Is An Annuity RIGHT FOR YOU?

In This Report You'll Discover:

- ✓ Extensive Research and a Look at the Benefits of Annuities
- ✓ How Annuities Offer Guaranteed* Income for Life**
- ✓ Guaranteed* Money for Your Heirs and Loved Ones◊
- ✓ Double Income to Pay for Healthcare**
- ✓ Ever-increasing Income**

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J.D. Mellberg FINANCIAL

About the Author

Joshua Mellberg is the CEO and founder of J.D. Mellberg Financial based in Tucson, AZ—an industry-leading financial organization that specializes in helping clients achieve a more financially confident and enjoyable retirement.

Josh has been featured on CNBC, PBS, Yahoo! Finance, and is a weekly contributor to New York Daily News. He has given hundreds of talks on retirement preparation, tax-minimization, and income planning strategies all over the nation. Josh has personally trained hundreds of hand-picked licensed financial agents and advisors to specialize in retirement income strategies and his proprietary methods. Josh also regularly holds national training events for financial professionals within the industry.

Josh learned the value of a dollar the old-fashioned way – through hard work and integrity. By grade school, Josh was running his own businesses including landscaping, maid services and an online company selling items on eBay. College was no different. While earning his Business Management degree in Western Michigan University, Josh ran an online collectibles business and four construction crews building lofts in college dorm rooms.

Josh entered the financial services industry immediately after college working with a trust company and later a captive insurance company. These experiences taught him two valuable lessons. The first was that every client who purchased a trust didn't actually need one. And second was that a successful company needs to find products their clients need, rather than look for clients to sell products to.

This empowered Josh to start J.D. Mellberg Financial where he vowed to always offer clients a wide array of proven retirement products and services to help protect and then help manage their retirement assets to fit their personal situation. Founded in 2005 and fueled by Josh's passion for empowering retirees, J.D. Mellberg Financial has helped thousands of seniors with income strategies designed to meet their needs and goals in retirement.

Today, more than 10 million people all across the United States visit J.D. Mellberg's websites, accessing complimentary resources and exploring retirement income strategies that can be specially designed to help meet their unique needs and goals. Josh's popular financial information videos have been downloaded and viewed more than four million times over the past year, with an average of 350,000 visitors each month.

A third-generation Arizonan, Josh resides in Tucson with his fiancé and their three dogs. When he is not in the office, you'll find him soaking up time with family and friends or traveling around the world.

Please note that the examples herein are not company nor product specific. They are concepts shown to give you general information of the benefits and limitations of the products and strategies and are not designed to be a recommendation to buy any specific financial product or service. Products change and such product concepts may not be suitable for your needs or available in your state.

This report is meant to provide general information on issues that many people consider in making the decision as to whether or not they should purchase a financial vehicle, including insurance products; and if they do decide to buy, which types and benefits will best suit their goals and needs. This information is not designed to be a recommendation to buy any specific financial product or service. This material is not intended to provide, and should not be relied upon for, accounting, legal, tax or investment advice. Please consult with a professional specializing in these areas regarding the applicability of this information to your situation.

*Annuity guarantees rely on the financial strength and claims-paying ability of the issuing insurance company and are not guaranteed by any bank or the FDIC.

#Some annuities may have a lifetime income guarantee as part of the base policy; others may have riders available that provide this benefit. Riders may also be available for benefits like an annual increase to help combat inflation or for as much as doubling your income in case of a qualifying health event. Optional riders may be available with a charge.

◊Many annuities have a death benefit; however, if the annuity-owner has received the full amount of withdrawal value, no death benefit may remain at the annuity-owner's death. Loans and excess withdrawals will reduce the policy value and death benefit. See your annuity contract for terms, exclusions and limitations.

Increased income is possible with NextGen AnnuityTM strategies using individual strategies. This approach will follow a specific strategy suited to your financial goals and may require buying multiple annuities. Results will only be realized by working closely with your agent over an extended period of time to help make sure the strategies are used correctly. You will have to keep the annuity product(s) purchased for the full time period chosen to maximize your results, and your results could vary. These results may not be possible in case of excess withdrawals or complete surrender, and you may incur penalties. Not appropriate for all retirees. Not available in all states. All withdrawals are subject to income taxes, and if taken prior to age 59-1/2, may incur an additional 10% federal penalty. If you have questions about your NextGen Annuity™ strategies, please contact your agent.

By responding to this offer you may be contacted by a licensed insurance agent regarding retirement income planning using fixed insurance products. Josh Mellberg is insurance licensed in all 50 states (AR364647/CA0G91919/TX1567166) and all employees of J.D. Mellberg Financial have the appropriate licenses for the products they offer.

We have met many financial professionals who are interested in joining our group and, although some will claim to be associated – we choose not to affiliate with everyone who asks. You see, without committing to the specialized training our agents and advisors receive and without earning access to NextGen Annuity™ strategies, other agents are not able to offer the same services we do. So if a financial or insurance professional says that they are affiliated with J.D. Mellberg Financial, simply call our office at **877-801-9854** and we'll include their J.D. Mellberg bio, along with any additional reports you're welcome to request.

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Will You Have the Income You Need in Retirement?

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 the questions, "Will I have the income I need in retirement?" and "How will I get that income?" A number of retirees and pre-retirees arrive at answers to these important questions without understanding all the options they may have. It could be years before those seniors realize they made decisions early on that eroded their finances later in retirement.

Better financial decisions may be made when an individual relies on solid, objective research rather than relying upon their parents' example of retirement and their own emotional biases. We will share with you some research findings as well as our own observations on how you can more effectively produce supplemental retirement income you may need and want.

Most people who have enjoyed the good life during their working years do not want a bare- bones income in retirement that provides only a subsistence life. Instead, they would like to maintain a nicer lifestyle, truly enjoy their hard-earned retirement, and have money needed to pay for expenses which may be increasing during retirement, such as the cost of health care, as well as money to travel or to indulge more in their hobbies.

A study by the Employee Benefit Research Institute[1] projects that as many as 42-45% of Baby Boomers could run short of money in retirement. (For methodologies and baseline assumptions, see the report at http://www.ebri.org/publications/ib/index.cfm?fa=ibDisp&content_id=5487.)

By "running short of money" what the study is referring to is the large percentage of retirees who will not always have the money to pay basic living expenses and uninsured medical costs. This may not be a temporary problem for these retirees. *It can be a problem for the rest of their lives.* In this article, you will read about some strategies to address this challenge—a challenge that many U.S. retirees could face in retirement.

