

YOUR Money AND Family Today

AMERICA'S TAX SOLUTIONS™ NEWSLETTER

JULY 2019



THE BEAR NAKED TRUTH ABOUT FIXED INDEXED ANNUITIES



What is the Bear Naked Truth?

Let's begin by discussing what a fixed indexed annuity or FIA is and how they came to be. An FIA is not your parents' or grandparents' annuity. An FIA is a tax-deferred opportunity to enjoy all of the upsides of the market without the usual risks associated with market volatility. It is essentially an insurance contract designed to capture market gains while deflecting market losses. With an FIA, your money is protected from unexpected downturns in the market.



Background

FIA's were introduced in 1995 but have become increasingly popular due to their inherent safety. They are a great vehicle for retirement asset accumulation because they cannot lose money due to market volatility and they can have potentially higher interest crediting when the markets are "up." FIA's are intended to be long term. They also generate long term benefits with a guaranteed minimum rate of return. Suitable candidates for FIA's will generally include individuals who are reluctant to invest directly in the markets but would like opportunities for market based returns.



Unlike variable annuities, which are securities investments subject to market volatility and SEC regulation, FIA's are safe insurance products subject to regulation by the insurance commissioners in each of the 50 states. Consumers can also take comfort knowing that only insurance licensed professionals may offer these safe retirement tools. The value proposition of FIA's is that they essentially allow the purchaser to participate in the market's upside, while avoiding the downside risks associated with the market.



FIA Myths Vs. FIA Truths

An FIA may not be the right choice for everybody but for millions of Americans it can be a fantastic planning tool and help them reach their overall financial goal. There are tons of FIA myths roaming around and confusing consumers. Here are just a few samples of FIA Myths vs. FIA Truths:



Myth: If a client purchases a fixed indexed annuity, they are “stuck” even if they decide they don’t want it after all.

Truth: All annuities have a “free look” period, usually 10-30 days, giving purchasers an opportunity to change their mind, cancel the contract and get a refund. Each state’s insurance commissioner determines the refund standard and specifically how long after the purchase the client may be entitled to receive a refund.

Myth: Many FIA sales are unsuitable for the client.

Truth: A thorough suitability review is required for

every annuity sale. All too often blanket statements perpetuate this myth as misinformed people erroneously conclude that if an FIA is not right for them, they must not be right for anybody.

Myth: The surrender penalties on FIAs are extremely high, and can be as much as 20%.

Truth: The average surrender penalty for FIAs is about 10% but some surrender charges are as low as 5%. The fact is, only when an FIA owner withdraws more than the allotted annual free withdrawal amount during the surrender period will surrender charges even come into play.

Myth: You will lose your principal in an FIA if you cash out early.

Truth: FIAs preserve and protect your money from market risk and loss, they are not personal ATMs. The purchaser agrees not to withdraw the entire balance before a certain number of years has elapsed, which allows the insurance company to make an informed decision as to how to best (conservatively) invest the funds. FIA contracts are liquid but, like any contract, there will be some limitations.

Myth: Commissions are high on FIAs and agents are encouraged to sell inappropriate products.

Truth: The average commission for FIAs is less than 6% which is paid to an agent at point of sale by an insurance carrier, NOT the consumer! In addition, the agent actually services the FIA for the client as long as the contract is in force, which generally spans several YEARS.

What’s So Attractive About An FIA?

It is believed that nearly 90% of annuity owners purchase FIAs because they provide retirement savings and protect contract holders from losing money. Here are the most popular reasons/features that were particularly appealing to consumer and focus group participants:

- **Liquidity:** in a fixed indexed annuity, your deposits remain entirely in your control and you are *not* giving up access to your cash.
- **Locked-In Gains:** FIAs offer locked-in gains and the potential for significantly higher annual returns than other safe-money solutions such as CDs or bonds.
- **No Loss of Principal:** an FIA provides 100% *guarantee* of your principal – you can’t lose money because of a weak market.



- **Tax-Advantaged Accumulation:** growth is *tax-deferred* which provides maximum compounded expansion of your retirement income fund.
- **Guaranteed Income Stream:** An FIA can provide additional benefits like income insurance or a minimum guaranteed income for life, when you select an optional income rider.
- **Crediting Choices:** FIAs allow you to choose a crediting strategy.

Comparing Fixed Indexed and Variable Annuities

All too often you hear stories about how “bad” FIAs are compared to variable annuities or VAs. Technically, this is an improper comparison because FIAs are NOT securities. FIAs are long-term products. They are guaranteed insurance contracts so there is naturally going to be some kind of cap or limit to the earning potential since insurance contracts are an entirely different animal from VAs. FIAs are not designed to compete with VAs or other securities (nor are they positioned that way). The truth is, FIAs are safe alternatives to traditional stock market investing options; they are not products designed to behave like VAs and directly compete with VAs.

