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

Open MIC is open for anyone.

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

IF YOU WOULD LIKE TO FIND OUT MORE ABOUT US

CALL OR EMAIL

ANTHONY OWEN

888-74AGENT (24368)

tony@annuityagentsalliance.com

OR VISIT OUR WEBSITE

Annuity | Agent's Alliance
Real Help From Real Agents.

HELP WANTED!

EAGLE SHADOW
FINANCIAL

A Shield for Your Retirement and Assets

CAPTIVE SUB AGENT: Austin / San Antonio, TX

Chad is getting way too many leads for one agent to handle. As much as 20 per week. That equals tons of leads that are not getting called or barely touched.

Eagle Shadow Financial, LLC is looking for an agent to go captive under our organization.

Please submit a resume and proof of production to tony@eaglesahdowfinancial.com.

Benefits:

- All leads and client hand out materials are paid for. No Marketing Expenses!
- One on one training from Chad Owen, a $15,000,000 a year producer.
- Large case closing help. Chad will assist directly in closing large cases with your clients.
- Compensation can easily exceed six figures. Commission rate is ½ of street level. Chad receives the same compensation level and makes over $400,000 a year in personal income. Higher compensation possible if annual premium exceeds $2,000,000.

Requirements:

- Unquestionable Integrity, honesty, loyalty, and dependability.
- No criminal or financial history that would prevent carrier contracting.
- Must have a personality that exudes enthusiasm and confidence.
- Proven sales experience with proven success. Knowledge of fixed indexed annuities and income riders is a plus.
- Willing to drive long miles, work long hours, and do whatever it takes.
- Must be coachable! If you think you know it all then you don't need us.
- Must reside or be willing to relocate within the Austin / San Antonio, TX are. Relocation expenses are not reimbursable.

HELP WANTED!

AGENT RECRUITER: Location to be determined based on qualified applicant.

Please submit a resume and proof of production to tony@annuityagentsalliance.com.

- Phone sales and cold calling skills are a must.
- Willing to handle high volume of inbound and outbound calls.
- Must have high level of ambition, energy, integrity, and dependability.
- Six figure earning potential.
- Annuity product info and industry knowledge a plus. Will train otherwise qualified applicant.
- Work from home possibilities.
- Applicant can also sell annuities as long as business goes through us.

***"It takes a village to raise an annuity agent"*.....Bill Broich**

Grandson John, stung by bee in eye, so I made him breakfast: eggs and chocolate cake.

It's Open MIC Time!

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

"Portfolio diversification is the fear of volatility"

Words of Wisdom

"If advertisers spent the same amount of money on improving their products as they do on advertising then they wouldn't have to advertise them." ~Will Rogers

FEDERAL DEBT STUCK? - According to the Daily Treasury Statement for July 26, which the Treasury released yesterday afternoon, the federal debt has been stuck at exactly $16,699,396,000,000.00 for 70 straight days. That is approximately **$25 million** below the legal limit of $16,699,421,095,673.60 that Congress has imposed on the debt.

What a coincidence!

PRINTING TO CONTINUE - Interest rates will hold **near zero** and the Fed will continue buying $85 billion in bonds every month while the economy continues to improve at a "modest" pace, says the central bank. **No changes are imminent to interest rates**, but the $85 billion monthly money-printing program known as quantitative easing will be trimmed back only if the data points, particularly on unemployment, continue to improve.

Sheryl Moore
http://www.lifehealthpro.com/2013/07/30/bullied-to-death

Great sadness for our industry friend at the passing of her son, AJ.

Finally, although the industry is trying to stop him, wonder why?....BB

401 k Fee Abusers May Be Named

http://online.wsj.com/article/SB10001424127887323971204578626103409341648.html

A Yale Law School professor is causing a ruckus among U.S. corporations with plans to publicize a study of employers' 401(k) plan costs.

The professor, Ian Ayres, has sent about 6,000 letters to companies, saying he would disseminate the results of his study using Twitter, with separate hashtags for each company.

