The SWAN Portfolio
Strategies and Concepts that Allow You to
"Sleep Well at Night"

A Guide to Financial and Emotional Security for the Rest of Your Life!

Stefanos J. Loisou
Financial Strategies for Life

The New Retirement:

"Forget about being rich…all we want is peace of mind".*

***Merrill Lynch/Age Wave Retirement Study**

Dedication

Dedicated to my children and my wife, Gayle, who has always provided the support and inspiration for the work that I do.

With special appreciation and gratitude to my grandparents who emigrated to the United States from Asia Minor (Smyrna) nearly 100 years ago and provided my foundation of faith, perseverance, and purpose.

Forward

Chapters:

Closing Remarks/Summary

Stefanos J. Loisou

Stefanos Loisou, of Middleton, MA and Port Charlotte, FL (South Gulf Cove) has been involved with financial services and helping people and businesses with their financial security needs for over 42 years. In fact, Stef has been recognized as a consummate professional by his industry peers as he has been selected as one of five finalists for the nationwide title as senior advisor of the year for 2008. He has been a member of the exclusive Top of the Table group of the Million Dollar Round Table, the recognized international, professional organization emphasizing knowledge, service and commitment to clients and he is a member of the National Ethics Bureau.

Additionally, Stef produces and hosts a weekly financial radio program heard by thousands of listeners each week. Currently, his program, 'Planning Your Financial Future', is broadcast on several radio stations in Massachusetts and Florida through his SWAN Financial Network. He has authored articles on planning issues and strategies and has been interviewed on national radio regarding his unique planning strategies and success in his field. He has been regularly asked to be a featured speaker at national Senior Market Advisor conferences.

Through informative, educational, periodic workshop/seminars, and his radio outreach, Stef has been able to assist many people each year in preserving, protecting and enhancing their assets. He has been applauded for conveying many strategies and planning concepts in a simple, understandable manner.

Providing information and assistance on wealth accumulation and retention strategies, Stef has been adept in tailoring unique planning concepts to individual needs and achieving dramatic results, often resulting in tax-free or tax-favored growth and more importantly, guaranteed income for life! His group sessions and resultant follow-up visits are conducted in a friendly, entertaining and informative manner.

Utilizing various strategies, including home equity management, charitable giving, family foundations, and other successful tax and insurance strategies, Stef has been able to assure the enhancement and growth of family assets, and, if desired, see that they become multi-generational. His clients' assets are continuously protected by his SWAN (Sleep Well At Night) portfolio concepts.

Many years of practical planning experience and continuous educational updates allow Stef to tailor a variety of financial strategies to address your objectives. One of his strengths is diffusing ‘the ticking tax time bomb’ represented by 401(k)/IRA programs and assuring the generational transfer of these assets on a tax favored or even a tax-free basis!

His unique planning concepts emphasize guarantee of principal, growth potential, elimination of risk, and maximization of income as well as legacy enhancement. His unique ‘income for life’ strategies are employed by many of his mature clients assuring them that they will never outlive their income.

Family has always been important to Stef. A graduate of the University of Massachusetts, where he met his wife Gayle, his administrative assistant and coordinator, Stef and Gayle have been married for over 40 years. They have two married children and three grandchildren (as of this printing). Additionally, Stef served as a U.S. Army officer in the Corps of Engineers from 1968-1974.

Philanthropy and charitable causes have also played a central role in Stef’s life. Through his continuous charitable endeavors and many hours volunteered, Stef has been recognized and has been responsible for generating many hundreds of thousands of dollars for philanthropic, religious and charitable causes.

He is actively involved in many civic and professional organizations including the Shriners’ Hospitals endeavors. Stef is guided by the importance of family, faith, reputation and integrity in everything that he does.

Stef is also a history buff (primarily WWII era) and has an affinity for model trains, airplanes and he is a collector of classic cars.

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Forward

Why write another book on financial strategies and financial security when so many already exist? Well, there are several reasons...but, first and foremost, is the indisputable fact that our economic times have forced consumers, our clients, to rethink what they have been doing with their money and their retirement assets.

The continued economic uncertainty of our own stock market and inherent volatility, global market volatility and other factors have created a need for financial planning services, especially by those of us who specialize in safe harbor, guaranteed strategies, programs, and concepts as never before.

Add to that, the 78 million baby boomers who have already started to retire (in addition to those millions already retired)…that is a staggering 10,000 people per day, one every 10 seconds, retiring and applying for social security benefits (if eligible) and accessing their pension plans and other retirement assets. Unfortunately, with the demise of the traditional defined benefit pension plan in favor of the defined contribution plan such as 401(k), 403b, IRA, etc, the challenge has been placed on the individual to save for retirement and sadly, most have not saved enough to retire! According to many, including publisher Steve Forbes "millions of retirees will run out of money in retirement". This is a daunting dilemma that will be confronting the retiree and must be addressed.

Add to that, the indisputable fact that we are now living longer than ever before. That is wonderful, indeed. In fact, live to at least age 65, and you are likely to live until age 85 and beyond.

So, can you trust your assets, your pension, your money to be fully 'in the market' considering all the volatility, uncertainty and potential of loss that exist within it? Just since the year 2000, we have witnessed 2 major market corrections, each creating 30-40% or more losses to equities portfolios. Only recently (as of this writing) has the market recovered for most who have 'stayed the course'. What if you retired during that 'down cycle' of the market and need to start accessing income from a declining account balance?

