



Collier Legacy Planning LLC

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# Legacy Planner

Retirement • Income • Medicare

## Fall 2020

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Roosevelt Lake Bridge at Theodore Roosevelt Dam, Arizona; photo by Ray Loth

## Salted Caramel Apple Pie Bars



To many, Apple Pie is their favorite dessert but baking this classic dessert as bars is so much easier! This recipe was submitted by Ray's seven minutes older twin sister, Amelia!  
—Barb Schlaefter

### Shortbread Crust:

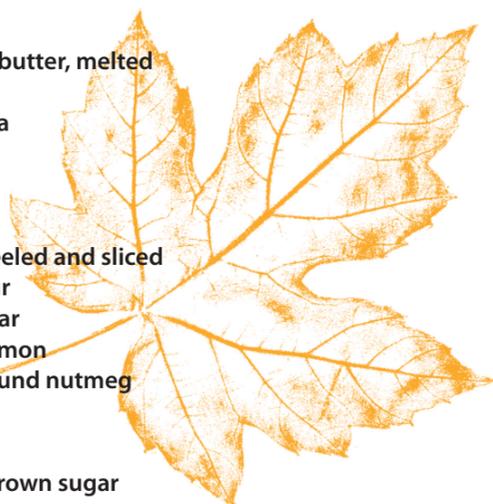
- 1/2 cup unsalted butter, melted
- 1/4 cup sugar
- 1 teaspoon vanilla
- 1/4 teaspoon salt
- 1 cup flour

### Apple Filling:

- 2 large apples, peeled and sliced
- 2 tablespoon flour
- 2 tablespoon sugar
- 1 teaspoon cinnamon
- 1/8 teaspoon ground nutmeg

### Streusel:

- 1/2 cup oats
- 1/3 cup packed brown sugar
- 1/4 teaspoon cinnamon
- 1/4 cup flour
- 1/4 cup unsalted butter, cubed



### Salted Caramel Sauce: Buy or make.

### Directions:

Preheat to 300 degrees. Line bottom and sides of an 8 x 8 pan with foil, leaving enough overhang on all sides to lift out the completed bars.

**Crust:** Stir the butter, sugar, vanilla, and salt together. Add flour and mix. Press mixture evenly in pan. Bake 15 minutes. Remove crust from oven; turn oven up to 350 degrees.

**Apple filling:** Combine apples, flour, sugar, cinnamon, and nutmeg until all apple slices are coated.

**Streusel:** Whisk oats, brown sugar, cinnamon, and flour together. Cut in cubed butter until mixture resembles coarse crumbs.

Press and layer apples tightly on top of the still-warm crust. Sprinkle apples with streusel. Bake 30 to 40 minutes at 350 degrees until the dessert is golden brown.

Cool 20 minutes, then chill for 2 hours. Lift the dessert out of pan using the foil overhang. Cut into bars. Drizzle salted caramel sauce on top. *Enjoy!*

Apple photo: Abhijit Tembhekar, Wikimedia Commons

## ANNUITIES 101

By Raymond Loth

The popularity of annuities has only increased in recent decades and by all accounts, they will continue to have an even more prominent role in retirement portfolios.\* For many people however, the subject of annuities, like many other financial products, raises questions in their minds.

So... **What exactly is an annuity? What types of annuities are there? How do fixed annuities work? What role can fixed annuities play in your retirement portfolio?**

### WHAT EXACTLY IS AN ANNUITY?

An annuity is a contract with an insurance company **guaranteeing certain provisions for your current and future financial benefit.** A unique (optional) feature includes *guaranteed lifetime income*, which is why insurance companies are involved.

Annuities have two phases, the accumulation (growth) phase and income (annuitization\*\*) phase. Most individual annuities today are kept in the form of a growth account with regular withdrawals and do not transition to annuitization.

Well known examples of income annuities are Social Security and pension plans. These are essentially income annuities

("annuitized") and people LOVE having them. Private companies allow you to also own and manage your own annuity—either for growth, income, or a combination of the two. **Annuities, both public and private, clearly are a cornerstone of retirement** for an enormous segment of the population.

