

# Sound, Secure News

## Message from Brian

As I write this on the first day of the New Year, it is my sincere hope that the Christmas season just passed has been one of joy and peace for you and your family and loved ones. As we begin a new year and a new decade, may you and those special to you be blessed with good health, security, and serenity.

Many of you receiving this newsletter are current clients, and I want to say that we feel privileged to assist you with your retirement and income planning. We are also very thankful and appreciative that many of you have referred friends and family to us for the same kind of help we have been privileged to provide to you. Thank you for the confidence you have placed in us.

This past year has been a sobering and turbulent year, but you already know that. For Singer Financial Group clients, the past 12-18 months have likely confirmed for you the validity and protective nature of a planning process that employs Fixed Index Annuity accounts as the core foundation. You saw your account values protected from loss in 2008 and 2009, and you are now participating in the rebound the market has enjoyed since March. How long this will last is anyone's guess. My guess is that we're simply experiencing a *rebound bubble*. If you're retired, or within ten years of retirement, now is the time to "get safe" and "be safe", as I say on my radio show.

What will 2010 and the next decade bring? More life, full of reality. Will that mean more Bernie Madoff's and Marcus Schrenker's? Probably. In fact, the last decade has been very turbulent for the financial markets, and painful for investors. US stocks are down 24 per cent over the past 10 years: Wall Street's worst decade since the 1930s. Contrast that with the **5.26% positive APY for Fixed Index Annuity accounts** over the same time period. On a \$200,000 investment, that results in \$334,000 in your Fixed Index Annuity account vs \$152,000 in your stock market account.

This "be safe" concept might be a good idea! Thanks for your confidence and support. Don't hesitate to call – we are always here to help. 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:

- How the market looks for the future.
- New FIA features
- Estate Planning tips.

## The Bipolar Market

By Jim Bergstrom, CFA

The worst kept secret in finance today is how bipolar the financial markets are acting. The root cause of this can be found in the unprecedented government intervention in capital markets and the economy – ultra low interest rates, the Fed buying mortgages, \$1.5 trillion dollar deficits as far as the eye can see, a massive stimulus package, Cash for Clunkers, bank bailouts, deposit guarantees – without a scorecard, it's easy to lose track of how interwoven the government has become in the economic recovery.

The stock market has cooperated with a vigorous rebound in anticipation of a return to high corporate profits, booming economic growth, and good times ahead. The way this story goes, the economy was merely suffering from a panic attack and simply needed some shock therapy from Washington's largesse to resume a sustainable upward trajectory. Unfortunately, that story may ultimately prove false because the cleanup from a twenty-five year debt binge, housing bubble and crash, and broken banking system is unlikely to be quick or painless.

Why do we say the markets are acting bipolar? Because as long as money is sloshing through the system virtually free of charge and the government is backstopping risk assets, it's a free pass for speculators. On the other hand, those same speculators realize the party may end once government support is withdrawn. And make no mistake about it – that support has to be withdrawn at some point. The truth is, nobody quite knows whether the economy will be strong enough to stand on its own at that time. There may be a rush for the exits once rates rise, guarantees end, and bond purchases stop, or cooler heads may prevail. My best guess at this point falls somewhere in the middle – we avoid another collapse, but the recovery is slow, lumpy, and weak.

The range of possible outcomes is very wide, so the best policy continues to be protection against loss in a downside scenario and participation in the upside if this shock therapy actually does work its magic.

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

## This Year, Resolve To Get Serious About Your Estate Plan

By Sarah Heck, Attorney at Law

The beginning of a new year signals the time to assess ourselves and take action to improve our health and well-being. For most of us, this usually entails resolving to lose weight, get more sleep, or de-clutter the house, but updating your estate plan should be included as well. Not having your affairs in order can be costly, as it often leads to increased legal expenses and taxes, not to mention lots of additional hassles for your family.

