Arizona Investment Alliance Financial Group, Inc.

The
Quarterly Rapport

2nd Quarter 2016

Visit us on our Website at: www.AIATucson.com

From the Desk of . . . .

Chuck Testino

Our newsletter this quarter offers information that I hope will be educational, insightful and useful as you move forward into the spring and summer months. An overview of a product that many ask about is highlighted in the front page articles. Fixed Indexed Annuities may offer clients the potential for greater growth while sheltering them from market volatility and the loss of their principle investment. On the flip side of the newsletter, we look at financial planning tips in the article "Road Map" and briefly break that road map down by age in the side article. These articles are brief and I would suggest that if you haven't reviewed your financial road map in the last year to give me a call for a review so that I can help you travel the road more smoothly.

Factors in Choosing an FIA

Fixed indexed annuities, or FIAs, are a long term investment that give more potential return than a fixed annuity but less potential return and risk than a variable annuity. As it's name implies, its value is linked to a market index, which is a collection of stocks intended to represent the market. There are many indexes that FIAs may be linked too.

Fixed indexed annuities don't directly participate in equity investments. So how is account interest determined? Some common methods include an annual reset method based on the annual change in the value of the index. Another method is point-to-point, which is based on the change in the index's value from the beginning to the end of the annuity's contract term. A third method, high water mark, is based on the increase in index value from the beginning of the contract's term to the highest index value during the term.

Other factors can influence indexed annuity values like participation rates, cap rates and margin. When purchasing an FIA, these factors along with the chosen linked index and interest calculating method will help you determine the best FIA for you.

*https://www.nationwide.com/fixed-indexed-annuities.jsp

2016 Contribution Limits

Plan	2016 Limit		Over Age 50		"Catch-Up"		Total
IRA/Roth	5,500	+	1,000	+	N/A	=	6,500
403b	18,000	+	6,000	+	3,000	=	27,000
457/401(k)	18,000	+	6,000	+	N/A	=	24,000

*Note - If you will be 50 or older by the end of 2016, you have the benefit of being able to make "catch up" contributions.
*SEP IRAs do not allow for catch up contributions.

FIA Terminology

Fixed Indexed Annuities offer the potential of market-linked growth. The market-linked growth is based on a chosen index that tracks a segment of the market. Below is terminology associated with FIAs:

Index Cap Rate – Some indexed annuities have a maximum rate on the amount that can be credited to the annuity. If the market goes up less than the cap, the annuity will be credited 100% of the index performance, not including dividends or distributed capital gains. If the market goes up more than the cap, the annuity will be the amount of the cap.

Index Margin is the amount deducted from the index gain. For example, if the margin is 2% and the index increased by 9%, then your account would be credited 7%.

Participation Rate is the percentage of index gain credited to the annuity. For example, if the participation rate is 75% and the index increases 8%, you'll earn 6% for the period because 75% x 8% = 6%.

*https://www.midlandnational.com/commonly-user-terms

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HAS YOUR CONTACT INFORMATION CHANGED?
Please email or call to update me

Quarterly Rapport

Financial Road Map

A good plan can point you in the right direction. A financial plan is a road map of sorts that can help you determine where you're currently located financially, what direction you should be heading and what it might take to reach your destination. After all, you wouldn't set off on a journey through a strange land without some kind of help – a map, a compass, even a guide. Your financial future is too important to leave it to chance.

10 THINGS TO CONSIDER FOR YOUR FINANCIAL ROAD MAP

1.Your Goals – Where do you want to be or expect to be in 10, 20 and 30 years? Remember that you may be living in retirement longer than you think.

2.Your Longevity – Today, people are living longer, so there's a chance that you could be living into your 90s, so be optimistic.

3.Your Income and Expenses – Figure out how much you can afford to contribute to your plan based on your current and future income and living expenses.

4.Your Assets – Create an inventory of your stocks, bonds and other assets in your investment portfolio, as well as savings accounts, retirement plans and the equity in your home.

5.Your Lifestyle – Examine the kind of lifestyle you have now and think about what you will want or need later on. How much will this lifestyle cost?

6.Your Current Savings Plan – How much money are you saving now and where? Is it enough to help fund your future?   At what point do you expect to start using your savings for living expenses?

7.Your Level of Investment Risk – Are you comfortable with the level of risk you're taking with your investments? Does it need to change to better reflect your own situation or the state of the economy?

8.Your Income in Retirement – Take a look at any income you may have in retirement, such as Social Security benefits and any dividend, pension or other income.

9.Your Estate Plan – More than a will, as estate plan can ease the burden on your loved ones, ensure you assets are distributed as you wish, reduce taxes and plan for future personal care and health care needs.

10.Your Emergency Fund – How do you plan on paying for unexpected events such as a flooded basement, extended illness or job loss?

Your financial plan should be a true picture of your current financial health and a realistic view of your goals (short-term, intermediate and long-term). To be useful, it also should be updated as your needs and life situation changes and reviewed annually.

Working with a financial professional is a great way to charter your course. When it comes down to it, talking about your financial needs isn't always easy. So it's important to have someone who will help your along the way. If you haven't visited your financial plan in a while, I would ask that you call the office and schedule a time where we could sit down and review your financial road map to success.

*https://www.nationwide.com/financial-road-map.jsp

Financial Planning by AGE

Below is a game plan – broken down by age – to determine improvements in retirement readiness.

If you're between 25- 34:

✓Start Early – Define goals, develop a strategy and invest in the plan.

✓Open an IRA – IRAs may improve your retirement readiness, especially if an employer plan isn't offered.

If you're between 35-54:

✓Get a portfolio Checkup – Refine your strategy. Review accounts annually to help ensure positioning.

✓Ramp up Savings – Increase contribution by 1% each year. Modest amounts may significantly impact account balances.

✓Consolidate assets – Move assets left at a former employer into an IRA for more choices and control than employer plans.

If you're 55+:

✓Make catch-up contributions – If you're 50 or older, use your plan's catch-up allowance. Review your retirement plan to determine the extra amount you can contribute.

✓Create a retirement income plan – Forecast regular expenses to set a budget. This will determine the amount to keep invested for continued growth based on income need, market volatility, inflation and risk.

✓Decide when to start taking SSI – Review the different claiming strategies with your advisor.

*https://www.oppenheimerfunds.com/investors/article/at-my-age-what-can-i-do-to-prepare-for-retirement