

EDUCATING THE EDUCATOR™

A self-help booklet about payroll deduction investing

By

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Introduction

After 20 years in the financial service industry and specializing in retirement planning, I finally realize that most people saving and investing in different Individual Retirement Accounts (IRA), will not reap the benefits of 20 years of saving and investing. Millions of dollars will be lost because of poor decisions made by the consumers of these investment accounts. Many investors do not understand their investments or products.

This booklet will focus specifically on one product, the mistakes consumers make and how to avoid them, the unscrupulous agents and security representatives that sell the products.

Annuities are a great product because they are either pre-taxed or tax-deferred. That means, in layman terms, “you don’t pay taxes on money that you save for retirement”, until you take it out of the account.

The purpose of this booklet is to educate my personal clients, as well as, those potential clients considering saving or investing in retirement accounts, that will save thousands of tax dollars over the years. I will uncover the mistakes and the things to look for when considering a tax-deferred annuity. If you have any additional concerns that were not addressed after reading this booklet, feel free to contact our home office or website listed on the last page of this booklet.

Very Important Questions to Ask Your Annuity Agent

1. What is an Annuity?

An annuity is a contract of promise to repay 100% of collected premiums.

2. How long has he/ she been in the Annuity-selling business?

If the agent answers by saying that it's been less than 10 years, then you must realize that you're dealing with a temporary agent who will not be their when you may need them.

3. How long has the company been selling Annuities?

If the answer is less than 10 years, change companies to an older annuity company.

4. What accounting method does your Annuity company use?

If the agent does not know, immediately change agents and companies because it is the role of the agent to know how your money is invested and accounted.

Keep in mind that there are five accounting methods:

- a. Old Money - New Money
- b. Blend
- c. Portfolio - All Money
- d. Index
- e. Pass Thru (Convertible Bond Strategy)

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5. How is my money invested?

Annuity retirement monies buy government bonds and treasury bonds. This should be the answer you receive.

6. Do I pay fees and insurance premiums inside my Annuity policy?

If it is a Variable (Mutual Fund) Annuity, you are paying unnecessary fees, charges and insurance premiums. Change agents and companies.

8. Can my policy be amended or changed without my vote?

If yes, run!!

If the agent does not know, run!!

How to Buy an Annuity

- 1. Determine how much income you would like to have coming in via a regular check on a monthly basis.** Usually, you would want to close the gap of active working income and retirement income. Most people want 100% of their income after retirement.
- 2. Next, determine if this income is only for you or for someone else also.**
- 3. *How much can I afford to save to pay premiums? How will the annuity fit into my financial scheme?"***

Get professional help from a certified financial estate planner or someone that has a consistent track record of at least 20 years in the financial planning industry. You can't afford to make a long-term mistake with companies that have made a short-term commitment.
- 4. Read and go over the entire contract with a highlighter.**
- 5. Consider, while going over the contract, any fees, charges, surrender charges or other expenses within the policy.**

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6. **Policy loans, do you have this feature available in the policy?**

7. **Age of company in the Annuity business?**

8. **Guaranteed Interest Rate, does your policy have a minimum guaranteed rate?**

9. **What is the Annuity company's financial rating?**

10. **What are the settlement options?**

11. **Can I lose money?** Ask yourself this question when reviewing the policy and considering the guarantees, risks, expense fees, charges, penalties, growth, etc.

Use common sense, and then call our office for a complete comparison objective analysis.

There Are 5 Important Questions You Should Consider Asking the Agent Regarding Commitment

1. Are you married or divorced? Why or why not?
2. Are you degreed (college)? Did you quit? Why?
3. Do you have this investment? Why or why not?
4. Where did you learn about investing? Do you have any financial degrees or certifications that would allow you to be called an expert?
5. How long have you been in this business? What were you doing before you began working with this company?

Other Questions To Consider

Can your agent be trusted?

This is usually where the problem starts! A potential client is solicited to purchase an excellent product called an Annuity. If the agent has said absolutely nothing about the Annuity and the client just waited to read the Annuity contract, then everything would be fine. This is because only what is in the contract is what really counts.

However, that is not always the case. The selling agent, while selling a great product, feels as though there must be a spin put on the sell or an “over sell,” strengthening the truth, exonerating what the product can and was designed to do. Simplicity is the key when talking with an agent about retirement planning and buying into an Annuity.

Why would agents lie about a product?

High commissions, which mean low interest rates and no track record.

Is the annuity company a specialist or a novice in the retirement planning industry?

There has been an emergence of many companies offering Tax-Sheltered Annuities over the past years, since January 2000. If you have a tax-sheltered annuity less than three years old since 2001, it would be to your advantage to get some recent

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information on the company and the annuity. Many companies jump into the retirement business to sell annuities to unsuspecting mutual fund investors and customers that are simply looking for a safe haven to place their money without risk but with guarantees.

However, interest rates have plummeted, while annuity companies are selling clients contracts, changing guarantees, reducing benefits, and getting sued for inappropriate business schemes. This all happens without the client's knowledge.

Have you noticed your annuity company's name keeps changing? Have you noticed the communication and the agent are not around anymore? Business card, telephone and cell phone numbers are constantly being altered?

