Arizona Investment Alliance Financial Group, Inc.

The Quarterly Rapport

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From the Desk of . . . .

# Chuck Testino

This quarter's newsletter revolves around a central theme ~ *Balance*. As we move into the summer months, which seems to have more balance between work and family, the conversations with my clients about balance as it pertains to risk vs. reward, preservation vs. growth have punctuated our discussions. These discussions have led to an increased interest in indexed annuities.

In the article Strike the Right Balance, we give a brief overview of creating balance with indexed annuities. While in the article below, Longevity: A Key Reality, the discussion turns to the major obstacle of income replacement as life spans increase. In addition is the importance of the Value of Life Insurance, which is the featured article to right. I hope you find my newsletter informative and thought provoking. If we have piqued your interest for more details on indexed annuities, life insurance or for a review of your current investments, I would be more than willing to meet with you or provide you information over the phone. Please call. I'd love to hear from you!

## Longevity: A Key Reality

People are living longer than ever, thanks to advances in science and medicine, as well as healthier lifestyles. This is great news, but a longer lifespan means we must also plan, save and prepare for extended time horizons.

A 65-year-old couple has a 50% chance that one spouse will live to age 90. That's 25 years of income. A lengthy retirement can deplete assets. Building a plan that can provide for longer retirements is crucial to your lifestyle and your peace of mind. Strategies for accumulating a retirement nest egg differ from the approaches necessary to provide income when one's earning days are over. The table below outlines important differences between saving for retirement (accumulation) and taking income in retirement (distribution).

| Saving for Retirement |
|---|
| Emphasis on return |
| Time horizon clearly defined (age 65) |
| Impact of market declines manageable |
| Inflation managed through wage growth |

| Living in Retirement |
|---|
| Emphasis on income/capital preservation |
| Time horizon unknown |
| Impact of market declines less manageable |
| Inflation managed through investment choices |

Moving from the accumulation phase to the distribution phase requires a fundamental shift in perspective. Meeting the retirement income challenge means selecting the right investments. Based on your needs and risk tolerance, the plan developed for you will be designed to extend the life of your money. Call me for a personal consultation and see how we can help lock in the longevity of your money!

*Source: (American Funds. Retirement income: Making the most of your nest egg Brochure)*

## *The* Value of Life Insurance

As our careers evolve, as jobs change, as families grow, our needs for life insurance may also change. Have you reviewed your policy lately?

What would happen to your family's financial health if you and your income were gone? Could they maintain their standard of living? Pay for college tuition? Household bills? What about monthly mortgage or rent?

We know money is tight these days, but don't be tempted to skimp on one of the most important and affordable investments you can make to protect your family's financial health, life insurance.

Having adequate life insurance coverage should be an essential part of your overall financial plan, at every age. And the sooner you buy, the better. That's because the younger and healthier you are when you purchase coverage, the less you'll pay in premiums.

Don't leave your family's financial health to chance. Call me to review your current policy, or to learn more about cost-effective, quality life insurance coverage.

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# Quarterly Rapport


## Strike the Right Balance!

Between reward and risk, nest egg preservation and growth, balance is important in your financial life just as it is in your personal life. No one knows what the future holds, that's why indexed annuities attract the attention of retirement savers looking to achieve some balance and peace of mind.

In 2008 and 2009 many lost retirement saving in the market. Those in indexed annuities lost nothing. So what are indexed annuities?

Annuities come in fixed and variable. An indexed annuity is a type of fixed annuity but it has a distinct way of calculating annual interest based on changes in a specific performance of a stock, bond or commodity index. The index is used as an external benchmark. You do not actually invest in the index. While the interest you earn and when you get it depends on the features of your contract, generally, index annuities have an interest rate floor, a ceiling (also known as a cap) and a participation rate that determines the amount of interest you will receive.

Your interest earnings in an indexed annuity always remain between the cap, even if the index goes higher, and the floor, even if the index goes below that point. So the value of your money will never decline for as long as it is in the annuity. Once interest is credited to your account, it also can never be lost. That means more potential growth than other fixed investments and less risk than variable annuities and other more volatile investment.

The process of choosing an indexed annuity can also give you peace of mind, these financial products are backed by some of the largest, most reputable insurance companies and can only be sold by licensed insurance professionals. For more in-depth questions or to find out if an indexed annuity can bring balance to your financial life, call me at (520) 323-3036.

For a more complete description of indexed annuities, the Indexed Annuity Leadership Council has put together a short video that you can watch at http://www.indexedannuityinsights.org.

**FIAs are insurance contracts and do not directly participate in any stock, bond or equity index investment. The index value does not include dividends paid on the underlying index and are not reflected in the interest that may be credited to a contract. FIA contracts vary in guarantees, terms, costs, caps and features. Annuities may have additional fees and expenses that other products do not. Investors must review carefully before purchasing. Any guarantees are backed by the financial strength of the insurance company. Individuals should only purchase an annuity in a qualified plan when other benefits like lifetime income or family protection through death benefits meet their current needs. The tax-deferred feature of an annuity should not be the only factor when purchasing an annuity in a tax-qualified plan since no added benefit would apply.*

## 2012 Contribution Limit Table

| Plan | 2012 Limit | Over Age 50 | | "Catch-Up" | | Total |
|---|---|---|---|---|---|---|
| IRA/Roth | 5,000 | 1,000 | + | N/A | = | 6,000 |
| 403b | 17,000 | 5,500 | + | 3,000 | = | 25,500 |
| 457/401(k) | 17,000 | 5,500 | + | N/A | = | 22,500 |

**Note - If you will be 50 or older by the end of 2012, you have the benefit of being able to make "catch up" contributions.*
**SEP IRAs do not allow for catch up contributions.*

## What is an Index?

The Dow Jones Industrial Average (DJIA), S&P 500 and Nasdaq Composite are all indexes that have become part of our everyday vocabulary. As it turns out, when most people talk about "the market," they are actually referring to the Dow Jones Industrial Average index.

Technically speaking, an index is a statistical measure of a group of selected stocks representing a portion of all the companies doing business publically.

It would be too difficult to track every single security trading in the country. To get around this, we take a smaller sample of the market that is representative of the whole. Ideally, a change in the price of an index represents an exactly proportional change in the stocks included in the index.

In 1896, Charles Dow created the first index. At that time, the Dow index contained 12 of the largest public companies in the U.S. Today, the Dow Jones Industrial Average (DJIA) contains 30 of the largest and most influential companies in the U.S.

While the DJIA is the most widely referred to index, there are literally thousands of other indexes, tracking various regions and industry sectors.

*Source: (www.investopedia.com. Index Investing: What Is An Index?)*

## Please Update your Mobile Phone and Email Address

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