Special Report
Retirement Puzzle Piece #1

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Hello! My name is Steve Geist, I'm a Financial Strategist and I specialize in Safe Retirement Plan Solutions that are tailored with care. More specifically, I help my clients tackle complicated retirement issues and guide them towards easy-to-understand solutions designed to safely preserve and grow their retirement wealth. Now, more than ever, people over the age of 50 are clamoring for education and advice regarding their retirement.

One way I like to teach people about Retirement is to present it as a Puzzle.
And, I like to present the puzzle as containing five primary pieces. And they are:

- ✓ Puzzle Piece #1: Preserving and Safeguarding Your Accumulated Assets
- ✓ Puzzle Piece #2: Setting up a Lifetime of Guaranteed Income
- ✓ Puzzle Piece #3: Addressing Taxes in Retirement and Beyond
- ✓ Puzzle Piece #4: Having Proper Coverage for Health Care and Long Term Care
- ✓ Puzzle Piece #5: Leaving a Legacy for your Loved Ones

So in this Special Report let's address some very important issues regarding Puzzle Piece #1: Preserving and Safeguarding Your Accumulated Assets in Retirement:

And to set the stage for this very important puzzle piece, I want to first review the status of today's financial markets.

Since the 1980's the rise of the powerbrokers on Wall Street has led to a series of increasingly severe financial crises. Each crisis has caused more damage to our economy than the previous while the financial industry has made more and more money.

The pain that our economy suffers today is the direct result of the great financial bubble that burst in 2008. Yet, many people have completely lost sight of how we got to where we are today.

The crisis of 2008 was not an accident. It was caused by an out-of-control financial industry. And many key players are still at it – both on Wall Street and within the Federal Government.

Few of us remember the reasons and the cast of characters that contributed to the greatest bank robbery of all time. We got to this point because we have deregulated Wall Street and then completely wimped out on reregulating it after the power brokers nearly destroyed the global economy back in 2008.

Wall Street will tell us that we need them and that what they do is too complicated for us to understand. But not to worry; what they do is in our best interest. They will tell us that another financial collapse won't happen. Yet, they will spend billions of dollars fighting reform and regulation.

When the Financial Markets are functioning properly, the stocks and bonds in your investment portfolio should either increase or decrease in value based on the underlying fundamentals of those assets. Fundamentals such as corporate profits or expected growth rates.

But all too often the Financial Markets oscillate, sometimes dramatically, based on emotions and reactions to news stories from around the world.

In recent weeks, the markets have once again been very volatile, mainly due to concerns over European debt issues and the stagnant employment rate here at home. But in addition, in June, another dark cloud was cast over the markets as the Congressional Budget Office issued a dire warning that the U.S. will be pushed into another recession if we don't get our budget in order prior to reaching a fiscal cliff at the end of 2012.

And another big issue here is that, in the absence of clear signs about the direction of the world economy, Wall Street is turning more and more to technical trading.

Technical traders all but ignore fundamentals. Instead they rely on computer generated stock-chart analyses that signal when to buy or sell. When the charts say <u>sell</u>, a herd of sellers magnify market declines. At some point, a threshold is reached where the charts say <u>buy</u>, and stock prices get whipped higher as a result.

So, to a great extent, Wall Street no longer views the stock market as a means to invest in companies based on analysis of a firm's earnings and growth potential. Instead, the objective is to find ways to buy or sell stocks and make a quick trading profit.

Today, because of the stock market's evolution, Americans don't stand a chance of investing as amateurs. As computers, powered by technical traders take over, it becomes more common place for Americans to see their nest eggs shrink by thousands of dollars in minutes for no tangible reason.

So, in today's volatile world economy, let's look at some of the advice for average Americans coming from the Talking Heads on Wall Street. Statements such as:

When in Doubt – Don't get out (that's a recurring popular wall street catch phrase regarding your positions in the stock market). Or you might hear: Never sell equities in a down market.

Then there's the standard Wall Street Playbook that many advisors run with which is: Take on risk; stay fully invested; buy the dips; equities always outperform. Stocks and bonds, Wall Street says, are the best investment <u>in the long-term</u>.

Well…The reality is that giving this kind of general conventional advice to a person in or nearing retirement can be disastrous.