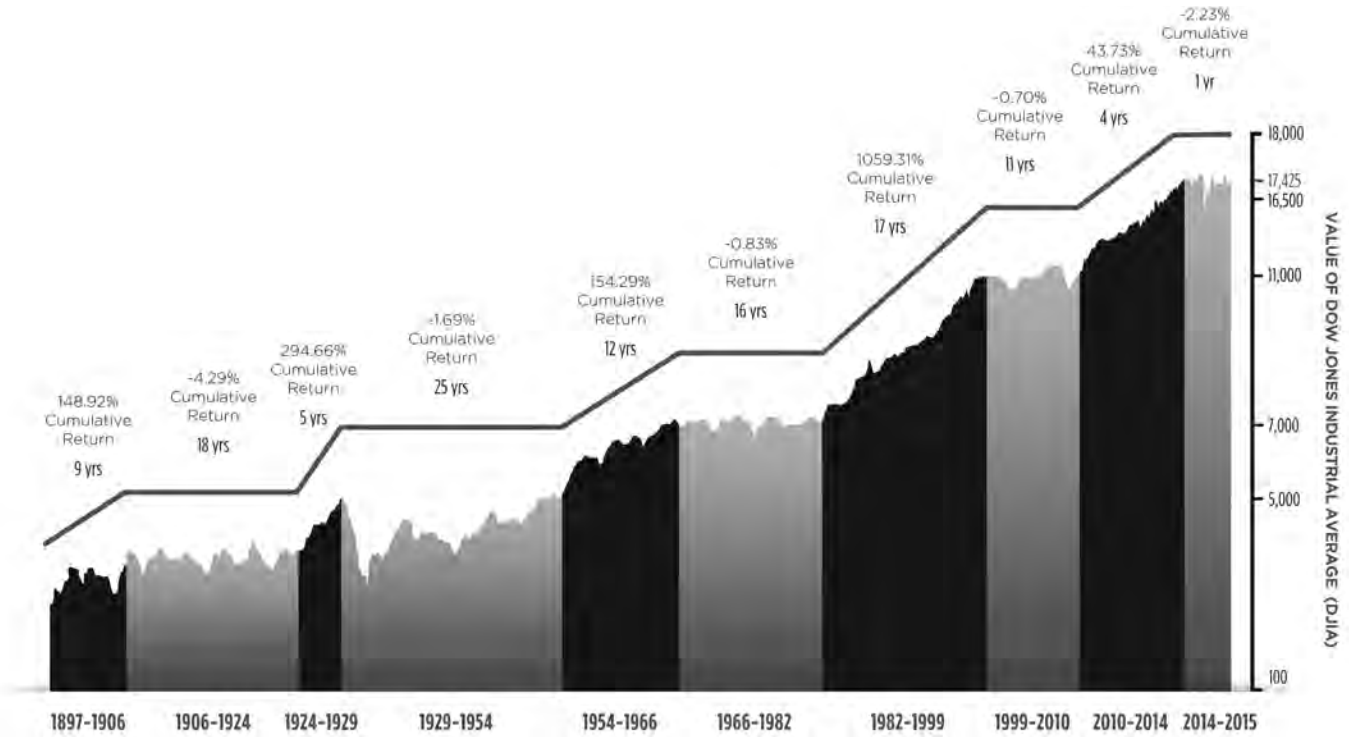
With the United States showing the largest budget deficits ever, many U.S. workers of all ages fear that the Social Security program won't be there when it's their turn to retire. Seniors and retirees who wish to maintain their standard of living will have to rely more upon themselves and cannot realistically expect guaranteed government help. So their choices seem to be to cut back on spending, save more, work longer, or a combination of all those options.

We believe that many Americans can avoid this situation if they take appropriate steps in preparing for retirement and are prudent in selecting conservative, low-risk opportunities for supplementary income during retirement.

As you will learn later in this report, there are more **choices than ever** of potentially income-generating financial products that may offer a number of retirees the income they need in retirement.

Why Previous Strategies May Not Work in Today's Economy

Those of retirement age are quite aware of the extraordinary stock market growth in the late 1980s and 1990s – till two large market corrections in 2002 and 2008. Due to this twenty year rise in values, many of today's retirees and pre-retirees came to see a rising stock market as "normal." However, as you can see by the following chart, the stock market does not continue to rise without "bubbles" bursting. Even though some of us lost 40% or more of our investments in the 2008 market correction, in the history shown on this chart – that was merely a blip.



This chart was created by associates at J.D. Mellberg Financial using information from Rydex/SGI

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 above 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%. 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**, this chart shows you would have earned .05% per year by leaving your money in the stock market. And if you held stocks from **February, 2000** to **December, 2009** a ten-year period, you would have lost 4.68% on your money.

Let's look at recent history: Inflation has ranged from 1.5% to 3.4% in the past 15 years.[2] (http://www.usinflationcalculator.com/inflation/current-inflation-rates/) Money left in the stock market **lost more than 30% of its buying power** over the last 10 years. When you add in mutual fund fees of **1% per year** and financial advisor fees of **1% per year**, you would have lost about 5% of the spending power of your money each year over the past decade. In summary, on the money you had in the stock market over the past 10 years, you might have lost as much as **50%** of the spending 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 his or her money in the stock market, that person's living expenses and lifestyle expenses would have to be reduced by about 50% over a 10-year span due to the losses incurred from the stock market and from the eroding effects of inflation. This is one of the reasons that you now see some 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 above cover the period of 1906 to 2014, a **108-year period**.

During a majority of that time over the past century, **67% of the time**, the stock market either did not rise or just stood even. 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 chart above, the stock market can sometimes fall for over a decade at a time.

Are you prepared to "wait out" another possible bear market in stocks? Do you have the patience to wait out a period of losses or no gains for 15 or 20 years? Do you have the financial resources to do so?

The New Normal

As the above historical files reveal, it is not necessarily normal for the stock market to rise during any given period of time. Retirees, pre-retirees, and investors need to be aware of a "**new normal**."

The phrase "new normal" was coined by Bill Gross and Mohamed El-Erian of Pimco,[3] a firm that managed approximately $1 trillion dollars' worth of investors' assets. Bill Gross is considered by many of us in the industry to be one of the most skilled investment managers of our time. While millions of investors are hoping that the stock market will return to the "good old days" and "act normal," Bill Gross said that investors need to wake up to the fact that we are in a "new normal," (http://www.forbes.com/2010/06/30/bill-gross-new-normal-markets-bonds-equities.html) and predicted that since Americans lost more than $15 trillion of their wealth in the real estate and stock market crashes, they will save more and they will spend less. The reduced level of spending will slow down the U.S. economy and will slow business growth for years to come.

A word about our sources and citations: when we state factual information, we will provide citations in case you wish to look up the original article or in case you want to review the statistics. We will present a full citation at the end of this book. We also inlcude a link to the referenced article as we discuss the facts so that you can easily look them up at that time if you are interested.

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However, if you have trouble accessing any report or resource we have given you, call 877-801- 9854 to request a copy.

We are in a new era of asset management. The old tactics are no longer working. This is one of the factors leading to the unprecedented interest in annuities by retirees and pre-retirees. In fact, according to Metropolitan Life's white paper entitled "...Why Income Should be the Outcome," employee interest in other choices for retirement asset accrual besides the current 401(k) and similar plans continues to increase. The report states that employers would do well to provide a voluntary employee benefit option that would provide income during retirement.[4] We call that a work-place annuity option.

The Need for a Guaranteed* Lifetime Income**

As we all know, people are living longer than ever before. With continuing medical breakthroughs, natural life-spans may be expected to continue to lengthen.

The prudent course of action for most of us is to plan for a long (and hopefully happy!) retirement. If your funds are seriously depleted early in retirement by stock market losses, how will you pay for all the additional years you are likely to live? In our opinion, protection and preservation of your assets is the most important priority in retirement.

Once you know your assets are protected in a financial vehicle such as an annuity, the next task is to make sure you have a guaranteed* income for life.

Returning to our discussion about how annuities can provide a guaranteed* income for life, bear in mind that this is a benefit that a volatile stock market cannot provide. 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 pay no dividends. For these reasons, the stock market typically cannot guarantee you a steady, predictable income for life. Perhaps more than any other financial product, most annuities are specifically designed to offer this benefit.

> Please note that whenever we use the words "**guarantee**" or "**guaranteed**" there will be an asterisk* after the word. The purpose of this asterisk is to call your attention to a disclosure notice that appears at the beginning of this report.
>
> The disclosure notice clearly states that "Annuity guarantees rely on the financial strength and claims-paying ability of the issuing insurer."

If you have guaranteed* supplemental income for life with an annuity that is suitable for your needs, you can allocate remaining principal to investments that may not offer guarantees, but which could offer the potential for a higher return over time if all goes well. Stocks and bonds may play a role in a carefully designed retirement income strategy. However, it is our belief that you should have enough money committed to conservative choices such as annuities, to help ensure you can pay all of your bills and living expenses every month in retirement.

Given that investment returns in the coming decade may be below what we saw in prior decades, retirees are now faced with four choices or combinations of these:

1.) Select a product which can help both help preserve your life savings and provide a guaranteed* income for as long as you shall live, and/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, and/or

3.) You and your spouse keep working as long as possible, and/or

4.) Cut back on your standard of living to help ensure you won't run short of money in your retirement years.