Prof. Ayres has mailed out several different versions of the letter since June, and at least one said that he had identified an employer's 401(k) specifically "as a potential high-cost plan." He said that he and his research partner planned to publicize the results in spring 2014.

Anthony spoke of laddering annuities last week with his **Income Illustrator**, our resident CPA, George Harmer added some thoughts as well as references to a Kiplinger article.....BB

From Kiplinger's Retirement Report – May 2013

Climb Higher With A Ladder

George Harmer, CPA, MBA

From Kiplinger's Retirement Report – May 2013

"There is no guarantee that an annuity ladder would provide more income than if you'd bought one annuity. **But research indicates that laddering annuities might boost a nest egg."**

"A study by MassMutual Financial group compared several retirement-income strategies including one portfolio made up of just stocks and bonds and one that also included a ladder of fixed annuities purchased at various times. Each portfolio started off at $100,000 and was assuming to be held by a 65 year old man."

"The Mass Mutual study reviewed the investments' growth using market data from 1980 to 2006. The stock and bond portfolio ended up with a value of $489,346, while the one with laddered annuities ended at $735,292, the highest values of al the strategies tested" – Editorial Note: A shame they didn't run this through 2010 and catch the market downside – the gap would have been even larger.

"As for deciding how you should stager your ladder, there are no hard and fast rules. Experts generally you want to get to halfway between your age and your life expectancy. For example, a 65-year old would want to complete the ladder in about ten years."

Why do this??? To offset against those clients who say that the interest rates today are so low that they would miss out if the rates rise. By laddering they can put their retirement dollars in

“waves” and catch higher rates should they occur in the future. You could buy one annuity every year for the next five years or buy one every five years for the next fifteen. Either way – you counter the low interest rate argument.

George Harmer, CPA, MBA
(And Boise State Alumni)

Big Truck Partners

Hello Partners,

Chad just sold a $500,000 5 yr MYG for Guggenheim. The spread between CD's and MYGA's is getting bigger and some clients just looking for higher yields will go for this.

Good off week drip for your Retire Village database also.

Thanks for the biz,

Anthony R. Owen

www.bankrate.com :5 year CD rates range from 1.150% to 2.06%

www.annuity.com/agenttools Guggenheim

5 yr. rate fixed is 2.80%

3 year rates 2.10%

4 year rates 2.35%

Ladder those and roll over the tax deferral, 2.80% tax deferral is a winner!

Interest Information, stuff good to know when your client asks....

Here is my tip for the day

Ever wonder why rates are so different between bank CDs and annuities? Bank rates are based on the Federal Reserve Discount Rate, Annuity rates are based on the 10 yr. US Treasury. Bank CD rates are much more volatile, annuity rates are more gently flowing, and here is how I explain then.

***Think of interest rates like the ocean, tides flow in and out slowly, that is how annuity rates* are, slow and gentle. Bank rates are like waves; sudden and choppy (use your hands to make a visual example).....BB**

Remove risk from your marketing! Use our leads!

1450 leads in July, many more in August, we will keep growing and getting more leads, hitch up with us….BB

Leads….lots of leads in lots of states…..

Those of you who are not buying Annuity.com Branded Leads are missing one of the best lead bargains available. I can only assume you have more marketing than you can handle or full calendars.

Here is one more reason why you should buy Branded Leads. One of the ways we generate Scrubbed Leads is through inbound calls. We talk to the lead and scrub it but if we do not have a Scrubbed Lead buyer for the area it turns into a Branded Lead.

What is a Scrubbed lead?

A scrubbed lead is an inquiry through the Annuity.com internet and television marketing system that we have actually spoken with in the first five minutes of the inquiry. We verify their information, their interest in an annuity, the amount of funds they have available (Don't count on this information. People don't like to say how much money they have over the phone), and their willingness to speak to an agent about an annuity.

What is a Branded lead?

A branded lead is an inquiry that we were not able to speak with in the first five minutes of the inquiry but we were able to verify that they have a working phone number. Filters are applied to remove leads for other reasons including agent inquiries.

