FINANCIAL ADVOCATE | Volume 13, No. 1

NOW'S THE TIME

We stock up on groceries when the cupboard gets bare. If our car's gas gauge drops below a quarter tank, we know we need to fill up soon. But how do you know when it's time to buy life insurance?

Often it has to do with "life changes:" getting married, having a baby, or moving up the corporate ladder. Major events like these are great motivators for purchasing your first life insurance policy or supplementing the coverage you already have.

But what if nothing monumental is happening in your life? This just might be an ideal time. How can you tell? The answer couldn't be simpler: If someone would suffer financially if you died today, you need life insurance ... and you need it now. No one knows what tomorrow may bring. Take Mark and Kathy Custead's story, for example.

Mark Custead died at age 45, just five weeks after being diagnosed with pancreatic cancer. No one saw this coming. He left behind his wife, Kathy, a daughter ready to enter college, a son beginning high school, and the financial obligations most families have – mortgage, medical bills, and credit card debt.

Thankfully, they had adequate life insurance because an agent had helped them with a life insurance needs analysis. They increased their coverage, even though Mark felt financially strapped. But Kathy insisted. It was the right decision. The insurance money provided Kathy with a monthly income to help with living expenses. Money has also been set aside to help fund college for the Custead's two children. Thanks to Kathy's decision to buy more insurance, financial sacrifices haven't been necessary.

Take a few minutes to think about your life and those who depend on you. What can you do right now to ensure their financial security? Why not make an appointment to talk to your life insurance professional?

ARTICLES OF INTEREST

DST 1070
FX2007-0312-0177/E

HERE'S TO LIFE

Here's to life and here's to your future – especially your financial future. One of the best ways to build a sound financial foundation for your future is with life insurance. Don't forget that life changes – marriages, births, or a significant increase in your salary – are all good reasons to make sure you have the kind of insurance and the amount of coverage you need.

What kind of permanent life insurance is best for you? It depends upon your needs and your approach to handling finances. For the fiscal conservative, whole life is a good choice. For someone who is more of a risk taker, variable life may be appealing.

Buyer's Guide to Permanent Life Insurance

Finding the right fit is important. These life insurance buyers' characteristics may help. But when it comes to something as complicated and personal as life insurance, you may want to turn to an experienced professional to help plan and guide your decisions.

Whole Life Appeals to the Conservative Buyer who:	Universal Life Appeals to the somewhat Conservative Buyer who:	Variable Life For the buyer wanting to control investment decisions & who:
Likes that all of the risk is with the insurer.	Is willing to share some of the insurer's risk for potential added performance.	Understands risks and rewards of the equity marketplace and possible loss of principal.
Wants guaranteed coverage with level premiums.	Focuses more on death benefit but may want access to policy cash values if available.	Wants an insurance policy with potential growth for outperforming general inflation.
Hopes death benefit increases with time based on non-guaranteed dividends.	Wants to pay a lower premium for a given death benefit, but knows more money may be needed to keep policy in-force at later date.	Sees potential for significant tax-deferred cash value accumulations that could be used for retirement income or other needs.
Likes death benefit protection and cash value accumulation.	Has little need for increasing death benefit.	Values possible overall performance of the insurance contract over contractual guarantees.

Be Money Wise

You work hard for your money. Make sure your money is working hard for you. By being a good money manager now, you are much more likely to have more to enjoy later in life.

Expect the Unexpected: Create a "rainy day" fund to take care of unforeseen events that may happen. How much? Enough to meet your financial needs for 6 to 8 months.

Flex Your Paycheck: Flexible spending accounts reduce your taxable income and stretch your hard-earned dollars. Use them for qualified medical expenses including insurance deductibles and many over-the-counter medicines.

Accept "Free" Money: If your employer offers a contribution match to a 401(k), be sure to sign up. Your pre-tax contribution reduces your reportable income to the IRS, while your employer's matching contribution is like getting free money.

Find the Right Balance: Once a year (on your birthday or any other day you choose), rebalance your investment portfolio. By using asset allocation you can help improve overall performance and avoid the worry of selling low and buying high.

Empty Your Pockets: At the end of the day, put your leftover change into a jar. Every six months, deposit your stockpiled coins into a savings account you've set up for your emergency fund or a "fun" fund.