Fortunately, having a basic estate plan is neither complicated nor expensive for most people. Here are some concrete steps you can take to make things easier for your family if disability or death occurs:

*Update your will.* Review your will and other estate planning documents to make sure they still state your wishes. If you have experienced any major life events, like a divorce, death of a spouse or child, or significant increase or decrease in estate value, consult with an attorney about making any necessary changes. If you don't yet have a will or power of attorney, resolve to make one out as soon as possible.

*Check beneficiary designations.* It is crucial to have appropriate beneficiary designations for assets like IRAs, life insurance policies and annuities. Otherwise, your estate can owe potentially thousands of dollars in extra taxes. Review your beneficiary designations on all assets, and if you are uncertain about any of them, consult with an attorney.

*Organize financial records.* It does no good to have an effective estate plan if no one can figure out what is in your estate! Prepare a file listing all assets and major liabilities, including account numbers and contact information for all financial advisors. Let your executor and legal representatives know how to access your financial records (including any kept on your computer) and other key documents.

*Make end-of-life decisions.* This has become one of the most important aspects of estate planning. Most people don't want to be given "heroic measures" when facing a terminal illness, but some are reluctant to express their wishes in writing. However, having a living will is necessary to ensure that your wishes will be honored without burdening family members at an already difficult time.

This year, resolve to put your financial house in order, and make estate planning an essential part of that process!

Sarah Heck is an estate planning, probate and elder law attorney in Brownsburg, Indiana. She can be reached at 317-858-1118 for more information or email [sarah@sarahhecklaw.com](mailto:sarah@sarahhecklaw.com)

## What's New – The 7.5% IAV Minimum Growth Guarantee

### Meet Paul And Paula Planner

Paul Planner recently came into my office and here is what he told me.... He said "Brian, I want to discuss what to do with the \$500,000 I have saved for retirement. I'm 56 years old and my most important goal is to not go backwards in the market, and if possible, I'd like to be set up to never run out of money in retirement".

Now, Paul had come in to see me because he had become disillusioned with the worn-out advice he continued to receive from his securities licensed advisor. Namely, that based on his age, he needed a "properly allocated class of stocks, bonds, and mutual funds," for long-term money, and maybe some fixed instruments like a CD for short-term money along with a money market account. Paul had challenged his broker by saying, "You know, I've had my money with you over the last ten years and I'm no better than break even. In fact, if not for this huge *bubble rebound* over the last 9 months, I would still be way underwater with my account. I can't afford another lost decade, especially now that I'm within ten years of retirement". Paul's broker recommended an age "balanced fund", and Paul's next step was to call me.

After an initial meeting with Paul to identify what he was hoping I might do for him, we were ready to analyze and review his balance sheet in our second meeting, and then in our third meeting I was ready to review an income planning model with Paul designed to do the following:

- Provide market linked growth without risk to his principal, AND have an **income account guaranteed** to increase at no less than 7.5% for ten years (whether the market is up, down, or sideways)
- Lock-in a first year guaranteed return of 18.50% for this income account value, which provides future guaranteed lifetime income that can increase, but never decrease.
- Guarantee that he would never lose money due to market downturns.
- Create reliable, predictable income so he would never run out of money in retirement.
- Provide a strategy that works in any market – inflation or deflation.

We would accomplish all this by using Fixed Index Annuity accounts. Here's what this meant to Paul. His \$500,000 would be **guaranteed** to have an **income account value** of no less than \$1,146,000 at his age 66. Assuming he elects to begin taking lifetime guaranteed income payments at that time his annual income from this account is guaranteed to be no less than 5.5% of \$1,146,000 or \$63,030/yr or \$5,253/mo, or however he elects to receive that guaranteed income.

I went on to explain to Paul that his FIA account has two distinct values. One has cash value, while the other is used to offer guaranteed lifetime income. The **contract value** has a cash surrender value that is determined by the growth of the account based on market linked interest credits. This **accumulated contract value** guarantees protection of principal and credited interest. It is a separate value from the **income account value** which is guaranteed to accumulate at 7.5% for ten years (or longer if the reset option is exercised) or until the lifetime payment option is activated. As I reviewed my **Forever Pay** illustration with Paul and his wife, they saw how easy it was to follow and everything fell into place for them.