If you were the world's worst salesperson

Closing ration is 1 out of 10. Breakeven is 1 out of 108 leads based on $100K sale. All branded with Annuity.com. Huge opportunity for low cost good volume marketing to kick start the fall selling spree.

401(k) Participants Say a Retirement Income Stream is their Top Priority

http://www.thestreet.com/story/11996618/1/401k-participants-say-a-retirement-income-stream-is-their-top-priority.html?puc=yahoo&cm_ven=YAHOO

NEW YORK--A gigantic market of investors is seeking assistance. 401(k) participants say their main goal is to have a secure stream of income in retirement, and they're looking for help to achieve that, according to a survey by State Street Global Advisors (SSgA).

Most of the survey participants (80%) believe that a guaranteed monthly payout benefit is a "must have," even if it means compromising some access to their retirement savings.

Get used to it, this government needs all the revenue it can find to cover the deficite....BB

Implications for Clients of the Threat to Stretch IRAs

http://www.thinkadvisor.com/2013/07/23/implications-for-clients-of-the-threat-to-stretch

The popularity of the Obama Administration's proposals to cap the value of tax-deferred retirement accounts is fading—and the focus has shifted to proposals that would **eliminate the "stretch" IRA** instead.

With widespread support gathering behind eliminating the extended tax deferral associated with stretch IRAs, preparing clients today can prevent surprises in the future—and there are a few simple steps that these clients can take to minimize the fallout should the **death of the stretch IRA be near**

Does the small guy even have a chance?....BB

Warren Buffett Is Steering Clear of Regulators

http://www.thestreet.com/story/11998162/1/heres-why-warren-buffett-is-steering-clear-of-regulators.html

Assets in the variable annuity death benefit business include commercial mortgages, public and private bonds, and back up death benefit policies and guaranteed minimum income annuities.

Regulators are inquiring into how portfolio managers approach risk when it comes to annuities' investable assets, a source said. New owners of annuities portfolios may elect to use these assets to back riskier investments like mortgage-backed securities.

"They have injected some more risk into the system," said one banking source, of investors now making annuities deals to use investable assets in riskier bets, adding, "They've taken advantage of this regulatory arbitrage."

To be sure, the activity is legal--it simply adds more risk to a portfolio.

Cautionary tale...then they tell us all about the State Guarantee Fund....it is all in the spin, headline to grab but details boring, oh yes, they are insured....BB

Cautionary tale about annuities

http://abclocal.go.com/wpvi/story?section=news/consumer&id=9192968

In Lawley's case, Executive Life Insurance Company of New York was responsible for those payments and paid Lawley starting in 2006.

But last year, the company was declared insolvent.

Lawley says she's been informed by the New York Liquidation Bureau her payments will be reduced by more than half.

This is happening to more than 1,500 people nationwide including more than 60 people in Pennsylvania.

Dave Townsend

Sales Tip, open the door to a fact finder situation using "big" boy talk: *Wealth Transfer*.

Wealth Transfer

Ever really wonder what **Wealth Transfer** actually is? When you think about it does a large estate come to mind? How about leaving your heirs $10k? Is that not wealth transfer?

Use the concept of **Wealth Transfer** for your clients and prospects. This is simple to accomplish by asking a leading question.

*"Mrs. Jones, have you made plans for **Wealth Transfer** to your daughter?"*

The concept of **Wealth Transfer** will intrigue Mrs. Jones and everyone else you speak to about it. The term **Wealth Transfer** is so inoguous, the actual definition is slippery.

Here is the definition of **Wealth Transfer.** (Wikipedia)

Redistribution of income and wealth or **redistribution of wealth** is the transfer of income, wealth or property from one individual to another.

It could have a meaning of **"big"** to some and another meaning to another. Let's talk about simple **Wealth Transfer** first.

