



# Beating the Bank!

**Presented by: Elders Financial LLC**  
**DBA: Beat the Bank USA**

## Does a CD Style Fixed Annuity Fit Your Situation??

Before getting into a discussion of the CD Style Fixed Annuity and current rates, it's best to first determine if an annuity fits your situation . *They aren't for everyone!*

It is our opinion, if you answer **NO** to **ALL** three questions below, you **should not** purchase an annuity:

- ◆ Are you looking for a higher guaranteed rate than is offered at the Bank or other secure savings venues?    \_\_\_ YES    \_\_\_ NO
- ◆ If the funds are coming from a broker account (*stock market*), is it because of a concern about volatility and potential loss of your principal?    \_\_\_ YES    \_\_\_ NO
- ◆ Is guaranteed income an attractive benefit?    \_\_\_ YES    \_\_\_ NO

*If you answered NO to the above questions, it's unlikely an annuity is for you.*

Finally, even if you answered **YES** to one or more of these questions, a **NO** to the below question makes it doubtful that an annuity is for you:

- ◆ As an insurance product, annuities are guaranteed and secured, but not by the FDIC (which is for banks). Are you open to considering an annuity, once you feel comfortable with the security and guarantees of your funds?    \_\_\_ YES    \_\_\_ NO

**YES** - Please read on!    **NO** - An Annuity isn't for you! (*your consideration is appreciated*)

### Going forward we will:

- ◆ Clear up annuity myth and confusion
- ◆ Detail the advantages and disadvantages of owning a CD Style Fixed Annuity
- ◆ Disclose current interest rates and historical performance

### **Let's Clear Up Some Confusion:**

When most people hear the word, **ANNUITY**, they immediately think:

- *That's for old people.*
- *It's a lifetime income.*
- *Costs are too high.*
- *Not enough return.*
- *I've heard negative things.*
- *They aren't safe.*

It is important to address each of these opinions before we get into a discussion of the CD Style Fixed Annuity.

*That's for old people:* If you define age 59<sup>1/2</sup> as old (*we don't*), you are partially correct. Any withdrawal of interest before that age triggers an IRS 10% penalty, because annuities are tax-deferred and fall under the same regulation as the IRA/401(k). We believe the annuity is suitable for those age 40 and older on qualified funds (IRA), and age 55 or older on non-qualified funds (you've paid the tax).

*It's a lifetime income:* Most people think that an annuity is strictly a payout of income by an insurance company. They get this idea, because company pensions are paid by a type of annuity called an *Immediate Annuity*. This is only one type of fixed annuity, and it is one we rarely recommend to those under the age of 80.

*Costs are too high:* This in fact describes a distinct class of annuities known as *Variable Annuities*. We agree, initial and ongoing expense are too high! Instead, we offer fixed annuities, which have no upfront sales charge.

*Not Enough Return:* This is a partially true statement. At today's low interest rates, we don't believe the Immediate Annuity provides sufficient return. In addition, some fixed annuities are not offering any more than your local bank when you consider guarantees and interest calculation. However, there are fixed annuities that offer 1-2% greater guaranteed yield than bank CDs, and even some fixed annuities that have outperformed the "market" over the last decade (*that type of annuity is called a Fixed Index Annuity and won't be discussed in this report*).

*I've heard negative things:* Reality is that like any type of investment, the annuity doesn't fit all, and sales abuse does exist. The *Variable Annuity* has generated a large part of the bad press about annuities. A type of fixed annuity, called a *Fixed Index Annuity* also causes negative word-of-mouth. While we don't offer Variable Annuities, we do provide the Fixed Index Annuity when appropriate and suitable to the situation.

*They aren't safe:* While it is important to disclose fixed annuities aren't FDIC insured, they are secured by: 1. Insurance company assets; 2. Creditor protection laws; 3. Legal Reserve system; 4. Re-insurance; 5. State Guarantee Associations (not an FDIC equivalent or substitute); and Federal and State regulations.

