

Sound, Secure News

Message from Brian

As I write this, I'm happy that our Colts are off to another great start with the first three games of the '09 season in the win column. And as we move through the early part of another football season, I have a profound message for you; "don't watch the cheerleaders!" Why?!?

Well, I'm really referring to the media and government cheerleaders who are only too happy to hype the sustained market rally we have seen since March of this year. A Newsweek headline recently pronounced the recession over, and few in Washington or on Wall Street want to disagree. But, let's not forget some very significant, real numbers which the government and certain media find rather inconvenient to highlight:

We have an unemployment rate that is still climbing and predicted to reach 10.5% by year's end – and that's if you believe the way the government calculates it. The reality is the government only counts those who have been unemployed for 12 months or less in their statistics. Those who have been out of work for more than a year don't show up. So the true unemployment rate could likely be closer to 20%. Does that sound like the recession has ended!?

It has been said that; "history has never made anyone any money in the present", but can awareness of historical facts help you to **protect** your money? For instance, are you aware that:

In the first three years of the Great Depression, the market dropped 89%. But scattered throughout that spectacular drop, were six compression rallies (similar to the one we're experiencing now) averaging a 30% recovery.

The market was negative four out of ten years from December 31, 1998 to December 31, 2008 and actually went backward by a total of over 85% during those four negative years. (As measured by the S&P index during that time period). Or looked at another way, \$100k invested in the S&P 500 index would have turned into \$73,473 during that decade.

Do you think anyone would have stuck with the market over the last ten years if they had known in advance they would actually lose 26.5% over that period? If you're in retirement, or nearing retirement, you can't allow this kind of financial reality to sabotage your retirement years.

That's why at SFG, we use carefully researched index linked annuities, to provide **protection of principal AND income solutions**. As reported by Forbes magazine in June of this year, a Wharton School of Business Study confirmed that:

"Since 1995, these [equity-indexed] annuities have easily outpaced the S&P 500 and bond indexes alike. 'There is no asset category that outperformed them. We were extremely surprised, really just amazed,' says David Babbel, professor emeritus of insurance and risk management, who conducted a study of equity-index annuity returns beginning in 1995.

So when it comes to **your** retirement, why risk it!?!

We are always here to help you navigate the bumpy road to and through retirement, so don't hesitate to call. And please remember, I'm never too busy to see if I can help your family, friends, and colleagues through the important work I do.

Brian

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Special points of interest:

- Take the guessing out of Income Planning.
- Check out our upcoming Townhall.
- Planning for your future.

Have you planned to live?



Most of us have at least thought about what happens to the loved ones we leave behind when we die. Will they be taken care of? Will they be financially burdened? Some of us may even have voiced some preferences for a funeral, burial wishes, etc.

A lot of us probably have some life insurance to help with all of these burdens for our loved ones. That is a really wonderful and loving thing to do for your loved ones. Have you ever thought about how your loved ones are going to be cared for if you have to go into a nursing home, assisted living facility, or require some other form of long term care?

Long term care is not an expense that Medicare takes care of for us, and in November of this year, there are some changes coming to Medicaid that will make it even harder to receive assistance from that program as well. There are ways to retain your choices in your healthcare as well as protect your loved ones from financial hardship. If planning for this likely event is something you would like more information on, we would be glad to help you develop a plan.

Income Plus – Taking The Guesswork Out Of Income Planning

The *Protected Growth* planning that we use as our core process here at SFG, is designed to take the complexity out of retirement planning. The carefully researched index linked annuities we employ in this process continue to evolve, and the latest innovative benefit is designed to combat inflation risk. With ***Income Plus***:

You receive a lifetime of guaranteed income that can increase year after year

Your annual income will always benefit from the interest your contract earns based on the fixed and/or market index linked allocations you choose

Your income payments can only go up, they can never go down, and are guaranteed to last as long as you or your spouse lives regardless of how the markets actually perform.

At death of the surviving spouse, any remaining balance goes to named beneficiaries.

You can choose to defer (or delay) the start of your income payments or take income immediately, as long as you are 60 years of age or older.

Until your payments begin, your income withdrawal value is **guaranteed to grow** every year for up to ten years. It will increase by the greater of:

The fixed or market index linked interest rate your contract earns, or

The Treasury Benchmark Rate (currently 4%)

Your initial maximum income withdrawal amount is based on your age when you begin your income payments and increases as you get older.

Example - Paul is 68 and his wife Paula is 64 and Paul has \$250k in his IRA. His initial first year income WD amount is \$11,250, based on his age, and...

This first year income amount can increase year after year based on the fixed and/or market index linked interest the contract earns.

