.....15 Years and still rolling.....

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9:00: AM Pacific Thursday 800 504-8071 Code is 5556463

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ANTHONY OWEN

888-74AGENT (24368)

tony@annuityagentsalliance.com

OR VISIT OUR WEBSITE

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Annie at 9 in San Diego….where did the time go?

Bill,

Q:…I've got a client (single female) w/ a million dollars with me & a seminar lawyer told her to make an RLT the owner of the annuities. Her house, everything should go into trust according to the attorney. Do you get these requests?

A:….RLT (Revocable Living Trusts) will help avoid probate expenses at the time of transfer to heirs. These are **"testamentary"** trusts which mean they only come into play at death. Assets such as land, a car, a home (anything needing to be retitled) could use a RLT for probate avoidance and transfer expense reduction.

Annuities and Life Insurance are contracts which can have a named beneficiary. Naming the beneficiary will (normally) avoid probate and therefore adding them to a RLT would not be necessary.

People change their rolls as they age and **"cleaning up the nest"** is one of the final stages. Many people want to feel like details are managed and their heirs will not have problems or unnecessary expenses so the RLT supplies that mental comfort.

I never argue with someone who wants to add annuities to their RLT but I mention it is an unnecessary step (in most situations)

I always suggest they receive advice form an attorney and never form an agent selling a RLT and using a "hire a lawyer" system. **(Trust Mill)**

BB

Bill,

I have a radio lead that wants to move some of his funds from his 457b. He's 61 in May & has been with his employer since 1981.

On January 1, 2002, you as a participant in a 457 tax-deferred retirement plan are, for the first time, permitted to roll your money over into an IRA, 401(k) or 403(b) when you retire or change jobs. This portability gives you more options and control over your money.

There can be some plan restrictions and some 457 plans only allow specific investments. Contact their TPA for specific details on rollovers.

Tax Planning Tip

Everyone in the financial planning and advice world has a **"dog in this fight."** The reason is simple, if a prospect follows you advice, they might also become a client.

This time of year there are numerous "tips" simply because of the approaching tax season.

Here is a tip you can use as simple advice based on general information.

If you are in a decreasing tax situation, paying the tax annually may be a smart move....but the opposite is also true.

In an increasing tax scenario, longer term planning can have a real place with tax deferred vehicles.

Tax deferral offered by annuities and life insurance should be considered. The tax deferral of annuities is very valuable in a rising-tax environment, as earnings are tax deferred until withdrawn or distributed.

Using the fixed payout provision in annuities can be smart planning, spreading the future tax payment out over a longer period of time. Annuities allow for this.

Life insurance allows tax deferral on the cash value built up during life and tax-free death benefits. If held until death, the death benefit is not subject to federal income taxes regardless of the accumulated tax deferral in the policy.

Life insurance death benefits are tax free income.

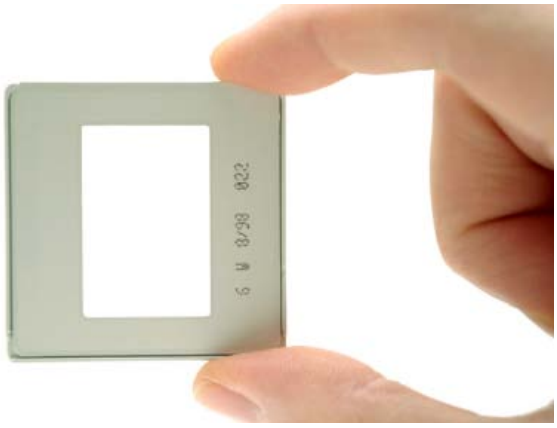
Always....always suggest your prospect receive tax advice form a licensed professional....(and read my disclaimer at the bottom of the OM notes....BB)

Is the WSJ now on a Crusade? (cross hairs)

Our dear friend Leslie at the WSJ seems to have our industry in her **cross hairs.** In some weird way I do agree with her, transparency is important. What I don't agree with her is the **"attack"** she seems to be launching, her editor must have given her the marching orders....I wonder why?.....

