

"Quality service and quality products begin with quality thinking."

Interest Rates are Rising?

We had a producer call us alarmed by a client's comment that interest rates on CDs in his town were now over 6%.

Before we continue with that story you need to know that we don't tend to respond to changes in interest rates one way or the other. We happen to believe that interest rates are going to fluctuate over time and if you do a good job of analyzing your clients financial objectives and implement a good plan then rates won't be an issue. You see if you chase rates trying to get the highest rate you'll often get burned and if you run from rates you'll suffer losses. The solution is to take long-term positions that make sense to the client's financial objectives and stick with them.

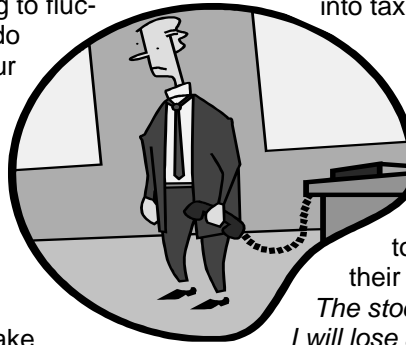
Do annuities fit in place of CDs you might ask? Most of the time for the clients' 'serious money', annuities are an excellent **'Safe Money Alternative'**. In fact, we have a new sales kit out with visuals and tools to show the clients that very point. Our licensed producers can get their copy by calling (800) 326 9019, ext. 129.

Basically there are 3 things a client can do with their serious money. They can blow it. If the money is earmarked to be spent in the foreseeable future then it doesn't matter what interest rates are doing. That money is short-term and doesn't need your help.

The second thing they can do is let the money grow. We've all heard about the client who insists on one year CDs. The problem is that he's had one-year CDs for the last 10 years. If he had been honest about letting the money grow he could have earned 50% or more interest.

Besides lower rates, that he earned, the client paid taxes on the interest which can be avoided according to our **"Safe Money Alternative"** sales kit. They also ended up with taxable Social Security. Our **"Social Security Tax Bomb"** sales kit equips our producers with the tools they need to convert taxable CDs into tax-deferred savings.

(Continued on page 2)



Market Volatility is Your Friend

In U.S. Trust's recent survey, affluent investors' biggest worries about their investments are:

- The stock market will decline, and I will lose a significant portion of my principal 62%*
- My investments will not be able to support me in my retirement 61%*
- I myself do not have enough knowledge to properly manage my finances 52%*
- Consider themselves less willing to take a risk 43%*

The recent fluctuations in stock and bond markets make this a great time to meet with your affluent prospects to discuss tools they can use to protect their nest eggs while continuing to see them grow.

Options include 2 special fixed annuities that both guarantee principal and interest. That gives the client the 'downside' protection they are seeking. Plus, both fixed annuities offer lifetime guarantees of income, which protects the clients from outliving their assets. One of these annuities credits interest based on the S&P 500 Index and the other credits interest based on the total return of a high quality bond portfolio.

There are alternatives. Call us today for **'Playing it Smart with EIAs'**, (800) 326 9019, ext. 129.

Join Us on the Net!

As you read this, the AFS web site is being launched. Our producers will have access to a rich collection of educational, analytical & presentation tools. Our goal is to build more contact with our top producers through web casts, threaded discussions, and chat forums. The web site will allow us to instantly provide all our producers with our latest tools and analysis. Finally, it will allow us to hear from you through email. Visit us at annuityfinancial.com.

What's Up with 'Total Return Annuities' ? We get asked this question a lot since interest rates have been rising and the returns haven't been great. Through Sept. 9 most types of bond mutual funds were negative up to -12% for US 30 yr. Treasuries. But remember 3 things: first, the bond market fluctuates. It always has and this is no different. Second, the object is to get better returns than CDs or other fixed annuities, and for clients who have been in the products 2 or 3 years, they are getting those returns. These are long-term products. Finally, something similar happened in '94 when bonds finished negative. The following year they were up over 15%. Besides, wouldn't you rather have your clients buy low (that's now) and sell high (that's later)?

Competing on Value

Do you feel the heat? The competition is breathing down your neck. Right now there are over 750,000 NASD reps, plus over 100,000 other financial advisers, plus Fidelity, Schwab, Insweb & Quotesmith all after your business.

If you're building your business on products & transactions, these guys are going to eat your lunch.