And remember, these income payments are guaranteed to **last and grow**, as long as you or your spouse lives, and at the death of the surviving spouse, any remaining account balance goes to named beneficiaries.

Call us to see an actual illustration of the ***Income Plus*** benefit and learn how you can receive a lifetime of guaranteed income that can increase year after year.

The beauty of downside protection and upside exposure in times of maximum uncertainty

While investing always involves some element of uncertainty, today's climate is nearly unprecedented in modern history due to the complexity of the environment and wide diversity of potential outcomes. What makes it so challenging for investors today is that, in many cases, the right [profitable] investment strategy for one set of outcomes will turn out to be exactly the wrong strategy for the other set. We are space constrained in this article, so I will focus on five examples:

- 1) **Will this be a normal, V-shaped recovery the likes of what we saw in 2003, or does the debt-laden nature of this downturn mean the recovery will be much slower & smaller?** The so-called "recession recovery playbook" that many investors follow says to load up on risk assets at the first signs of recovery, and that's part of why the market has rallied so sharply since March. It's largely rooted in an innate human desire to follow historical precedent and do what worked during the most recent environment similar to the current one. The problem is, if it really is different this time, as it was in Japan in the early 1990's, the chasing of risk assets will likely appear in hindsight to have been the wrong move.
- 2) **Inflation or deflation?** Deflationary forces have been very strong over the past few years, with the value of many assets [real estate, private businesses, stocks, many commodities, etc.] declining in value substantially. To avoid a deflation-debt spiral similar to what we experienced in the 1930's, policymakers have taken measures to aggressively arrest the deflationary forces. If not withdrawn in time, these could lead to substantial inflation down the line. If withdrawn too early, the economy could relapse and be dragged into a vicious deflationary circle again. The challenge is that most financial instruments that hedge against inflation [commodities, real estate, TIPS, etc.] are not ideal investments for a deflationary environment and the investments that work during deflation [long term Treasuries, longer term CD's, etc.] are precisely the wrong choices for a high inflation environment. Fortunately, Brian works with products that can protect against either outcome.
- 3) **Is the banking system solvent or insolvent?** There is a raging debate in finance about whether these bubble era toxic assets still held by banks are being unfairly priced too low because of accounting rules, or actually are priced way too high by management teams acting in their own self-interest. This question gets to the heart of question #1, because a solvent, healthy, functional banking system is critical to the ability of the economy to heal itself and eventually return to robust growth.
- 4) **Will consumers return to their free spending ways, fueled by a near-zero savings rate and increasing debts, or are we on the brink of a major retrenchment?** Since consumer spending makes up nearly 70% of U.S. GDP, even a slight pullback from our previously profligate ways will impair growth well into the future and cause the recovery to be slower & less sharp than many currently expect.
- 5) **Are multi trillion dollar annual government deficits sustainable?** Current Congressional Budget Office [CBO] projections show we will double the national debt over the next decade. Think about that for a minute. We will borrow more money over the next 10 years than we did in the previous 200+. There's no uncertainty around this question – it is unsustainable. The uncertainty comes in how & when it ends.

We'll dive further into these topics, and many others, at the October 28th What's Next? Town Hall follow-up event. Though uncertainty is high, we do have strong opinions about each of these questions, and their implications for investors over the coming years. At the March Today's Economy Town Hall, we discussed the potential for the market to rise anywhere from 50-100% in the near future. With the S&P 500 up roughly 55% since then, we believe we're approaching a vital inflection point for the market and economy and feel it's very important to share our views with clients and any guests you wish to bring (please invite a guest or two!). We'll also suggest key action steps that investors can take to protect themselves and profit regardless of what the future holds. We hope you can join us.

Written by Jim Bergstrom, CFA. Jim currently works on a three-person investment team responsible for over \$1 billion of assets, will be at SFG's upcoming Townhall and is selectively available for meetings with SFG clients or prospective clients.

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What's Next? Follow-Up to our March 2009 Market & Economy Townhall

Some of you joined us for a special discussion in March regarding the status of our economy. We are planning a follow up discussion to our March event to examine what has happened to the market since then. The market is up 55% since March 5, 2009, which is the largest rally in a six month period since 1933. The recession is over then, right? We should all be breathing easier, shouldn't we? Well, join us for the follow up discussion to take a closer look.

Join us Wednesday, October 28, 2009 at 6:00PM at Prestwick Country Club in Avon. Please contact us at 317-852-9153 to RSVP.

Upcoming SFG Events

Fall is on it's way and school is back in session. Join us for some of our upcoming events. Give us a call at 317-852-9153 to register for one of our upcoming events.

Townhall Follow-up

Wednesday, October 28 6:00pm



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