Wills, trusts, beneficiaries, transfer on death (bank, pod), probate are all vehicles used for Wealth Transfer. Does Mrs. Jones have a beneficiary named on her life insurance policy? Her annuity? Her IRA? Naming a beneficiary can help quicken and lessen the time and expense of Wealth Transfer.

<u>These will be failsafe opening lines.</u>

- *"Mrs. Jones, did you know you could cut the expenses for your daughter inheriting your estate with a simple Wealth Transfer strategy?"*
- *"Mrs. Jones, did you know that naming a beneficiary can help you avoid probate?"*
- *"Mrs. Jones, did you know that your bank can provide you with forms you can prepare in advance to allow your daughter to inherit your Bank CD without the cost and time delay of probate?"*
- *"Mrs. Jones, did you know that your IRA does not need to be probated with a simple heir designation?"*
- *"Mrs. Jones, a simple heir designation on your (insert topic) will help eliminate probate expenses."*
- *"Mrs. Jones, did you know you have a large estate exemption to offset death taxes that can be added to your will?"*

I could write 50 of these leading questions, the idea is to get her interested enough in a simple concept based on a big idea. These will always lead into a fact finder situation.

Here is a great "cheat" sheet for beneficiary section and available options. This is one topic you should be well versed in....BB

What Beneficiaries Need To Know

What do you do when an account owner passes away?

If your loved ones have invested, saved or insured themselves to any degree, you may be named as a beneficiary to one or more of their accounts, policies or assets in the event of their deaths. While we all hope "that day" never comes, we do need to know what to do financially if and when it does.

Legally, just who is a beneficiary? IRAs, annuities, life insurance policies and qualified retirement plans such as 401(k)s and 403(b)s are set up so that the accounts, policies or assets are payable or transferrable on the death of the owner to a beneficiary, usually an individual named on a contractual document that is filled out when the account or policy is first created.

In addition to the primary beneficiary, the account or policy owner is asked to name a contingent (secondary) beneficiary. The contingent beneficiary will receive the asset if the primary beneficiary is deceased.

Some retirement accounts and policies may have multiple beneficiaries. Charities are also occasionally named as beneficiaries. If you have individually listed one (or more) of your kids or grandkids as designated beneficiaries of your 401(k) or IRA, that designation will usually override any charitable bequest you have stated in a trust or will.[1]

A will is NOT a beneficiary form. When it comes to 401(k)s and IRAs, beneficiary designations are commonly considered first and wills second. Be mindful of who you select. If you willed your IRA assets to your son in 2008 but named the man who is now your ex-husband as the beneficiary of your IRA back in 1996, those IRA assets are set up to transfer to your ex-husband in the event of your death.[1]

If a retirement account owner passes away, what steps need to be taken? First, the beneficiary form must be found, either with the IRA or retirement plan custodian (the financial firm overseeing the account) or within the financial records of the person deceased. Beyond that, the financial institution holding the IRA or retirement plan assets should also ask you to supply:

* A certified copy of the account owner's death certificate
* A notarized affidavit of domicile (a document certifying his or her place of residence at the time of death)

If the named beneficiary is a minor, a birth certificate for that person will be requested. If the beneficiary is a trust, the custodian will want to see a W-9 form and a copy of the trust agreement.[2]

If you are named as the primary beneficiary, you usually have three options for claiming the assets, regardless of what kind of retirement savings account you have inherited:

1 - Open an inherited IRA and transfer or roll over the funds into it.
2 - Roll over or transfer the assets to your own, existing IRA.
3 - Withdraw the assets as a lump sum (liquidate the account, get a check).

