium you originally paid for your annuity. There are certain limitations on this (depending on the insurance company that issues the annuity), but all of the details are disclosed before you make a purchase decision.

If maintaining control over your money—and your income—are important to you and your spouse, you owe it to yourself to investigate modern fixed index annuities with the latest generation of riders. If you have not looked at annuities for several years, you might be amazed at the benefits some of them now offer.

TAKING STEPS TOWARD LIVING THE RETIREMENT OF YOUR DREAMS

In this book, we have reviewed important, objective research on annuities. If you notice, virtually every study that has been conducted confirms that many Americans are not saving enough for retirement. However, the people who have saved enough money for retirement may still be exposing themselves to risk by leaving a large percentage of their retirement funds in volatile stock and bond funds. As you have read in this book, many of the old-fashioned strategies don't seem to be working well in today's economic environment. In the past, millions of retirees embraced the old "buy and hold" approach to the stock market. Yet for many lengthy periods of time, the stock market actually had negative returns.

Some people were fortunate enough not to have experienced a negative return in the stock market over the past decade. However, since interest rates are so low and people are living longer, a fixed index annuity may provide higher returns (than bonds), lifetime income, and no investment risk as explained in the study by Roger Ibbotson of Yale.

Research conducted by Rydex and others has shown that bear markets can persist for many years. As you have read, the stock market has endured 15 year periods with no gains or a net loss—and this is before factoring in inflation. Retirees and those about to retire are facing challenges in building retirement income strategies that will enable them to pay all of their bills and help them continue to enjoy the lifestyle they desire. While annuities have been popular for many years, a number of retirees have avoided them or minimized their use of annuities due to a lack of knowledge, false information on the internet, and concerns about fees, expenses, and liquidity.

Dr. Babbel's research showed that annuities offer one of the lowest cost vehicles for providing guaranteed retirement income—and his research accounted for all fees and expenses. This knowledge takes care of two concerns. We later addressed the liquidity issue in depth in the section on how annuities can now give you the control you want over your money. This information should have addressed any concerns you may have had about liquidity. If you still have concerns or questions, we understand. Feel free to call us and we will be happy to answer your questions and provide you with any additional information or details you may desire.

In this book, we have shared with you research that shows that fixed index annuities actually offer a combination of benefits, income and guarantees that cannot be matched at the same price by stocks, bonds or mutual funds. You have seen how annuities, unlike the stock market, help protect your life savings for as long as you live. In addition, annuities, unlike the stock market, can offer guaranteed income for life. Even more exciting, some riders purchased with fixed index annuities offer guaranteed, ever-increasing income for life.

We have provided case studies that illustrate how fixed index annuities, in combination with select riders, can offer protection against inflation; an ever-increasing amount of additional money for your heirs, loved ones or favorite charity; the ability to turn your income on or off as desired; the ability to withdraw a certain amount of additional money from your annuity each and every year without penalty; the benefit of having your annual income increase by 100% for skilled nursing care; and the ability to continue to receive your guaranteed retirement income, even if your premium account balance drops to zero! Moreover, you can enjoy all of these benefits even if the stock market goes absolutely nowhere, or even if the stock market index produces a negative return.

The title of this section is "Taking Steps Toward Living the Retirement of Your Dreams." Reviewing the combination of benefits presented earlier, do you think that a carefully selected, suitable fixed index annuity with riders might be able to help you and your spouse live the retirement of your dreams? You can enjoy ALL of these benefits by purchasing a fixed index annuity with a single premium. Can you think of any other choice that offers this combination of benefits with absolutely no stock market risk? Dr. Roger Ibbotson documented in his study how adding a fixed index annuity to your retirement portfolio rather than using bonds will increase return and lower your risk. According to Dr. Babbel, a modern annuity is the lowest cost source of this unique combination of benefits.

Is an annuity right for you? Only you and your spouse can answer this question. At least now you have additional knowledge upon which you can begin to make your decision.

SERVICES OFFERED BY J.D. MELLBERG FINANCIAL

In this book, we have said very little about J.D. Mellberg Financial and the services we offer. We are providing this final section to those who may be interested in learning a little more about our services and why we have become one of the most successful independent financial firms in the U.S. specializing in retirement income planning.