The focus financial advisors is to help you select investments or investment packages that will rise in value. This is a good strategy for the accumulation stage of life (where you are trying to accumulate assets to build a nest egg and you have time to recoup from market losses). However, as a pre-retiree or retiree, you will want to focus on income protection and the distribution of your assets so that you will have the money you need to be more financially confident the rest of your life. A different professional, one who is focused on this phase of your life, may be more suitable for your needs now.

These two specializations in managing assets (accumulation and distribution) are very different. Financial planning and income planning have become quite complex, so that it may be difficult, and perhaps unwise, for a financial professional to focus equally on accumulation and distribution strategies.

Here at J.D. Mellberg Financial, we have chosen to focus on building our expertise in **asset protection**, **income generation** and **asset distribution** by using guaranteed* insurance contracts, laddered and managed through the NextGen Annuity™ strategies for our clients across the United States.

If you are retired or if you plan to retire in the next several years, you need to figure out if your money management strategies are more focused on accumulation or distribution. Up until you retire, a focus on accumulation may be appropriate. 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.

Ways To Allocate Your Life's Assets as You Prepare for Retirement

We all hear news stories about the economy in the U.S., such as Social Security being underfunded, although I believe that at least the Boomer generation may be able to count on its income. Corporate pensions are becoming rare and are often also underfunded. Added to that, we have the expectation of a longer retirement life than our parents had. Together, all of these add up to potentially "underfunded" retirements for many of us. We can't do anything about the economy, but we can take control of our personal finances – working hard to establish a workable retirement income strategy that can protect our assets and help them last as long as we do.

One option to consider is the purchase of a fixed or fixed index annuity -- the only financial vehicle designed to provide a reliable and predictable income stream*for a fixed period of time or your lifetime.**

Annuities are not investments. Investments put the 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 appropriate riders, which are available for an extra fee.

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 some or all of the risk. This is why fixed and fixed index 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 some fees. Annuities also have fees. Retirees and pre-retirees sometimes wonder, "Are the fees of annuities appropriate for the benefits I receive?"

It depends on your goals and financial needs for your retirement years. If you have several million dollars put aside for retirement, you may not need the income an annuity can provide. However, if you more modest sums put by to help get you through retirement, an annuity may be more attractive. By entrusting this portion of your assets to the insurance company, they guarantee* certain results in a certain timeframe, and they are able to put

that amount of money to work to earn interest for their profit, and guarantee* that they will pay you the income you've contracted to receive.

Because the insurance company stands behind their contract, you carry none of the financial risks associated with longevity.

Why Don't More People Annuitize?

Given all of the benefits that annuities, and only annuities, offer in these uncertain times, why don't more people annuitize?

The love affair that the U.S. has with the stock market is just one reason that more retirees don't annuitize. Are you willing to put retirement income at risk in the market, "guessing" that stocks will experience an unusually high rate of return over the years that you will be retired?

Another factor may be the belief that annuities are "too expensive." In fact, fixed and fixed index **annuities generally prove to be fairly low-cost** compared to other choices if you want to generate guaranteed* income in retirement.

What if My Health Costs Increase?

A concern of many retirees is "What if I get sick—how will I pay for healthcare?" Some think that if their money is placed in annuities, they might not be able to access those funds as needed to pay for healthcare expenses. In reality, several options are available to most retirees. Of course, Medicare will cover many routine health costs, and a Medicare Supplement policy can cover such things as prescription drugs. Additionally, you may want to purchase long term care insurance that covers much of the costs for institutional care, should it be needed. Many annuities allow withdrawals of up to 10% of premium each year without a penalty, to help meet larger, unexpected costs. Now, there are even life insurance and annuity policies on the market that have a benefit to increase your monthly income after a qualifying health event occurs and you need skilled nursing or institutional care.

What if You Need Skilled Nursing Care?

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, their 90s, and even to more than 100 years of age. Of course, health tends to decline the older a person gets and thus more and more people move to assisted living facilities or need long-term skilled nursing care, either of which can be costly.

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, and can make sense for many retirees. However, some healthier or wealthier retirees don't want to spend the premiums when they may never need the benefits.

Earlier in this chapter we talked about confinement benefit riders, can help pay for some of qualifying costs for skilled nursing care or medically assisted living. Skilled nursing care may be provided in your own home. With the appropriate rider,** your income approximately **doubles** each year you are confined to a qualified care facility or you meet the confinement requirements. The requirements to trigger this benefit differ according to the individual annuity contract, so this feature is one to review carefully before purchasing an annuity. However, in many cases, the benefit is triggered if you cannot perform two or more activities of daily living, such as bathing, grooming and eating without assistance.

There is, of course, an extra charge for the confinement benefit rider. However, the cost is typically incorporated into the cost of the product. That means there may be lower interest rates, longer or higher surrender charges, or other limitations not found in products without this benefit. Additionally, in return for the accelerated income, the contract may only pay the increased amount for a set number of years.

What if Inflation Increases?

Since they have lived through periods of high inflation, some seniors worry about a return of inflation and the possibility that it might make the income stream from their annuities less valuable. First of all, remember the research and conclusions of Bill Gross, whose former company, Pimco, managed approximately one trillion dollars in assets.

Highly respected money manager Bill Gross believed that, due to the New Normal of fierce international competition that keeps prices for goods down and other factors, inflation is not likely to rise to the levels seen in the past.

Do extra benefits have extra costs? Yes. These extra benefits are usually provided via riders. You are never required to purchase a rider, but some you may want to consider are riders to extend the payout stream for life, if the base contract doesn't offer that option; the riders that will provide increasing income, to help you fight the effects of inflation; or a rider that increases income upon a triggering health event, if the base contract does not offer that benefit. Different riders have different costs, which we inform you of before you make a purchase decision. Contract benefits and riders vary among insurance companies and may not be available in all states.

Most annuities have a penalty (surrender) period for the first five to 15 years of ownership. Excess withdrawals may significantly reduce the guaranteed* withdrawal and death benefit amounts, and any withdrawal prior to age 59½ may be subject to an additional 10% federal income tax penalty. See your annuity contract for terms, exclusions and limitations.

Income Allocations among Stocks, Bonds, and Annuities

As previously discussed, millions of seniors are even now invested in the stock market and may be leaving assets at risk should we have another stock market correction. Bond yields are low and are likely to remain low for the foreseeable future. Yet, many seniors continue to invest in low-yield bonds because they are perceived to be less risky than the stock market. Lower risk is a fine attribute in a retirement investment.

However, when that investment does not produce the income you need to pay your expenses and maintain your lifestyle in retirement, that investment carries another kind of risk. This is the risk that you will be unable to meet your living costs at a time when you cannot return to work.

Retirement assets may be able to benefit from using all three types of vehicles: riskier securities for growth with your "play" money, more conservative bonds for a guaranteed payoff when mature, and fixed annuities to provide a supplementary stream of income. Increasingly, we find that annuities are becoming the favored choice for many seniors and retirees for the fixed income portion of their retirement.

We have found that certain techniques involving the purchase of several annuities over time, with varying maturity dates and penalty periods, may be helpful to retirees in a process called "laddering." Why engage in annuity laddering? You may have greater financial flexibility by making additional purchases of annuities over time, delaying the start of annuitization on some so they can build value and offer more income at a later time. This process may also help to reduce purchase rate risk of placing a large sum of money into one annuity at one time.

For instance, if you purchased an annuity in the past, whether you are still in the penalty period or have even started the income stream, you may wish to consider purchasing another annuity now to obtain new or additional annuity benefits that may not have been available with your first annuity.

Other management techniques are available in some retirement income strategies that can, combined with laddering techniques, offer a boost to income at a later stage in life when your health care costs are rising.

You may even want to consider the new blended or enhanced annuities. When we refer to "enhanced" annuities, we are referring to annuities that may be enhanced with attractive benefits (such as ever- increasing income for life, inflation protection, etc.), when they are purchased via riders. Another "enhanced" annuity is called a fixed index annuity. These have a low, fixed rate of interest plus the potential to earn more interest by being linked to the growth of a select stock market index, without any downside of the volatile market. These annuities also provide regular, guaranteed* income.