Save All You Can for College: College graduates make 80% more than people with high school diplomas, according to the U.S. Census Bureau. That's why education is one of the smartest investments you can make in your children.

Ask for Directions: A financial plan can help you turn your dreams into reality. Achieving them might be easier if you seek professional guidance. Ask your financial professional to help you develop the strategy that will work best in your situation.

Rethinking Retirement

If you're between the ages of 55 and 64, retirement is right around the corner. What's your plan? With people living longer – often into their 80s and 90s – you need a sensible strategy to support your lifestyle and spending habits for another 25 years, on average.

If you've been a diligent saver and amassed a sizable nest egg, your retirement-spending strategy may be to withdraw a set amount in regular installments the first year – say 3% or 4% of a portfolio's total asset value. This amount would be adjusted each year to match inflation.

Unfortunately, most baby boomers have not saved enough to support this strategy. A 2006 study conducted by AARP revealed that 32% of retirees returned to the work force because they needed additional income or health insurance. What can you do if you're in this situation? Consider these options:

- Keep Working: Instead of retiring early or at age 65, you may be better off working a few more years. For anyone born in 1943 or later, Social Security benefits increase by 8% for each year of deferral. The benefits will also increase by the cost-of-living adjustment that all recipients get. This is a significant savings if you really don't need the income until later in life.
- Invest in an Annuity: An immediate annuity allows you to convert a lump-sum of cash into an instant stream of income guaranteed to last your lifetime, or your and your spouse's joint lifetimes.

STOP THIEF!

It's time to stop identity theft, the most common complaint received by the Federal Trade Commission. Reduce the chance of having your identity stolen by following these guidelines:

- Never give any account number or Social Security number to someone who calls or emails you directly.
- Shred all financial statements and credit card offers.
- Call 888-5OPTOUT (888-568-8688) to remove your name from marketing lists of credit bureaus.
- Never carry your Social Security card with you. It's the single most important number about you.

SORT, SHRED OR FILE

What financial records do you need to keep? Which ones can be tossed? The general rule of thumb is to keep key documents 7 years.

Tax Info: Six years from the date you file your return.

Investments: For as long as you own them, then for 7 years after you sell them.

Receipts: ATM and credit or debit card receipts should be kept until your next statement. For major purchases, keep receipts until the warranty expires.

Other: Medical records should be kept indefinitely. Mortgage documents, home improvement receipts, and insurance policies should be kept in a safe location.

Shred any documents you don't need to protect your identity. Consult a financial professional if you have questions about specific documents.

FIGHT INFLATION

How much do you really need to save for the future? The effects of inflation, in particular, add to the mystery. There is a way to build in an inflation factor. The Rule of 72 demonstrates the impact of inflation and emphasizes why you need more income every year you're retired to maintain your lifestyle.

Divide the inflation rate to estimate how quickly the prices you're paying now will double. If the inflation rate were 3.1%, for example, a basket of groceries that costs $60 in 2006 would be up to $120 by 2029 (72/3.1 = 23.22 years). If inflation were higher, prices would increase even more.

SHIFTING INTO RETIREMENT

Benjamin Franklin had it right: "A penny saved is a penny earned." But what advice would he give for making those hard-earned pennies last in retirement? If he were alive, Mr. Franklin might recommend a split annuity.

The split annuity concept is designed to take the wealth you've accumulated during your working years, then preserve it in a way that can provide income to last you throughout retirement.

Here's how it could work. Say you have $100,000 you want to use to supplement your retirement income. Being a bit on the conservative side, you don't want to risk it in the stock market. Instead, you could split the money.

- Half would be used to purchase an immediate fixed annuity to provide cash flow that's both guaranteed and predictable. And because your monthly income payments are partially a return of principal, much of the income is tax-free.
- The other half would be used to purchase a deferred annuity to give you compounded, tax-deferred growth and build up your asset value. This may provide even more income in the future when you begin to take income from the deferred portion as well.

Your financial professional can tell you more about the split annuity concept and if it's a good choice for your situation and objectives.

Wise Words

Before buying life insurance, learn as much as you can about the insurance company offering the policy. Independent ratings agencies provide information about the company's financial stability, history, and fiscal management.