### WHAT TYPES OF ANNUITIES ARE THERE?

#### • Immediate or Deferred:

**Immediate** annuities are set up and "annuitized" immediately for the income stream only. These are less common.

**Deferred** annuities *are set up for growth*, and are usually used for flexible income and account growth.

#### • Variable or Fixed—This is a very important distinction.

Although both are annuities, they are VERY different: **Variable** annuities include risk-based investment portfolios and often have multiple annual fees on the account. These are rather complex accounts that can lose money. (*We have chosen not to be licensed to sell variable annuities for the above reasons.*)

**Fixed** annuities are less complex and **come in two forms, fixed only or fixed indexed.** They are BOTH principal protected or safe from market losses and, in the vast majority

"Annuities 101" continues on the next page.

"Annuities 101" continued...

of cases, set up without any annual fees. **Fixed** offer an annual interest rate. **Fixed indexed** have additional options for better growth, based, in part, on the movement of an index like the S&P. They are NOT invested directly in the index, so you cannot lose money, even when the market goes down.

Many annuities today have options for **additional riders for various purposes** like nursing home care, death benefits, and guaranteed lifetime income (that do not require annuitization). While we like these in some cases, there needs to be a definite objective and clear benefit to justify the annual fees that these have.

**HOW DO FIXED ANNUITIES WORK?**

Insurance companies invest primarily in highly rated corporate and government bonds which provide the company a stable rate of return. The insurance company then passes on a portion of that return to you in the form of a stated annual interest rate. Indexed annuities are designed for an even higher potential average rate of return.<sup>^</sup>

In order for the insurance companies to invest in longer term bonds with higher rates, they seek your assurance that you will keep your account for a set time, often 5 to 10 years. Withdrawals of usually up to 10% are generally allowed each year after the first year without penalty. At the end of the multi-year term your account is completely available to you without penalty.

Annuities are automatically tax deferred meaning that you do not pay taxes as they grow, but rather when you withdraw the money. They are also very beneficiary friendly. Your named beneficiary(ies) receive(s) your full account value at death.<sup>^^</sup> Often times this is the first money that gets paid out to your loved ones because annuities avoid probate.

**WHAT ROLE CAN FIXED ANNUITIES PLAY IN YOUR RETIREMENT PORTFOLIO?**

As mentioned, everyone wants an annuity: Social Security. Why? Because it is dependable (politics aside), reliable, and long-lasting (and we've paid into it). Likewise, it's the dependability and reliability of fixed annuities that attract many, for growth and income.

Most people have more than one asset type in their portfolio.

• **Bank accounts** offer safe readily available money, but generally little growth.

• **Stocks, bonds, mutual funds, variable annuities, etc.** have higher growth potential but also varying levels of risk and associated fees.

• **Fixed annuities** are really a middle ground between these two asset types. With this category of assets your money experiences considerably higher growth rates than at the bank, yet is guaranteed to avoid market losses.

While annuities are not the only good place for your money, they are an excellent place for the portion that you do not want to lose but would like to see still growing. This is especially true the closer you are to retirement... and the



**EARN 3.25% APY**  
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Contact Raymond Loth, Collier Legacy Planning, LLC at 920-233-0033

**GBU** FINANCIAL LIFE

\*GBU Financial Life (GBU) is a 126-year-old, fraternal benefit society domiciled in Pennsylvania. \*\*Preferred 8 Annuity is a fixed annuity under contract form ANA-01/13-PA underwritten by GBU. \*\*\*No statement contained herein shall constitute tax, legal or investment advice. You should consult with a legal or tax professional on any such matters. \*\*\*\*GBU interest rates are assessed on a monthly basis and may increase or decrease based on market conditions.

more uncertain the world around us is. Having this cornerstone for your retirement portfolio provides confidence, peace of mind, and even greater liberty to enjoy your retirement.

\* The "Secure Act" signed by Congress into law 12/2019 was intended to make it easier for employers to include annuities in 401k type plans.

\*\* "Annuitization" essentially means exchanging your account value for a guaranteed income stream, usually lifetime.

<sup>^</sup> Indexed annuities include an additional component, which is best explained in person.

<sup>^^</sup> There are exceptions to this with certain choices for annuitization, and in very rare instances with some companies during the growth phase.