There are some serious questions you need to ask yourself to decide if an annuity is right for you, and we can help you answer them. These questions include but are not limited to:

1. Am I retired or planning to retire within ten years?
2. Do my spouse and I have a retirement income strategy that will guarantee us all the money we need to pay our living expenses and help us live the lifestyle we desire?
3. Is my retirement income protected against stock market volatility?
4. Do I have a way of keeping up with inflation?
5. Do I have a way of paying for my medical expenses and skilled nursing care, should I need it?
6. Do I have a way of guaranteeing that my heirs, loved ones and/or favorite charity will receive the most possible share of my assets when I pass away?
7. Do I have a way of guaranteeing that my retirement income will continue as long as my spouse and I live? (Remember that an ever-increasing number of people are living into their eighties and nineties.)

Most retirees want to avoid running out of invested money in retirement. Suitable fixed index annuities with carefully selected riders (hybrid annuities) can help ensure that you will have the money you need to help you truly enjoy your retirement. Here at J.D. Mellberg Financial, we have analyzed annuities that we believe can help our clients across the nation meet their individual needs and goals.

You've worked hard all your life. Why not spend your retirement years doing what you most enjoy doing instead of wondering when the next stock market downturn will come?

You may already have an annuity and may be familiar with the benefits provided by annuities—and that's fine. An increasing number of Americans are now buying several annuities to have more confidence that they will be able to live the retirement of their dreams. With fixed index annuities enhanced by purchasing certain riders, you have the ability to turn your income stream on or off when desired, to hedge against inflation and even in increase your monthly income during retirement.

Another one of our goals is to ensure our clients will have control of their money, especially when they need it the most. A majority of the fixed index annuities we offer gives our clients the ability to turn on income from their annuities as they need it or whenever they choose to spend it. These annuities can help provide our clients and their families with the confidence of knowing that their money will be there when they need it.

If an emergency were to occur, we recommend you turn on income from one or more of your annuities which will provide you with the money you'll need to take care of that situation. That's just one scenario, you can also turn on the income stream from one or more of your annuities to buy a new car, to fix up your house, buy a vacation home, take a trip around the world or your favorite destination, or to send a child or grandchild to their preferred college or university. Life is full of twists and turns. We want to make sure that our clients are prepared for any challenge that life may present. Having one or more fixed index annuities can help you meet those challenges with greater confidence.

If you wish to enjoy these powerful benefits, you can now join a group of retirees who, thanks to the enhanced annuities they own, are living the retirement of their dreams.

J.D. Mellberg Financial has a network of highly-trained, licensed insurance agents in cities across America. Our financial professionals are fiduciary-minded and have spent years studying and helping our clients find the best ways to help control their money and income during retirement, help protect them against inflation, and potentially increase their monthly income.

We have become one of the largest and most successful independent financial firms in the U.S. specializing in retirement planning. When we say "independent" what we mean is that we do not work with just one insurance company. We strive to be objective and unbiased and we search among the offerings of a wide variety of companies to try to provide the best income strategies for our retiree and pre-retiree clients.

We believe that one the main reasons we've become so successful over the years is our commitment to deliver not just "guaranteed income for life" but "ever-increasing guaranteed income for life" for our clients. One of our core values is to provide exceptional service to our clients, and we do so through continuous research and training. In fact, our financial professionals complete over 100 hours of training annually to ensure they are experts in the strategies we use to help our clients across the nation.

If you want to learn more about how to get guaranteed, ever-increasing income in retirement, we recommend you schedule a free, no-obligation meeting with one of our skilled financial professionals that specializes in retirement income planning. Your meeting can take place at home and in person, office, over the phone, or done virtually. And of course, you are welcome to visit us in person at our headquarters in Tucson, Arizona. We have had many clients travel to Tucson to work with us in person on developing a sound, comprehensive retirement income strategy for them.

Here at J.D. Mellberg Financial, we strongly believe in having an optimistic outlook. While we have had to cover some negative periods of stock market history in this book, we certainly hope the market goes up. While we have financial strategies in place that allow our clients a probability for growth if the stock market does rise over the next few years, we also provide retirement income strategies that allows our clients to have greater financial peace of mind if the stock market goes down.