To explore if annuities might be a good fit for your needs and goals in retirement, call our office at:

877-801-9854

How Do Fixed Index Annuities Work?

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. Many retirees have wondered how an annuity might stack up against the S&P 500. This might be an interesting comparison, and we know that an annuity may not rise in value like your investments would have in a particular year or even several years; however, annuities have advantages unavailable in investment vehicles.

1. Guaranteed* protection of your principal
2. A guaranteed,* reliable supplementary income stream for your retirement years
3. No exposure to stock market losses, even in index annuities
4. Death benefit for your heirs (terms and limitations apply)◊

In serving our clients across the United States, we frequently use fixed index annuities with crediting methods based on the S&P 500 to allow them the guarantees* and benefits listed above and to create a potential for greater growth.

Crediting Methods

We believe it is important to choose an annuity that locks in increases in value as often as possible. In annuity parlance, this is called "**ratcheting**" or "**ratcheting up**."

Think of two different annuities where one ratchets every year and the other ratchets every two years. The longer it takes to lock in increases, the higher the probability of losing any increases due to market volatility. If your annuity ratchets every year, you will be able to lock in increases **every** year in which the stock market goes up. In a down year, your interest reverts to the low, guaranteed* amount, and you will not lose money due to stock market losses. Thus, over each and every year, your annuity can only move in one direction, up. Or at worst, remain flat. If the linked index does not go up in value, your annuity will **maintain** its current level. No matter what the stock market does, your annuity will not decline in value during any year if you have an annual lock-in of any increased value.

Compare this to an annuity that ratchets every two years. Let's say that in the first year the stock market goes up 15%. In the second year, the stock market declines by 16%. If

your annuity only ratchets every two years, you would show no increase for this two-year period. However, with a **one-year ratchet**, you would have locked in increases for the first year and you would not have lost a penny of your annuity's value to stock market volatility during the second year.

The potential for increase to your annuity income benefit base will be determined by some of the growth in the index to which it is tied. Some popular indices are the S&P 500, the Dow Jones Industrial Average, and the NASDAQ 100, although some index annuities are tied to more "exotic" indices. Once you find a product linked with an index you want, you may also have options for the crediting strategy used by the insurer. From our research, we have concluded that there are two crediting methods that are the most successful. However, not all crediting methods produce the highest interest in all circumstances.

- **Annual point-to-point**: This crediting strategy **resets annually** and compounds, but will not outperform the index in a big "up" year because of "rate caps." Just as its name implies, a **rate cap** places an upper limit on just how high a percentage the annuity's index crediting can go in a given year. This is a trade-off for non-exposure to the stock market—receiving the benefit of the annuity never losing money, no matter how much the stock market might decline. In figure 1, the annual point-to-point rate cap is **6%**, which means that 6% is the highest interest rate the annuity will pay during a given year, regardless of how high the stock market might rise.

  Some retirees wonder, "**How will I feel if the stock market has a spectacular year** and I only make 6%?" Obviously, if the stock market rises by 8% and you receive 6% crediting in your annuity, you probably won't be too concerned. After all, you would have only missed 2% and you didn't have to deal with all the volatility of the stock market over the course of a year. But as you know, the stock market does have some strong positive years during almost every decade.

  For example, in 2003, the S&P rose 28.69% and in 2009, it rose 26.46%.[5] The 1990s had several years with even stronger gains. Retirees may be concerned about the stock market having a very strong year and missing a bigger portion of those gains.

  It's important to remember, however, that fixed index annuities are not designed to compete with the stock market. Fixed index annuities provide the potential for higher interest crediting than traditional fixed annuities. The indexing feature only plays a part in determining the overall interest.

Based on stock market history, this is the kind of return you might realistically expect to occur at least once every decade. For example, just before the Great Depression, from 1921-1929 the S&P gained 385.27%; it gained **137.32%** between 1932-1934, and so on.[5] (http://greenbackd.com/2013/04/17/bull-markets-since-1871-duration-and-magnitude/)

The good news is that with a fixed index annuity, you do not need to have the stock market rise anywhere near this much to benefit. In fact, during almost any year in which the overall stock market rises, the index your annuity is tied to should rise, too.

However, depending on how long you wait before turning your stream of income on, your Income Benefit Base can continue to grow for income purposes. In years during which the stock market has returns that are near its average return, the annual point-to-point crediting method could match or outperform the monthly point-to-point crediting method. Please note: sometimes to get a higher participation rate, an annuity will lock in less frequently (every 2 years or 4 years for example)

For the protection of your principal, index annuities do not directly participate in individual stocks or the stock market. Rather, your annuity is credited with an interest rate based on the percentage gain in a stock market index or bond index. Index annuities are not insured by the FDIC, but do have other protections, which we will discuss later in this report.

- **Monthly point-to-point**: The risk with the monthly point-to-point crediting method is that several months of bad performance can wipe out many months of gains. The cap or limit on gains is a monthly cap, but your interest is usually not locked in until the end of the year.

  The sum of the gains and losses determine the percent credited to the annuity.

  But how great is it to get a positive crediting rate that is locked in, and no loss of principal because of stock market volatility even if the market goes down?

  There are a number of other crediting methods which we would be happy to explain to you. Before you select an annuity, we will provide information to help you determine what your best options might be at that time.

Remember that no one can predict what the stock market will do tomorrow, next month, or next year. For this reason, you may wish to work with two crediting methods and purchase two annuities—one with the annual point-to-point crediting method, and one with the monthly point-to-point crediting method. Then, if the stock market experienced one of those rare, very high return years, the monthly crediting annuity could do well. However, if the stock market had more of an average year with steady (but relatively low) monthly gains, the annual crediting annuity could give you a higher crediting rate.

By diversifying between two crediting methods, you may avoid the challenge of trying to guess how the stock market will behave over the next year. If the stock market rises, you will gain. And, if it falls, you will not lose any money because of it—all of your principal and gains from prior years will be protected!

It is possible to have it all:

Regular, reliable income for life that not only protects your nest egg, but could actually grow it. So If you want the retirement you've always dreamed of,

call J.D. Mellberg Financial now at:

877-801-9854

Are Annuities Suitable for All Retirees?

No. There is no one annuity or certain riders that are always the right choice for all retirees. 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.

Likewise, some retirees have not put aside the amount of assets needed to make an annuity purchase that will provide the income they want in retirement. However, if you have a reasonable asset base to work with, and you are a retiree who dislikes risk yet you still want to enjoy some of the gains that the stock market can potentially provide, fixed index annuities may be a product well-suited for you.

Earlier we covered what fixed index annuities are, how they are designed to help address retirement income needs, and how they may be an effective part of a retiree's overall retirement income plan. We've also covered some of the factors that have contributed to the growth and popularity of annuities. For example, people today carry more responsibility for ensuring their income over the course of their retirement. One of the biggest benefits that annuities offer, through the base contract or a purchased rider, is to provide an income that cannot be outlived. It is guaranteed* to continue for life.**

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

Annuitization

Many people choose not to annuitize their contract because they will lose access to their contract value (unless a percentage can be withdrawn annually in addition to the income stream). Income riders can provide guaranteed* income for life,** but they also allow you to have access to your contract value. It's important to understand that there is typically a fee for this benefit that is deducted from your contract value annually. We can help you determine if an income rider is appropriate for your needs and goals.

With an income rider, there is a separate value that is used to determine your lifetime income payments. This is commonly referred to as the "income benefit base." This value is solely for income purposes and separate from your contract value. The income benefit base is never available as a lump sum or as a cash surrender value. If you decide to surrender your contract, you will not receive the income benefit base. This is why it is so important to work with a qualified insurance professional to ensure the product fits your needs and that it is purchased with money you will not "need back" in the short term.

Often there is an interest rate that is applied specifically to the income benefit base. Sometimes this rate is guaranteed* for the life of the contract; other times it can be guaranteed* for a certain time period, for example one year, and then updated annually. Reviewing the terms and conditions of any contract and riders you are considering is important so that you fully understand how a specific annuity contract might work for you.

