Collier Legacy Planning llc

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Legacy Planner

Retirement • Income • Medicare

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Photo by Ray Loth

• Easy Rum Cake •

This Easy Rum Cake, made with a yellow cake mix, will warm you up on a cold day! —*Barb Schlaefer*

Cake:

1 cup chopped walnuts
1 (15.25 ounce) package yellow cake mix
4 large eggs
1/2 cup dark rum
1/2 cup water
1/2 cup vegetable oil
1 (3.5 ounce) package instant vanilla pudding mix

Glaze:

1/2 cup butter
1/2 cup white sugar
1/8 cup water
1/4 cup rum

1. Preheat the oven to 325 degrees F. Grease and flour a 10-inch Bundt or tube pan.
2. *Make cake:* Sprinkle walnuts over the bottom of the prepared pan. Set aside.
3. Mix together cake mix, eggs, dark rum, water, oil, and vanilla pudding mix in a large bowl until well combined. Pour batter over walnuts in the pan.
4. Bake in the preheated oven until a toothpick inserted into the cake comes out clean, about 1 hour. Cool, then invert cake onto a serving plate. Gently prick holes into the top and sides of cake with a toothpick or skewer.
5. *Make glaze:* Melt butter in a saucepan over medium heat. Stir sugar and water into melted butter; bring to a boil. Cook, stirring constantly, for 5 minutes. Remove glaze from heat; stir in rum.
6. Drizzle warm glaze over top and sides of cake.

Photo: Ivar Leidus, Wikimedia Commons

The Tortoise, the Hare—and Your Retirement Planning

By Raymond Loth

For years we've valued lessons from the story of *The Tortoise and the Hare*. "Slow and Steady Wins the Race" has proven to be a valuable metaphor about life, as is "avoid overconfidence and carelessness". There are **striking parallels in the financial world:***

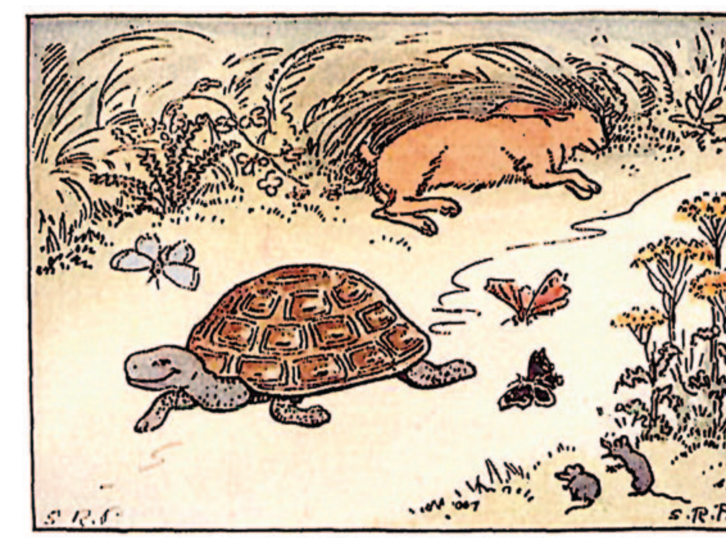
- the value of consistent ongoing saving habits
- the benefits of fiscal budget restraint and caution
- and the benefits of steady conservative growth, combined with loss avoidance.

"Moderation and consistency over time produce significant results" is another lesson from the fable.

None of the above is revolutionary. However, good advice can be overlooked due to its simplicity. What are some ways that "slow and steady" can help you win the retirement race?

STEADY GROWTH

Fixed annuity accounts called "MYG's" (Multi-Year Guarantee) sometimes seem as exciting as a tortoise, but over time they can produce very attractive growth, all while giving



THE TORTOISE AND THE HARE

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peace of mind from solid guarantees. In addition to offering very attractive rates, the ability to guarantee them for 3, 5, or even 10 years is compelling.

Currently, some companies guarantee rates over 5.2%. If the market were to lose 20% one year (like the hare taking its nap), a risk-based account would need to earn over 38%

"The Tortoise, the Hare..." continues on the next page.

"The Tortoise, the Hare..." continued...

in the next year to be even with our tortoise's 2 years of steady growth accumulating to $110,670. Think too of the calm disposition of the tortoise, free from anxiety!

Steady growth can also be achieved with fixed INDEXED annuities. These accounts give the opportunity to earn higher growth by linking growth to indices like the S&P. One example may allow **up to 12%/yr. market linked growth. Other options allow for even higher growth potential.** These accounts are also principal protected, AND growth is also protected each year. So you can never experience loss due to market volatility.

HOW IT FEELS TO BE IN THE RETIREMENT PLANNING "RACE"

Let's be honest though, in Aesop's fable, it was a close race! As portrayed, if the race was just a little longer, or the hare's nap just a little shorter, *the hare actually would have won*. As the story left off, the tortoise and hare had begun to recognize that each had value. In the financial world, that may mean recognizing that other financial instruments may have a role. We prefer to consider other products/companies/advisors as potentially complementary, rather than competition.

When the stock market is climbing and it feels like it will just keep going up forever, the fixed annuities that we work with may occasionally feel a little tortoise-like. Then, when the market is going through periods of volatility, these stable accounts may give you the confidence you desire to enjoy your retirement (race). **The key is to find your right balance to navigate such cycles over time.**

Painting: Franz Snyders (1579-1657), from *The Fable of the Tortoise and the Hare*, Wikimedia Commons

SOMETIMES *EVEN* THE TORTOISE MAY GET A BURST OF ENERGY!