*We're so thankful that we have you as our financial advisor. We feel safe that our money is invested wisely and increasing in value each year. You're so pleasant to deal with and your expertise and advice is a Godsend; very glad we found you.*

—Fond du Lac client

Photo: Ray Loth

*"So why, when he turned 57 this years, did he sink \$500,000 of his nest egg into an annuity? Quite simply, annuities are looking better than they have in years, . . . These are enticing trends for folks like Burns who, hoping to retire in a few years, is eager to protect his investments. . ."*

—Karen Hube, "The 50 Best Annuities," BARRON'S, 7/23/2018

**Case Study**

**Fixed or Fixed Indexed?**

A couple approached me a number of years ago interested in a safe alternative for some money at the bank. They were seeking to do something with \$100,000 and liked what they already knew about fixed annuities. I also shared with them the added growth potential of an S&P linked indexed annuity and assured them that the money was still principal protected.

While they were most comfortable with the basic fixed annuity, we decided to set up a little competition and split the money in half.

**With \$50,000 in each type of account, which one do you think is doing better?**

After 4 years: Fixed account: \$56,987  
Indexed acc't: **\$62,397 (5.7%/yr.)**  
Total: \$119,384

After 7 years: Fixed account: \$62,968  
Indexed acc't: **\$70,871 (5.1%/yr. [reduced due to recent market volatility])**  
Total: \$133,839

**Both types of accounts have their place and have done very well.**

If, however, the money had been left at the bank with 1% interest, it would be worth only \$107,213 after 7 years. So these clients *safely earned \$26,626 more* (on \$100,000) with fixed annuities!

These clients have been very happy with the results of their accounts and over the years have rolled over additional funds for us to work with in their behalf. —Raymond Loth

**COVID PRECAUTIONS at our OFFICE**

We want to take a moment to assure you of the ongoing health & safety measures that are being taken at our office due to COVID.

1. Our excellent landlords are having all the common areas disinfected twice a day in the already quiet building.
2. We too are disinfesting our own office before each appointment.
3. We will greet you with our masks on.
4. If your preference is to remain more physically distant, we can "meet" over the phone, or with video conferencing tools like Zoom.

*Thank you, and stay safe!*

**Ask the Professional...**

**Do I need to do anything during Medicare's AEP October 15 to December 7?**

We are once again nearing Medicare's **AEP**, or **Annual Election Period!**

**What is it? How does it affect you? Should you be doing something?**

**What is it?**

**AEP** is the universal opportunity that Medicare beneficiaries have to make changes to their drug (part D) plan or Medicare advantage (part C) plan for January 1st. Making such changes at other times in the year are only allowed under special circumstances.

**How does it affect you?**

**Medicare Advantage and Drug plans renew automatically** each year, unless you are informed otherwise. Your plan will update you in October regarding any changes to your plan for 2021.

**Medicare Supplements** are not bound by AEP. They also typically renew automatically. If however, you want to drop your supplement and switch to an Advantage plan, or change drug coverage, then AEP would be the time to make such changes.

**SHOULD you be doing something?**

That varies by individual. *Here are 3 scenarios:*

- 1• You may have or expect significant changes in your medical activity, including expensive new drugs. Then a review may be worthwhile. Keep in mind that **your current plan may be very suitable.**
- 2• Some may wonder if they are spending too much on increasing monthly premiums. Others may have a low premium but don't like paying copays for services and maybe actually prefer a higher monthly premium with less out of pocket costs.
- 3• Most people are generally happy with their current plan and don't need to do anything.

It is worth noting that **all the advertising during AEP can have the unnerving "grass is greener" effect** on people. Please consider this before you let it consume you! Some clients go to great lengths to evaluate these plans and like to review them with me regularly, either in person or on the phone. Others value the stability of their plan and are happy to know that I am watching out for their best interest. My job is to service all of you according to your needs and desire for information.

While I've already arranged to follow up with some clients this AEP, I **invite any of you to get in touch with me if you have any specific concerns or questions.** I do work with multiple companies and will do my best to care for your needs.

Thank you very much for your business, your loyalty, and your many referrals over the years!—Ray Loth