We will include some examples that show some common rider designs and how they work conceptually. Please note that we not showing any specific products or outcomes. We want to show how different income riders can work and different factors to look at when you are considering adding one to an annuity.

When you purchase an annuity can impact the timing and how many benefits you can receive. We would be happy to provide you customized illustrations for products you are considering purchasing through us.

If you would like a customized quote for benefits available, working with your age and dollar amount, please call or email our office and we will set up a time to review your situation and potentially offer some annuity strategies for your consideration.

For our first example, the client, whom we will call Adam Smith, wishes to purchase an index annuity with an income rider with $400,000.

In our example, we will show how an income rider works, so we will not be discussing the contract value or the interest crediting to the base contract. We will assume that income increases by 4% annually because of the rider. Not all contracts will offer this type of benefit. Contracts that do allow for increases in income may be set at different rate increases, so you must always review the terms of any contracts and riders you consider.

We wanted to show this type of income rider so that you can see how an income that increases annually is designed to address inflation concerns.**

Thus, if the stock market loses value in any year, you will never lose the credited gains with a fixed index annuity (this is true even if you do NOT purchase any riders). However, if you do select a fixed index annuity with an inflation rider, you could enjoy an increase in income in years in which the stock market is down, but inflation is present.

Please note that inflation does not have to rise for you to enjoy this increase in income or crediting. And in years where inflation is present, you could enjoy this increase based on the crediting formula the insurance company is using.

The time horizon for this annuity is 41 years. Adam Smith, who purchased the annuity, wants and **expects to receive payout for the next 41 years**. In this hypothetical example, he would receive benefits from this fixed index annuity from the very first year and **every** year after that.

An income benefit base is never available as a lump sum or as a cash surrender value. It is solely used to determine income payments from the rider. Please note that the assumed 4% annual increase in income is hypothetical and not representative of any product. Your annuity and results may vary.

This is only a hypothetical chart produced by J.D. Mellberg Financial for demostration of concepts and does not represent any annuity products. Keep in mind that the income benefit base is only used for the calculation of income and is not calculated for purposes of withdrawals or death benefit. Payout percentages are aged based and may vary by state. Typically the older you are, the higher the withdrawal percentages may be.

Adam and Susan Smith

Year	Income Benefit Base	Guaranteed Income for Life
Issue	$400,000	
1		$20,000
2		$20,800
3		$21,632
4		$22,497
5		$23,397
6		$24,333
7		$25,306
8		$26,319
9		$27,371
10		$28,466
11		$29,605
12		$30,789
13		$32,021
14		$33,301
15		$34,634
16		$36,019
17		$37,460
18		$38,958
19		$40,516
20		$42,137
21		$43,822
22		$45,575
23		$47,398
24		$49,294
25		$51,266
26		$53,317
27		$55,449
28		$57,667
29		$59,974
30		$62,373
31		$64,868
32		$67,463
33		$70,161
34		$72,968
35		$75,886
36		$78,922
37		$82,079
38		$85,362
39		$88,776
40		$92,327
41		$96,020
Total Lifetime Income $1,996,531		

The guaranteed* income for life payout value is $20,000 per year on this joint-payout annuity contract. What this means is that $20,000 per year is guaranteed* to be paid out to Adam Smith or his wife Susan Smith for the next 41 years. In this scenario, they were able to secure $20,000 income for life, even if the stock market declines. Because they are using an income rider, they also may access their contract value if necessary. Note, however, that there may be penalty if they take a withdrawal over the penalty-free amount in any given year. As previously stated, excess withdrawals can also impact future income stream amounts and any death benefit amount.

Introducing a Fixed Index Annuity with Multiple Enhanced Benefit Riders

Let's look at a second example of rider benefits that may be available on a fixed index annuity. In our next example, we will look at a fixed index annuity which can provide a variety of benefits. For consistency with our first example, we will use the same couple we used in our first example, Adam and Susan Smith, who have **$400,000** available for this purchase.

The **time horizon** in this case is **10 years** rather than the 41 years assumed in the first example. ***Why might someone have a 10-year time horizon rather than a 41-year time horizon?*** There could be several reasons. 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 many 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 concerns. Let's look at how annuities with certain income riders may be able to help them meet or exceed their income needs during retirement.

To help pay for healthcare costs, a retiree with health problems may purchase a fixed index annuity with a **confinement benefit rider.**** With a confinement benefit rider, if the annuity owner needs to spend some time in a skilled nursing facility for a qualifying health condition, **the income he or she receives from the annuity will be boosted to a higher level**.

The enhanced fixed index annuity shown below also has an income benefit rider. In this example, the rider we are using increases income annually, even if the base contract has not earned any interest.

This is not always the case with income riders, which is one reason you and your insurance professional will want to conduct a thorough review of any products features and benefits before you purchase that product.

In the first example, the income increased annually by 4%. In our next hypothetical example, the income will be increased by 7% annually. This guaranteed* rate applies only to the income benefit base and is not applied to the contract's cash value. Remember, the benefit base is never available as a lump sum or a cash surrender value. Therefore, in this scenario,

the income will be increased by 7% annually. Remember that the terms and conditions of each product vary, so this benefit may not be available for all contracts you are considering.

This rising income benefit base can also offer you **protection against inflation**. By purchasing a rider that is designed to provide increases in income, it can help you address concerns about inflation over the course of retirement.

This hypothetical example is also intended to show how income can be increased by the inclusion of a long term care benefit rider. Note that this rider is not long term care insurance and may not be enough to cover all the costs of your care. This rider allows your income to be increased based on qualifying conditions. Your experience will vary.

Adam and Susan Smith

	Income Benefit Base (7%)	Guaranteed* Income for Life**	Long-term Care Benefit
Issue	400,000	$17,280	$17,280
1	400,000	$18,662	$32,000
2	428,000	$20,155	$34,240
3	457,960	$21,768	$36,637
4	490,017	$23,509	$39,201
5	524,318	$25,390	$47,188
6	561,021	$27,421	$50,492
7	600,292	$29,615	$54,026
8	642,313	$31,984	$57,808
9	687,274	$34,543	$61,854
10	735,384	$37,306	$73,538

This hypothetical chart was produced by J.D. Mellberg Financial for demostration of concepts only and does not represent a specific annuity product. Keep in mind that the income benefit base is only used for the calculation of income and is not calculated for purposes of withdrawals or death benefit. Payout percentages are aged based and mayvary by state. Typically the older you are, the higher the withdrawal percentages may be.

The Ability to Turn Your Income On and Off at Will (Limitations Apply)

Let's take a closer look at the chart above. While many annuities offer fixed income payments year after year, some fixed index annuities with income riders offer you the ability to turn your income on or off at will. Of course, there are some restrictions and limitations that apply. The limitations are always discussed with you in advance of any purchasing decision. Let's take a closer look at how being able to turn income on and off can be a beneficial feature. 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. For contracts purchased with non-qualified funds, taxes will only be applicable to interest earned. Contracts funded with qualified (pre-tax) assets will be fully taxable as ordinary income as payments are received. ***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.** Again, be sure to explore the terms and conditions of the contract you are considering, as additional, index-linked crediting may no longer apply once you begin your annuity payments.

In the example above, look at the column that is second from the right-hand side titled "**Guaranteed* Income for Life**." You will notice that if the Smiths begin income in year one, they can receive $17,280.

However, if they don't need the extra income that year and instead turn on their income stream in the row titled **"Year 1,"** their **annual income** will be **$18,662**. If they wait until year 10 to turn on income, it will be **$37,306 per year**. What is important to keep in mind is that there are income riders that can increase income every year in which you delay taking payouts, even if the contract value doesn't earn any interest. In addition, some riders allow you to start and stop income as needed. This can be subject to certain limitations.

Let's say that they started taking income from their annuity in year 5. They would then receive **$25,390** in annual income. However, let's say that in years 6 and 7 they found they did not need the extra income, and so told the insurance company not to pay them during those years. If they turned on the income stream again in year 8, one might think that the income would be **$25,390 per year**. However, since they did not take income in years 6 and 7, <u>they would receive an even higher annual income</u>. This is because the income benefit base has been allowed to defer and continue accumulating interest.