As of this writing, it is expected that we will have another severe market correction due to many factors including the directives of the Federal Reserve having forced millions of risk-averse individuals into the stock market to chase yield. You may argue that market highs and lows are part of normal market cycles. However, are our economic underpinnings strong enough to allow for market recovery? Many argue that they are not.

Hence, the need to seek out guaranteed principal and guaranteed income producing strategies that are immune to uncertainty, market volatility and other adverse factors. These unique strategies can and do create income that you and your survivor, if married, can never outlive.

It used to be suggested that you take no more than 5% per year income from your retirement assets so that you do not 'run the risk of running out of income'. Now, the number suggested is 3% or 4% per year! That is a significant reduction in expected income. Can you live with that? That suggestion is not a guarantee, only that you lessen the risk of running out of income! I think you are getting the picture here that, as you approach or are in retirement, there are significant income issues that need to be addressed.

Well, what if you could expect a guaranteed 5%, 6%, 7% or more annual stream of income (depending upon your age) from your assets and that income stream to you and surviving spouse (to bridge the survivor income gap discussed in chapter 7) will be guaranteed no matter how long you live!

Would you feel more secure, have more peace of mind, and have more income? The answer is a resounding YES…and, therefore, the next compelling reason that I write this book: to inform my readers that such a guarantee exists and it is a proven strategy.

My SWAN portfolio concepts and strategies will allow you to Sleep Well at Night and provide the guarantees you seek, especially to those who are risk averse.

Speaking of risk, when you are younger, working and earning income, the 'accumulation phase' of life, you can absorb risk and the potential of loss because you have time on your side to make up for losses. However, as you approach or are in retirement, you are now in the 'preservation/distribution' phase of life. Your time horizon is more limited and you cannot make up for losses at the same time that you are required to be drawing income.
At this time in your life, you have a continuing need for guaranteed, never ending, sustainable and inflation adjusted income for life from those assets.

Hence, the SWAN portfolio strategies, information and concepts to follow in the forthcoming chapters that will indeed eliminate risk and volatility and provide the certainty ,guarantees and guaranteed income for life that we all seek.

It has been said that there are no guarantees in life except for death and taxes! Well, I think you will agree with me, upon reading this book, that there are indeed unique guarantees beyond 'death and taxes' that can help place you in a better, more secure financial position for the rest of your life and, if you so choose, provide for the additional financial security for the upcoming generations. As I often state, “proper planning always prevails!”

The chapters that follow will provide clear, concise, simple information, some of which you might not have known otherwise…chapters that will inform and hopefully provoke you to sit down with a competent, knowledgeable, passionate advisor/consultant who has your best interests at heart. Review what you have done to date and make any course corrections necessary so that you will arrive at your destination, whatever that may be, regardless of all the volatility and uncertainty surrounding us. There are strategies and programs that can guarantee what you wish to accomplish.

I thank you for putting your effort forward to reading this book and I hope and trust it serves as a valuable planning resource for you…and I welcome your comments.

Chapter 1

Top Ten Retirement Challenges Facing the 21st Century Investor

The following list is important to understanding what will confront us going forward in retirement and are some of those that we will discuss in this book.

1. The Age Wave: We Americans are living longer and the greatest fear people have, next to maintaining good health, is the fear of outliving their income.

2. The Pension Demise: With fewer and fewer company sponsored pension plans, it is now up to the individual to provide for his/her income security throughout retirement.

3. Social Security: Social security was originally designed as supplemental income, yet many in retirement depend upon it as their sole income base.

4. Ever Increasing Taxes: In fact, taxes represent the single largest household expense and they are increasing due to ever mounting federal and state government deficits.

5. Inflation: The silent, invisible, always present erosion to assets and income. Inflation has averaged just over 3% per year since 1926.

6. The Healthcare Debacle: Due to aging, living longer, and the issues surrounding long term care, Americans are facing ever increasing healthcare costs and potential loss of assets.

7. Investor Investment Mentality: Though the annual average S&P 500 return hovers around 10%, the average annual return to most investors is under 4%! How can that be? Fear and Greed. The average stock market investor "buys high and sells low."

8. Legacy Planning: Will there be anything left for the next generation?

9. The Survivor Income Gap: The significant drop in survivor income that can occur upon the death of the first spouse... not recognized until it is too late!

10. Asset Retention: Protecting your assets from lawsuits, creditors, Medicaid spend down and other threats.

Chapter 2

Retiree Beware…You Need That Guaranteed Paycheck in Retirement

I have been fortunate and privileged to have experienced over 42 years in the financial services industry, many of those years as an independent advisor/planner. My principle objectives have been to help people preserve their assets, never run out of income for the rest of their lives and direct assets for legacy planning among other strategies. However, I have never been more concerned for the financial security of individual Americans, as they near or are in retirement, as I am at this time. Most Americans simply are not prepared, have not saved enough, or are not informed enough to even barely survive financially for another 25 years or more in retirement.

It is now recognized that 10,000 people per day here in America have started retiring (many prematurely accessing social security benefits as well) and will continue to do so for the next 17-18 years. That is nearly 78 million people and it is staggering!

Most of those retiring will be confronted with a financial catastrophe as they go from receiving a guaranteed paycheck during their earning years to requiring a 'guaranteed paycheck' in retirement from their meager savings and other assets.