Before you make ANY choice, you should welcome the input of a tax advisor, and discuss any limitations or consequences that may apply to your situation.[2]

What if you are a spousal beneficiary? If that is the case, you may elect to:

* Roll over or transfer assets from a traditional IRA, Roth IRA, SEP-IRA or SIMPLE IRA into your own traditional or Roth IRA, or an inherited traditional or Roth IRA
* Withdraw the assets as a lump sum
* Roll over or transfer qualified retirement plan assets from a 401(k), 403(b), etc. into your own retirement account, or take them as a lump sum.[2,6]

What if you are a non-spousal beneficiary? If this is so, you may elect to:

* Roll over or transfer assets from a traditional IRA, Roth IRA, SEP-IRA, SIMPLE IRA or qualified retirement plan into an inherited IRA
* Withdraw the assets as a lump sum.[2]

What if a qualified (i.e., irrevocable) trust is named as the beneficiary? If that is the circumstance, the trustee has two choices:

* Transfer assets from a traditional IRA, Roth IRA, SEP-IRA, SIMPLE IRA or qualified retirement plan into an inherited IRA
* Withdraw the assets as a lump sum.[2]

The next calendar year will be very important. Inheritors of retirement accounts have until September 30 of the year following the original account owner's death to review and remove beneficiaries, and until December 31 of that year to divide the IRA assets among multiple beneficiaries. Usually, December 31 of the year after the original retirement plan owner's passing is the deadline for the first RMD (Required Minimum Distribution) from an inherited traditional or Roth IRA.[3,4]

Now, how about U.S. Savings Bonds? If you are named as the primary beneficiary of a U.S. Treasury Bond, you have three options:

* Redeem it at a financial institution (you will need your personal I.D. for this).
* Get the security reissued in your name or the names of multiple beneficiaries. You do this via Treasury Department Form 4000, which you must sign before a certifying officer at a bank (not a notary). Then you send that signed form and a certified copy of the death certificate to a Savings Bond Processing Site.
* Do nothing at all, as the primary beneficiary automatically becomes the bond owner when the original bond owner passes away.[5]

What about savings & checking accounts? Bank accounts are often payable-on-death (POD) assets or "Totten trusts." All a beneficiary needs to claim the assets is his or her personal identification and a certified copy of the death certificate of the original account holder. There is no need for probate. (Some states limit charities and non-profits from being POD beneficiaries of bank accounts.)[5]

How about real estate? Lastly, it is worth noting that about a dozen states use transfer-on-death (TOD) deeds for real property. If you live in such a state, you have to go to the county recorder or registrar, usually with a certified copy of the death certificate and a notarized affidavit which informs the recorder or registrar that ownership of the property has changed. If the deed names multiple beneficiaries and some are dead, the surviving beneficiaries must present the recorder or registrar with certified copies of the death certificates of the deceased beneficiaries.[5]

Citations.

1 - smartmoney.com/taxes/estate/how-to-choose-a-beneficiary-1304670957977/ [6/10/11]
2 - www.schwab.com/public/file/P-1625576/CS13416-02_MKT13598-10_FINAL_118091.pdf [12/10]
3 - retirementwatch.com/IRASample4.cfm [1/31/13]
4 - retirementwatch.com/IRASample1.cfm [1/31/13]
5 - nolo.com/legal-encyclopedia/claim-payable-on-death-assets-32436.html [1/31/13]
6 - montoyaregistry.com/Financial-Market.aspx?financial-market=who-should-inherit-your-ira-andor-401k&category=22 [1/31/13]

Who else could benefit for Wealth Transfer? **The tax man.**

How about larger estates, estates which could be subject to estate tax?

Below are several ideas, caution: these are only ideas and concepts, never practice law or give tax advice unless you are licensed and authorized to do so....see my disclaimer at end of notes....BB

Federal Estate Tax

At the end of 2010, Congress passed the Tax Relief Act, which increased the gift, estate, and GST tax exemptions to $5 million per person, or $10 million for a couple. This exemption is still in effect. With this in mind, here are some tax-smart wealth transfer strategies to consider discussing with your clients.

Establish a Dynasty Trust

As the name implies, this is a trust designed to protect wealth for multiple generations. The higher exemption amounts present an opportunity to avoid gift and GST taxes. Couples who have not used up any of their gift or GST tax exemptions stand to get the biggest bang for their buck: they can now shelter $10 million from transfer taxes. (this is a very complicated issue, always best to work with a CPA and a licensed attorney)

Consider a Spousal Credit Shelter Trust

With this type of trust one spouse can gift up to $5m into a trust that benefits the other spouse. The trust is testamentary, it starts at death of the first spouse, the exemption is passed via the trust to the surviving spouse. Normally this trust is part of your will.

