THE TRUTH ABOUT VARIABLE ANNUITIES

DISCOVER WHETHER YOU SHOULD YOU USE VARIABLE ANNUITIES IN RETIREMENT OR AVOID THEM COMPLETELY

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INTRODUCTION

My name is Marty Becker, founder of Atlas Financial Strategies, Inc. I live in St. Louis, MO, with my wife, Kasey, and our two sons, Christian and Grayson. I am an expert in annuities and other safe money products.

I have not always been in this profession. My background is in professional Firefighting and Paramedicine. If I had to be honest, I fell into this industry out of desperation for a solution to a personal problem.

Firefighters, police officers, and other government employees have traditionally always had a Defined Benefit pension. In fact, many of them still do.

A Defined Benefit Pension is exactly what it sounds like — a defined retirement benefit for your years of service with an employer. Think, "I work 30-40 years for the same employer, and at age 65, my spouse and I will receive $3500 per month for the rest of our lives, no questions asked."

Until the 1980s, there were no 'Financial Planners' or 'Retirement Experts' to speak of because you didn't need one. At least not to the level that it is at in the 2000s.

Almost everyone had a Defined Benefit pension plan, along with some savings, cash value whole-life insurance, and maybe some blue-chip stocks. But all of that started to change with the creation of the 401(K).

Originally designed to be a tax-shelter for wealthy executives to defer their bonuses, it became an uncontrollable monster that opened Pandora's Box for the struggle of the middle-class to retire with confidence. Instead of having that 'defined benefit', now people had a 'defined contribution'. Meaning, now it was defined how they could save for their own retirements, and all of it was going to be at risk in the stock market.

Did you ever wonder why the '80s was such a boom time for Wall St.? Because millions of people were forced into the stock market and now had to risk their money to have any hope of retirement. We'll talk in-depth about this in future newsletters.

Back to my story of how I became an annuity expert — this change of benefits is not just a change that applies to the private sector. Many government agencies and unions are now having to drastically cut, or eliminate completely, the defined benefits they offer their employees due to mismanagement and overzealous projections. And mine was not the exception.

Around 2008, our guaranteed defined benefit was changed to a defined contribution. I am not the type to get angry; I just try to adapt and overcome. So, I started a financial journey that has led me to the point of running my own company and helping others that are fearful about running out of money before they run out of life.

My first stop in 2009 was to do what everyone else does, which is talk with a "Certified Financial Planner". Someone who has a bunch of letters behind their name and works for a huge company with beautiful office buildings. I handed this gentleman a lump sum of money because it sounded like he knew what he was talking about, and I just let it ride so he could prove his worth.

Fast forward to the beginning of 2013. Do you remember what happened in the market between 2009 and 2013? It exploded! In fact, the S&P 500, with dividends, had an actual ROR of 14.43%, PER YEAR! However, my balance with this gentleman had not only NOT grown 14.43% per year; he actually lost some of my money!

That set off a series of events that revealed that most, not all, but the vast majority of so-called "money experts", invest your money in what will make them and their companies the most money — not their clients. Then add in an average 2% fee (management + internal product fees), and now you have a recipe for losing a client's money in a market that is going straight up in value.

This unacceptable scenario caused me to take complete control of my financial future. I spent years researching stocks, bonds, mutual funds, business opportunities, franchises, precious metals, real estate, and any other financial concept that could give me a guaranteed retirement to look forward to. And guess what? None of the above mentioned did that. Plus, most of them were extremely capital intensive to even make it worth the risk to get the returns you need to have a solid amount to retire on. Are any of them "bad", by nature? I guess not. There is a time and a place for all the above, however, not as rock-solid as the foundation that is needed for a guaranteed retirement income.

Fortunately, and I do mean fortunately, I received a random email from one of the investment newsletters I had subscribed to describing financial products that I had heard nothing but terrible things about my whole adult life. What financial concept or product could be so bad that I had been warned not to even talk to a representative in this field? Well, it was annuities. Annuities, and other financial products offered by insurance companies, are probably some of the most misunderstood products in the market today.