Consider, for a moment, the risks to an individual when an Advisor puts together a financial strategy heavily weighted towards stocks and bonds. This type of financial model will typically either ask for, or rely upon, assumptions for many events that are wildly unpredictable such as expected returns on investments and how long you will live.

Think of the uncertainties in <u>your</u> retirement. You don't know how long you'll live. You don't know what returns you'll earn on your investments. You don't know how your health will be. You have only a limited sum of money. And there are no second chances.

Let's consider for a moment the impact of a Wall Street <u>Buy and Hold</u> strategy in the <u>volatile</u> financial market over the last <u>twelve</u> years. To do this, I will use the S&P 500 Index, which is a well known benchmark that serves as a broad stock market indicator.

<u>SPECIAL REPORT TIMEOUT</u>

In case you belong to a group, club, church, association or any type of organization that invites outside speakers to give interesting talks – please know that as a community service, I would be delighted to speak at your next group meeting. And I would speak on a topic that would be both informative and relevant to Retirement. Just call my office and let me know how I might be of service.

<u>The Twelve-Year Roller Coaster Ride</u>
So, lets go back 12 years to 3/24/2000 when the S&P 500 Index hit its then all time high value of 1527. This high point was reached thanks to the great Internet Dot.com financial bubble created by Investment Banks on Wall Street. during the late 1990's.

Now, let's say you took your stock broker's advice to <u>buy and hold</u> by investing $100,000 in the stock market back on 3/24/2000. And let's assume that your investment selection and performance followed in step with the performance of the S&P 500 Index.

Actually, the idea of matching the performance of the S&P 500 is optimistic considering that most active money managers are unable to do so over an extended period of time.

Anyway, let's assume that you invested your money just as the Dot.com bubble burst and the U.S. began the first bear market of the new millennium. The S&P 500 lost 49% of its value between 3/2000 and 10/2002. So, as a result of loosing 49% of its value, your original $100,000 would be worth only $51,000 by 10/2002.

Next came a 5-year bull market between 10/2002 to 10/2007. This time thanks to Wall Street's gigantic Derivative/Sub Prime Mortgage bubble. During this financial bubble the S&P 500 grew 102%. So, if your investment moved in step with this Index, then your $51,000 would have grown 102% to a value of roughly $103,000 by 10/2007. That means that after <u>seven</u> years in the volatile stock market, you would have earned $3,000, a <u>measly 3% total gain</u> on your original $100,000.

Next came the great recession and the 2nd market meltdown of the new millennium beginning in 10/2007. This time, the S&P 500 lost 57% of its value in just 15 months between 10/2007 and 3/2009. So, as a result of loosing 57% of its value, your $103,000 would have dropped to a value of about $44,000 by 3/2009.

Next came a 2nd bull market in the new millennium which, after 3 years and a lot of fanfare by Wall Street, now, seems to be running out of steam. But still, as a result of the bull market, the S&P 500 today is about 95% ahead of its recession low point back in 3/2009.

This, however, is a deceptive statistic because it implies that we have almost fully recovered from the 2008 financial meltdown.

But in reality, if your $44,000 had grown 95% since 3/2009 you would have an investment value today of about $86,000. That is still <u>well short</u> of your original $100,000 invested over 12 years ago in 3/2000.

The point I want to make here: To <u>recover a 57% loss</u> in your investment, you have to <u>gain 132%</u> on what remains of your investment, just to get back to even. And we're not there yet!

Since the year 2000 we've seen 50% drops in the market twice. Many economists believe our current situation is as bad, or worse, than the 90% market crash in 1929 <u>and</u> the economy that followed.

<u>So Ponder These Questions if you are In or Near Retirement</u>
1. How much have you made or lost in the stock market over the last 12 years? Crunch the numbers; be honest.
2. How will you know when the next market shift will occur – up or down? And how will emotions and reactions to news stories from around the world as well as technical trading affect those swings?
3. Does it make sense to risk losing 30, 40 or even 50% of your savings, just for the potential to capture the maximum return on your money?
4. What's more important – keeping what you already have today or making more by risking what's left?