***WITH AN INTRODUCTION BEHIND US, LET'S LAUNCH INTO OUR DISCUSSION OF THE CD STYLE FIXED ANNUITY!***

## CD STYLE FIXED ANNUITY (aka: *Multi-Year Guaranteed Annuity*)

The CD Style Fixed Annuity is much like a bank certificate of deposit, in that you go into it for a stipulated number of years and receive a guaranteed contractual interest yield for that period of time. Much like the CD, if you withdraw funds in excess of the contracted benefits, you will receive a surrender fee on those excess funds.

It is straightforward - - you know what you are getting. The insurance company in the policy (contract) spells out the annuity benefits and yield. You know exactly what your investment is worth at the end of the investment period.

Currently, the CD Style Fixed Annuity for a long-term investment horizon (3 – 10 years), yields as much as 1<sup>+</sup>% more than equivalent bank certificates of deposit. Long-term bank CD's only allow the withdrawal of earned interest, while the CD Style Fixed Annuity will allow as much as a 15% withdrawal of account value without penalty. CD Style Fixed Annuities (like all annuities) enjoys the advantage of tax deferral of interest growth, while in a bank CD (non-qualified), you receive a year-end 1099 reporting interest earned, whether you withdraw it or not.

As of April 24, 2017, our best yields on one (1) to five (5) year CD Style Fixed Annuities is 1.5 - 3.25% APY. In contrast, the National average bank CD rates as reported by [BankRate.com](http://BankRate.com) are .80 - 1.75% APY (you can do better searching the Internet - - - best we found was 1.25% for 1 year up to 2.30% for 5 years) for that same period. Clearly the CD Style Fixed Annuity significantly outperforms the CD on yield, and they are tax-deferred as well.

Maybe the best way to demonstrate the attractiveness of the CD Style Fixed Annuity is by a financial concept called "laddering." We are huge proponents of laddering - - - *purchasing multiple bank CD's or CD Style Fixed Annuities having staggered maturities.* It is a meaningful way to consider the improved yield of the CD Style Fixed Annuity.

Looking at [BankRate.com](http://BankRate.com), the rates laddered below are the **average** National CD interest rates as of April 24, 2017. A ladder of those CD rates would look as follows:

Amount	Investment Duration	Average National APY
\$25,000	One Year	.80%
\$25,000	Two Year	1.10%
\$25,000	Three Year	1.25%
\$25,000	Five Year	1.75%
<b>TOTAL: \$100,000</b>	<b>AVG TERM: 2.75 YRS</b>	<b>AVG APY: 1.22%</b>

A ladder of current CD Style Fixed Annuity rates shows:

Amount	Investment Duration	Annual Percentage Yield
\$25,000	One Year	1.50%
\$25,000	Two Year	1.75%
\$25,000	Three Year	2.40%
\$25,000	Five Year	3.25%
TOTAL: \$100,000	AVG TERM: 2.75 YRS	<b>AVG APY: 2.22%</b>

***The "sweet spot" for the CD Style Fixed Annuity is in the three - five year duration!***

*Bottom line, if you are currently investing in CD's or low interest bearing investments, we see the CD Style Fixed Annuity as having a very appealing blend of higher interest yield without sacrificing principal protection and investment security.*

Before presenting our **TOP 10** CD Style Fixed Annuities, it is important to understand that annuities are purchased for more than just their rate advantage over bank Certificates of Deposit and savings.