Annuity with a Death Benefit Rider

Another benefit which may be available to purchase is the **death benefit rider.**◊ This benefit guarantees* that if the annuity holder dies before a certain age (for example, 75 or 80 or another age that is selected), the beneficiary will be paid the full current value of the annuity at the time of death. Note however, that any income or withdrawals that have been taken prior to the death will impact the overall value to beneficiaries. With different insurers or different annuities, the beneficiary (for example, your spouse or one of your children or several of your children) may be paid the total amount of the premiums you paid to the insurance company. If you paid the insurance company **$400,000**, your beneficiary may receive $400,000. In other cases, your beneficiary may receive either the full current value of your annuity or the total amount of the premiums you paid to the life insurance company—**whichever is the larger amount!**

As you can see, there are a variety of payout options available with different death benefit riders offered by different insurance companies. Let us know what your preferences are, and we will find the rider that best helps you fulfill your wishes.

The hypothetical example below is intended to show how an enhanced death benefit rider works. It does not show any specific product. This example assumes no withdrawals or surrenders, which may lower the death benefit your beneficiaries can receive. Your experience will vary.

Unlike life insurance death benefits, note that if the annuity contract is funded with non-qualified (after tax) funds, a portion of the death benefit, representing any interest earned, may be taxable. If the contract is funded with qualified (pre-tax) funds, the entire death benefit may be taxable. For additional guidance, we encourage you to speak with a qualified tax advisor.

Let's say Adam and Susan Smith decided to purchase a death benefit rider◊ with this fixed index annuity. This rider guarantees* that a beneficiary will receive any remaining value of the annuity should the annuity holder(s) pass away at a given age. With many immediate annuities, there may be no death benefit for beneficiaries. Even with some fixed annuities, if income payments have started there may be no benefit for beneficiaries. By purchasing an enhanced death benefit rider, it can ensure that a person of your choice receives any remaining benefit. Keep in mind that there is typically a fee for this type of rider.

Adam and Susan Smith

End of Year	Death Benefit (4%)
Issue	$400,000
1	$416,000
2	$432,640
3	$449,946
4	$467,943
5	$486,661
6	$506,128
7	$526,373
8	$547,428
9	$569,325
10	$592,098
11	$615,782
12	$640,413
13	$666,029
14	$692,671
15	$720,377
16	$749,192
17	$779,160
18	$810,327
19	$842,740
20	$876,449

This hypothetical chart was produced by J.D. Mellberg Financial for demonstration of concepts only and does not represent a specific annuity product. Keep in mind that the income benefit base is only used for the calculation of income and is not calculated for purposes of withdrawals or death benefit. Payout percentages are aged based and may vary by state. Typically the older you are, the higher the withdrawal percentages may be. Death benefit may not be available depending on your age and state.

This enhanced death benefit rider can provide something for your selected beneficiaries. If the annuity holder passes away in year 5, their beneficiary will receive $486,661. At year 10, the person you selected as your beneficiary will receive **$592,098**. And at year 15, the beneficiary will receive $720,377, while the annuity owner only paid $400,000 of premium for this annuity.

Remember that there is a fee for this type of rider. Sometimes the cost of additional benefits is included in the design of the product, which means there can be factors like lower interest crediting, higher or longer surrender charges or other limits that do not exist in products that do not offer the additional benefits. That said, if having a death benefit is a concern, it may be a valuable benefit for your situation.

Having guaranteed income for life may help provide greater financial confidence during your retirement years. In our hypothetical examples, we wanted to highlight that riders can provide additional benefits that consumers can find valuable, depending on their needs or concerns.

Now, let's look at the benefits offered by this annuity compared to the benefits of investing your retirement funds in the stock market. One of the potential benefits of investing in the stock market or mutual funds is that it might outperform the annuity during a bull market. Another potential benefit of investing in the stock market or mutual funds is that it may have lower fees. Mutual funds, exchange-traded funds, real estate investment funds, and annuities all have fees. The management fees, trading fees, front-end loads, and other fees and expenses differ greatly among individual mutual funds, exchange-traded funds, REITs, and annuities. There are lower-cost and higher-cost versions of each of these asset classes. The fees, charges, and loads associated with investments like mutual funds, ETFs, REITs, and associated with fixed insurance products like annuities are disclosed in the offering memorandum, prospectus, or contract before you purchase any of these.

A third benefit of a mutual fund, ETF, or REIT is that it could have more liquidity than an annuity. However, for many retirees, these potential benefits of these stock market or mutual fund investments are far outweighed by the very real risk that investing in the stock or mutual funds you could lose a great deal of value in a declining stock market or a bear market.

Tens of thousands of Americans retired in 1999 and many did invest large portions of their retirement savings in the stock market at that time. Large numbers of Americans lost money in the stock market crash that took place over the coming years. As you can see, during a bear stock market, an annuity with a death benefit rider has the potential

to deliver far more funds to beneficiaries than if invested in the stock market. Your fixed index annuity is able to provide this benefit because the money you placed in your annuity continued 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.

To discover the latest features and benefits available in today's annuities, call our office at:

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Dollar Cost Averaging

You may have heard about the concept of "**dollar cost averaging.**" (**DCA)**

Essentially, dollar cost averaging means that you buy a fixed dollar amount of a particular investment on a regular schedule. DCA is often a "more cost-effective" way to invest than making your investment in a stock or mutual fund all at one time. To use dollar cost averaging, you place an equal amount of money (for example, $10,000 a year) into a stock or mutual fund for several years or longer. Since the price of any stock or mutual fund will fluctuate, during some years you will pay a higher price, and during other years you will pay a lower price for the securities purchased.

Over a number of years, you should get an "average" price for the stock, hence the name "dollar cost averaging." However, there can be a downside of dollar cost averaging. In the event a particular fund or company stocks actually fell in value suddenly just before you needed to cash out your investment funds, you could actually lose money. Perhaps your average dollar cost was $50 per share and you were able to sell all your shares for only $40 per share.

As disturbing as DCA losses are, even greater losses have been incurred by those who engaged in a practice known as **reverse dollar cost averaging** or **RDCA**.

The Potential Effects of Reverse Dollar Cost Averaging

Reverse dollar cost averaging, like dollar cost averaging, involves a **fixed dollar amount of money during a specified time period**. With dollar cost averaging, you **invest** a fixed amount of money every period. With reverse dollar cost averaging, you **withdraw** a certain amount of money every period.

The most common reason for retirees to withdraw a fixed amount of money is to meet living expenses and spending needs. For example, you might need to withdraw **$3,000 a month** ($36,000 a year) from your retirement assets to pay your living expenses. The way many retirees have done this in the past is to sell some of the stocks or mutual funds they