With the demise of the defined benefit pension plan that used to cover and provide retirement security for many people, most companies have converted to the defined contribution pension plan such as 401(k). However, only 43% of 401(k) participants above age 50 have account balances greater than $100,000, and many of those are not much higher than that amount! Sadly, that leaves 57% with balances under $100,000! Now, add to the above statistics that 54% of those approaching retirement are carrying mortgage debt!

One can then understand why the greatest fear of those approaching or in retirement is that of living too long and running out of money.

Traditionally, many advisors have placed their clients' faith and assets in the stock market and other direct market strategies thereby exposing assets to risk and, therefore, the potential of loss. Remember 2001-2002 and 2007-2008 when many people lost up to 40% or more of account values. Many could not stomach the wild market 'roller coaster' ride and after having bought 'high', they sold 'low' and lost great sums of money and missed the resultant recovery of the market. In fact, despite the recent market 'recovery', many people would be fortunate to have account values about equal to where they were ten years ago! Imagine retiring during those tumultuous times and accessing assets for income!

After using sophisticated "Monte Carlo' simulations and other formulas, many traditional advisors suggest that one only take 3-4% per year from assets so you do not run the risk of running out of money. How safe and reassuring is that?

So, why should retirees place their future financial security at risk and given to chance? There are, indeed, strategies and financial platforms that not only guarantee your principle and lock in growth, but also guarantee that you will never run out of income and the income stream will not be 3 or 4% per year (maybe), but 5,6,7% or greater per year guaranteed depending upon your age at the time of income origination. It is all about being properly informed and seeking out and comparing all the available financial solutions consistent with one's goals and objectives.

I also wonder how many readers are aware of the 'survivor income gap' in retirement? Hopefully, each married retiree addresses this critical, yet, very little recognized issue. How are you going to bridge that income gap, that loss of a social security benefit or loss or reduction of spousal pension to the surviving spouse?

Yes folks, prudent and complete planning is required. No longer does one retire at age 65 with a gold watch and a corporate sponsored pension plan and then die 10 years later! For most who now retire by age 65, or earlier, they will expect another 20-30 years or more of life and, therefore, the need for that 'guaranteed paycheck' in retirement to be paid as long as one lives. It cannot be left to chance and probability.

Make sure you are receiving the best, most complete advice possible to assure that you will not run out of money and that you safeguard your assets and mitigate the many risks inherent in our economy and in the market today. Moving forward, there is a great deal of volatility and uncertainty and one needs to shield those assets with guarantees and certainty. Retirees….beware!

Chapter 3

Taxed Until You Die…and Beyond!

It is well recognized that our governments, both federal and state, are fueled by taxes income tax, sales tax, road use tax, service taxes, real estate taxes, capital gains taxes, estate taxes, etc. I think you get it!

The largest and most levied tax is on the income we earn. There is no escaping that, though we try to mitigate those taxes through a variety of means- deductions, charitable contributions, pension plan contributions, etc. Most of us are still confronted with significant income taxes during our working years and years of accumulation.

And then, during your lifetime when you sell appreciated assets, purchased from the proceeds of your previously earned, heavily taxed income, you are forced to pay capital gains taxes on any net gains. Again, we have the appropriate strategies to mitigate or eliminate those gains taxes depending upon your age, goals and objectives. As a very successful, wise, older businessman said to me many years ago, "There is more than one way to skin the cat".

As stated earlier, we are taxed throughout our lifetime on our earnings, our possessions, our profits, our hobbies, our travel, our leisure, our dining, virtually all facets of our life, and then, when we die, we are taxed all over again on our estate, if large enough. So, after our death, all of our assets and possessions which were taxed during our lifetime are taxed again. Is that insane?

Even though most Americans will not have to deal with federal estate taxes (currently $5,000,000 exemption per person and indexed for inflation), many heirs will still have to deal with individual state estate taxes due on most inherited estates.

Therefore, it is important to have an idea of the total estate value and take appropriate steps via trusts, prudent gift strategies, and other means including income tax free life insurance proceeds, when appropriate, to assure the transfer of assets upon one's passing.

Chapter 4

Is Your IRA an IOU to the IRS?

Is it to ‘live on’ or ‘leave on’? How many of you have been asked that question regarding your IRA? Probably very few of you. You know, our federal government has a very voracious appetite and that appetite is fueled and satisfied by taxes. Your traditional IRA, 401(k) and the like are strategies for retirement savings allowing you to contribute regularly or lump sum and then deduct those contributions resulting in some tax savings during your contribution period. Furthermore, any growth in these programs is tax deferred until some later date when taxes are assessed upon withdrawal, distribution or by beneficial receipt when you die.

All that tax deferral sounds wonderful until you realize that the government will get more than it’s due when you start taking income withdrawals from your IRA upon retirement, for the rest of your life or after you are ‘forced’ to take RMD (required minimum distribution after age 70 ½ for most) or upon the distribution of your IRA account to your heirs, who, in the absence of proper beneficiary arrangements, will be forced to pay significant taxes upon lump sum distribution to them. This taxation can erode the value of the IRA by as much as 60%!

Whoa! When you do the math, the government will get significant tax revenue in return, far greater than any tax savings you received during your contribution period.

What to do? Well, you do have options.

First, you need to make sure that you have proper beneficiary arrangements within your IRA so that your heirs will at least be given the choice of lump sum distribution (and taxes due) or multi-generational distribution which will spread the distributions and the taxation over many years, rather than lump sum.

