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Write On The Money

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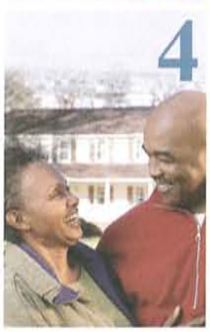
Are you worried about how to obtain a steady source of retirement income? Consider a split-annuity strategy.

3 Heir-Tight Estate Conservation

An incentive trust can help reinforce the lessons you taught your children, rather than give them free rein over their inheritances.



4 What Do You Know About GDP?

Take this quiz to test what you know about the most comprehensive measure of the U.S. economy.

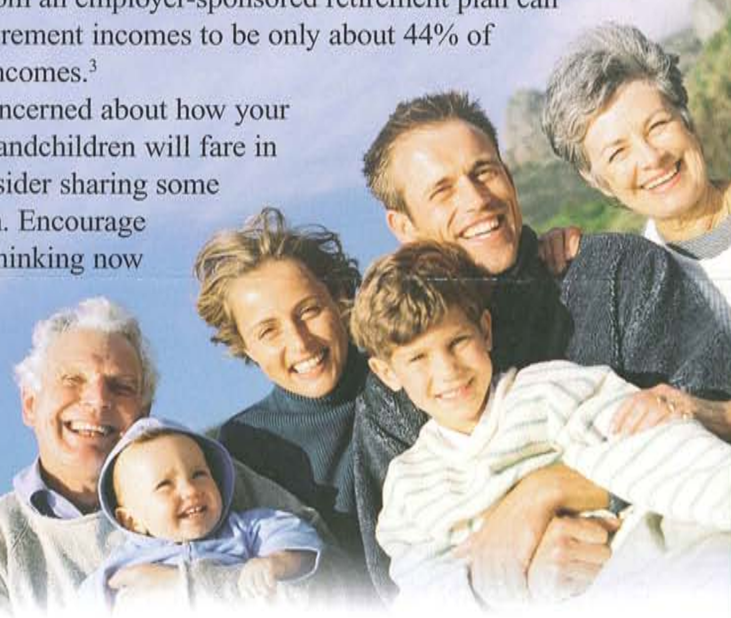
Generation (Savings) Gap

They say that wisdom comes with age. This could help explain why 68% of baby boomers participate in a 401(k) plan, compared with just 58% of Generation X and 29% of Generation Y.[1]

And yet the younger generations may face a tougher road to retirement. They are less likely to have access to a pension. By 2041, Social Security is projected to have only enough money to cover $0.74 of every dollar of scheduled benefits.[2] Workers aged 26 to 41 who don't have savings from an employer-sponsored retirement plan can expect their retirement incomes to be only about 44% of their working incomes.[3]

If you are concerned about how your children and grandchildren will fare in retirement, consider sharing some of your wisdom. Encourage them to begin thinking now about funding a comfortable retirement.

1) *InvestmentNews*, November 12, 2007
2–3) Investopedia, 2008



INSIGHTFUL IDEAS FOR YOUR FINANCIAL WELL-BEING

For Income, Pick Up This Split

Are you confident that you will have enough money to live a long retirement? Many workers are at least somewhat confident that they'll have enough saved to live comfortably in retirement, but only 27% are very confident. Unfortunately, 29% of workers are not confident that they'll have sufficient retirement savings.[1]

A split-annuity strategy can help you begin receiving an income stream that has the potential to last well into the future.

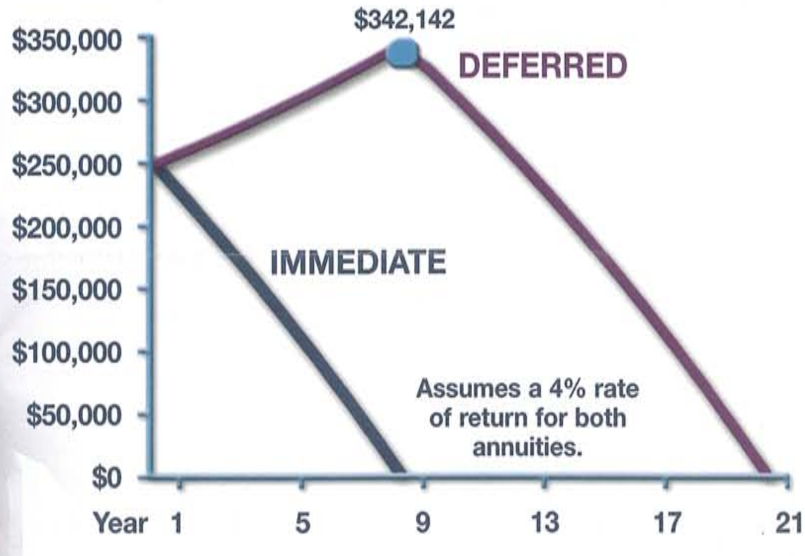
Split Up to Cover More Ground

A split-annuity strategy involves dividing a lump-sum contribution into two contracts: an immediate fixed annuity and a deferred fixed annuity. The immediate annuity begins paying the contract holder an income right away, while the deferred annuity accrues interest to help provide income in the future.

In the example shown below, a hypothetical individual splits $500,000 between these two types of annuity contracts. He puts $250,000 in the immediate annuity and allocates the other

INCOME TODAY AND TOMORROW

The combination of an immediate fixed annuity and a deferred fixed annuity can potentially create an income stream today, while preserving income for tomorrow.



