

Phillip Roy Financial Services

Special Report on Annuities

**Phillip Roy Financial Services
Wachovia Bank Building
1800 Second Street
Suite 954
Sarasota, FL 34236
1.888.225.8161**

**Office locations: Clearwater/Tampa, Sarasota, Naples, Boca Raton,
North Palm Beach, Fort Lauderdale, Orlando**

Phillip Roy Financial Services (PRFS) provides financial services to qualified clients, including opportunities to invest in hedge fund and alternative investments. Any discussion of investments and investment strategy of funds (including current investment themes, research and investments processes and portfolio characteristics) represents the views of PRFS at the time of publication. All expressions of opinion included herein are subject to change without notice and are not intended to be a guarantee of future events.

This document is supplied by PRFS for information only and does not constitute a solicitation to buy or sell securities. Opinions expressed herein may differ from the opinions expressed by other businesses and activities of PRFS. Although information and opinions in this article have been obtained from sources believed to be reliable, we do not warrant the accuracy or completeness and accept no liability for any direct or consequential losses arising from its use. The information is representative of PRFS' viewpoints at the time of publication. Not all products and services are available in all locations, and not all investments are suitable for all investors.

Is An Annuity Right For You?

Annuities are a wise investment if you are:

- Seeking Principal Protection
 - Guaranteed, steady income for set period of time
 - Principal protection
 - Inflation protection
- Older, conservative investors
 - Guaranteed, steady income for a set period of time
 - Various options to match investment and risk tolerance levels
- Concerned about outliving your money
 - Protection against outliving your assets
 - Benefits to your heirs
- Seeing investment returns being diminished by fees
 - Ability to save money on a tax efficient basis

An Introduction to Investing in Annuities

As stock market volatility continues to be top of mind, investors are increasingly adding annuities to their investment portfolio. According to the AARP Bulletin, annuities promise safety combined with stable returns for conservative investors such as seniors, retirees, and pre-retirees. It is no wonder annuities are growing in popularity -- the U.S. population is becoming increasingly older. Studies show that one in four Florida residents will be 65 and older by 2030, according to the U.S. Census Bureau. This means that the state is entering the largest asset pass down in history, with dollar amounts in the trillions. Investing in annuities is often confusing, however. Phillip Roy Financial Services is considered to be one of the top annuity experts in the United States, and this paper is designed to outline the basic facts about investing in annuities and to dispel several common myths.

Purpose of Annuities

An annuity is a contract between you and an insurance company. In many ways, an annuity is similar to a pension plan that you buy for yourself in order to guarantee your retirement income. As such, it can be an ideal tool for strengthening your retirement plan. Investors buy an annuity by making either a one-time, lump sum payment or by making a series of on-going payments over time in exchange for regular, periodic income.

The amount of money one should invest in an annuity depends on factors such as:

- Short- and long-term financial goals
- Composition of current investment portfolio
- Tax situation

There are no limits on the amount of money that you can invest in annuities, which differs from IRAs and 401k plans.

The purpose of an annuity is to protect you from outliving your assets.

Types of Annuities

There are four main types of annuities: Fixed, Variable, Immediate and Indexed.

Fixed – Fixed annuities operate similar to a Certificate of Deposit purchased from a bank. An insurance company guarantees – for a set period of time -- a periodic, set payment and a minimum interest rate as your account grows. It is essential to determine whether the rate is guaranteed or adjustable.

Variable – Variable annuities offer a variety of investment options, including stocks, bonds, and money market instruments, and their returns go up and down. Your principal and returns are not guaranteed, but are instead based on performance of the underlying instruments. You assume a higher level of risk since your investment option may perform better or worse than a fixed annuity possibly resulting in loss of prior earnings and even a portion of your principal.

Basically, variable annuities are similar to a group of mutual funds and typically are accompanied by high fees. For this reason, Phillip Roy Financial Services does not recommend them to clients. In fact, popular author Suze Orman has a book entitled “*Laws of Money-Lessons of Life*”. In it, she calls Variable Annuities The #1 Product on her Investment Hate List.

If you have a variable annuity already, Phillip Roy Financial Services will help you manage it to avoid losses in a down market, which may be devastating. Many clients do not understand that it is not possible make a lump sum withdrawal out of a guaranteed rider. Instead you are required to annuitize or take money out over a period of years to life. However, variable annuities do allow you to transfer money between accounts in response to changing economic and market conditions, and some offer the opportunity to divide your money between low- and higher-risk investment options.

Immediate – Immediate annuities act like an individual pension plan in that they guarantee income for life, no matter how long you live. This is useful in connection with estate planning and life insurance. Some Immediate Annuities offer payments to a beneficiary following your death while others waive beneficiary payments in exchange for a larger income stream while you are still alive. Immediate annuities are typically

purchased with a one-time, lump sum payment and are ideal for those who are retired or near retirement age. They offer immediate return on investment, a steady monthly income for the rest of one's life, and underlying peace of mind. The income payments you receive supplement your other income sources such as Social Security or pension plans.

Equity Indexed – Equity Indexed Annuities are very popular in today's market because they protect investors' dollars while offering market upside without the downside risk. They combine features of traditional insurance products with traditional securities and are ideal for investors who want the potential for higher returns combined with a guarantee. The insurance company pays a rate of return to the Equity Indexed Annuity investor that is based on changes to an equity index such as the S&P 500. Therefore, the investor benefits when stock prices rise but does not lose money if prices go down. A minimum return is typically guaranteed. It is essential to understand what the upside limits are, and how interest is computed. Phillip Roy Financial Services will explain that in detail.

Common Myths About Annuities

- Annuities are not good for IRA's or other qualified plans
 - **Not true!** Fixed, immediate, and index annuities may be very good in IRA's.
- All annuities have fees
 - **Not true!** Fixed and immediate annuities have no fees. Many index annuities have no fees.
- When you die, the annuity is gone
 - **Not true!** Your heirs will inherit your fixed, variable, or index annuities. Immediate annuities stop at death unless you choose a set period of time.
- Annuities are not meant for seniors
 - **Not true!** Annuities are specifically designed for seniors and retirees.
- You should not die owning an annuity
 - **Not True!** We often hear this statement from life insurance salespeople. Since annuities grow on a tax-deferred basis, your heirs will pay ordinary income tax on the profit, which is compounded because of the tax deferral.

Conclusion

Annuities can offer retirees' greater benefits than other types of investments, are ideal for those who want to secure their savings for the rest of their life, and offer benefits that seniors need to insure optimum quality of life during their retirement years.

Bonus

There are many annuities that offer Up-Front Bonuses that can usually add a great deal of value to your savings if you qualify and they are available.

Call us toll free at 1-888-225-8161