Additionally, there is the Roth conversion option which will result in all future growth and distribution to you/your heirs fully 100% income tax free. However, there are conversion taxes that will apply- the price you pay for future tax free growth and distribution! And, if you earn too much, you are precluded from Roth conversion. Again, if you are eligible for Roth conversion, there are strategies to mitigate those conversion taxes.

Because of our knowledge of unique programs, there are Roth conversion strategies that can significantly mitigate the conversion taxes to you, thereby creating future tax free income to you and tax free distribution to your heirs.

If the purpose of your IRA is to 'live on', then you must explore the best strategies to maximize its value, preserve the principal, and be assured that it will provide you the guaranteed maximum lifetime income you require. That strategy needs to be capable of providing and guaranteeing you and your spouse a guaranteed lifetime income regardless of market volatility and any unfavorable economic circumstances. Going forward, you deserve a guaranteed 'paycheck' in retirement, along with an occasional 'playcheck' as well.

If your goal is to get your IRA to your heirs, to 'leave on', and you enjoy relatively good health, how would you like to get several times the value of your IRA to your heirs---income tax free? If the goal of your IRA is legacy planning, then we can employ a leveraging strategy that encompasses a fixed annuity and life insurance (hence the need for good health) that will result in a tax free legacy to your heirs, yielding to them several times the value of your IRA. How is that for leverage?

Again, as we often state, depending upon your planning goals and objectives, you must utilize the proper strategies to achieve, and often exceed those objectives.

Is your IRA to 'live on' or 'leave on'? Proper planning always prevails!

Chapter 5

Long Term Care Coverage…Preserving Your Assets and Quality Care … and it may not require any premiums to pay!

To the great actress, Bette Davis has been attributed the following, "Getting old ain't for sissies". It's true and we are getting older and living longer and, with that, the likelihood that most of us will be impacted by a long term care event involving home care, assisted living or nursing home confinement. In fact, a recent study by Metropolitan Insurance company found that there is a 70% chance that each of us will be affected.

Given that likelihood, what are you doing about it? If, like most, you are doing nothing about it, are you willing to risk you and/or your spouse becoming impoverished during your lifetimes due to the forced financial spend down of your assets that will be necessitated due to the high cost of an imminent and, dare I say, likely long term care event?

You insure your car, your home, etc against financial loss and yet, the chance of a loss to your home is so minimal in comparison to the likely chance of experiencing a severe financial loss due to a long term care event.

I do believe, from questioning many of my workshop attendees and clients over the years, that most people realize the concept of long term care coverage or LTC is a good one and, given the choice, would opt to have it, assuming reasonably good health qualifications, in order to preserve their assets and to experience quality of care.

The issue that always surfaces is one of cost, and understandably so. Well, let me address that and dispel the issue of cost and/or affordability.

First, if you have assets and perhaps some are 'underperforming', then you probably require long term care coverage to preserve those assets. We can simply re-allocate a portion of those underperforming or 'at risk' assets and reposition them to create a guaranteed income stream to support any premium required for this traditional premium paying coverage. In other words, we can often find or create the additional income required so that no additional outlay from your current income is required with no resulting decrease in lifestyle experienced. Is that acceptable?

Furthermore, there is a little recognized strategy called Asset Based long term care coverage requiring no premiums to pay, ever. As an example, for someone age 65, you simply take $100,000 and place these dollars into a special account established by an insurance company and that account is 100% liquid at all times. For so doing, you now have an immediate

$350,000 account for future LTC needs. Instead of spending down your assets, you spend down this $350,000 LTC ‘check book’, as I call it. This strategy has additional benefits as well. Please note that the amount of coverage will vary with age and I use the above as an example as proportionate coverage can be achieved with lesser dollar deposit.

Today, due to insurance industry innovations to accommodate our aging population, we also have unique annuity and growth and income platforms that will also provide significant income streams that you can never outlive and enhanced income for LTC events.

Again, proper planning always prevails. You truly need to evaluate your objectives, review your assets and apprise yourself of the variety of solutions available to protect your assets and your income and keep yourself from potentially becoming impoverished from the probability of a long term care event.

Chapter 6

Wills and Trusts…Put Your Trust in a Trust

A will is a traditional way of directing your assets when you die and having a will is better than not having one, to be sure. Dying intestate, without a will, then, allows the state to designate who gets what and that may not be in your best interest or that of your intended beneficiaries.

However, dying with a will also subjects your estate to public knowledge and probate. It's the law and, with probate, it takes time and legal expense to settle the estate according to the terms of your will.

Additionally, a will also subjects your estate to contestability which can cause significant additional delays and costs. Most people are better served by placing their assets in a trust which will manage the assets according to your (the settlor) wishes. A trust is a relationship whereby property is held by one party (a trust) for the benefit of another.

For dispensing and protecting assets, there are several types:

- Revocable
- Irrevocable
- Special Needs
- Charitable
- Life Insurance
- Discretionary or Family

As you may realize, the selection of a trust may appear daunting. Therefore, it is suggested that you seek qualified legal counsel when considering and ultimately implementing the appropriate trust document.

Briefly stated:
A revocable trust will direct your assets when you die and will not subject those assets to probate. Additionally, this trust can be changed, amended, or revoked during your lifetime.

An irrevocable trust is meant to be more permanent and not subject to change or amendment by the settlor during his/her lifetime

The special needs trust protects the rights and benefits of a special needs individual. The use of this trust will usually preserve the medical and social benefits received by the special needs person and will allow access to the protected assets by the trustee as required for the welfare of the covered individual.