Create and Fund a GRAT

A grantor retained annuity trust, or GRAT, is an irrevocable trust into which the creator of the trust, or grantor, transfers assets and, in return, receives a fixed annual payment, or annuity, paid from the trust for the term of the trust. At the end of the GRAT term, the trust's remaining assets pass to the beneficiaries tax-free.

GRATs are especially attractive to people who have assets that they believe will appreciate significantly and want to ensure the appreciation is removed from their estate. In effect, what this instrument does is allow the grantor to transfer the appreciation of the assets to heirs free of the gift tax.

But drawbacks are still there. Once of the downsides of a longer-term GRAT is the risk that the grantor dies during the GRAT term. In that case, the trust property will likely be included in the grantor's estate for estate tax purposes.

Give it Away (I have always loved this option, but most people will not consider it, did you know you cannot take your money with you?...BB)

Family Loans: The current low-interest environment is very favorable for intra-family loans, providing the loan is properly structured and well documented. The IRS has established special monthly interest rates for these loans, known as "Applicable Federal Rates" or "AFRs." The rate is currently well below 1% for loans of three years or less.

Charity: Always an option

Roth IRA Conversions

Unlike a traditional IRA that is funded with pretax dollars, a Roth IRA is funded with after-tax dollars. While distributions from a traditional IRA are subject to income tax, distributions from a Roth IRA are income-tax-free. Ordinarily, taxpayers have expected to be in lower income tax brackets when they retire, so deferring income taxes until then has made sense. However, with the top Federal income tax rate currently at 35% but scheduled to surpass 43% by 2013, many taxpayers are rethinking this assumption.

Never give tax or legal advice, bring in the professionals, be the insurance professional, stay in your box.

Are you blogging? If not you are making a mistake!....BB

Retire Village: Off week drip tips with your blog.

1. **Focus on your core area of expertise.** While I blog about many marketing topics, I try and stay within my area of experience (annuities and their benefits)
2. **Help your database solve problems.** Offer practical ideas for your blog readers, such as the benefits of naming a beneficiary.
3. **Optimize your blog for search engines.** By blogging with Annuity.com you automatically are indexed. Use that power. This underscores the importance of using the best practices of search engine optimization on your blog and developing blog content with keywords matching probable search terms. (we add the search words for you)
4. **Turn news into traffic.** Heard of "news-jacking"? It's when you create a blog post related to a topic or event in the news such as a local event in your area.
5. **Social-media promotion is essential.** Each time I write a post, I link to it on social-media sites. Easy to do and with us it can be automatic.

I could put 30 articles a week up which are VA negative, would be my guess. I highlighted the points here I wanted to make with you, follow the link for the entire article.....BB

http://www.investmentnews.com/article/20130802/FREE/130809980?utm_source=issuealert-20130804&utm_medium=in-

newsletter&utm_campaign=investmentnews&utm_term=text

Some Allianz variable annuities hit with fee hikes as firm dials back

Though many clients will see fee hikes for protection riders, some will experience a decrease

By **Darla Mercado**
Aug 2, 2013 @ 3:10 pm (Updated 10:33 am) EST

Fee hikes are on the way for a number of clients who own variable annuities from Allianz Life Insurance Co. of North America.

Clients who own the **Investment Protector variable annuity rider will see a 35-basis-point increase in their rider charges starting Aug. 19. The new charge will be 1.15%, 1.25% or 1.30%,** depending on when the contract was issued.

The Investment Protector is an accumulation benefit that protects investors' principal and locks in a percentage of the highest contract value for a date that's at least 10 years in the future.

The affected block of business was originated in 2009, according to Adam Brown, assistant vice president of actuarial product development at Allianz. This product accounted for about 15% to 25% of the insurer's sales of variable annuities with living benefits.

