



# News You Can Use

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## Could Annuities Replace Social Security Income?

Social Security, in many ways, is like an annuity. You pay into it for a certain period of time, and when you retire you get a check every month till you die.

Of course, Social Security does offer some things most annuities don't, such as inflation protection and a federal government guarantee.

Investors would be wise not to underestimate the importance of these. Over time, even small amounts of inflation will gradually wear away the purchasing power of your money, and during the financial crisis many annuity holders were worried about what would happen if insurance giant AIG went bankrupt.

Still, at a time when the future of Social Security is being debated, it may be wise to consider other options for income in retirement. So why not think about buying an annuity to protect your retirement?

According to the Wall Street Journal in December 2010, the average retiree receives \$14,000 a year from Social Security. A similar income stream for an annuity would cost a 66-year-old roughly \$250,000.

A financial advisor can help you get your retirement savings plan on track, regardless of your age or income level.

The tax and legal information in this article is merely a summary of our understanding and interpretation of some of the current laws and regulations and is not exhaustive. Investors should consult their legal or tax counsel for advice and information concerning their particular circumstances.

### We Build TAX FREE RETIREMENTS

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## The Best on the Web This Month

Following are some useful links from the web that are sure to provide you with some interesting information and ways to entertain yourself:

### Starbucks Hacks

by "therewillbesnacks" blogging at *Reddit Frugal*

Crave a Starbucks extra-shot espresso? Too cheap to pay for one? Order a "grande Americano in a tall cup" and get more bang for your buck. Find out why and pick up other trade secrets from a Starbucks barista at Starbucks Hacks.

**More:** <http://tinyurl.com/34ervza>

### How It Works: Clinton's "Reality Distortion Field" Charisma

by Michael Ellsberg in the *Blog of Tim Ferriss, Experiments in Lifestyle Design*

A Reality Distortion Field is defined here as "an aura of charisma, confidence and persuasion" that makes friends of enemies and lovers of friends. Bill Clinton has it in spades, according to author Michael Ellsberg.

**More:** <http://tinyurl.com/2btj7vx>

### Five Ways To Be a Force of Calm in a Time of Turmoil

by Scott Ginsberg in *Hello, My Name Is Blog ... The Brain of Scott Ginsberg*

"If you can keep your head when all about you are losing theirs and blaming it on you ... you'll be a man, my son," wrote British poet laureate Rudyard Kipling in 1895.

Kipling and writer Scott Ginsberg are on the same wavelength. Here Ginsberg demonstrates how to turn yourself into a force of calm during a crisis.

**More:** <http://tinyurl.com/262tcw8>

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Harel Alkalai  
*Don't Keep Me A Secret,  
Share Me With Friends!*

## The Pros and Cons of CDs and Annuities

If you're thinking about putting cash in a certificate of deposit (CD), you may want to consider a deferred fixed annuity instead. Both CDs and deferred fixed annuities can be used to accumulate wealth, but the two products are very different.

Following are some things you need to know about the products:

**Issuance:** CDs are generally issued by banks, while deferred fixed annuities are issued by insurance companies.

**Safety:** CDs are insured by the Federal Deposit Insurance Corporation for up to \$100,000 per depositor. Deferred fixed annuities are backed by the financial strength of the issuing insurance company, regardless of the amount.

**Interest Rate:** CDs offer a guaranteed interest rate for a specified period of time. After that time is up, there is no guaranteed minimum if you renew. Deferred fixed annuities also offer a guaranteed interest rate for a specified period of time, often an initial period. After that, the interest rate may be adjusted periodically. However, with

deferred fixed annuities, there may be a guaranteed minimum for renewal rates.

**Taxation:** Interest on CDs is taxable in the year it is earned. Interest on deferred fixed annuities accumulates tax-free and is not treated as taxable income until it is withdrawn. This could help keep your income below the level where you would begin to owe taxes on Social Security benefits.

**Liquidity:** If you need access to the money you invested in a CD prior to its maturity date, you may have to pay a penalty. With a deferred fixed annuity, however, you may be able to withdraw a portion of your account without paying a surrender charge.

Of course, whether you invest in a CD or a deferred fixed annuity depends on your individual financial situation and investment objectives.

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## Are You at Risk from 'Insurance Gaps?'

Do you have enough insurance to meet your – and your family's – needs now, and in the future? If you don't, you are putting yourself at risk of serious financial trouble if something goes wrong with your health, your home, your job or your finances.

That's why I am offering you a free, no-obligation "Insurance Check-up" to make sure your insurance needs are adequately covered. I won't try to push you into buying insurance. I'll just give you the honest facts about your current insurance status.

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