The charitable trust allows the trustee to both donate to charity and provide for significant tax deductions as well. Charitable trusts are usually irrevocable and are typically used by individuals who donate highly appreciated assets and receive tax deductions and tax favored income in return.

A life insurance trust or ILIT is irrevocable and assures that the beneficiaries receive the proceeds of the life insurance contract without being subject to estate taxation.

There are other benefits as well.

A discretionary or family trust usually holds family or business assets within it. This trust can minimize taxes, direct assets to the heirs, and can shield the assets from debt and bill collectors.

I think you realize that initiating a trust document is not something lightly undertaken. However, a properly drafted trust, consistent, with your needs, goals and objectives will insure that your wishes are carried out….resulting in bypassing probate, saving taxes and providing the maximum benefits to your intended heirs.

Additionally, each of us requires the healthcare proxy, durable power of attorney, and living will or health care directive for the benefit of each and our families.

Chapter 7

The Survivor Income Gap in Retirement…and Pension Maximization

As passionate as I am regarding the planning that I do, I am even more passionate about the little discussed, but most impactful issue- the survivor income gap in retirement. This issue is not often understood or discussed by many advisors. It will be experienced by most surviving spouses too late, after the passing of the first spouse. After the emotional loss of the first spouse, the financial loss of income usually results to the survivor. The results can be devastating for the remaining life of the surviving spouse.

The real impact of the survivor income gap usually occurs after the loss of the first spouse, often statistically, the male or husband. What usually occurs is the loss of the lesser of the two social security benefits and a reduction or total loss of any pre-death pension benefits depending upon which pension option was selected at retirement.

The best time to prepare for this occurrence is prior to retirement, before any pension options are selected. It is imperative to sit down with a competent, caring and knowledgeable financial consultant and review the options and solutions available to 'bridge' this survivor income gap.

This pension max strategy is closely related to and directly impacts the survivor income gap. Simply stated, pension max allows the retiring individual covered by a pension plan to select the maximum retirement income benefit, allowing the surviving spouse a continuing survivor benefit AND providing a significant legacy benefit as well. This strategy is employed only after much fact finding and, when properly employed, is a mathematical certainty to usually provide more income in retirement, provide for the surviving spouse as well as the heirs.

The concept of pension maximization or 'pension max' is a unique strategy that allows a retiring individual to select the maximum monthly pension income payout from his/her pension and, with additional proper planning, allows the surviving spouse to receive remaining lifetime income…AND the opportunity to leave behind a substantial financial legacy for the heirs (children/grandchildren).

Unlike traditional pension plan options which direct the retiring employee to select either a maximum monthly lifetime income with no surviving spousal income (resulting in the survivor income gap) or a selection of a significantly reduced monthly lifetime retirement income with a further reduced surviving spouse income(resulting in the survivor income gap) and nothing left behind for legacy purposes, PENSION MAX, when properly administered, provides a mathematically precise and guaranteed method to assure that the retiring employee can select the maximum monthly lifetime income benefit provided by his/her pension plan and still guarantee a substantial lifetime income to the surviving spouse AND still leave behind a significant financial legacy if that indeed is also an objective.

Pension max is clearly recognized and embraced by all who take the time to become informed and educated regarding this very unique, guaranteed strategy. This strategy relies on the placement of life insurance on the life of the retiring employee and therefore, underwriting is involved, requiring reasonably good health in order to be implemented. Furthermore, as is the case with most financial planning, the earlier the better for this type of planning prior to retirement.

Considering the fact that we are living longer today into retirement than ever before, exploring the pension max strategy makes economic/financial sense as it can provide for many thousands of dollars more income in retirement to the employee, the surviving spouse and to the next generation for legacy planning. Additionally, it will help bridge the 'survivor income gap' in retirement which most surviving spouses will suddenly experience after the death of the first spouse which will not only include a reduction or elimination of pension income, but the loss of one of the two social security incomes, if applicable, that both spouses enjoyed prior to the death of the first as earlier noted.

As a result of proper prior planning which always prevails, the retiring employee can be better informed to make the appropriate financial planning decisions to protect his/her family and provide for more enhanced income in retirement as well as additional generational legacy benefits.

Chapter 8

Reverse Mortgage…For Both Need and Opportunity

Traditionally, when you need money, you go to a bank. Well, for most of us, our home or the equity within it is like a bank. This equity is built up after years of home ownership.

So, for any homeowner, age 62 and over with equity in his/her home, you can request a reverse mortgage from a lending institution/bank which will lend you a large portion of the equity in your home…and there is no interest to pay each month, though interest charges are accruing each month the loan remains outstanding. Any loan amount paid out to you and any accrued interest charges are repaid to the bank when you die, sell your home during your lifetime or are absent from your home for a significant period of time such as an extended long term care event. Of course, if married, the 'at home' spouse can continue to live in the home until his/her passing.

The reverse mortgage, providing access to your home equity, has been both misunderstood and much used. It is finally much more recognized and will be much more utilized going forward, in great part, due to 78 million baby boomers retiring who still have traditional home mortgages as they enter retirement and/or haven't saved enough to fund a comfortable retirement. Any income realized from the reverse mortgage proceeds is also considered income tax free.

So, the proceeds of the reverse mortgage can be used to pay off and eliminate a traditional mortgage, thereby creating more cash flow and this program can also create more needed income in the absence of any other income creating assets. You can use the proceeds for family needs, health care issues and for any other requirements you deem appropriate.

