SONS OF NORWAY

ADVISOR

HELPING YOU FIND THE PATH TO A SECURE FINANCIAL FUTURE

2ND QUARTER 2009 • Issue #11

WHY ANNUITIES NOW?

"It was the best of times, it was the worst of times." This quote from the novel A Tale of Two Cities by the English novelist Charles Dickens reminds me of a dilemma many of us face today. The best: The average lifespan of Americans has been increasing for over 100 years. People who reach retirement age now commonly live 20 years or more. The worst: In these troubled economic times, many are finding it difficult to accumulate enough financial resources to last for a longer retirement. This is where annuities can help.

Annuities are financial products that can grow tax deferred and provide monthly income for the rest of your life no matter how long you live. You can purchase an annuity with a single lump sum payment or you can grow your annuity over time by making periodic payments. When combined with your Social Security, IRAs, 401(k)s, pensions and other assets, annuities can enhance your retirement income and increase your sense of security.

When you change jobs or retire, you take all your personal possessions with you – this includes your retirement fund. Annuities are ideal for rollovers of your 401(k), 403(b), 503(c), 457, SEPP, KEOGH, and other employer-sponsored retirement plans.

Also, if you are in a saving-money stage of life (typically pre-retirement), your annuity is in the accumulation phase and is referred to as a deferred annuity. Many investments are taxed each year, but investment earnings in deferred annuities aren't taxed until you withdraw the money. Unlike other tax deferred retirement savings plans such as IRAs and 401(k)s, there is no limit on the amount you can invest in an annuity and no IRS required minimum distributions.

Now, if you are in an income-needed stage of life (typically post-retirement), you can take money from your deferred annuity by making withdrawals from it or your can take the investment income as it is earned. You can also convert your deferred annuity to an immediate income annuity and receive monthly income. You can choose from a variety of payout options that include a fixed monthly payment, monthly payments for a specified period of time, lifetime monthly income, or joint monthly income for two if you want to provide income for your spouse as well. You can even include benefits to your heirs by choosing a guaranteed period with your lifetime monthly income. This option commits your annuity provider to continue payments after you die to your chosen beneficiary or beneficiaries for the guarantee period.

Annuities are not required to be distributed during your lifetime. They do not go through probate and are not governed by your will. They pass directly to your chosen beneficiary(ies) and are generally distributed within one month of the annuitant's death.

Most importantly, annuities offer safety of invested principal, guarantee a minimum rate of return, and a monthly income to you for the rest of your life, no matter how long you live. For more information about annuities, please contact me, or visit Sons of Norway on the web at www.sonsofnorway.com and click "Contact Us".

WHY ANNUITIES NOW?

STRATEGIES FOR A DOWN MARKET

FAMILY SAVINGS PLAN

RISK AND OUR ECONOMIC SECURITY

EDUCATE YOURSELF TO SEE THE BIG PICTURE

Strategies for a Down Market by Len Carlson

Strategies for a Down Market

Staying on Track in 2009

While staying the course in a down market is a good strategy, it is still important to contact your professional advisors for direction and reassurance so as to stay on track.

Sons of Norway's Financial Benefits Counselors (FBCs) understand how important this step is and are therefore reaching out to members and offering a complimentary financial review to help members stay on top of their financial.

With the current market trend, this is an opportune time for you and your FBC to revisit your risk tolerance and rebalance investment strategies. Doing so can help those who are either in the wealth accumulation phase or wealth preservation stage because your FBC can give you suggestions on adjusting contributions to various qualified accounts or transferring some of your assets to a safer fixed account.

This may also be a time to reevaluate life goals and financial decisions made or planned to accomplish those life goals. Many people have decided to postpone retirement and some retired people are coping with reduced wealth and expected income in retirement. Our Financial Benefits Counselors can work with you, to help manage financial pressures and review your life goals in order to improve your financial situation in this down market.

Perhaps the following 3-step plan can help you stay on track in 2009:

1) Determine how much to save, no matter where you are on the road to retirement. You'll need substantial savings to support you through retirement. Try to contribute 15% of your annual pre-tax income to your retirement account. If you can't, increase your contribution by a small percent each year.

2) Keep your eye on the calendar. The longer you have until retirement, the more you may want to invest in stocks. However, because investment markets fluctuate over time, your allocation perhaps should contain a good percentage in bonds, especially if you are near retirement. A Sons of Norway fixed annuity would be a great option here.

3) Evaluate your investment performance annually. This is where your Financial Benefits Counselor can help out, making recommendations to help you stay on track in 2009.

Financial Resolutions

Educate Yourself to see the Big Picture by Darrell Dunn

Do you picture yourself one day owning a home, helping your child pay for college, starting a business or retiring comfortably? If any of these goals are important to you, planning will be imperative to accomplishing them. To that end there are many tools and informational resources that can help you understand where you are and show you how to get where you want to go financially.

One source of information on the web is the Life and Health Insurance Foundation for Education (LIFE) which is located at www.lifehappens.org. They provide information to help you evaluate your insurance needs with information on life insurance, health insurance, disability insurance and long term care. They also have calculators to guide you towards the amount of coverage you need.