Unlike traditional financial planning services, we do not focus on accumulation. Instead, we focus on helping our clients preserve their life savings through the use of fixed index annuities with the latest benefits and enhancements. Most importantly, we focus on helping our clients achieve the possibility of growth to their money and income streams whether the stock market goes up, goes down or stays flat.

It is our belief that in retirement, you must first spotlight preserving your wealth before you focus on growing it. After all, if you take a big loss when the stock market drops, how much wealth will you have left to preserve or grow? We do everything we can to help our clients design retirement income strategies that will either not incur losses or that will incur only minor losses from which it is relatively easy to recover.

We'd like to share with you a few thoughts about the selection of insurance companies and the selection of annuities. We do extensive research on insurance companies throughout the year. In addition to industry ratings of insurance companies, we regularly monitor their asset-to-liability ratios, their debt, the assets they invest in and hold, their financial strength and many other factors.

We only work with what we believe to be the most financially sound insurance companies. Even with those companies, we are very selective in the annuities we offer to our clients. Our team spends several thousand hours each year studying and evaluating different annuities to find the best annuity or annuities to help each individual client reach his or her goals. Every annuity we recommend has protection from a downward move in the stock market. We also offer fixed index annuities that provide good upside potential for our clients.

There is no such thing as the "perfect annuity." One size does not fit all. Different annuities can help different clients reach their own individual goals. That is why we devote so much time and energy to helping clients find exactly the right annuities to help them reach their individual goals.

Our process is very simple. During your personal meeting, we'll get clear and focused on the goals you want to achieve during retirement and the income that is needed to accomplish those goals. We'll ask you a few simple questions and get started with our research. We'll devise a custom-tailored plan that is focused on helping you take the steps needed to achieve your goals in retirement. Our team is always happy to answer any questions you may have along the way.

When you work with one of our financial professionals, you can be sure there is no cost for the meetings and there is, of course, no obligation to buy anything. What makes our team so unique is the ability to prioritize you and your unique goals.

- If you're looking for protection for you and your spouse from stock market risk, sequence of returns risk, longevity risk, and inflation risk, we can achieve that.
- If you want to have ever-increasing guaranteed income for as long as you live, we can help you receive that ever-increasing income.
- If one of your goals is to own a suitable annuity with riders that may help you pay the costs of long-term healthcare, we can find several top selections to help you meet this need.
- If you want to enjoy protection from inflation, we can help make that a reality for you and your spouse.
- If you want to be able to make sure that your spouse, children, heirs or a favorite charity receive guaranteed money when you pass away, we can help make that happen.
- If you want a retirement income strategy that offers several of these benefits or even all of these benefits, we can design that roadmap for you and help you make it a reality.

As of the writing of this book, we have access to annuities that can offer an 8% up-front bonus on your premium deposit. As a matter of fact, in some cases we've been able to obtain bonuses of up to 10% and sometimes a little more depending on the annuity. Please note that bonus annuities may have higher expenses than some other annuities. However, all expenses are fully disclosed before you make a purchase decision.

You should also note that bonuses can change frequently and, often times, are only offered for a limited time. If you are interested in learning about bonus annuities that are available at this time, call our office for details.

Before we finish, we want you to know that we do not recommend placing all your retirement funds into annuities. Once you have a roadmap that provides guaranteed income for you and your spouse to cover your bills and lifestyle expenses in retirement, you can invest whatever money is left into the stock market, real estate or other non-guaranteed choices.

You need certainty that you can pay all of your bills and expenses, including mortgage payments, rent, current healthcare expenses, food, gasoline, utilities, clothing, travel, meals and maybe a few well-deserved luxuries. Once all those bills and lifestyle expenses are covered, you can do whatever you want with the retirement savings you have left.

Call us today if you want to protect your retirement nest egg from the volatility of the stock market, protect you and your spouse from running out of money and enjoy the possibility of an ever-increasing income in retirement to fight against inflation.

J.D. Mellberg Financial is here to help you live a more confident retirement with fewer concerns about money. This is exactly what we specialize in. We have helped tens of thousands of other retirees and pre-retirees all over the U.S. achieve their retirement dreams and we can help you too. Give us a call today to set up your strategy session with a licensed financial professional in your area.