A lot of that misinformation comes by way of negative marketing produced by individuals and companies that are in direct competition of annuities. In fact, there is a well-known financial firm whose owner states, "I'd rather go to hell than buy an annuity". He thinks going to hell is a better alternative to buying an annuity. I am here today to tell you; I agree with him... kind of.

Every time I hear a negative statement about annuities from a potential client, and I ask where they received their information, I am normally directed to some article that they read. Almost every negative article I have read on annuities are referring to Variable Annuities. However, they are almost never referred to as, 'Variable Annuities' and instead just 'annuities'. The rest of the articles normally are referring to Single Premium Immediate Annuities, or SPIA's. There is, however, a huge difference between Variable Annuities, SPIA's, MYGA's, and Fixed Indexed Annuities. In fact, I refer to the Variable Annuity as "The Wolf in Sheep's Clothing". They sound great on the surface, but when you really investigate the details that are hidden inside hundreds of pages of the prospectus, you will find out that they truly are terrible. Unfortunately, the great annuities that can change the trajectory of a person's retirement in a positive way get lumped in with the Variable Annuity.

Today, you are going to learn about Variable Annuities and why to avoid them. If you already have one, you are going to learn how to find out exactly how much you're paying in fees and how to get out of it and into a much more stable product.

Thank you for reading,

Marty Becker

President, Atlas Financial Strategies

Disclaimer

I am not securities licensed and in no way should this information be interpreted as my company, or me, advising you to sell any security products (VA's are, in fact, security products). Only Variable Annuities that are suitable for transfer and would leave a client in a better financial position using another product, would be considered for transfer based on the direction of said client.

HOW TO AVOID GETTING EATEN BY "THE WOLF IN SHEEP'S CLOTHING".

When I speak with clients that currently have Variable Annuities, they tell me they want safety, security, guaranteed income for life, with no market risk. My response is normally, "and the Variable Annuity provides that?"

"Well, of course it does!" They respond. "My broker told me it has a 5% guarantee and the opportunity to earn even more than that because my growth isn't limited by 'caps', like those Indexed Annuities."

"Oh, that sounds great! Do you know what you're paying in fees?" I ask.

"About 1%. That's it!" is the standard answer.

At this point, I know they have not had the whole picture explained to them. The Variable Annuity is extremely complicated to understand. It is normally accompanied by a prospectus that is *100-400 pages* long, and most of the time, the person who sold them the Variable Annuity does not even understand it. The client wanted something with "guarantees", and since the brokerage houses do not have access to all of the products that I have, and they don't want to lose a client, they often push clients into a Variable Annuity under the misunderstanding that it is "guaranteed."

Let's go through the pitfalls of Variable Annuities that most people, and advisors, don't know about:

- High Fees. The average is about 3.75% per year.
- Class "A" VA's are front-loaded with "transaction fees", which can range from 2.5%-7%, including the broker's fees. Meaning, you move $100k into a VA, and immediately it's worth only $93,000-$97,500 right out of the gate. That's before any other annual fees and/or losses that you may incur. The Class "A" VA may be sold as having the benefit of "no surrender charges". But, if you paid $7,000 in fees, then your surrender charge is 7% until you gain back the money paid in upfront fees. And that's only if there have been no market losses.
- Account Value is invested in bond and/or stock mutual funds, called sub-accounts. This means your money *can definitely be lost* due to a market downturn. Your money is at risk in a VA! It is not guaranteed.
- Most VA's only offer a single-life payout. Meaning if the owner of the annuity dies and the high fees and market losses have depleted the account value, not only will the spouse lose the income, they will get no cash value back.
- Some VA's require that you "annuitize" the account value (cash value/death benefit) to begin the lifetime income. That means you must forfeit any cash value you would have been able to access and/or the death benefit that would have been leftover for your beneficiaries. Example: You start your guaranteed income at age 65, and you die at 66. No money… for anyone!
- The income rider is normally lower than an income rider in other annuity products—both in accumulation and payout rates.
- Some, not all, income riders on VA's have a minimum of a 5-year deferral before you can start your income.
- Bonuses: The bonuses are normally lower than the bonuses in other annuity products and will only apply to the Income Value, not the Account Value/Death Benefit.
- Most, not all, but most VA's will forfeit your guaranteed step-up (i.e., 5% increase) towards income value if you want or need to make an emergency withdrawal. This is not the case in other annuity products.