Now's the time to compete based on the value that you offer your clients. That relationship begins with a consultative approach. The consultative style is a true partnership with the client. The objective is to work together to find an optimal solution. The consultative style results in long-term, mutually rewarding relationships. Consultative advisers focus on client-driven strategies.

Here's the payoff: Independent reps with the lowest revenue (less than \$75K) were completely product-driven. Reps with the highest revenue (> \$150K) are mostly consultative, according to the latest surveys. Learn more about competing on value, visit us @ annuityfinancial.com.

Multi-Generational IRAs

A \$4 Trillion market. That's the market for Multi-Generational IRA planning.

There are simple steps that clients can take to preserve their IRAs from confiscation by IRS. Those steps include planning for the proper beneficiary designations. The objective is to 'stretch-out' the IRA into future generations.

Stretch-out IRA's are those that are be-

queathed to a young heir. If your client chooses this route, both the client and the IRA sponsor must follow just the right steps or the IRA can't be stretched out. The heirs will be forced to take the IRA out within 5 years of inheriting. They may have to fork over as much as 80% of the IRA in taxes - **Virtual Confiscation**.

Call us today for your "**Multi-Generational IRA**" sales kit, (800) 326 9019, ext. 129.

Interest Rates are Rising? (cont.)

(Continued from page 1)

The third thing they can do with the money is spend the interest. That's what most retirees would like to do.

Assume the client deposits \$100,000 in a 6% CD and \$100,000 in a 6% Deferred Annuity. In just 2 years the annuity is worth more on an after-tax basis under the deferred or '*grow it*' scenario.

Under the '*spend the income*' scenario the corpus of the annuity is greater and even if it pays the same interest rate,

the client receives more income.

A study by Price Waterhouse concluded that the benefits of tax deferral outstripped the tax differential between variables & mutual funds in just 10 years. In fixed annuities vs. CDs, it's a slam dunk. Why? The answer is 'triple compounding'. That's interest on principal, interest on interest and interest on the taxes they save. Call us today for all the tools, (800) 326 9019, ext. 129.

By the way, the agent made the sale!

LTC Policies Mean Better Care

Here's a new way to motivate clients into implementing a long-term care program: LTC Plans enhance Family Care.

Researchers say frail and disabled elderly people who can pay for home care with private long-term care insurance may also get better care from friends and relatives.

Some skeptics have worried that the relatives and neighbors who provided huge amounts of free, informal home

care would step aside once the elderly could pay for professional home care with private insurance.

The availability of professional home care services helped informal caregivers spend less time on cleaning and other drudge work, and more on talking, reading out loud and simply enjoying their loved ones' company.

Call us for our "**New Strategies in LTC**" sales kit, (800) 326 9019, ext. 129.

Annuity Financial Services, Inc.
10864 Audelia Road Suite 100
Dallas, Texas 75238

Annuity News



Sprint for the Finish!
(800) 326-9019

The important thing to recognize is that it takes a team, and the team ought to get credit for the wins and the losses. Successes have many fathers, failures have none."
-Philip Caldwell



Alternative Investments?

Scott Burns exposed several 'high yield' ads last May. "There is no secret little place where someone is holding an absolutely safe investment, just for us." In June a \$30 million investment plan in 'can't miss' and 'fully guaranteed' investments in Europe was shut down by the SEC. Gerald Hirsch is doing federal time after swindling \$20 million in mortgage participation notes. James Staples sold hundreds of Floridians 12% returns backed by 'guarantee bonds' and now faces jail time. Call us for more examples, if you like.

Advanced Concepts

Advanced concepts are sophisticated planning strategies that aim to solve financial problems for affluent families. Here are a couple:

First is a leveraged split dollar plan. This allows highly compensated employees or professionals to shelter 50% or more of their contributions from income tax. Their contributions go into a private retirement plan that can later produce a tax-free income stream.

Second is an award winning estate and income tax elimination program with favorable opinions from many professionals including one of

the top 3 accounting firms and the leading journal in the field. It can eliminate the income tax on large IRAs and move huge chunks of an estate for pennies on the dollar. This is prime season for Advanced Concepts. Why? The affluent client is doing their tax planning now. The affluent client likes value and pre-Triple X plans give them that value.

Third, this plan will eliminate 98% of the income tax and 100% of the estate tax from highly appreciated assets.

These require training. Call us for the schedule, (800) 326 9019, ext. 129.