We are in an unusual time now with interest rates experiencing historic increases. It'd be nice if rates would stay high, but there is no way of knowing what will come next. **Annuities allow you to lock in these higher rates for an extended period of time.** We suggest being open to consider longer term accounts versus shorter.** (See "Case Study", page 3.) These give you the opportunity to benefit from this current interest rate environment after it is gone.

We hope that you fully enjoy your retirement travels, literal and figurative, and will do everything we can to cheer you on! **Please call us at (920) 233-0033 to learn more.**
—Raymond Loth

* This is not intended to offer specific advice or details on any particular asset type. While we do work with certain financial institutions, this is not intended to represent any specific company or account terms which are available only in company specific and approved materials. We also do not represent or claim to offer advice on securities.

Annuities are long term financial products designed for retirement income and may not be suitable for everyone. They involve fees, expenses, and limitations, including surrender charges for early withdrawals. Some include optional riders and benefits that may come at additional cost. Annuity guarantees are backed by the financial strength and claims-paying ability of the issuing company. Annuity product and feature availability may vary by state.

** Generally, the more years an annuity is set up for, the higher the early withdrawal penalties would be where your liquidity is limited by the company.

—I am a licensed insurance professional. I am not affiliated with the Social Security Administration or any government agency. The information provided should not be considered as an offer of any product. You can use a variety of funding vehicles to plan for your retirement. You should consult with your financial professional to help you determine what is most suitable for your needs.

Photo: Ray Loth

The Loth Family Farm on the Fox River, Established 1903

> ***"An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen."***
> **—Earl Wilson (1907–1987), American journalist, gossip columnist, and author**

Case Study

Sometimes It Pays to Go LONG(er)

The year was 2011, and interest rates had already been falling for some time. What we didn't realize is that they'd continue dropping… and stay at historic lows for well over a decade.

That May, **a new prospect stopped at our office looking for principal protected fixed growth, and some better interest rates.** They decided to opened a 3-year MYG (Multi-Year Guaranteed) fixed annuity with $100,000. It was guaranteed at 3% for 3 years, and an optional 3.65% for another 2 years.

When the client came in with another $100,000,** we discussed going with a longer account. **This would get them a higher interest rate guarantee and LOCK that HIGHER rate in for longer.** This would be advantageous if rates continued downward, and low—which they did for 11 years. They chose a **10-year account with a 4.5%/yr. guarantee**. These accounts allowed withdrawals of 15%/yr. without penalty starting in year 2.

How did it work out?

After the first 5 years:

$100,000 in the shorter-term account at 3-3.65%	=$117,394
$100,000 in the longer-term account at 4.5%	=$124,618

When the time came to renew the 5-year account, interest rates were even lower. The best rate we could find then was only 2.65% for 5 years. Having the 10-year account with another 5 years at 4.5% was indeed very attractive.

Here's how the math worked out:

At the end of the full 10 years:

$117,394 now at 2.65%	=$133,795
$124,618 still at 4.5%	=$155,296

In this case, going with a longer account proved very valuable. Both of these accounts **provided exactly what was expected, principal protected steady growth.** While we don't know how long this current interest rate trend will continue, **the current rate environment is clearly favorable.** We therefore encourage our clients to consider the possible benefits^ of going with a longer-term Guaranteed Annuity with some portion of funds that they don't expect to need in the near future.
—Raymond Loth

* Information & estimates are only intended to demonstrate concepts available and are incomplete & subject to company specific information. Please see additional information in pg. 2 footnote.

** The client placed an additional $200,000 with us in the interim.

^ We also encourage you to consider the drawback of annuities, like higher early surrender penalties. Please see the "Ask the Professionals" article about annuities on the right side of this page.

Ask the Professional...

How are fixed annuities* DIFFERENT from other accounts,** and why don't some people like them?

DIFFERENCES:

1 • Annuities are retirement products that are held with an **insurance company**.

2 • Annuities offer **guaranteed income options** during retirement.

3 • Growth is tax deferred, including with non-IRA accounts. This means that you do not pay income tax on your earnings until you withdraw money.

4 • Annuities have **unique growth and principal protection features**. They generally grow at either a fixed rate, or one determined by a selected index. They protect your initial principal and your annual earnings from market volatility.

5 • They allow **less access than some accounts**. Most annuities have a surrender period, in many cases 10% is available each year for withdrawal without penalty, starting in year 2. Product surrender times vary, and there may be a fee for early excess withdrawals.

6 • Annuities **do not go through probate at death** when you have named beneficiaries on the account.

SOME PEOPLE SAY...

1 • **"Penalties for early withdrawal."** It is important to understand liquidity provisions (#5 above) and your needs.

2 • **"They pay high commissions."** Commissions are not deducted from your account value. There is a wide range in commissions, feel free to ask more about this. Wherever you put your money, people and corporations will be compensated.

3 • **"If I die, the company might keep all my money."** No, not unless you clearly and specifically set it up that way. Your designated beneficiary(s) receive 100% of the proceeds you've directed to go to them.

4 • **"They are too conservative."** They may be for some people, but not for others. However, even risky portfolios generally allocate some percentage to less volatile investments. Currently, fixed rates and indexed earning potential is the highest the industry has seen in around 15 years.

5 • **"I don't want to worry about losing my money."** I understand this sentiment. I have never met anyone who lost ANY money in their fixed/indexed annuity and my guess is that you haven't either. These accounts have contractual guarantees, and very stringent state regulations, for the protection of your money.

Hopefully this helps your understanding, please call (920) 233-0033 to get your additional questions answered.
—Raymond Loth

* This article is with reference to fixed and indexed annuities only and NOT variable annuities, which are very different, and we are not licensed to offer.

** This is a brief overview touching on only some of the relevant factors to consider. PLEASE SEE all footnotes on page 2 of this newsletter.