Those are some pretty substantial pitfalls. So, why would anyone put their money in a Variable Annuity? Normally, they had the right idea for their retirement. Which is to protect a portion of their assets and provide themselves a guaranteed income, but they talked to the wrong person.

Now let's go through an actual case study of a Variable Annuity that I moved to a Fixed Indexed Annuity upon the client's request, once they had all of the important details laid out in front of them in plain English.

We're going to use round numbers for this example to keep everything simple, but the fees and payout percentages will stay true to the story.

Jack and Corey are 64 and 62 at the time of our meeting. Jack wants to retire immediately, and Corey is going to work for another "year or two." They originally reached out to me "just to see what else was out there." This is not uncommon for people who have been listening to the same financial planner for most of their adult lives, but because of the plethora of information on the internet, they are starting to ask better questions.

Currently, they have multiple accounts with plenty of money to retire, but both also own a Variable Annuity. This is the part of their plan that we will focus on for this discussion.

About 3 years prior to reaching out to me, their advisor had put $100,000 for each of them into separate Variable Annuities for a total of $200,000 of their investable assets. The Variable Annuity was offered through a very reputable insurance company, so they felt comfortable with the recommendation.

They were told that it has a 1.5% fee for the income rider, but that's okay because the annuity has a 5% guarantee. This is the point where their understanding stopped.

Variable Annuities have one thing in common with Fixed Indexed Annuities, and that is they both offer income riders, but that is where the similarities end. The VA & FIA, with income riders, both have an "Income Value" and an "Account Value". Whenever you hear that an annuity has a guaranteed growth rate (except for Multi-Year Guaranteed Annuities or MYGA's), the guaranteed growth is always being referred to as part of the "Income Value." This is the actuarial calculation that is used to determine your income. The "Account Value" would be considered your 'walk-away' value or your 'death-benefit'.

So, knowing these products very well, I asked Jack and Corey if we could verify all the information they were given, just so I know exactly where they are at financially, to make sure any recommendation I give would be appropriate.

“Of course,” they said. “Let’s get our advisor on the phone.”

I have no problem speaking with someone’s advisor, but I also have done it enough times to know most traditional advisors have no clue what they are talking about when it comes to annuities of any kind. Even the annuity that they sold their client. This is why you should want to work with someone who deals with these products exclusively. There are a lot of options, and it is a lot to keep up with. It is no different than dealing with securities, taxes, and legal issues. Your best option is to keep separate advisors in all 4 of these areas because there are too many rules and changes that take place on a regular basis for one person to become proficient in all of them. Think, “a jack of all trades, a master of none.”

“Well, normally it’s easier to get the information we’re looking for from customer service. They have everything right in front of them, and we don’t have to wait for your advisor to look it up or call us back if he’s busy.”

“Good idea,” they said.

We looked up the customer service number, and here is the reality of what we found out:

Account Value: $96,938 (remember it started at $100,000 3 years ago).

Income Value: $115,000 (5% *simple interest* step-up per year).

Payout Rate: 4.9% for single lifetime income only.

Income at age 66 (minimum 5-year deferral. Jack couldn’t take income this year or next, even if he wanted to): $6,125/yr.

Total fees: 4.1%!

Their sub-accounts had been earning an average 3.2% per year, but because of the 4.1% in fees they were paying, they were backward in their overall account value. An important point to keep in mind is that the market had been doing very, very well during this time frame.

If there was to be a downturn, not only would the account value drop, but they would pay 4.1% in fees *in addition* to the amount lost! So, in a way, they were fortunate that it was even that good.