Consider this analogy. If you were going to set sail across the Pacific Ocean in a small sailboat and could somehow be guaranteed the type of seas you would encounter, what would you ask for? Calm waters and sunny skies, or violent storms and gigantic waves? Obviously a voyage with sunny skies and calm water would allow you to sleep peacefully at night and experience the full joy of your journey.

So why do people continue to opt for the stormy seas of the stock market and the tidal waves of volatility? That's a rough ride with an unknown destination. One minute you're sitting atop a huge wave of gains, able to clearly see your retirement horizon, and the next minute you're plunging into a dark trough of fear and panic as your account racks up devastating losses.

Here are four reasons why so many Americans continue to choose stormy seas by investing in the stock market:

Reason #1 for Risking Stormy Seas: People don't know of another option

Most people have only heard one message all their adult life: Buy stocks. Buy Bonds. Buy mutual funds. Load your 401(k) with as much money as you can and make sure it's all in the market. It's no wonder the majority of the retirement-saving public is doing just that; it's the only message they've ever heard.

They have no idea that there is another ship going in the same direction; a ship that is sailing in calm waters with no fear of capsizing or loss. A ship that their stockbroker and 401(k) administrator likely knows nothing about.

Reason #2 for Risking Stormy Seas: The myth that nothing can compete with equity returns

Throughout history, people have seen the stock market as the home of robust returns. There was a time not long ago when individuals could simply buy stock in good, well-run companies and hold that position their entire lives. Here's the problem. Those days are done. We no longer live in a buy and hold environment. Change is too rapid; especially with the increasing use of technical trading.

So if the buy and hold strategy might not provide today's solution, what will? Simple; capture some of the stock market's upside in its good years, and avoid losses in its bad years. That's the key and I will explain how to do it later in this report.

Reason #3 for Risking Stormy Seas: Everyone else is doing it

We hear how Wall Street is supposedly making other people rich with various market investment strategies. And so, through the herd mentality, we think that if it worked for them it certainly should work for us.

Unfortunately that's no more true than watching someone win by placing a large bet on red at the roulette table and then rationalizing that since it worked for them, it will certainly work for us.

Remember one thing: No one knows what the stock and bond markets are going to do next year, next month or even in the next hour. No one knows. Just like no one can predict whether that next spin on the roulette table will be red or black.

Reason #4 for Risking Stormy Seas: The American limited view.

Here's part of our problem as a nation: Our view is too limited and too narrow. If it hasn't happened before in America, then we've brainwashed ourselves into believing that it never will.

The problem with our stock market is that the major indices have usually returned to new, all-time highs within a few years after each downturn, recession or depression. It's been up, up and away forever. So the thinking quickly becomes, Sure, the stock market has some bumps and bruises along the way but it will always go up; always return to new highs. Well, just because that has been the story of America up to this point does not mean it will always be our story.

SPECIAL REPORT TIMEOUT

I'd like to point out that in addition to hosting the Retirement Guy radio show, which I have done now for well over two years, I also conduct free (open to the public) educational events. I hold these workshops throughout the Denver area throughout the year. I have made these presentations to thousands of people both in and near retirement over the past several years. If you would like to meet me in person and learn about retirement, in a public setting, then please call or email me with a request for the date, time and location of my next event.

Case in point, Japan. The leading Japanese stock index, the Nikkei 225, sits at about 8,700. It peaked over 22 years ago on December 29, 1989, at just below 39,000 points! So this means that Japan's leading stock market index is still down almost 78% 22 years after it hit its peak. $1,000 left in that index for the last 22 years (without taking inflation into account) is now worth $225. How's that for a great **buy and hold strategy**?

Now, let's stay focused, a little longer, on Wall Street's conventional advice that you keep your money in a long term buy and hold strategy perhaps with a mix of 60% stocks and 40% bonds.

According to a March 2012 survey of U.S.-based financial advisors, this type of traditional diversification and portfolio construction strategy needs a makeover.

CoreData Research, who conducted the survey, found that financial advisors are questioning the relevance of asset allocations based on a 60/40 mix of stocks and bonds as well as long-term buy-and-hold strategies.

Investment advisors interviewed for the survey said they are increasingly turning to alternative investment strategies. Half of advisors polled said they regularly employ alternative investing strategies. 79% said they do so to improve diversification, 68% do so to reduce risk, 51% do so to enhance returns, and 42% do so to dampen volatility.