What is the name if the publication? Oh yeah, the Wall Street Journal!

http://online.wsj.com/article/SB10001424052702304177104577305930202770336.html



Transparency?

401 (k) Advisors are already under disclosure regulations with deadline for disclosure coming this year. They have successfully delayed it twice…is that lobbying?

Which in my opinion is good and long overdue…..BB

http://www.investmentnews.com/article/20120325/REG/303259982/-1/INIssueAlert01

Looks like the Lobbyist always win in the end…..BB

The new 401 k regulation disclosure doesn't go far enough

In a current study by AARP, 71% of 401 k plan participant thought they paid no fees on their 401 k.

http://www.investmentnews.com/article/20120401/REG/304019973/-1/INIssueAlert01

So how could the Labor Department improve these regulations?

The most significant step would be to require disclosure of an "all in" cost — or what might be called a "personalized expense ratio" — that gives plans or participants a **hard-dollar amount and a percentage of assets** for everything that they pay.

Great American Ratings Reaffirmed

AM Best "A"

In Washington State, Great American was our only choice for years prior to other products being approved. Nice to see them standing firm.

http://www.marketwatch.com/story/am-best-affirms-ratings-of-great-american-financial-resources-incs-primary-lifehealth-subsidiaries-2012-03-29?reflink=MW_news_stmp

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And the Hedge Funds shall inherit the earth.

To me what is interesting is how The Hartford has evolved from their long standing position to a P/C company. I have read a ton of opinions on why and I have my own position.

Want to hear it?

The Hartford is a publically owned company which means it has to answer to the board of directors and thus to the stockholders. By allowing single ownership to grow to 8.5% (by one stockholder) control also is seceded to one investor. By owning that level of stock, they are able to gain board position which would include influence and eventually control.

Variable annuities living benefits are really future contractual promises **(derivative).**

Definition of 'Derivative' (Investopedia)

A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes.

Most derivatives are characterized by high leverage.

Read more: http://www.investopedia.com/terms/d/derivative.asp#ixzz1qu2PVTBP

Promises to deliver a future benefit. Most companies hedge this obligation (spread it out) and share the future debt. The Hartford chose not to do so for a very simple reason, the less they pay in hedges, the more profit can be booked in that particular tax year.

What happened was the collapse of the market in 2008 which put their future obligations as a capital write off (set aside funds necessary to meet obligation). These became nonproductive assets and were a drag on the profits which lowered the stock value which irritated the largest single investor (a hedge fund).

So…why focus on the P/C side? Simple, premiums can be raised on P/C insurance. A built in profit is always available.

With Variable Annuities, the hedge of living benefits cost real money and the pressure to produce profits and to support the stock price for our hedge fund man made the change a dead mortal cinch.

With the announcement of moving away from the VA market, what has happened to The Hartford stock…..UP!

To me what has been lost is a national leader in our industry. The Hartford lead the way in many areas, including the Living Benefits our current product provide for our clients.

But then….who cares about tradition…as long as the stock goes up and the rich hedge fund gets richer.

BB

More on Hartford

http://www.insurancenetworking.com/news/edward-jones-hartford-annuities-30149-1.html

http://www.investmentnews.com/article/20120329/FREE/120329898

http://www.investmentnews.com/article/20120325/REG/303259992

http://www.investmentnews.com/article/20120325/REG/303259992/-1/INIssueAlert01

I watched the Final Four Saturday and saw the John Hancock ad.

In the past their tag line has always been:

"Mutual Funds. Life Insurance. Annuities"

Now it is:

"Mutual Funds. Life Insurance. Investments"

Wonder what's up….more hedge fund owners?

Here is a current update on **The Hartford: 4-2-12**

They are going to grow mutual funds, why? Because mutual funds just have fees and no living benefits.

http://www.investmentnews.com/article/20120401/REG/304019994/-1/INIssueAlert01

Making the Case for Annuities

http://www.sheryljmoore.com/2012/03/making-the-case-for-annuities/

Nice article about our wonderful products.