So, what was their best-case scenario? If everything went perfectly, and they kept earning the same interest rate in their sub-accounts, and they never lost money due to a market downturn (not likely), the account value would last until Jack's age 80. Of course, if he lived longer, he would still get the income. But once he passes away, there is nothing left—including the income for Corey.

Years: 25
Present Value: 100,000
Earnings Rate: 3.20%
Miscellaneous Fees: 4.10%

Year	Beg. Of Year Acct. Value	Earnings Rate	Annual Cash Flow	Interest Earnings	Misc. Fees	End of Year Acct. Value
61	100,000	3.20%		3,200	(4,231)	98,969
62	98,969	3.20%		3,167	(4,188)	97,948
63	97,948	3.20%		3,134	(4,144)	96,938
64	96,938	3.20%		3,102	(4,102)	95,939
65	95,939	3.20%		3,070	(4,059)	94,949
66	94,949	3.20%	(6,125)	2,842	(3,758)	87,908
67	87,908	3.20%	(6,125)	2,617	(3,460)	80,940
68	80,940	3.20%	(6,125)	2,394	(3,166)	74,043
69	74,043	3.20%	(6,125)	2,173	(2,874)	67,218
70	67,218	3.20%	(6,125)	1,955	(2,585)	60,463
71	60,463	3.20%	(6,125)	1,739	(2,299)	53,778
72	53,778	3.20%	(6,125)	1,525	(2,016)	47,161
73	47,161	3.20%	(6,125)	1,313	(1,736)	40,613
74	40,613	3.20%	(6,125)	1,104	(1,459)	34,133
75	34,133	3.20%	(6,125)	896	(1,185)	27,719
76	27,719	3.20%	(6,125)	691	(914)	21,371
77	21,371	3.20%	(6,125)	488	(645)	15,089
78	15,089	3.20%	(6,125)	287	(379)	8,871
79	8,871	3.20%	(6,125)	88	(116)	2,718
80	2,718	3.20%	(6,125)	(109)		(3,516)
81	(3,516)	3.20%		(113)		(3,628)
82	(3,628)	3.20%		(116)		(3,745)
83	(3,745)	3.20%		(120)		(3,864)
84	(3,864)	3.20%		(124)		(3,988)
85	(3,988)	3.20%		(128)		(4,116)
Totals	(3,988)	3.20%	(91,875)	35,077	(47,318)	(4,116)

Let's look at what would happen if we had a modest 10% downturn once every five years:

	Years:	25				
	Present Value:	100,000				
	Earnings Rate:	3.20%			Miscellaneous Fees:	4.10%
Year	Beg. Of Year Acct. Value	Earnings Rate	Annual Cash Flow	Interest Earnings	Misc. Fees	End of Year Acct. Value
61	100,000	3.20%		3,200	(4,231)	98,969
62	98,969	3.20%		3,167	(4,188)	97,948
63	97,948	3.20%		3,134	(4,144)	96,938
64	96,938	3.20%		3,102	(4,102)	95,939
65	95,939	(10.00%)		(9,594)	(3,540)	82,805
66	82,805	3.20%	(6,125)	2,454	(3,244)	75,889
67	75,889	3.20%	(6,125)	2,232	(2,952)	69,044
68	69,044	3.20%	(6,125)	2,013	(2,662)	62,271
69	62,271	3.20%	(6,125)	1,797	(2,376)	55,567
70	55,567	(10.00%)	(6,125)	(4,944)	(1,824)	42,673
71	42,673	3.20%	(6,125)	1,170	(1,546)	36,171
72	36,171	3.20%	(6,125)	961	(1,271)	29,736
73	29,736	3.20%	(6,125)	756	(999)	23,368
74	23,368	3.20%	(6,125)	552	(730)	17,065
75	17,065	(10.00%)	(6,125)	(1,094)	(404)	9,442
76	9,442	3.20%	(6,125)	106	(140)	3,283
77	3,283	3.20%	(6,125)	(91)		(2,933)
78	(2,933)	3.20%		(94)		(3,027)
79	(3,027)	3.20%		(97)		(3,123)
80	(3,123)	3.20%		(100)		(3,223)
81	(3,223)	3.20%		(103)		(3,327)
82	(3,327)	3.20%		(106)		(3,433)
83	(3,433)	3.20%		(110)		(3,543)
84	(3,543)	3.20%		(113)		(3,656)
85	(3,656)	3.20%		(117)		(3,773)
Totals	(3,656)	1.62%	(73,500)	8,081	(38,354)	(3,773)