63% of the advisors said they do not believe in long-term buy-and-hold strategies, and 77% say their clients are questioning this approach as well.

Retirement Puzzle Piece #1: Preserving and Safeguarding Your Accumulated Assets

OK, having made my points about Wall Street, let me present Puzzle Piece #1: Preserving and safeguarding your hard-earned accumulated assets in retirement.

And let me start by revealing another huge mistake made by people in or near Retirement:

Not Knowing the Difference between Risk-Based Investments and Safe-Money Alternatives!

Remember, that as a result of the recent Great Recession, we're now living in a whole NEW Normal. And part of living in the New Normal means preparing for a different kind of investment environment. The old way of looking at how to invest has changed.

The more you know about asset diversification especially which assets are safe and which assets carry various degrees of risk and reward, the better off you'll be. Plus you won't be so inclined to listen to the Wall Street propaganda machine. The more you know, the less likely you'll be to panic and make a bad decision in the next market downturn. So, improve your knowledge of investments and know your choices.

Learn and understand the investment choices that offer potential gains but also contain risk of loss of your principle. These kinds of investments include stocks, mutual funds, variable annuities, commodities, real estate, hedge funds and even certain kinds of bonds.

Then learn and understand the investment choices that offer safety and guarantees including saving accounts, money market accounts, CDs, Treasuries, Fixed Annuities, and Index Annuities

The Rule of 100

Next, learn and apply the Rule of 100 which is all about real diversification of safety and risk.

The Rule of 100 is a tool used by financial professionals to provide you with general guidelines for proper allocation of your retirement assets. The Rule takes into consideration your age and investment time horizon to better define your risk tolerance.

The calculation begins with the number 100. Subtracting your age from 100 provides an immediate snapshot of what percentage of your retirement assets should be in the market (at risk) and what percentage of your retirement assets should be in safe money (no-risk) alternatives.

So for example: Mr. Jones is 65 years old and has $100,000 saved for retirement. To apply this Rule, we start with 100 and subtract his age 65 to leave a remaining value of 35. In this example, Mr. Jones should have no more than 35%, or $35,000, of his assets in stocks, mutual funds, commodities, and other risk investments. This leaves 65%, or $65,000 of his assets to be allocated to safe money alternatives which include savings accounts, CDs, government securities, fixed annuities and index annuities.

Next, let's assume that Mr. Jones currently has 100% of his assets invested at risk in the stock market. If the market were to decline 57% (as it did in the great recession) a significant portion of his nest egg would disappear. And, it would require a 132% return on his remaining investments just to recover his original principal. By applying the Rule of 100 to his asset allocation, Mr. Jones could dramatically reduce his chances of portfolio losses.

The moral of the story here is: As you age, don't overlook your risk exposure within your asset allocation. Risk allocation is a critical component to your overall financial plan and can have a dramatic impact on your retirement future.

What do people want in retirement?

Well, I find that they want safety and opportunity. They want and need guaranteed lifetime income. They want simplicity and they want peace of mind. They want financial strategies in retirement that can maintain the standard of living to which they have become accustomed.

Towards this end, what if you were offered a safe-money alternative that ran on autopilot and never put your principal at risk? What if it offered good growth opportunities; locked in the gains on a regular basis without triggering a tax event; never lost a locked-in gain; provided income that lasted as long as you lived, and was always 100% liquid with no management fees or sales loads? That's a pretty appealing proposition.

But what if I then told you that this safe-money alternative is a certain type of Annuity.

Well….upon hearing this, you might tend to shy away from it. And that's because very few people really understand what annuities can do. Instead of finding out how they work, people often rely instead on a poorly informed adviser or outright misinformation. Annuities are often all lumped into one category. The public's perception is that they all have high fees, they all tie your money up, they are not liquid and they don't offer much opportunity. Nothing could be further from the truth.

Today, over 80% of financial advisers have never sold an annuity. So if your broker, banker or financial advisor does not offer annuities as solutions in retirement then it's obviously convenient to them if the general public does not know about or think positively about these excellent safe-money alternatives.