The reasons stated above were more geared to financial need. The reverse mortgage proceeds can also be used for opportunity…investment opportunity, purchasing a second home in retirement, funding a business purchase in retirement to create income, funding the grandchildrens' education or any other opportunity that may arise. Using reverse mortgage proceeds, several of my New England clients have purchased that second home down south to enjoy the warmer winter climate with family/friends during the colder winter NE months and we created the extra income needed to support that second home. Now, there are two properties appreciating in value, but, more importantly, a much more satisfying lifestyle as well.

Oh yes, if you are concerned that the reverse mortgage will detract from the legacy you intended to leave to your heirs, we can use some of the newly created income to purchase life insurance so that when you die, the reverse mortgage debt will be repaid using the tax free life insurance proceeds. So, again, proper planning always prevails. This reverse mortgage strategy is simply another arrow in your financial quiver and can be used properly to achieve the desired results.

Chapter 9

Running Out of Gas…In Retirement

Running out of gas while driving late at night pales in comparison to running out of money while in retirement! Yet, that is likely to happen to most who have not planned properly due to increased lifespan, inflation, ever increasing taxes, increasing costs of health care, stock market volatility/loss and other factors. It is important to remember that guaranteed, sustainable, inflation protected income from other resources, in addition to social security/pension income, is required for most of us who will experience 25 years or more in retirement when we will have transitioned from our accumulation phase of life, during which time we could absorb and accept risk, to the preservation and distribution phase of life when we need guaranteed' paychecks' and 'playchecks' and the elimination of risk!

Additionally, there is the 'survivor income gap' that will affect the survivor of most married couples, often resulting in a significant loss of income (reduced social security and reduced or lost pension benefits) after the emotional loss/passing of the first spouse. This survivor income gap is rarely discussed or even recognized, yet it must be discussed and understood as it will affect almost every married couple in retirement. There are solutions to bridge that survivor income gap with proper planning.

Most people, approaching or in retirement, are simply not aware nor have they properly planned for their future financial security and for legacy purposes, assuring the passing of assets to the next generations if, indeed, that is their goal. Again, proper planning is required to achieve these objectives. It is imperative that, as you approach or are in retirement, you must maximize your assets, eliminate risk to principal and absolutely guarantee that you will NEVER run out of income.

Most advisors today, due in large part to market volatility, advocate that you take no more than 3-4% withdrawal/income each year from your assets (adjusted for inflation) so that you do not run the risk of running out of money. Notice, that this strategy does not guarantee running out of income; it merely lessens the risk! With proper planning, there exist strategies that allow for 5-7% or more per year income withdrawals (depending upon age) and a GUARANTEE that you will never run out of income.

So, as you can see, there is no reason to run out of gas…(income) in retirement! Rather, with proper planning and use of the appropriate strategies, you can be assured and guaranteed that your income security and legacy issues will be fulfilled and you truly can Sleep Well at Night.

Chapter 10

Three Ways to Retire…Your Options

Retirement is a good thing…However, retirement with a secure, guaranteed lifetime income is even better!

1. The Bank's Way to Retirement…or losing money safely!

What we mean is very simple. Assuming you demand safety of principal and you select a one year or even a five year CD (as of this writing and thanks to the Fed) you will earn between <1%, perhaps 2% and since we have inflation of at least 3% per year on average, your money is losing value and buying power! Most people do not realize this as the amount in the account remains the same but the value of your money is eroding.

If you are dependent on interest earnings for income, you will have to start depleting your principal and will likely run out of income during your lifetime….unless you die too soon! Additionally, these meager interest returns are also taxed as earned, even in deferral.

2. The Wall Street Way to Retirement

You utilize securities (quite an oxymoron) or 'unsecurities', as they sometimes become, and you deal with the emotional stress and 'roller coaster ride' of the market and deal with risk and the possibility of loss. In addition, you assume the responsibility of a money manager. Can you manage the volatility and the gyrations of the stock market with no guarantee that you won't run out of income during your life? Additionally, if you require income, it is now recommended that you withdraw no more than 3-4% from your account so that you don't run the risk of running out of money in retirement. Again, there is no certainty of continued income, only the probability that you will continue to have income. Do you want to have 'hope so' income or 'know so' income? Everyone, with whom I speak, wants to 'know' that with certainty, their income, and inflation adjusted income if desired, is going to be there when they need it for the rest of their life.

3. The Insurance and Fixed Annuity Way to Retirement

These strategies utilize guaranteed principal provisions, guaranteed interest/growth provisions and guaranteed income options and completely ELIMINATE the emotional stress and volatility of the stock market.

Depending upon age at retirement, income withdrawal to the retiree can be 5-7% or more per year and you are guaranteed to never run out of income. Notice please, that we often use the word guaranteed to indicate the certainty of the planning, strategies and the results that are represented.

So, would you rather lose money safely in a bank, potentially lose money in the stock market with ever present risk and volatility, or guarantee your principal now and guarantee to never run out of income for the rest of your life? It is truly your choice and our SWAN strategies can help you achieve your financial security that you seek.

Chapter 11

Fixed Index Annuities to the Rescue…There is a Way to Get What You Want and Need

The vast majority of Americans have money invested in ‘the market’. By that is meant they are the owners of stocks, bonds, mutual funds and other types of securities that have ‘market risk’. Mutual funds are often out-of-sight and out-of-mind in a 401(k) or IRA, 403b or other retirement or savings account. Generally, mutual fund owners do not carefully track their investments as they have taken a back seat and left the driving to professional money managers. Although, the current and ongoing economic turmoil and market volatility have caused the investor participants to develop more interest in the outcome of their accounts.