Below is a simple chart comparing basic features between a typical FIA and a typical VA:

Fixed Indexed Annuities	Variable Annuities
What Is It?: Insurance Contract	What Is It?: Security
Regulation: State Departments of Insurance	Regulation: Securities and Exchange Commission and FINRA
Principal: 100% Protected	Principal: 100% At Risk
Income: Guaranteed Stream of Income	Income: Guaranteed Stream of Income
Liquidity: Limited	Liquidity: Limited
Potential Gains: Limited	Potential Gains: Unlimited
Potential Principal Loss: Zero	Potential Principal Loss: All
Death Benefit: Yes	Death Benefit: Yes
Crediting Strategy: Owner Chooses	Investment Options: Owner Chooses

How FIAs Really Work

What makes an FIA tick and how will the FIA features help you reach your planning goals?

The first step is choosing the right FIA that best suits your planning needs. Each product is unique so there isn't a one size fits all solution. Once a suitable FIA is identified, a premium or series of premiums are paid to the insurance company. The insurance company then takes the premiums and invests the money it receives on behalf of all annuity owners.

During the accumulation phase of the life of your FIA, taxes are deferred – you will not be subject to paying taxes on your FIA's interest until you begin receiving distributions from the contract. Because your FIA is earning tax-deferred interest, the funds in your FIA are able to grow at a much faster rate than funds that are not tax-deferred.

An easy comparison is to a popular childhood game that involves ladders and playground slides...do you remember that game? What does this have to do with the inner workings of an FIA? With an FIA, imagine that the rules of that game have changed and are always in your favor. The ladders still represent market gain but the chutes no longer represent a loss of your money when the market is in turmoil. With an FIA, you are not



subjecting your assets to market volatility. An FIA allows you to participate in the upside of the market and capture gains while shielding yourself from market losses. How?...

Imagine that every time you land on a ladder, the market is up, so your FIA recognizes gains and its value increases. However, the real magic happens whenever you land on a slide. A slide no longer means you suddenly plunge and potentially lose everything. You don't lose money so you don't have to worry about recovering losses! When the market is down, you lose nothing and stay in the same spot. This is the true power of an FIA, you enjoy the upside of the market but even if the market crumbles, your principal is always protected.

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When Is An FIA The Right Option?

Determining whether an FIA is right for your own retirement planning needs will depend on your personal circumstances and retirement goals. There is no other product available today that offers consumers the same level of safety and reward as an FIA.

The combination of absolute principal protection, locked-in gains, access to the funds, tax-deferred growth and a legacy that may be passed on to loved ones is of utmost importance to many Americans and helps explain the explosive growth of FIA sales over the past couple of years. FIAs are an amazing opportunity for those who want the safety of something like a CD that also comes with the ability to enjoy market gains without assuming any of the risk associated with direct market investments, as we are constantly faced with navigating the choppy, dangerous waters of Wall Street.

America's Tax Solutions™ has developed an Annuity Checklist for clients to help determine how an FIA strategy can fit into your overall plan. If you would like

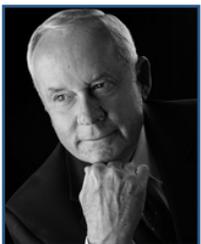
Know Your FIAs:

There are seven basic FIA features that really seem to intrigue consumers most:

1. FIAs are safe – no loss of principal
2. FIAs lock in gains
3. FIAs are liquid
4. FIAs enjoy tax-advantaged accumulation
5. FIAs allow *you* to choose a crediting strategy
6. FIAs can provide a guaranteed stream of income for life
7. FIAs pass directly to named beneficiaries

to learn more about FIAs and the potential benefits, your retirement distribution planning specialist can assist you today! 🏠

About America's Tax Solutions™



Gary Kueker

As Founder and President of S.C. Care & Associates since 1986, Gary Kueker specializes in critical financial and tax planning strategies including retirement distribution planning.

As a retired stockbroker, Mr. Kueker's expertise is geared toward helping his clients figure out what they really want out of life and then working with them to build a financial plan to make it happen. Backed by years of experience in the insurance and financial services industry, he holds

several professional licenses and brings specialized investment strategy knowledge to his practice.

Mr. Kueker understands the needs, concerns and problems troubling today's Baby Boomers and retirees and he is available to help you create "a great rest of my life."

America's Tax Solutions™

America's Tax Solutions was created to effectively meet the complex needs of clients in the areas of asset management, retirement distribution planning and wealth protection. We can help you understand what you need to know to secure your future and the future of your loved ones. Key benefits offered by America's Tax Solutions include: retirement distribution planning, tax planning, estate tax analysis, wealth distribution analysis, qualified plan distribution analysis, annuity strategies and a comprehensive retirement roadmap. Let us help you create and grow wealth, protect and preserve your life savings and plan for a life legacy.

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