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# Protecting A Lifetime Of Memories

Where Your Retirement Dreams Become Reality...



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## Generate More Income In Retirement, With Safety and Guarantees

Let's look at how much money it would take today for you to generate \$10,000 of annual income!

### For Savers:

Savers aren't risk takers; accordingly, their focus is mainly on fixed products. The risk for the saver is the uncertainty of future interest rates. Looking at the current average interest rates from Bankrate.com let's see what lump sum would be required to generate \$10,000 of annual income.

Type of Strategy	Current Interest Rate	Lump Sump Needed
1 Year CD	1.85%	\$540,541
5 Year CD	2.45%	\$408,163
5 Year Annuity	3.70%	\$270,270
10 Year Treasury	2.97%	\$336,700

### For Investors:

Now, let's look at an investor who has a combination of bonds and equity investments. Based on **numerous** withdrawal rate studies, assuming an asset allocation of approximately 50% bonds and 50% stocks. A retiree who withdraws 4% of their portfolio each year has a likely probability that the portfolio will last at least 30 years. (See **The Trinity Study**)

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## Grandparents: The 529 Plan Mistake

It is no secret that college costs rise every year and generationally we are saving less and less. This created a problem that was "resolved" by the creation of the 529 plan. A 529 plan is a tax-advantaged savings plan designed to encourage saving for future college costs. 529 plans, legally known as "qualified tuition plans," are sponsored by states, state agencies, or educational institutions and are authorized by Section 529 of the Internal Revenue Code.

Enter the grandparents. According to a 2014 survey by Fidelity Investments, 53 percent of grandparents were saving or planned to start saving for grandchildren's college expenses. A whopping 90 percent of those surveyed said that if asked, they would likely help with college costs in lieu of other gifts.

Many financial advisors encourage clients to open 529 college savings plans for grandchildren. Investments in 529 plans are free of federal income taxes until money is withdrawn for qualified educational spending.

While many cash-strapped parents appreciate the assistance from grandparents in financing their children's education, families should be aware of a potential pitfall to grandparent-owned 529 accounts. A 529 account owned by a grandparent is not reported on the Free Application for Federal Student Aid form (FAFSA).

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## Interesting Facts:

-The words "silent" and "listen" have the same letters.

-The pound sign (#) is called an octothorp.

-Mickey Mouse was named after Mickey Rooney, whose mother Walt Disney dated.

-The shape of the Earth is called the geoid. It is oblate - flatter at the Poles than at the Equator.

-Every day more money is printed for Monopoly than the US Treasury.

-The Baby Ruth candy bar was actually named after Grover Cleveland's baby daughter, Ruth.

## Tired Of Losing Money?

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social security call now for your **FREE** report  
"How to Stop the Taxation of Your Social Security Income"  
Call now while supplies last.*

“The only person  
you should try to be  
better than, is the  
person you were  
yesterday!”  
**-Unknown**

### **Firework Safety**

July 4th is right around the corner, and if you are like most families on the 4th, you will light off fireworks with your friends and family. Here are a few safety tips to make sure your 4th is fun and safe.

-Light one firework at a time (not in glass or metal containers), and **never** relight a dud. Always use the original tubes for launching.

-Don't allow kids to pick up pieces of fireworks after an event. Some may still be ignited and can explode at any time.

-Soak all fireworks in a bucket of water before throwing them in the trash can.

-Point fireworks away from homes, and keep away from brush and leaves and flammable substances

-Steer clear of others — fireworks have been known to backfire or shoot off in the wrong direction. Never throw or point fireworks at someone, even in jest.

-Always use fireworks outside and have a bucket of water and a hose nearby in case of accidents.

**Let's all have a  
happy and safe 4th!**

### **Generate More Income In Retirement, With Safety and Guarantees**

Accordingly, using the 4% withdrawal rate, an investor would need to invest \$250,000, to generate \$10,000 of annual income.

#### **Important Note:**

Another consideration is that most of these studies are based on historical data. The fine print here should read "*past performance does not guarantee future results.*" While there is every reason to believe that investment returns in the next 70 years will be similar to the previous 70 years, there's little chance it will be EXACTLY the same. To say that 4.0% is a "safe" withdrawal rate and that 4.1% will leave you broke implies a measure of accuracy in the forecast that just isn't there. It may make more sense to say that the "safe" withdrawal rate going forward lies somewhere in the range of 3.25% to 4.25%.

#### **Alternatives:**

Here are two alternatives that offer safety and guarantees, with minimal risks, and require smaller lump sums:

1. **A fixed index annuity with an income rider would need only \$181,818 to generate \$10,000 a year for a 65 year old.**
2. **A single premium immediate annuity would take approximately \$160,000 to generate \$10,000 a year with 10 year term certain for a 65 year old.**

The income from these two solutions would be guaranteed for the rest of your and your spouses lives, regardless of interest rates or how long you both live.

You can secure your retirement income many different ways. However, both savers and investors can benefit from using an income or single premium immediate annuity.

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### **Grandparents: The 529 Plan Mistake**

FAFSA is filed yearly and helps determine a college student's eligibility for federal financial aid. In contrast with the parent-owned 529 account, which includes 5.6 percent of the value deemed part of the expected family contribution.

However, a different problem arises when funds from a grandparent-owned account are distributed for a grandchild's education expenses. At that point, the funds are considered student-owned, and reduce the following year's financial aid award by 20 percent. It's worth noting: The grandparent's ownership of the 529 account does not affect the grandchild's financial aid eligibility. It is only when the money is distributed that it is considered the grandchild's income.

The key to paying for college is all in the planning process. You cannot afford to leave things to chance, as that is how mistakes are made, and the cost could be your child's education. Additionally, there are other college planning tools out there besides the 529 plan that offer tax advantaged savings. However, unlike the 529 plan, you can receive the benefits not only tax free, but also as unreported income, and it is hidden from FAFSA. What would that mean to you and your family? How much better off will you and your aspiring student be?

To see how this applies to you, or for more information; call my office today!