Now the loss of potential inheritance for any beneficiary, including the loss of income for Corey, is reduced to age 77. Notice how they still paid the fee in the years the sub-accounts lost money? How likely is it that the market will drop at some point? Pretty good! And I think I've been pretty conservative with these numbers.

Needless to say, they were furious!

And what was the response when they confronted their advisor? "I didn't know that fees were important to you."

That was all they needed to hear. It showed the importance that their advisor placed on their money, which was none. As long as he was getting his fees and the clients were kept in the dark on the details of what was really happening, all was well in his eyes. They were ready to move on.

The most important purpose for this particular bucket of retirement money was to give them a guaranteed, defined benefit *like* lifetime income. Fortunately, because of bonuses and a higher roll-up rate, we were able to find a solution and get the money moved to a more secure product with a better crediting strategy, a much lower fee (income rider only), *and* a higher income for a *joint lifetime payout*. So, now when one of them passes away, the other will continue to get the full income. No questions asked. The last thing a grieving spouse wants to deal with after a loss is figuring out income issues. The annuity just keeps paying out on auto-pilot.

WHAT DO YOU NEED TO DO TO FIND OUT THE TRUTH ABOUT YOUR VARIABLE ANNUITY?

So, what do you need to do to find out the truth about your Variable Annuity? You could call the Insurance Company's Customer Service number and ask them the following questions:

- Is there a Mortality and Expense fee? (sometimes called the "insurance fee")
- Is there an Administration fee?
- Is there a Death Benefit rider fee?
- Is there an Income Rider fee?
- Are there any Fund Fees? (internal fees on the sub-accounts chosen)
- What is the Income Roll-up rate? (or step-up rate)
- Is roll-up (step-up) rate compounded or simple interest?
- Do I lose the roll-up (step-up) rate if I need to make a withdrawal before I start the income?
- How long is the rate guaranteed?
- Do I have to annuitize the account value to get the guaranteed income?
- Is the annuity set up for a single-life or joint-life payout?

I think finding out the answers to these questions will set your hair on fire! However, you do have a few options if the answers you received make you want to throw up.

1. Talk to a "Non-Captive", or an "Independent Agent" who specializes in annuities and other safe-money products. Talking with the advisor who put you in this situation will only get you more of the same.
2. Once your situation has been evaluated, and if you have been in your VA for over 2 years, typically with bonuses and higher roll-up rates, you can get yourself into a better product using a 1035 exchange. *This is definitely a scenario where you will want professional help.*
3. If you have just recently purchased a Variable Annuity, check with your state's Department of Insurance and ask about the "Free Look Period." Normally it is between 10-30 days that you can cancel the contract with no retribution.

If you're currently in a Variable Annuity or looking for a guaranteed income...

DO YOU WANT TO SEE A RETIREMENT INCOME STRATEGY THAT OUTPERFORMS 99.9% OF ALL ANNUITY-BASED RETIREMENT PLANS?

Book your 100% free consultation now to receive an independent assessment of your situation and compare the options you've already been presented with...

- **Personalized Application Of Index Annuities For Your Retirement Plan** (I'll show you how to apply the concepts from this guide to your retirement and how they stack up against other plans)
- **A Crystal-Clear View Of The Numbers** (Numbers don't lie, and I'll give you a complete, fact based look at your current options compared to my strategy)
- **Zero Obligations To Buy Anything From Me** (I don't use fear or pressure for a sale in any way ever.)

To Speak With Me Directly, Call: 636-926-6500