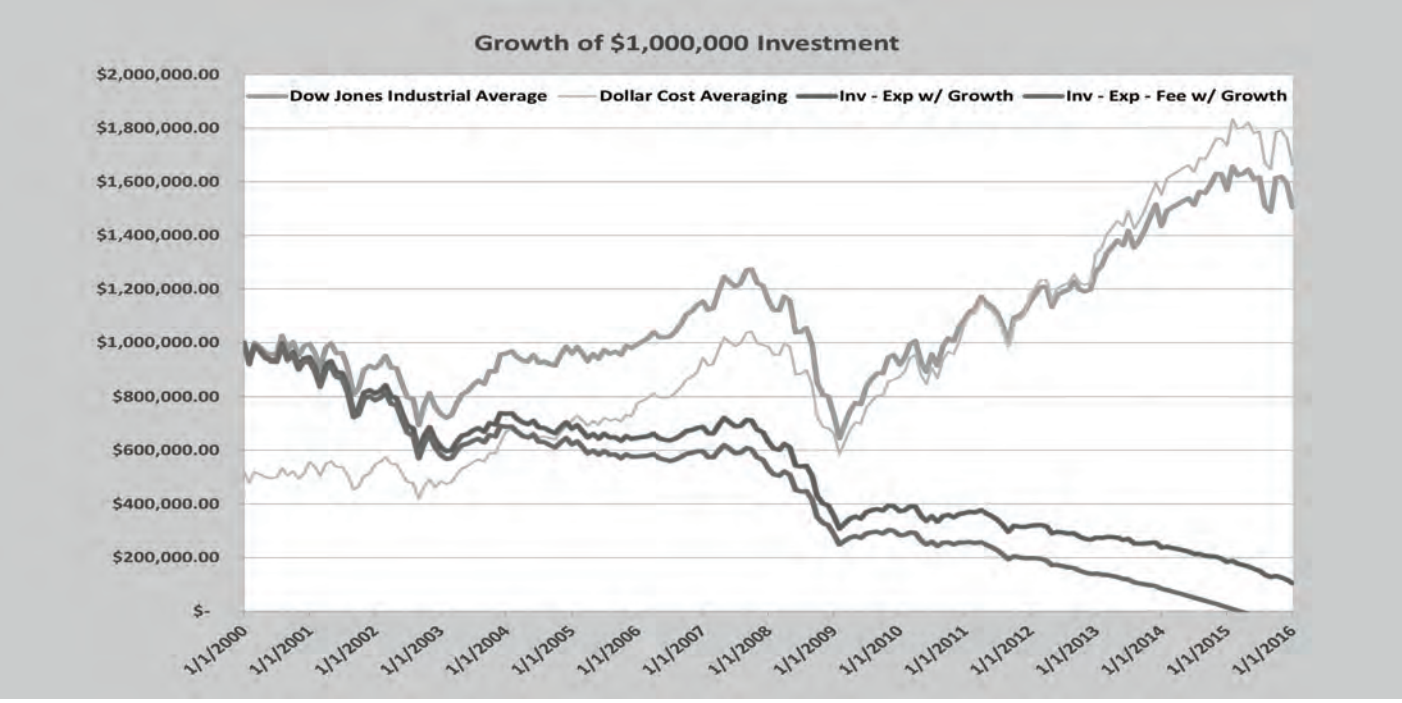
own and then withdraw the cash needed from their investment assets. Obviously, the more cash you withdraw from your retirement assets, the less money you will have working for you and potentially growing in those assets. As you see, reverse dollar cost averaging can undermine your ability to fund your lifestyle and to pay for your medical expenses, as many seniors and retirees have learned.

A number of retirees have been surprised to find out that **reverse dollar cost averaging (RDCA) may be harmful even during those periods of time when the stock market is rising.** Let's say you are taking out $36,000 a year to meet living expenses, as mentioned in the example above. Unless your investments are rising by $36,000 a year, these systematic withdrawals will slowly but surely whittle down the value of your assets. Over the coming years, you could have less and less money to use for living expenses and to pay your bills.

Everyone's financial situation is a little different. However, millions of Americans did take systematic withdrawals from their retirement market assets in the years 2000, 2001 and 2002. They had to in order to pay their bills and meet their living expenses. Due to the declines in the stock market averages during these three years, millions of retirees found themselves engaging in reverse dollar cost averaging strategies—although they never planned to do so! Almost no one expected to be hit by such big stock market losses. Stock market losses, although they happen frequently, are almost always experienced as a "surprise." If people had been expecting such stock market losses, they never would have invested the way they invested.

No financial advisor expected these losses to occur. If they had expected these losses, they would not have advised their clients in the way they did. No financial advisor wants to cause his or her clients pain or financial loss.

The following chart and the table were produced in our offices and based on data from Dow Jones. They show the growth of a hypothetical $1,000,000 invested on January 1, 2000 once stock market performance, inflation and investment fees are factored in.



Date	Dow Jones Industrial Average	Dollar Cost Averaging	Inv-Exp with Growth	Inv - Exp - Fee with Growth
1/1/2000	$1,000,000	$520,000	$1,000,000	$1,000,000
1/1/2001	$995,140	$517,667	$945,533	$931,152
1/1/2002	$906,720	$511,672	$812,239	$786,932
1/1/2003	$736,144	$455,414	$613,688	$584,024
1/1/2004	$958,644	$633,063	$736,843	$687,471
1/1/2005	$958,815	$673,175	$681,216	$622,097
1/1/2006	$993,084	$737,235	$647,216	$576,917
1/1/2007	$1,153,663	$896,445	$687,687	$596,631
1/1/2008	$1,156,284	$938,481	$631,641	$532,002
1/1/2009	$731,305	$633,553	$354,555	$286,914
1/1/2010	$920,187	$837,188	$372,994	$283,212
1/1/2011	$1,086,961	$897,122	$354,142	$255,851
1/1/2012	$,1,154,689	$1,133,031	$318,777	$198,146
1/1/2013	$1,266,904	$1,283,141	$275,415	$140,512
1/1/2014	$1,434,926	$1,453,316	$237,019	$82,562
1/1/2015	$1,568,932	$1,735,533	$237,019	$82,562

Factoring in the Effects of Inflation and Management Fees

To get a true picture of the actual invested retirement fund shrinkage being experienced by millions of retirees today, we must take a closer look at the dual impacts of inflation and investment management fees on investment performance. We will factor in the impact of **annual investment fees of 1.5%.** If you were a "do it yourself" (DIY) investor who purchased a Dow Jones Industrial Average index fund or ETF, your investment fees could be lower. However, after spending their working lives managing their investments in the stock market, many retirees no longer have the desire to try to do it themselves. To enjoy their retirements, many retirees want to pay an investment professional to monitor the ups and downs of the market.

The investment fee most commonly charged by financial advisors today is 1% per year. If you add that to a ½ of 1% mutual fund fee or ETF fee, you arrive at the 1.5% total annual management fee shown above. In reality, many mutual funds have total annual fees of more than ½ of 1% per year. Some popular mutual funds charge a **front-end load** of **more than 5%** just to buy the fund, and they still have annual management fees on top of that. We have done some research and have not been able to find any mutual fund that does not have annual management fees.

If you buy a mutual fund with a 5% front-end load, what this means is that if you invested $100,000 in such a mutual fund, you would have LESS than $95,000 going to work for you. There would be less than $95,000 because there are also other fees in addition to the upfront load fee.

We will be conservative and estimate that your total annual management fees will be 1.5% annually (financial advisor fee of 1% plus mutual fund fee of .5% per year).

As you are aware, 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 paying continuous management fees that further erode the value of your assets.

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.

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 assets and that offer **guaranteed* income**—no matter what the stock market does. J.D. Mellberg Financial specializes in providing these kinds of strategies to sophisticated retirees and pre-retirees nationwide.

The Real-world Impact of a Loss of Spending Power in Retirement

Inflation is difficult to forecast and we do not claim to have a crystal ball for predicting it. What we do know is that inflation is currently low by historical standards. Inflation could significantly increase over the coming decade due to the effects of the record-breaking deficits our country now faces and the worldwide rise in the cost of energy and certain commodities that all countries need.

As spending power drops due to inflation, one alternative is to cut back on living expenses. Retirees may start by cutting out or reducing travel, eating out, and other activities considered luxuries by some. A number of retirees have found they must reduce or eliminate some living expenses in this way.

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, possibly increase your annual income and potentially retain the monthly (or annual) income you will need to maintain your lifestyle in retirement.

The purchase of fixed index annuities offers one alternate strategy to the potential downside of reverse dollar cost averaging in declining stock markets. **Fixed index annuities** offer you a **steady, guaranteed* retirement income** no matter what the stock market does.

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.**

As explained earlier in this report, 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. That portion of your retirement income is **guaranteed*** and **protected**—no matter what the stock market does.

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

Fixed index annuities can help give you greater certainty as to what your income will be in retirement.

When you understand how fixed index annuities work you can see how they may provide value to someone's overall income strategies. It's important to remember there are limitations and restrictions to the products that need to be considered prior to making a purchasing decision. For example, there can be surrender charges and holding periods, which can impact the value of any protection benefits. Even so, they may be worth your consideration a part of your retirement.

