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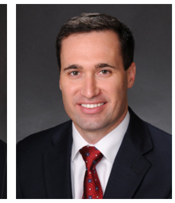

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DON'T JUDGE A BOOK BY ITS COVER PART II: TIPS AND CAUTIONS REGARDING ANNUITIES

(Are Annuities a fantastic retirement vehicle or a bad investment promoted by zealous salesmen?)

This is the second of a three part series on financial products that have been given a black eye by a few bad financial advisors who oversell products that are unsuitable or not properly designed. In the first article, we addressed the pros and cons of Reverse Mortgages. In article three, we will address the complex area of life insurance. In this article we will explore Annuities.

Points in Favor of Annuities: Annuities can be an excellent retirement vehicle designed to protect your nest egg, provide a future of steady and necessary cash flow, and hedge against a declining financial market. Historically, annuities were designed and sold by insurance companies to provide a secure future stream of income for a retiree. A lump sum of money was placed in a contract in return for a promise from the insurance company to return your principal plus income over the remainder of your life. Sounds simple enough, right?

Annuities also have some unique advantages over most other financial tools. They offer asset protection benefits, very favorable tax treatment, and a contractual guarantee. You can also find annuity contracts with excellent life insurance type death benefits for your loved ones, and annuity contracts that provide combined (extra) benefits for your long term care needs. But since nothing in life is free, there are still costs for obtaining the benefits.

Points NOT in Favor of Annuities: The problems with annuities were usually found in the fine print. The products were full of complex rules regarding how the owner received the income stream, and high costs were imposed internally before the payments were made. It also often took a properly trained financial professional with years of experience to decipher the contracts and choose the right product for the client. Today, the insurance industry, and state and federal regulators have enacted rules and regulations on the sale of annuities. This set of rules has turned the hidden fine print of yesterday's contracts into today's less confusing "large text."

Annuities can still be confusing because they come in all shapes and sizes. They can start paying income immediately (an immediate annuity) or they can start paying income in the future (a deferred annuity). The payments can be "fixed" or "variable". If you are completely adverse to risk, the annuities you select will pay a much smaller amount of reward but the insurance company who sells the product will shoulder the majority of the risk. If you are willing to be exposed to greater risk, the insurance company will give you the opportunity to get much greater reward in terms of the upside in the market.

As always, please consult with your trusted financial advisor when purchasing any investment.

There are now all kinds of annuity contracts that are designed to meet YOUR unique financial needs. But there is a great deal of a risk vs. reward analysis that must that go into the selection of the appropriate annuity. Therefore, you should always work with an experienced advisor when choosing an annuity and take the time to read the contract several times. The answers to your questions should be clearly disclosed in the annuity materials and contract due to the current regulations.

Go to www.probate-florida.com to read more about this subject.
Learn how you can have your cake and eat it too.

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