This hypothetical example assumes $500,000 divided evenly between an immediate fixed annuity and a deferred fixed annuity. The immediate annuity provides a $35,000 annual income for eight years. The deferred annuity accumulates tax deferred. This example assumes a 4% annual return for both annuities. Withdrawals from the deferred investments could begin after the immediate annuity pays out all its value. This hypothetical illustration does not reflect the performance of any specific financial vehicles. Taxes and product fees and charges are not considered in this example and would reduce the performance shown if they were included. Actual results will vary.

half to a deferred annuity. Because the immediate annuity guarantees a 4% annual rate of return, the contract holder is able to collect a $35,000 annual income for eight years.

During this time, the $250,000 in the deferred annuity is also earning a 4% annual return, which accumulates on a tax-deferred basis. By the time the immediate annuity is exhausted, the deferred annuity has grown to over $342,000. The contract holder can then begin collecting an income from the deferred annuity.

If the contract holder were to die during the accumulation phase of the deferred annuity (before annuity payments commence), the designated beneficiary would collect the principal plus any interest that had accumulated during the life of the contract.

An annuity is a contract between an individual and an insurance company. In exchange for a promise of current or future payments from the insurance company, the individual makes one or more payments to the insurance company. Annuities have contract limitations, fees, and expenses. Any guarantees are contingent on the claims-paying ability of the issuing insurance company.

Most annuities have surrender charges that are assessed during the early years of the contract. Annuity earnings are taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty.

When gauging your retirement readiness, consider the benefits of a split annuity. Call today to discuss strategies to pursue a steady income stream throughout your retirement.

1) 2007 Retirement Confidence Survey, Employee Benefit Research Institute

Heir-Tight Estate Conservation

In a survey of high-net-worth individuals, an overwhelming majority (74%) indicated that they intend to leave money to their children.[1] Most respondents (62%) felt strongly that each generation should take responsibility for creating its own wealth.[2] Yet only 30% of people with estate planning documents outline specific requirements that heirs must meet to gain access to their inheritance.[3]

An incentive trust can help reinforce the lessons you taught your children during your life. The incentives outlined in this type of trust may encourage the trust beneficiaries to avoid temptation and sidestep certain circumstances that might be detrimental to their lives.

You can use an incentive trust to set stipulations that would reward your heirs for making specific life choices. For example, an incentive trust might:

- Encourage heirs to seek a higher education. Money could be awarded for obtaining a degree or released to help pay for tuition and supplies. The trust could even stipulate that a certain grade-point average must be maintained.
- Supplement the income of a child who works for a nonprofit organization or family foundation. An incentive trust can also encourage heirs to start their own businesses.
- Stress the importance of fiscal know-how and money management by requiring that courses in financial education be completed before the beneficiary can gain access to an inheritance.
- Offer to match the income of an heir dollar for dollar.

Besides helping to pass on your values, trusts can also help protect your estate from probate fees and estate taxes.

The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional before implementing such strategies.

A legacy can be about much more than just wealth. With an incentive trust, you can leave a legacy of family values and financial responsibility.

1–3) *Registered Rep*, May 30, 2007

STRINGS ATTACHED

Of people who had included incentives in their estate conservation strategies:

77%
Directed that the inheritance be used for education.

46%
Required that the inheritance go toward basic needs, such as housing.

29%
Set aside funds for grandchildren.

28%
Stipulated that the money be used only for business or career-related expenses.

16%
Indicated that the inheritance be used for specific charitable donations.

Source: *Registered Rep*, May 30, 2007

What Do You Know About GDP?

Gross domestic product (GDP) is one of the most important indicators of the health of the U.S. economy. It can also be used to gauge the country's standard of living. How much do you know about this vital tool that assesses the country's economic well-being?

1. GDP can be defined as the monetary value of all the __________ produced in the United States during a specific period.
   - A) Invested assets
   - B) Material wealth
   - C) Goods and services
   - D) Foreign capital

2. Which of the following accounts for the largest portion of GDP?
   - A) Consumer spending
   - B) Government spending
   - C) Business spending
   - D) None of the above

3. Gross domestic product and gross national product measure essentially the same thing.
   - A) True
   - B) False

4. The last time that real GDP dropped during a single calendar year was in:
   - A) 1975
   - B) 1980
   - C) 1982
   - D) 1991

5. Which of the following segments of the economy is <u>not</u> accounted for in GDP?
   - A) Goods and services produced for overseas consumption
   - B) Foreign companies doing business in the U.S.
   - C) State and local governments
   - D) The black market

Sources: About.com, 2008; Investopedia.com, 2008; Bureau of Economic Analysis, 2008

Answers:
1. C) **Goods and services.**
2. A) **Consumer spending.** Over 70% of what the United States produces is for personal consumption.
3. B) **False.** Although they are similar, GDP measures goods and services produced in the United States, whereas GNP measures the goods and services produced by American firms throughout the world.
4. D) **1991.** GDP actually shrank in all four of these years, most recently in 1991.
5. D) **The black market.** Also called the "underground economy," the black market includes transactions that are not reported to the government.

Assessing your own financial situation is as important as evaluating the health of the economy. Call today for a review of where you stand and whether you are on the right track to pursue your goals.

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