A Safe-Money Alternative

So, with respect to the recent market turmoil and uncertainty. And with respect to those looking for safe money havens, there is an innovative safe money choice known as an Index Annuity – and it's a good option for someone nervous about having their retirement savings being exposed to the future volatility of the stock market.

An Index Annuity is an insurance contract that provides a minimum guaranteed return as well as possible additional interest growth linked to the performance of a common market index, such as the S&P 500, DJ IA or Nasdaq.

With an Index Annuity, if the major stock market index being tracked goes up for the year, a portion of the index increase is credited as interest to the value of the Annuity.

On the other hand, in a year where the market index declines, the Index Annuity value is completely protected from the decline.

Once interest is credited to the Index Annuity value, it is "locked-in" and can never be taken away from the annuity due to future negative market performance.

The crediting strategy used on the Index Annuity is much like an elevator that only has an "Up" button and a "Hold" button – No "Down" button.

Now when talking to my clients about their investment choices in today's market, I review with them nine key questions to ask when evaluating an "Ideal Retirement Asset". And those nine questions are:

1. Is the Asset free from market risk?
2. Does the Asset offer an up-front bonus to kick-start its growth?
3. Is growth of the Asset tax-deferred?
4. Is growth of the Asset "locked in" & guaranteed on a regular basis?
5. Does the Asset offer potential Social Security tax advantages?
6. Can you take money out of the Asset without sale or penalty?
7. Is the Asset value free of any commissions and on-going expenses?
8. At death does the Asset automatically avoid the costs, delays and privacy issues of Probate Court?
9. Does the Asset offer guaranteed lifetime income options?

If you have an asset where the answer is "YES" to all nine of these questions then you have the makings of an Ideal Retirement Asset**.**

When Index Annuities are Right for You

IF you're a SAVER, an Index Annuity is right for you IF:

1. You currently own a fixed annuity but you're looking for higher interest earning potential, especially if you're no longer in a surrender-charge period. OR
2. You already own a conservative portfolio of government bonds, money market funds or CDs that are paying you historical low yields and you'd like the potential to receive higher interest rates but without exposing your money to market risk. Index annuities offer the best growth potential among the safe money choices.

IF you're an INVESTOR, an Index Annuity is right for you IF:

1. You have experienced losses in stocks, mutual funds or variable annuities and you'd like to be able to participate in potential future stock market gains, but without the downside risk.
2. You own bonds and you fear erosion of principal when interest rates begin to climb in the future.
3. Since March of 2009 you have experienced growth in your stocks or mutual funds and now you would like to be a little more conservative, without totally giving up the potential to participate in future increases in the equity markets.
4. You've done analysis on your portfolio yield over the last twelve years and you've discovered that your returns would be inferior to the returns of an Index Annuity if you had owned one for the same time period.

Wall Street's Opinion of Index Annuities

Now, unfortunately it sometimes happens that decisions to purchase Index Annuities are negatively influenced by your broker, your neighbor or from the irresponsible stories you read in the Wall Street Media.

It's important not to be misled by inaccurate or misleading information when purchasing any investment product such as an index annuity which is able to offer safe, guaranteed solutions for retirement.

So to help counteract the inaccurate and irresponsible information that's out there, I've prepared a report that responds to ten objections I've run into when discussing index annuities. You can order a free copy of this report by calling my office at 303-586-4198 or by sending me an email to Stephen@RetirementWize.com.

Today's Market for Index Annuities

In the market today, there are many different index annuity products to choose from when considering this type of investment. Index Annuities vary from contract to contract and insurance company to insurance company. Each contract has its own unique design.

That's why I highly recommend that you speak with a knowledgeable financial professional who both owns and has experience working with indexed annuities. You should confer with someone who has the ability to accurately assess your financial situation and suitability before committing your money.

Two reasons why you might want to call me for help after reading this Special Report:

1. You want my help in performing a Rule of 100 analysis on your retirement assets to measure tolerance for risk and to help you consider a reallocation of your assets to greater safety.
2. You want my help in exploring whether Index Annuities are suitable and appropriate for your retirement.

I wish you a long, happy and financially secure retirement. And if I can be of any assistance, please do not hesitate to contact me.

Sincerely;
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