Fixed indexed annuities, are growing, but at a slower pace.

But changes aside, consumer demand still is strong. Net VA sales were $27.7 billion last year, up 28% from 2010, according to Morningstar Inc.

Annuities create ballast in the clients' account, they're like the keel on a boat; they keep you from going too far over to one side.

(My favorite quote)

It is always worrying about "leads"

What do you worry about more, the economy of who are you going to talk to?

http://www.marketwatch.com/story/advisors-concerned-about-the-economy-lead-generation-and-the-industry-in-2012-2012-03-30

Highlights of the Advisor Survey include:

The economy (30%) edged out **lead generation** (29%) as the number one issue keeping advisors up at night. Lead generation was the most troublesome issue in 2011, cited by 42%.

Forty percent of advisors work in a brick & mortar office (outside their residence) and shared with other agents; **38%** work out of their home.

When asked where they were finding their biggest success right now, 35% said life insurance, followed by annuities (32%).

(The point about this survey is the focus on brokers and financial advisors....the economy can have a massive effect on them, just look at Tony's Saw Tooth chart, but for us, **things have never been better**....income riders, safety, stability, avoidance of risk.

So what is our real concern....Leads....which really is marketing....BB)

A Real Live Paradox:

My advice is to download the link, study it and learn it. Your prospects will ask questions which root from this information....BB

This article is critical regarding annuities. If the US Treasury cannot refinance the debt this next year, inflation will come rolling along. The real affect could be the increase again of the overall National Debt....which could have an even greater effect on annuities.

(I highlighted some important portions and marked some in **red**...including my notes, most links left in for your reference)

Bloomberg

http://www.bloomberg.com/news/2012-03-28/four-numbers-add-up-to-an-american-debt-disaster.html

Four Numbers Add Up to an American Debt Disaster

By Caroline Baum Mar 28, 2012 4:00 PM PT

Consider the following numbers: 2.2, 62.8, 454, 5.9. Drawing a blank? Not to worry. They don't mean much on their own.

Now consider them in context:

1) **2.2%** is the average interest rate on the US Treasury's marketable and non-marketable debt (February data).

2) **62.8** months is the average maturity of the Treasury's marketable debt (fourth quarter 2011).

3) **$454 billion** is the interest expense on publicly held debt in fiscal 2011, which ended Sept. 30.

4) **$5.9 trillion** is the amount of debt coming due in the next

five years.

What does this really mean to us? It means the Federal Reserve will have to buy the majority of this debt, it means that interest rates will be low....it means Variable Annuities are going to have to cut back their living benefits, it means indexed annuities are going to flourish....BB

For the moment, Nos. 1 and 2 are helping No. 3 and creating a big problem for No. 4. Unless Treasury does something about No. 2, Nos. 1 and 3 will become liabilities while No. 4 has the potential to provoke a crisis.

In plain English, the Treasury's reliance on short-term financing serves a dual purpose, neither of which is beneficial in the long run. First, it helps conceal the depth of the nation's structural imbalances: **the difference between what it spends and what it collects in taxes.** Second, it puts the U.S. in the precarious position of having to roll over **71 percent** of its privately held marketable debt in the next five years -- probably at higher interest rates.

The U.S. may have had a lot more debt in relation to the size of its economy following World War II, but the structure was much more favorable, with 41% maturing in less than five years, 31% in five-to-10 years and 21% in 10 years or more, according to CFS

data. Today, only 10 percent of the public debt matures outside of a decade.

(The buyers of this debt have all gone to short term vehicles, a place to park their money without risk that is why so much debt will need to be turned over in the next 5 years. What instrument will be used? More short term debt led by the Federal Reserve, this will cause interest rates to remain low for safe secure money. This is the best thing that could happen to our fixed indexed annuity business....we have income riders and death benefit enhancement riders....BB)

Based on the current structure, a one percentage-point increase in the average interest rate will add $88 billion to the Treasury's interest payments this year alone, Goodman says. If market interest rates were to return to more normal levels, well, you do the math.