The primary premise of mutual funds is that professional management will beat the market averages. This is simply not the case. The data actually shows that over any five year period, very few fund managers are able to beat or even match the market index averages! That fact is rather astounding.

Furthermore, and this next fact is even more astounding, while the S&P 500 index has yielded an average annual return of just under 10% over many years, the average investor has earned an annual average of just under 4%. How can that be? Well, instead of many investors buying low and selling high, many are actually buying high and selling low, reacting to adverse market conditions. In addition, most mutual funds have management fees and other associated fees not readily transparent which will diminish returns. Additionally, inflation and taxes, particularly capital gains, have a negative impact on the returns of mutual funds in non-qualified accounts. In fact, during volatile market periods, your fund accounts will have likely lost value, yet you may be subject to capital gains taxes! This is due to the requirements of the fund managers to sell fund holdings to meet obligations and objectives of the fund itself prior to calendar year end. This is known as the ‘double whammy’ to investors! Loss of account value and capital gains taxes due.

What can you do? You can diversify as you approach retirement and enter the ‘red zone’ and redeploy some or all of your money now ‘in the market’ to safer alternatives such as bank CDs, government bonds, money market accounts, etc. These are no-risk to low-risk options but their returns will barely meet or be below the rate of inflation (as earlier noted) and then there is the issue of taxation on those meager returns!

NOW, we have available the FIXED INDEX ANNUITY as well as other fixed annuities…all of them offering full principal guarantee, NO RISK, and captured, locked-in gains. Particularly, the Fixed Index Annuity strategy provides all these features and several more. In fact, we will focus in depth on the Fixed Index Annuity (FIA) and when finished, you will understand the importance of this strategy as the foundation of your future financial security and, as touted and suggested by others of note. You not only receive a guaranteed annual return on your principal , but the opportunity to earn significantly more since your gains are tied to 'the market index strategies', resulting in overall greater returns over time, without exposing your money to the risk and volatility of the market. You capture most of the market gains, when available, and hold steady during any market declines, maintaining your full principal plus any gains earned previously.

What a tremendous opportunity for all of us who require safety, security and growth without subjecting our accumulated assets to risk and possible loss.

Additionally, with this FIA strategy, there is also an income for life feature which guarantees that you WILL NEVER run out of income as long as you live and a continuation of that income to your surviving spouse. This feature provides the solution to the greatest fear of most in retirement…the fear of outliving your income. We now have the solution to this concern and there is no annuitization required. You still control the asset and it is similar to having an 'income faucet' that you can turn on and off as you wish.

What more can be said? This fixed index annuity provides the safety, security and peace of mind that most are seeking as they approach or are in retirement. Whether your accumulation is in qualified accounts such as IRA, 401(k) or non-qualified, this strategy can accommodate your requirements and provide for the financial security you seek. These are the reasons why there are many billions of dollars being directed to this strategy on a monthly basis! You must explore this opportunity to see if it can provide for your financial objectives.

The focus for retirement investors has shifted in recent years from the return on principal to a return of principal. During the economic boom of the early 2000s, investors were all about maximizing returns to build a bigger retirement nest egg. But then the financial crisis hit, depleting the value of many Americans' retirement and savings plans. Now, it's more about protecting what you have.

With market volatility and the global economic uncertainty driven by political dysfunction and the European/United States debt crises, there's a scarcity of safe places for your money. There just aren't many options today for someone looking for a place to put cash, generate a decent return and Sleep Well at Night, knowing with absolute certainty that money is not at risk due to market forces.

Certificates of deposit and Treasuries offer paltry returns because of low interest rates. The equity markets are marked by instability: Only the 1930s can match that degree of volatility. Some investors simply don't have the stomach for that roller coaster ride any longer.

It's a perfect environment for Fixed Indexed Annuities (FIA), however, which offer a much smoother ride.

FIAs are the right fit for many people because of the downside protection they offer, along with the opportunity to participate in some indexed returns. If the major stock index to which the strategy is linked, typically the S&P 500, goes up, the annuitant/individual shares in some of that upside and locks in/captures those gains without having to be concerned about downside risk. You don't have to worry about the potential impact of economic uncertainty and volatility as you would with many other investment options. And interest credits are tax-deferred in the non-qualified account.

Our industry is seeing a growing focus on income products, as retirement strategies have shifted from amassing assets to protecting them. FIAs also offer clients the opportunity to select a guaranteed lifetime income stream for retirement while locking in principal-protected cash accumulation potential. Traditional pension plans are vanishing, so consumers on the cusp of retirement are looking to secure guaranteed income coupled with the chance to participate in the upward movement of a market index. They are now forced to take their retirement savings plans and turn them into pension plans.

Today's indexed annuities offer clients the opportunity to generate guaranteed income, via income riders, without having to annuitize their contracts. A client who receives an income rider with an indexed annuity knows with certainty the retirement paycheck that annuity will generate for the rest of his or her life, never having to fear that he/she will run out of income, ever!

In fact, during a recent interview, Steve Forbes, renowned publisher of Forbes magazine, forecast that 'millions of retirees' will run out of income during their retirement. I, and many others, have stated the same for years, since most have not saved enough as they approach retirement and most have not converted their retirement assets into a pension and don't know how.to do so in order to maximize their assets.