Paula and Paul were concerned with what would happen to this income or the account in the event of Paul's death. Again, using the Forever Pay illustration, I was able to show them the lump sum death benefit Paula (and/or children) would receive. We also discussed the joint lifetime income option that is available when the lifetime payment option is elected or exercised (turned on). Paul appreciated the fact that the cost of the income account **value** rider was factored into the illustration and he and Paula both agreed that the 7.5% underlying guarantee was a huge benefit for them.

In fact, Paul is a numbers kind of guy, and (with his calculator) he pointed out to me that with the 11% deposit bonus they were receiving and the 7.5% minimum annual accumulation on the **income account value** their guaranteed income value of \$1,146,000 after 10 years was equivalent to an 8.6% APY over that time period.

**YOU CAN HAVE THIS TYPE OF ACCOUNT WORKING FOR YOU.**

By the way – you don't need to have \$500,000-\$1,000,000 in order for this strategy to work for you. Just call us to schedule a review of this new FIA rider option relative to your personal situation.

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## History Of The Fed And How It Impacts Us

The creation of the Federal Reserve began in a New Jersey train station on a night in November 1910. Leaving from a Hoboken Railway station were a group of the nation's leading financiers and a powerful Congressman and his staff. And although few of them knew it at the time they were headed for Georgia, 1000 miles away. The men professed to be going duck hunting.

But this was no ordinary hunting trip. The railcars themselves were sealed and the blinds were drawn. And each member of "the hunting party" was instructed to at no time use his own last name or to use that of any of the others.

Leading the ultra secret trip to Georgia was Senator Nelson Aldrich, head of the National Monetary Commission. Joining the Senator was A. Piatt Andrew, Assistant Secretary of the Treasury and a handful of men who, amazing as it seems, represented approximately 1/4 of the world's wealth at that time.

Heading south that day, this famous entourage finally reached its destination, Jekyll Island, Georgia. When this group was finished "duck hunting" some seven days later, they had created the plan that would become the Federal Reserve Bank, comprised of 12 regional banking systems.

After much debate it was named in such a way as to give the public the idea that the bank was just another government agency. In truth, it was not, because the bank that they created was a private corporation. And while this fact is not widely known it was a notion that was affirmed by the Supreme Court in 1982. In *Lewis v. United States* 680 F.2d 1239 (9th Cir. 1982), for instance, the United States Court of Appeals for the Ninth Circuit stated that "the Reserve Banks are not federal instrumentalities for purposes of the FTCA [the Federal Tort Claims Act], but are independent, privately owned and locally controlled corporations."

Three years after the secret meeting, the plan conceived on Jekyll Island became law. On December 22, 1913, while many members of Congress were home for Christmas, the Federal Reserve Act was rammed through Congress and was later signed into law by President Wilson. And a few days later the December 24, 1913 New York Times carried a front page headline that read "WILSON SIGNS THE CURRENCY BILL!" Below it, also in capital letters, were two further gems, "PROSPERITY TO BE FREE" and "WILL HELP EVERY CLASS." Prosperity to Be Free? Think about that one. Nearly a year later the bank was open for business and the first Federal Reserve Notes began to roll off the presses.

In 1916 Woodrow Wilson also wrote: "Our system of credit is concentrated (in the Federal Reserve System). The growth of the nation, therefore, and all our activities, are in the hands of a few men." Wilson, of course, was right.

Do you know... what the Fed does, or what role it truly plays in our lives? Check out The Fed, The Dollar, And You or browse the Federal Reserve System - Wikipedia, the free encyclopedia to learn more. It's actually quite interesting. But you may find the facts quite irritating, as well.

Which is why you need to be familiar with Audit the Federal Reserve: HR 1207 and S 604. This (Paul-Grayson amendment) is an important piece of legislation that you need to be aware of and hopefully support. Please check this out.

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