Some economists have cited the Treasury's ability to borrow all it wants at 2 percent as an argument for more fiscal stimulus. Why not, as long as it's cheap?

Goodman says the size of the deficit (8.2 percent of gross domestic product) or the debt (67.7 percent of GDP) is only part of the problem. The bigger threat is rollover risk: "the same thing that got countries from Portugal to Argentina to Greece into trouble," he says. "It's the repayment of principal that often provides the catalyst for a market event or a crisis."

The U.S. is unlikely to go from all-you-want-at-2-percent to basket-case overnight. That said, policy makers would be wise to view recent market volatility as a taste of things to come.

Talking to Goodman, I was reminded of the Treasury's standard sales pitch before quarterly refunding operations during periods of rising yields. Some undersecretary for domestic finance would be dispatched to tell us that Treasury expected to have no trouble selling its debt.

I had an equally standard response: At what price?

(Read this....BB)

That seems particularly relevant today. The **Federal Reserve purchased 61 percent** of the net Treasury issuance last year, according to the bank's quarterly flow-of-funds report. **That's masking the decline in demand** from everyone else, including banks, mutual funds, corporations and individuals, Goodman says.

Of course, Fed Chairman Ben Bernanke might look at the same numbers and see them as a sign of success. His stated goal in buying bonds is to lower Treasury yields and push investors into riskier assets.

Free to Borrow

Then there's the distortion in the relative value of stocks versus bonds to worry about. Using the 10-year cyclically adjusted price-earnings ratio and the inverse of the 10-year Treasury yield, Goodman says the relationship hasn't been this out of whack since 1962.

The Treasury isn't unaware of the rollover risk. At the same time, it's trying to accommodate the increased demand for "high-quality liquid assets," such as Treasury bills, as required under new international capital-and-liquidity standards, says Lou Crandall, the chief economist at Wrightson ICAP in Jersey City, New Jersey.

In fact, when Treasury bills carry a negative yield -- when investors are paying the government to hold their money for three, six or 12 months -- borrowing "more is better," Crandall says.

I doubt he had the Treasury in mind when he was explaining how the subprime debacle morphed into a global financial crisis, but the U.S. government would be wise to heed his advice. Currently its demand on the credit markets for annual interest and principal payments is equivalent to **25 percent of GDP**, Goodman says, 10 percentage points higher than the norm. That's real money. And with the federal budget deficit projected to top **$1 trillion for the fourth year running, the** funding pressure is bound to increase.

So the next time you hear someone say the Treasury can borrow all it wants at 2 percent, tell him, that's true -- until it can't.

This was in Open MIC notes two weeks ago….but I wanted to review again because I used the "saw tooth" chart to illustrate the volatility of the market and the stability of a fixed indexed annuity….made a very nice sale from this chart…thanks Tony.

Killer idea and easy to make the point…..BB (did you hear about Tony going swimming with his cell phone?)

The Stock Market…or the Rocky Mountains?

You Decide.

Hello Partners,

You don't have to be a technical trader to see the trend. We don't have the invention of the 401K or a tech boom to keep us on a sustainable bull market like we see before the saw tooth started.

401K's flooded the stock market with buyers and now seniors are doing just the opposite. A flight to safety and withdrawals for income from the fastest growing demographic in our country could make it very difficult for the stock market to find buyers in the future compared to what we have seen in the past.

We have a new record for a "single" annuity sale which we will announce once it has closed. I am reluctant to "jinx" the case until funds are in hand....but it is big, very very big....more later....BB

(keep your fingers crossed, by the way, it came from an internet lead....woohoo!)

(Don't miss next week's Open MIC...some great stuff from the Owen's Brothers!....BB)

Questions from the crew for the Owens Brothers.

Email Bill at bbroich@msn.com and Chad will share his answers with the **Open MIC** crew.

Question: I picked this up from an email from Chad….I think it says it all….you?