So, how does one find balance, safety, security and financial security in retirement? According to entrepreneur and motivational speaker Tony Robbins, who has helped and inspired millions to enhance their personal performance, the answer to enhanced financial performance, balance and financial security in retirement is the Fixed Index Annuity as he highlights in his new book "Money: Master the Game'. The Fixed Index Annuity (FIA) is a guaranteed contract offered by a highly rated insurance company.

Indeed, this FIA platform/strategy has been the foundation of financial security planning for my clients for many years now and is the basis for my SWAN portfolio strategy…allowing people to Sleep Well at Night.

In short, the FIA strategy, which can fund a 401(k), IRA and like accounts, provides:

- 100% principal protection
- locked-in market linked index gains
- total account protection from market decline
- tax deferred growth until income withdrawals begin
- guaranteed lifetime pension income and to survivor
- inflation adjusted income to CPIU, if desired

As Tony Robbins continues to state "These products have been around for almost 20 years….many people are just now learning more about how they work". I have used these strategies for many years now and have many satisfied clients who have reaped significant, market-linked and locked in gains over these years and have safely weathered the volatility of the market, including the more recent 2008 market correction when all of our accounts held steady with no losses, and we have also earned gains since that market correction. Our accounts have grown as the market has risen and, unlike the current value of equity accounts, our accounts will never lose value. By virtue of the FIA strategy, we are assured of account value protection and a lifetime income stream for the rest of our lives. I liken this income stream to a 'financial faucet' of income which, once turned on, will provide a never ending, lifetime stream of income flowing from a income account 'reservoir' that will never allow you/survivor to run out of income.

There is no other financial platform that exists that can provide the multitude of benefits as provided by this FIA strategy. Indeed, there are additional benefits available within the FIA not even mentioned within this article. Often, when discussing financial issues, leverage is a much used word that relates to maximizing an asset. Clearly, the FIA can leverage your retirement assets to assist you in achieving and, in many instances, exceeding your financial, retirement income and legacy goals.

Superb Endorsement of the Fixed Index Annuity for Income Guarantees from Nobel Prize recipient Robert C. Merton

Nobelist Merton states "401(k)s face 'crisis'
By: Anne Tergesen

Since the dark days of 2008, employers have taken some steps to fix the 401(k), the backbone of the nation's private retirement-savings system. But Nobel laureate Robert C. Merton says that in the rush to upgrade these plans, plan sponsors and administrators have overlooked one big problem: They are managing these plans with the wrong goal in mind.

Bloomberg News: Merton says a crisis is coming for 401(k) investors.

"The seeds of an investment crisis have been sown," the MIT professor of finance writes in an article in the July-August issue of Harvard Business Review, which was published Tuesday. "The only way to avoid a catastrophe is for plan participants, professionals, and regulators to shift the mind-set and metrics from asset value to income," writes Merton, who won the Nobel Prize in Economics in 1997.

In recent years, employers have tried to improve 401(k)s by introducing features such as automatic enrollment and products including target-date funds. But in his article and in a recent interview with Encore, Merton said these moves weren't likely to be sufficient. To fix the 401(k), he argues, employers and the financial services companies that manage these plans must get past the ongoing obsession with two things: Account balances and annual returns. These metrics, Merton says, are far less important than one other: The amount of sustainable income an employee can expect to receive in retirement.

By disclosing annual income, instead of (or in addition to) an account balance, Merton says, employers will help employees quickly and easily calculate how much of their annual salary they can expect to replace in retirement, together with Social Security. As a result, employees will be better able to take action to ensure they are on track to retire as planned.

That's not to say that 401(k) money shouldn't be invested in stocks. In fact, Merton says, 401(k) investment managers should invest participants' savings in a mixture of "risky assets," including equities, and "risk-free assets," such as long-term U.S. Treasuries and deferred annuities. Moreover, the investment manager should shift the investment mix over time to optimize the likelihood of success.

Employers, he says, should begin by asking employees not about their tolerance for investment risk, but about their expectations for income needs in retirement.

If the investments are managed well, the employee – upon retirement – should have enough money to buy a deferred, inflation-indexed annuity that (together with Social Security) will replace his or her salary in retirement. Retirees who don't want to buy an annuity don't have to. But once they achieve their retirement income goal, he says, they'd be foolish to leave their money at risk in the stock market.

"Think of risk as a tool," he writes. "When you don't need it, get rid of as much of it as you can because it's costly. When we take a risk, it's generally for a good reason. You wouldn't normally put yourself in harm's way for no reason."

Source: http://blogs.marketwatch.com/encore/2014/06/24/401ks-face-crisis-says-nobelist-merton/

Summary

Now that you have been informed regarding all the uncertainty and volatility within our economy, and that there are steps you can take to mitigate and actually eliminate risk preparing for and during retirement, it is incumbent upon you, the reader, to be pro-active and seek out the proper planning and safe harbor strategies that are consistent with achieving your goals and objectives and, especially, to provide the income for life guarantees and eliminate the fear of living too long and running out of money.

You are now armed with the knowledge and information vital to providing the financial security for the rest of your life. Reading this book has been an important first step taken toward eliminating risk and providing the safety and security that most people seek.

I thank you for taking your time to read what I have directed to you and it is my fervent hope that the information I have provided will be helpful to you going forward towards achieving your goals.

Stefanos Loisou
Financial Strategies for Life

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