It is our belief that having certain living expenses covered by guaranteed income can be a powerful strategy during retirement. If you already have some guaranteed income sources, such as a pension or Social Security benefits, then an annuity can be used to help fill in any income gaps. If you have only a little or no guaranteed income sources, then annuities may be appealing to help provide a minimum level of income.

We can work with you to look at what products make sense for your situation, as well as review if there are riders available that can provide you any additional requested benefits.

Annuities With Income Riders Can Provide You With Greater Control

In the past, some retirees were concerned about the loss of control that came with the purchase of the older styles of annuities. Specifically, they were concerned about: the inability to take out money without paying penalties, the inability to change the income stream, and 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.

There are different limitations on different types of annuities. Many people tend to think of immediate annuities when they hear the word "annuity." While this type of annuity can provide guaranteed lifetime income, the annuitant does give up any exit strategy, with no access to additional amounts of their premium and this can often make people feel hesitant about using this particular annuity. With deferred annuities, depending on the type, there can be more control around accessing your contract value, but there are still important restrictions to keep in mind.

For example, many contracts offer up to a 10% free withdrawal each year, meaning that there will be no surrender charge for that amount. However, withdrawals are taxed as ordinary income and, if taken prior to 59 1/2, a 10% federal tax penalty will be charged.

Beyond that, many consumers do not end up annuitizing their contract due to concerns around losing direct access to their contract value. What is unique to many income riders is that they allow consumers to retain access to their contract value.

Please be aware, however, if you are receiving income withdrawals from your annuity and access your contract value for more funds, there may be an excess withdrawal charge. Still, the option is available if needed.

Additionally, some income riders allow to start or stop income for different years, which can be a valuable option for some consumers.

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 that income 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.

Finally, we have also discussed how the purchase of an enhanced death benefit rider may address concerns of leaving the value of your contract to a selected beneficary(ies). The value that is passed on will depend on a number of factors, such as premium payment, the overall value of the contract, as well as how much income was received by the annuitant prior to passing.

Another type of rider that may be available is known as a "return of premium" rider. This benefit guarantees that all premiums paid will be returned. 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 pleasantly surprised at the benefits some of them now offer.

By covering at least day-to-day, basic expenses with lifetime# income annuities, retirees are able to enjoy a certain standard of living and use their "disposable" assets for special occasions and activities beyond their daily experience.

The purchase of annuities is much more than a financial decision. This could amount to a lifestyle decision.

So our recommendation to clients covers these four areas of the management of their retirement assets:

1. Set aside liquid emergency money to cover unexpected major costs – a new roof, a new car, a loan to a family member.
2. Put a large enough portion of your assets into one or more annuities and appropriate riders to provide you the income needed to supplement your Social Security benefits and any pension income to cover your costs of living and desired lifestyle – like regular travel to see family, pursuit of an expensive hobby, or right-sizing to a maintenance-free active senior living neighborhood.
3. Make sure the potentially higher costs of health care will be covered as you age. You may choose to purchase long-term care insurance or a life insurance or annuity product that also provides for increased income upon a qualifying health event.
4. Then with your 'disposable' assets that are left, go ahead and continue investments in stock or bond markets or even a variable annuity that includes an investment feature – depending on your risk tolerance during these years.

You'll notice that we didn't address the question of leaving assets to your heirs. We encourage you to balance your desires to leave something to your children or other family members and charities, with your right to maintain the lifestyle that you will enjoy. Yes, there are life insurance and annuity products that can also provide an inheritance, if you so choose. However, maintaining a high level of financial confidence throughout retirement will allow you to enjoy your desired standard of living while reassuring your beneficiaries that you are well taken care of.

Taking Steps Toward Living the Retirement of Your Dreams

In our business, we hear a lot about the U.S. worker not saving enough assets to last throughout retirement. Of those people who have saved enough money for retirement, many may still be exposing themselves to risk by leaving a large percentage of their retirement funds in volatile stock and bond funds.

Many people have been impacted by the stock market over the past decade. While many have been able to recover their losses, there are others that did not have that same experience. When it comes to retirement and developing an income strategy, relying on investments may expose you, too.

Fixed index annuities are a unique product in that they offer a combination of benefits and can provide guaranteed income, so we think it is worth exploring if they might make sense for a portion of your retirement assets.

Additionally, we've provided information about optional riders that may be available, including income riders, enhanced death benefit riders and confinement riders. We've provided some examples to show the guaranteed benefits that these various riders may provide.

Remember that these riders will not be available in all states. Before discussing the use of any additional riders, we will determine if an annuity contract is suitable for your needs. We can then discuss if there are rider options that meet more of your needs and goals for your retirement assets.

The title of this section is "**Taking Steps Toward Living the Retirement of Your Dreams**." Reviewing the combination of benefits presented above, do you think that a carefully selected, suitable, fixed index annuity with riders might be able to help you, or you and your spouse feel more financially confident in your retirement? Fixed index annuities may offer valuable benefits for your retirement needs and goals.

Is an annuity right for you? Only you, or you and your spouse can answer this question. We hope that the information presented in this guide will have given you more knowledge about the options that are available today.

In addition to this report, we offer separate reports on a variety of topics. Please call our office at 877-801-9854 to request a copy of any of them.

Services Offered by J.D. Mellberg Financial

In this report, 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 the services we offer 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. 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 a substantive portion 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?

No retiree wants to run short of money in retirement. Fixed index annuities can help address this concern. There may also be optional riders available to address other concerns you may be facing. Here at J.D. Mellberg Financial, we analyze hundreds of annuities each year and search for annuities that we believe can help our clients across the nation best meet their individual needs. Our NextGen Annuity™ strategies can help you make well-informed decisions about total retirement income options, including timing your Social Security benefits, laddering annuity purchases and applying appropriate management techniques.

(Please note that J.D. Mellberg Financial is not affiliated with nor endorsed by any government agency, including the Social Security Administration.)

You've worked hard all your life. **Why not spend your retirement years with enough income to keep doing what you most enjoy doing**?

First, we focus on helping our clients preserve their life savings through using fixed index annuities with the latest generation of benefits and enhancements. Second, but as importantly, we focus on helping our clients generate an income stream that meets their needs and goals throughout retirement.

We encourage you to schedule a no-cost, no-obligation meeting with one of our insurance professionals. This meeting can be in person, on the phone or on the Internet, working with us on developing an income strategy with annuities.

If you are interested in learning more about these products, we'd be happy to help your explore some options.

The process to get started is very simple. In a phone call or personal meeting, you simply tell us your goals. Tell us what you would like to achieve in retirement and tell us the income you need. We will ask a few other simple questions and then we will get started with our research. We will also be happy to answer any questions you have. Once we have this basic information, we will search for the best ways of helping you take steps to achieve your goals and live more of the retirement you desire.

When we believe we have found possible strategies, we will contact you and share our findings with you. There is no cost for the meeting and there is, of course, no obligation to buy anything.

•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 selections to help you meet this need.
•If you want a fixed index annuity and income rider to help address inflation concerns, we can help make that a reality for you and your spouse.

•If you're interested in riders that offer annually increasing income - we can help you explore options suitable for you.

•If you want to ensure a death benefit for your spouse, children or a favorite charity, we can help you look at options that are appropriate for you.

•If you are looking to add a product with multiple riders, we can also help you look at available options.

Our licensed insurance professionals are experienced in annuities and are familiar with various annuities that can provide these benefits. Remember, including an optional rider may mean an additional fee or the cost will be included in the product design.

We want to reassure you that we do not believe that every retiree should have all of their retirement assets in annuities. Our goal is to help you develop an income strategy that meets your needs for retirement.

NextGen Annuity™ strategies follows a game-plan suited to your financial goals and may require buying multiple annuities. Results will only be realized by working closely with your agent over an extended period of time to help make sure the strategies are used correctly.

We have helped hundreds of other retirees and pre-retirees all over the U.S. feel more confident in their income strategy and we'd like to help you as well. Give us a call today and set up your strategy session with a licensed insurance agent.

1-877-801-9854

By contacting us you may speak with a licensed insurance agent.

Sources

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