I am coming up with a list of questions to hand out to my clients as a leave behind to confirm why they want safe money of why they should protect their money. With people being so complacent right now I want to leave them with statements that will make a mark and impact. Do you have any more that I can add? **(What more could I add?…BB)**

******Do you want to base your retirement on the ups and downs (hypothetical amount) of the market or have a set age where you will have a guaranteed amount of income for life?**

******Who has made more money off of your retirement in the last 10 years, you or your broker?**

******How does it make you feel that you never know where your retirement money will be tomorrow, 1 year, 10 years? Or how much income you will be able to draw from it for life?**

******Does it bother you that brokers can make money off of you even when you are losing money?**

******Would you look at you retirement money in a different way if it was a stack of $100 bills instead of a number on a piece of paper?**

******How is being in the market different than gambling it in Las Vegas?**

******Can you afford another market drop with your retirement funds or even having is stay flat and earning nothing?**

Chad C Owen
President-Eagle Shadow Financial
National Director - annuity.com
Safe Money Radio Host

PS: For me the single most productive phrase has always been:

What is the purpose of (insert topic) and what would you like it to accomplish?

Dave has some product updates…

Dear Crew.....I was going to write a whole book about this article but then I thought, how could I ever improve...so I decided to edit and offer my point of view (I never second guess Sheryl, **she is my heroine)** but I wanted to expand a few points based on my personal selling experiences.....BB

http://insurancenewsnet.com/article.aspx?id=336499

Debunking Annuity Objections

March 29, 2012

By Sheryl Moore
AnnuityNews

When I started in the insurance business, I was an indexed life insurance expert. I worked in a home office for years before *I even learned what an annuity was.* Once I learned that an annuity was just a retirement savings vehicle that provides an income you can never outlive, I wondered: why didn't EVERYONE have annuities?

(Remember: Our critics are our competitors.....banks, brokers, financial planners, fee for service etc...BB)

It turns out there are folks that have a **vested interest in discrediting the annuity. Those that sell mutual funds, stocks, bonds and certificates of deposit (CDs) compete against these annuities for the same retirement dollars being offered by pre-retiree consumers**. These individuals are often called on to be media sources and frequently provide garbage objections in an attempt to sway people against annuity purchases.

For this reason, I want to address some of these nonsensical objections below:

"Annuities lack liquidity."

Have you ever received something in exchange for nothing? Probably not. Likewise, an annuity cannot offer credited interest to the purchaser, without some kind of tradeoff. The insurance company has to make a profit on the annuity transaction too.

Surrender charges, the period when a penalty will be imposed if the annuity owner takes out more than a specified amount of their annuity's value, provide a disincentive for the annuity purchaser to cash out their annuity early. If the annuity owner withdrawals more than the anticipating amount, the insurance companies' investments fall out-of-whack.

You see, when an annuity purchaser makes a premium payment into a fixed annuity, the insurance company uses that premium to purchase bonds. Generally, the bonds are high quality and mature at the same time the surrender charges expire on the purchaser's annuity (i.e., I buy a 10-year surrender charge annuity and the insurance company then purchases 10-year Grade A bonds to cover my annuity's guarantees). This provides a relatively safe investment vehicle for the insurer to make enough interest off of in order to earn their spread/profit and still credit interest to the annuity.

But note that, like the annuity, there is a **penalty for cashing out bonds early.** If the annuity purchaser cashes out their annuity prior to the end of the bond's maturity, the insurer suffers a financial loss from cashing out the corresponding bonds earlier than anticipated. Therefore, surrender charges on annuities merely provide a method for insurance companies to mitigate their risks associated with early withdrawals of the annuity's value.

It should also be noted that annuities provide a plethora of alternatives for liquidity, above cashing out the contract. Most annuities allow for at least 10 percent of the annuity's value to be withdrawn each year, without facing penalties. A vast majority of annuities also allow for funds to be accessed without penalty should the annuitant become confined to a nursing home, disabled or terminally ill.

