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"Special Report"

Top Annuity Myths Exposed

By Tom Baecker
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New Market Report Reveals Annuity Critics Are Often Biased and Incorrect In Their Perceptions of Annuities within Retirement Planning

While annuities have played an integral role in retirement planning throughout most of the last century, a new report reveals that the average consumer is now ten times more likely to read information designed to discourage annuities rather than endorse them. The market study completed by Annuities Institute included the analysis of more than 500 popular consumer articles on financial planning and annuities. From the review, 93 percent of the documents researched contained inaccurate and damaging assessments of how annuities work within retirement plans.

The Annuities Institute research included compiling the most common misconceptions published on annuities, and then sharing them with professional planning advisors and retirement specialists nationally. Their comments and input were then compared against consumer satisfaction surveys sampled from a base of more than \$500 billion of annuities sold to consumers between 2001 and 2005.

Among The Top Negative Press Strategies And FALLACIES Recorded Are The Following:

1. Every Annuity Is a Variable Annuity

Not true. Very often, the risk properties of the variable annuity are incorrectly referenced on behalf of all types of annuities, undermining consumer knowledge and confidence in non-security-based investments such as fixed and immediate annuities. The strength and security of these annuities are not based on stock

market performance, and they offer guarantees through fixed minimum interest rates and future protection against loss of principal and earnings.

2. Your Insurance Agent Isn't Qualified to Offer Financial Planning

Not true. Some investment managers will diminish the value of annuities on the grounds that the insurance representative does not need a securities license to provide investment advice. A securities license is only needed, however, when selling speculative investments where the potential for loss exists. Many insurance providers focus on fixed and indexed annuities for retirement where loss to principal and earnings is not an option for their clients. They also undergo continual training and professional courses year-round to improve their knowledge.

3. Fixed Annuities Will Never Outperform Inflation

Not true. The fixed annuity offers security in knowing you are guaranteed a set interest rate over a specific period of time, and is often used to give long-term investments more growth return and tax advantages over CDs.

Some investment advisors are against fixed annuities because of their perception of future inflation. They feel that some risk must be taken to grow savings to maximize personal wealth. For investors who cannot afford to lose any of their life savings, though, risk should never be a substitute for long-term planning and new income generation.

4. Annuities Are All About Penalties and Surrender Charges

Not true. Like the 401(k) and IRA, the annuity takes advantage of special legislation passed by Congress that provides incentives for individuals to save more money for their retirement. The long-term savings approach allows annuity providers to offer higher interest rates, guaranteed security, tax-deferred accumulation, and positive planning benefits for tax and distribution planning. No one would typically write negative articles about how an IRA or 401(k) incurs unnecessary penalties for accessing money before age 59 ½. Annuities are designed to provide long-term security, and the knowledge that a lifetime of savings will not be diminished due to unforeseen factors.

5. Commission-Based Planners Must Be Biased

Not true. It wasn't all that long ago that fee-based planning was created by financial firms to ease client fears of non-objectivity. Their goal was to maximize medium-term earnings and residual income, while having more control over client investments. Ironically, many within that field do not even actively represent or sell fixed, indexed or immediate annuities for retirement purposes, even when safety and risk tolerances determine that any level of risk is not appropriate.

6. Never Invest Your IRA Money in an Annuity

Not true. A frequent caveat found within tips on how to qualify your financial specialist is to automatically disregard anyone who ever recommend an annuity within an IRA. The exception to this, of course, is when safety is paramount and loss to principal is not an

option, and the annuity offers a higher rate of return than other forms of investment. Many fixed and indexed annuities outperform other non-security investments while removing risk to principal and savings.

7. Only Deal with Big Names You Are Familiar With

Not true. While people typically gravitate toward big companies with names that are instantly familiar, brand visibility doesn't automatically mean the best rates, service and performance. Restrictive affiliations and objective advice do not normally go hand-in-hand, as it can limit the guidance you receive for key financial decisions. Make sure the planner you select is not restricted in the advice and recommendations they can make to you.

8. Only Deal with Registered Investment Advisers

Not true. Some of the criticism of annuities comes from professional asset managers who earn their commission as a percentage of the total money they manage and keep at risk for growth. Many of them often forget that every investor is not after great wealth within the stock market, and too often seniors are talked into placing their money in vehicles that could instantly reduce their life savings. There is a significant difference between the professional investor, who wants to aggressively grow their million-dollar portfolio, and the retiree with \$150,000 that will likely need every dollar and more to get through their retirement without outliving their savings.

9. Indexed Annuities Are Often Sold Inappropriately

Not true. The opinion of many stockbrokers is that indexed annuities are often sold inappropriately to seniors, as they limit the total earnings an investor can receive during upswings in market performance. The indexed annuity was purposely created, though, as a hybrid investment that combines the growth potential of the stock market with the safety features of a fixed annuity. While potential upsides may be capped at 7 percent to 12 percent, an investor never has to worry about losing their life savings, and typically has several options by which to guarantee minimum interest rates paid regardless of performance. As far as suitability goes, according to consumer data from the National Association of Insurance Commissioners, in 2004 equity indexed annuities reached sales of \$23.3 billion, with only 38 closed complaints nationally, or \$614 million of sales for each complaint received.

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