"As we look to manage our business, especially our in-force business, we manage it in blocks," Mr. Brown said. "Unfortunately in this case, because of low rates and the immediate nature of the guarantee, we've had to raise fees."

The cost of Income Protector rider contracts with a 7% or 8% annual increase — a boost in the value of the benefit base used to calculate income payments — will increase by 20 basis points. **The new charge for single life versions of the rider will be 1.35% or 1.40% and 1.40% or 1.50% for joint life**, depending on when the contract was issued.

On the flip side, Income Protector contracts that have a 5% annual increase will have a **10-basis-point cut in costs**. The new charge for single and joint life is 1.10%.

.

Ok, here is a great handout or off week drip for your Retire Village database. I marked a few points in red for you.....BB

(from www.marketinglibrary.net)

Bonds and Interest Rates

A look at how one can greatly affect the other.

Is the bond bull history? Bond titan Bill Gross called an end to the 30-year bull market in fixed income back in 2010, and he has repeated his opinion since. Legendary investor Jim Rogers predicted an end to the bond bull in 2009, and he still sees it happening. This belief is starting to become popular – the Federal Reserve keeps easing and more and more investors are leaving Treasuries for equities.

If the long bull market in bonds has ended, the final phase was certainly impressive. During the four-year stretch after the collapse of Lehman Brothers, **$900 billion** flowed into bond funds and $410 billion left equities.

In 2013, you have bulls running, an assumption that Fed money printing will start to subside and the real yield on the **10-year TIPS in negative territory**. Assuming the economy continues to improve and appetite for risk stays strong, what will happen to bond investors when inflation and interest rates inevitably rise and bond market values fall?

Conditions hint at an oncoming bear market. When interest rates rise again, how many bond owners are going to hang on to their 10-year or 30-year **Treasuries** until maturity? **Who will want a 1.5% or 2.5**% return for a decade?

What do you end up with when you sell a bond before its maturity? The market value. If the **federal funds rate rises 3%,** a longer-term Treasury might lose as much as a **third of its market value as a consequence**. It wasn't that long ago – June 12, 2007, to be exact – when the yield on the 10-year note settled up at 5.26%.

This risk aside, what if you want or need to stay in bonds? Some bond market analysts believe now might be a time to exploit short-term bonds with laddered maturity dates. What's the trade-off in that move? Well, you are accepting lower interest rates in exchange for a potentially smaller drop in the market value of these securities if rates rise. If you are after higher rates of return from short-duration bonds, you may have to look to bonds that are investment-grade but without AAA or AA ratings. **(why not ladder short term annuities, no risk to loss of principal….BB)**

If you see interest rates rising sooner rather than later, exploiting short maturities could position you to get your principal back in the short term. That could give you cash which you could reinvest in response to climbing interest rates. If you think bond owners are in for some pain in the coming years, you could limit yourself to small positions in bonds.

The Treasury needs revenue and senses the plight of certain bond owners, and in response, it has plans to roll out floating-rate notes by 2014. A floater backed by the full faith and credit of the U.S. government would have real appeal – its yield could be adjusted per movements in a base interest rate (yet to be selected by the Treasury), and you could hold onto it for a while instead of getting in and out of various short-term debt instruments and incurring the related transaction costs.

Appetite for risk may displace anxiety faster than we think. In this bull market, why would people put their money into an investment offering a 1.5% return for 10 years? **Portfolio diversification aside, a major reason is fear – the fear of volatility** and a global downturn. That fear prompts many investors to play "not to lose" - but should interest rates rise significantly in the next few years, owners of long-term bonds might find themselves losing out in terms of their portfolio's potential.

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My opinion or numerous sources complied by me

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I am an authority in lead generation and marketing annuities and am fully licensed as an insurance salesman. I sell state approved annuity products provided by licensed insurance companies.

I am also NOT an economist by license, only by hobby. If you decide to make decisions based on my particular view of the world, you should get it verified by licensed professionals or get your head examined.

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More Legal Stuff...

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