If your question is related to retirement, one of the first places you should visit is the Social Security administration's website at www.ssa.gov, which has information on retirement benefits. Another good resource for retirement planning is http://retireplan.about.com, which explains simple concepts on retirement planning.

If you have tax related questions the IRS has a great deal of information that can be accessed www.irs.gov. However, because there is so much information, the site can be a bit confusing, but you can use the "Contact Us" section which explains how reach the right person to answer your questions.

Also, education planning information is readily available from a number of locations on the web. One of my favorites is the U.S. News & World Report. Their website has an entire section devoted to this topic at http://www.usnews.com/sections/business/paying-for-college/. Another would be college websites. Websites for most public and private institutions have information on specific plans as well as basic plans for your child's education. They will also give you an idea of how much college will actually cost.

Educating yourself to become familiar with the concepts and products involved in your financial plan is a good idea, but there is a tremendous amount of information to sort through. That's why it's important to work with a financial professional, like a Sons of Norway Financial Benefits Counselor. They can give you objective information and help you with insurance planning, retirement planning and estate planning, as well as solid financial products.

Family Savings Plans

Len Carlson

Craig and Mary are in their mid 30's with two young boys. They own a home, have a mortgage, own two cars, and have some credit card debt. Both contribute to their retirement savings at work and also want to make sure their boys go to college. I guess you might call them a typical middle class couple with a lot on their plate.

Here are a few savings tools available that will enable Craig and Mary to help plan for their sons' education:

1) A 529 Plan. These are state operated education savings plans designed to allow individuals to invest funds, which grow tax free, for future college costs. What's even better is that there are no residency restrictions and no cap on income.

However, these plans have an impact on availability of financial aid. Because they count as assets and must be reported on financial aid applications, 529 plans can make it hard to get any financial aid.

2) A second savings tool is a Roth IRA. Money invested through a Roth IRA is taxed as income but distributions during retirement are not taxed. Individuals can contribute the greater of $5,000 ($6,000 if over 50) or their taxable income; couples filing jointly earning less than $169,000 can contribute the greater of $5,000 ($6,000 if over 50) per spouse as long as their total taxable compensation is greater than $10,000.

Roth IRA's are not considered in financial aid calculations and every middle class family can get a savers credit by contributing to an IRA (Roth or traditional) anywhere from 10% to 50% of the amount invested. Roth IRA distributions are tax free for education expenses as long as they remain in the IRA for a 5-year holding period, then they aren't subject to the 10% early withdrawal penalty if taken out before age 59 ? .

Another option is a Traditional IRA, which gives a middle class person a tax deduction in the contribution years because taxes are paid upon distribution of the funds. As with the Roth IRA, if used for education purposes, the 10% early distribution penalty does not apply. Traditional IRA's are not considered in financial aid calculations.

3) The final savings tool to be considered is Life Insurance. Life insurance policies with a cash value component are an under-utilized tool of education planning. Depending on the time of purchase and general health of the insured, a policy that builds cash value can be a powerful tool. As the cash value builds within the policy, the insured can borrow against it to fund education as well as other needs while maintaining complete control of the policy. A policy owned by parents with the primary wage earner as the insured can complete multiple goals in college planning.

Life insurance provides insurance proceeds which can be used to pay a portion of college costs if the primary wage earner was to die during the college accumulation. Life insurance policies are not considered in federal financial aid calculations. A child whose parents have a portion of their assets in a cash value insurance policy has the chance of qualifying for more financial aid than a child of parents with the same net worth and income who has not utilized this planning tool. Loans against cash values are tax free.

Final thought on this tool – if the client does not use some or all of the cash value for education funding purposes, it's available for retirement or other future needs.

If you have any questions on these savings tools, contact your Financial Benefits Counselor.

Advisor Answers –

I have a general question that I think pertains to all of us, no matter what stage of life we are in. In order to truly understand the relationship between risk and our economic security, what are some of the "mistakes" to avoid, which will enable us to avoid the risk of not having enough money during these challenging economic times?

Here are some mistakes to consider:

1) Putting money into risky asset classes when one can't afford to lose the money. This can cause panic when money is lost on paper and make you want to sell low relative to what was paid initially. This can occur at all ages.

2) Putting money into the same risky asset classes after one stops working because you may believe that past positive returns are predictive of the future. Even temporary losses could leave you with long-term inadequate assets.

3) Under-saving early in life because you're certain you will make a lot of money, or will have high excess returns in the future, instead of budgeting expenditures to match current income with a budget for savings.

4) Over-spending after you have stopped working because you think you won't live long, simply because you don't understand your actual life expectancy or based upon projection of constant high average rates of return on assets, without consideration of the impact of a one-time major shock downward

5) Insufficient purchase of insurance against life risks so that savings are not destroyed by being "self insured," that is having enough life, disability, health, long term care, home and auto insurance

6) Insufficient purchase of life income annuity protection to assure that you have enough income, no matter how long you live, including Social Security to cover at least basic expenses. An immediate annuity is a vehicle that provides this income that you can't outlive.

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ADVISOR is provided by your Sons of Norway Financial Benefits Counselor as an additional service to you.

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