The fixed annuity is a unique financial instrument that provides:

- **Tax Deferral** - - Unlike the bank on non-IRA type funds, if you do not make a withdrawal during the year, you will not receive a Form 1099 to report interest to the IRS. This can have a significant impact on your overall tax picture - - for example, less reportable interest income can reduce the taxation on your Social Security benefits.
- **Probate Avoidance** - - Since annuities are an insurance product, you are required to list beneficiaries to receive the proceeds upon your death. Your beneficiary will submit a death claim directly to the insurance company, and the probate process is avoided. At the bank, unless you designate a POD (Payment on Death) your funds are probate eligible.
- **Creditor Protection** - - OJ Simpson is a prime example of annuities being unavailable to creditor seizure, liens, or law suits. In essence annuities avoid creditors, because they can be annuitized from an asset into income. While assets can be seized, income in most States can not.
- **and More . . .**

# Top 10 CD Style Annuities

(As of 4/24/2017)

<u>COMPANY</u>	Employees Life	Employees Life	New Era Life	Guaranty Income Life	Family Benefit Life	Bankers Life	Atlantic Coast Life	Sentinel Security Life	Atlantic Coast Life	Atlantic Coast Life
<u>TERM</u>	1 Year	2 Years	3 Years	4 Years	5 Years	5 Years	5 Years	7 Years	7 Years	10 Years
<u>RATE (APY)</u>	1.50%	1.75%	2.40%	2.40%	3.00%	3.25%	4.00% <sup>1</sup> 3.00% <sup>2-5</sup> 3.20% Effective Rate	3.15%	4.25% <sup>1</sup> 3.25% <sup>2-7</sup> 3.39% Effective Rate	4.40% <sup>1</sup> 3.40% <sup>2-10</sup> 3.50% Effective Rate
<u>MINIMUM</u>	\$10,000	\$10,000	\$10,000	\$5,000	\$5,000	\$10,000	\$5,000	\$2,500	\$5,000	\$5,000
<u>MAX AGE</u>	90	90	90	90	90	85	90	85	90	90
<u>WITHDRAW INTEREST</u>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
<u>ADDED WITHDRAWAL</u>	NO	15% Year 2	NO	NO	15% Yrs 1-5	10% Yrs 2-5	NO	NO	NO	NO
<u>YEARS GUARANTEED</u>	ALL	ALL	ALL	ALL	ALL	ALL	ALL	ALL	ALL	ALL
<u>SURRENDER PENALTY</u>	5%	5%, 4%	3%,3%,3%	8%,7% 6%, 5%	7%,6%,5% 4%,3%	9%,8%,7% 6%,5%	9%,8%,7% 6%, 5%	9%,8%,7% 6%, 5% 4%, 3%	9%,8%,7% 6%, 5% 5%, 5%	9%,8%,7%,6% 5%, 5%, 5% 5%, 5%, 5%

Product features, endorsements, issue ages or riders may not be available in all jurisdictions. Limitations or restrictions may apply. Before purchasing or considering any policy, you should obtain legal advice as to suitability of the product in question. Insurance products are not FDIC/NCUA insured, not deposit of a bank, not insured by the Federal Government.

## CONCLUSION:

For more than 28 years, we have worked with Seniors and retirees, and have arrived at one overriding conclusion - - - security of principal, and sufficient, guaranteed income provide **peace of mind**. All studies agree, that a person's greatest financial fear is the fear of running out of money! We have chosen the Tax-Deferred Fixed Annuity as our financial instrument to allay that fear. We believe that the contractual interest yields and guaranteed income growth offered by the CD Style Fixed Annuity are compelling. We look forward to assisting you, should you wish explore the suitability of specific product choices.



David Winer is the President and principal planner at Elders Financial LLC (incorporated in 2001). David entered the field of financial services in 1988. He has an undergraduate degree in Sociology and an MS in Marketing and Finance.

David has more than 27 years insurance, 20+ years retirement planning, and 10+ years securities experience. He completed Certified Financial Planning courses at PDI Institute, Dallas, Texas.

Since 1994, David has focused on providing a financially conservative, reduced risk approach to his clients. Emphasis is given to investment safety, liquidity, and potential tax reduction. David was born and raised in Wisconsin, and has made his home in Plano, Texas with wife and family since 1981.

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