Agent Without A Local Office

Every week our office will get a number of annuity owners calling with complaints about the many changes taking place with their retirement accounts. Some of the questions they ask are:

1. Can I get a better interest rate and/or guaranteed loans?
2. I lost money in my annuity, how can I make it up?
3. How much should I contribute per pay period to earn my goal amount?
4. My agent lied and/or I've been misrepresented, how should I go about handling this situation?

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Well, there's a solution to these questions as well as to this type of business, run as quickly as you can to a reputable company specializing in the annuity business. At a minimum, seek an annuity company specializing in annuities before it was popular ten years ago. Your retirement account is only as secure as the company holding the annuity account.

IRS Code 90-24 will allow an annuity client to transfer, rollover or exchange their low performing annuity for a new annuity and/or company offering better rates and service. Many companies that have been specializing in the annuity business for ten years or more will have products to absorb any surrender charges that could be a loss to the client.

However, every situation is different regarding better interest rates and benefits from specific companies that can sometime make the difference between 4% and a guaranteed 8% return. Our internal office comparative report and annuity software (Morning Star), can give you a non-bias objective to show the current comparisons of your annuity with the market average. This also includes variable annuities, mutual funds and 457 deferred compensation plans. Don't wait, get your Free "Comparison Report" today!

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Take a look at your policy or annuity now, before retirement, and years before paying into a failing annuity company. This will protect you from coming into contact with agents that are hiding and going from bad company to bad company looking for the biggest payday at your expense. This in return offers big commission for agents, which usually means low returns for the annuity holder.

Here are just a few of many mistakes made by owners of 403(b), 401(K), 457, and mutual fund accounts:

1. Lack of knowledge of the investment or product.
2. Paying unnecessary commissions and fees to agents and representatives.
3. Not knowing the investment company's financial strengths and ratings.
4. Due diligence and getting non-bias information (i.e., BBB, AM Best website, State Department Insurance Commission, and Securities Compliance Department).
5. Get everything in writing, ask questions, and get answers in plain English.
6. Not receiving competitive returns and policy features that will give you maximum flexibility of your account.

K.I.S.S. - Keep It Simple Silly

It is difficult to understand in 5 minutes or less if the annuity is too complicate. This is the reason we offer our office as your resource for answers and comparisons of up to 50 different annuity companies and their products.

Tax Traps

The biggest tax trap is not considering all of the opportunities to reduce the tax threat.

Tax advantages are always the first priority to investing.

Free Report

Our company offers a free report to inform potential annuity investors about companies and their annuity agents. These complaints are gathered from various resources such as, school business managers, the Better Business Bureau, Texas Department of Insurance, Securities Exchange and individual teachers willing to speak out against misrepresentation by an annuity agent.

Taxation

Annuities have been granted triple exemption from taxation, which are

1. No federal taxes.
2. No state taxes
3. No social security taxes

In considering the tax advantage, for over a 30-year period of working, 25% of an estimated income could result in \$250,000 lost to taxation. We can show you how to quadruple your annuity and TRS retirement monies. You will be able to turn \$50,000 into \$200,000 paid, "free of taxes," to your spouse or beneficiary. For example, if you invest a portion of your annuity (i.e. \$50,000) you will receive a 100% return when needed, plus interest. As another option, you may also receive \$100,000 in life insurance or \$200,000 of long term benefits, regardless of health conditions, all while avoiding unnecessary taxes.

Common Mistakes

All consultation and options are based upon an individual's needs analysis. Please call for a computerized analysis and a Free report on the *Major Mistakes Most Annuity Owners Make Prior to Retirement.*

Fact

- Over one trillion dollars over the last 10 years has gone into tax-sheltered annuities.
- 85% of annuity owners will not spend their annuity accounts on retirement, but will transfer it to their heirs.
- 90% of annuity investors strongly believe that they know what they are doing financially and choose not to seek financial help.
- Most investors lose unnecessary money due to taxes, fees, charges, high commissions and low returns that do not out perform inflation; such as CD's, ("certificates of depreciation").

10 Basic Rules of Thumb

The secret to a successful retirement is to apply a series of simple rules to managing your financial affairs.

1. Always think, look and listen attentively to what the agent and literature are saying. If you do not understand what the agent is saying the first time, end the interview immediately.
2. Be comfortable, confident, and pure of your decision to close a particular program or choosing one agent or another.
3. Don't hesitate to ask questions and lots of them. Do not be intimidated by lack of knowing. Let it be known and refer back to #1.
4. Compare companies, interest rates, agent's complete knowledge and commitment to the financial services industry.
5. ASK KEY QUESTIONS:
 1. Why are you selling this product verses another?
 2. If the agent does not mention that he/she earns more money-quickly end the interview and find a truthful agent.
6. Educate yourself on different options. (read, read, read)
7. Do not procrastinate or become over analytical. Make a decision. (Refer to #1).

10 Basic Rules

8. Alleviate any questions that will cause a state of confusion because of misunderstanding or questions not being answered to your satisfaction.
9. Don't rush into something if it sounds too good to be true.
10. We all buy people that we like, just make sure that the people you like have the knowledge to handle your affairs.

Our goal is to help the buyer with decision-making. One bad choice could cost an investor a very large sum, plus a loss of interest and surrender charges. A full service investment company will usually give sufficient information over the phone. Call from the yellow pages for a reference.

Call our office and we will explain the necessary steps to avoid future catastrophe of your annuity. Exchanging your annuity may or may not be beneficial, however, weigh the pros and the cons from the newly revealed information. Call our office today and start saving with peace of mind.

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