In addition, annuities provide a guaranteed income that cannot be outlived if the purchaser elects to annuitize the contract or commence income payments under an optional guaranteed lifetime withdrawal benefit (GLWB). And did I mention that most annuities pay the full account value to the beneficiaries on death? Facts being what they are, I think we can all agree that the **liquidity provisions on annuities are more than fair.**

(I always tell my prospects, if you do not want the insurance company to hold your funds then you cannot enjoy the benefits….BB)

"You shouldn't use an annuity for your IRA."

An Individual Retirement Account (IRA) is a type of retirement plan that provides tax advantages for retirement savings. A vast array of products can be used as a vehicle for an IRA: CDs, government bonds, mutual funds and more.

Annuities can be used as the vehicle for an IRA too. An annuity, however, provides tax advantages all on its own. Because of these duplicative tax incentives, some financial advisors argue that it is "silly" to use an annuity as the vehicle for your IRA.

Yet annuities have many benefits that are not offered by the free-standing IRA, much less by CDs, bonds, mutual funds and the like. The **guaranteed return-of-principal on fixed and indexed annuities is not to be ignored;** such guarantees are not offered in securities products such as mutual funds and stocks.

Want a guaranteed **rate of return** *in addition to* your principal? Securities products cannot offer that either. While CDs do offer a guaranteed return, their credited rates are currently averaging a mere 0.34 percent per year! Fixed annuities, on the other hand, offer guaranteed annual interest rates as high as 3.50 percent today.

And what if my primary motivation for purchasing an annuity is to guarantee that I won't run out of money before I die? An annuity is the only product that can guarantee the purchaser a **paycheck for life**, no matter how long they live. For this reason alone, it may make A LOT of sense to use an annuity as the vehicle for your IRA.

(What is the very best use for an IRA? Income. Why? Because it is the weakest because it is a pre-tax asset. By spreading the IRA out over a period of time, you spread the tax liability out also. Plus other assets to eb inherited by an heir probably qualifies for "step up" in basis, meaning that they come with no tax liability....now combine the IRA with the living benefits of an income rider and you have your answer. Annuities belong in an IRA.....BB)

"Annuities are taxed as ordinary income, once income commences."

Many argue that annuities are not attractive because they are taxed as ordinary income. This means that once you begin taking money out of your annuity, you are taxed at your regular tax bracket on those funds (currently 10 percent - 35 percent, based on your annual taxable income). Some investments, *other than* annuities, are taxed at a capital gains tax rate of a lesser (current) 15 percent. If you are in the 25 percent - 35 percent tax brackets, this seems like a big argument in favor of retirement products *other* than annuities, doesn't it?

In reality, it is; but only for a **minority of our nation**. The IRS indicates that nearly **two-thirds** of the U.S. fell **below** the 25 percent tax bracket as of 2009. This means that the 'ordinary income' argument is only of concern to about 33 percent of our nation. It must not be a concern to the Obama administration; they are exploring the use of *annuities* to guarantee retirees' incomes, not other retirement products. With so much uncertainty regarding the future of federal income taxes, nobody really knows what will be ahead for the taxation of all retirement income products.

Regardless, some will never endorse annuities for a single one of their clients; that's okay. Statistics, however, show that since 1950 there has been a 2,200 percent increase in the number of Americans who are age 100 or

older. Today, Americans' number one fear is outliving their income. That being said, those who don't embrace annuities will one day live in poverty – trying to scrape-up enough cash for prescriptions, not enjoying their retirement.

(Now factor in the exclusion basis annuities provide and when used is a fixed payout, they are wonderful tax managed profucts....BB)

Meanwhile, the "*annuity haters*" can **envy** those of us that *own* annuities and have **guaranteed income that we cannot outlive**. We'll be happy, not struggling and rocking out every minute of our twilight years.

Sheryl Moore is President and CEO of Moore Market Intelligence, an indexed product resources in Des Moines, Iowa. She has over a decade of experience working with indexed products and provides competitive intelligence, market research, product development, consulting services and insight to select financial services companies. She may be reached at **sjm@indexedrockstar.com.**

Hey agent!!!!.... email her and say thanks!

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I obtain information from many sources, print, internet, agent gossip and other media. I always try and provide the original source or the link but my note taking habitually is lacking.

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