

# The Source

DECEMBER 2002

## TAX ANALYSIS

### It Pays to Work That 1040!

It's been a cruel year for mutual funds. The average stock fund is down 19%. Now, to make matters worse, it's mutual-fund tax season. And if you think you're getting a break from the headaches because so few funds have made money this year, you're wrong. The end of the calendar year is a crucial tax time for funds investors. That's when funds, by law, have to distribute capital gains on stocks they've sold for a profit (even if the fund has lost money). Looking at the 10 largest mutual funds, half of them are sitting on gains to distribute.

## PRODUCT NEWS

### EIA Quick hits – Now's the time!

*San Jose Mercury Nov. 11, 2002*

There is troubling evidence that American workers may be losing their resolve while watching their retirement dreams evaporate. The stock market has whacked 27 percent from the Dow Jones industrial average, 41 percent from the Standard & Poor's 500 Index and 73 percent from the tech-heavy NASDAQ over the past 2 1/2 years.

How can it get scarier? In a variable annuity, clients can switch to 'cash' or the money market account to get out of the market. That's a safe harbor, right? According to the Wall Street Journal, some variable annuity money market account values have actually dropped due to low interest rates and high expenses.

"Investors Flock to Annuities in Attempt to Beat the Dow. The hottest product on Wall Street these days is the lowly annuity."  
-Wall Street Journal 8/28/02

"Indexed annuities: to protect and preserve. They protect principal and preserve potential." -August 28, 2002 Jack Marrion, President of the National Association of Fixed Annuities

**Dare to compare:** One leading EIA touts 100% participation, an 8% cap, and 10% bonus. It uses monthly averaging for its methodology. One of our favorites, an annual reset, also credits 100% participation, with a 9% cap and no bonus.

Here's the difference: since 1960, \$100,000 in the 10% bonus product would be worth \$652,009. Not bad. The annual reset product would be worth \$914,158! That's a world of difference. How's yours compare?

**Let us run the numbers on the EIA of your choice.**

**Ask for an EIA Analysis today!**

Producers can get information on these articles by contacting us at (800) 326-9019 ext. 132, e-mail us at [info@annuityfinancial.com](mailto:info@annuityfinancial.com) or fax back the attached form.

### RATINGS NOTES:

Fire Your Insurer! The Wall Street Journal alerted its readers to financial troubles of several insurance companies including Conseco and Allmerica. Moody's says the credit quality of insurers with large variable annuity portfolios is threatened by the poor returns in the equity markets. Most variable annuities sold during the height of the bull market are not going to produce returns nearly as high as predicted, and the insurers will be left holding the bag, thanks to certain benefit guarantees.

## Turbo Charged Selling

### Safe Money Alternatives

The Federal Reserve has lowered interest rates, again. That's supposed to be good for the economy but it's not good for retirees who need the income. We've got the solution for income squeezed retirees!

"Locking in Yield for Retirement: With interest rates low and the market uncertain, fixed annuities can make sense!" Hard to imagine, but that was a headline in the November 11 *Fortune* magazine.

The average 5 year CD was yielding 3.64% as we went to press. From that 3.64% subtract income taxes and taxes on Social Security. Solution: Split annuities that currently generate around 4.3% after-tax. That's a taxable equivalent yield of over 5.9%! How to protect income and lower taxes?

**Try our split annuity kit.**

**Learning  
Corner**

### Got Credibility?

Many top producers are having phenomenal success attracting new clients right now. Many are not. One differentiating factor is a client's trust level. If clients trust you, then they are ready to reposition assets, right now! How do you build trust? Credibility is a big component. Do you have a professional code of conduct? Are you expressing your core values? **Consider adding CSA or CAA to your quiver.**

### Successful Sales is a Contact Sport!



Get a turnkey, simple, low-cost, web-based contact system of seminar invitations, newsletters and databases along with your own web page!  
**Ask about the Producer Network System.**

### MYGA RATES

**3 Year 3.92% ★ 5 Year 4.45% ★ 10 Year 5.25%**



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*(Systems and Presentations for AFS Contracted Brokers only)*

Please send an EIA Analysis for \_\_\_\_\_ Product.  
Product Name and Company

I want to learn more about Certified Senior Advisor or Certified Annuity Advisor, please send an information kit.

Send me the solution for generating income, the Split Annuity Kit.

Tell me how to save 2 hours a day! I need directions on registering for my 24/7 password and access to the AFS Product Tool Kit to view interest rates, forms, product information and company information.

Please send me the Producer Network System information.

I am not with AFS please send me information on how I can have access to programs discussed.

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