SONS OF NORWAY

ADVISOR

HELPING YOU FIND THE PATH TO A SECURE FINANCIAL FUTURE

Planning for a successful 2011!

Happy New Year! By the time you read this another holiday season will have come and gone. I hope that it was a good time for you and all your loved ones; a time to reflect fondly on past and, more importantly, a time to start making plans for your future. Specifically, this is a great time to make plans for your financial security because looking forward you have a wide horizon of opportunities.

This issue of the Advisor Newsletter will cover some very important financial issues that will help you plan for a successful 2011! Take a look inside and learn about planning for a successful financial year by reading about 401k transfers, Traditional vs. Roth IRAs and Paid Up Addition riders on Single Premium Whole Life products. For those of you with general interests, I highly recommend reading the article about the changing retirement landscape.

Then, once you've had a chance to read this edition of Advisor, I encourage you to give me a call, send me an e-mail, or schedule a time to chat in person. This is the right time of year to make plans for the future and I'm happy to offer any assistance you may need. Not only can I provide a Sons of Norway Financial Checkup, but I can answer any questions you might have about retirement needs, insurance and estate planning.

In closing, I hope that you had a wonderful holiday season and that you find this issue's information to be of great interest and worth sharing with other friends family or lodge members. If so, I strongly encourage you to share this issue of the Advisor with them. Remember, financial planning and protection is important for everyone, even if it does seem a little daunting at times, and knowledge is the best first step in creating solid financial plans for your future.

New Retirement Landscape
by Len Carlson, Director of Agencies

People's greatest fear used to be dying, but not anymore. Nowadays, the majority of people are more afraid of living. Or, rather, outliving their assets. This shift in attitude is due, in part, to people living longer, no longer being able to retire on defined benefit plans and having to be more responsible for their retirement savings. Because of this, many people don't understand the new retirement landscape. Even though the rules have changed, many are still operating under certain outdated assumptions about what can be expected from Social Security.

In fact, many people are waking up to a lot of new realizations. For example, baby boomers realize that they are different from the previous generation. Their parents led a linear life - work, marriage, kids, and then retirement which may have lasted 10 years. In contrast, many boomers have had multiple jobs, marriages, and dependents (both children and aging parents). They now realize that some people will be spending as much time in retirement as they did in the work force, putting an excessive and, sometimes, unrealistic emphasis on saving for retirement.

So where do we go from here? An important step is understanding what our retirement needs are. Consider what kind of lifestyle you want to lead. These lifestyle needs should be clearly identified and be realistic. Once you establish the cost of your lifestyle, then you transition into life income. Do you have the income to support that lifestyle?

The next step is identifying where income will come from once you stop working and what steps need to be taken to ensure you don't run out of money. People are more prudent in their spending these days, more conservative in their investment choices and are looking for more certainty. This search for certainty can come from a few places.

Possible sources of income include annuities that accumulate money on a tax-deferred basis. Plus a single premium immediate annuity provides you with a guaranteed income. This is very attractive because people are looking at retirement that may last 20-30 years. So by taking some cash flow, or by transferring some of your current assets into annuities, there will be more guarantees and less of the risk people are concerned about. With regard to avoiding running out of money, here are some additional important thoughts that are often forgotten. Careful planning of their portfolio may all be for naught if they fail to put some safety measures in place, lifeboats, if you will, like life insurance and long term care.

For example, with yearly nursing home costs reaching over $100,000 per year in some states, it should be a great concern to shift that risk to a long term care policy. Bottom-line: How long would your assets last if you were in a nursing home and you were paying that $100,000 per year?

Finally, the need for adequate life insurance. Consider this, many people plan to leave a traditional legacy to a spouse, child, or even a charitable organization, using proceeds from stocks, variable products, or a mutual fund. Unfortunately, the unstable market has wiped out that dream for many people. The solution is owning enough life insurance with enough face value to fulfill that portion of the intended legacy. This ensures that the legacy is restored until the market comes back.

As you can see, for most people the difference between a worry-free retirement and one fraught with concern is proper planning and employing the right mix of financial products. Taking the right steps today will ensure a bright tomorrow and a happy retirement, regardless of length.

For more information on how Sons of Norway can help you plan for the future please see the February issue of *Viking* Magazine

Roth IRAs -vs- Traditional IRAs

by Ken Thul, CLU, ChFC, FICF

Roth IRAs were established by Congress in 1997 as an IRA that is generally not taxed, provided certain conditions are met. Subsequent broadening of the Roth IRA rules allowed employers the Roth option in the Qualified Retirement Plans (401k, 403b, 503c, 457 etc.) they offered to their employees. There are rules and limits that must be observed, but essentially, rather than granting a tax deduction for money put into the plans as is the case with Traditional IRAs and QRPs, Roth tax breaks are granted on the money withdrawn from the plan. The principal and earnings of Roth plans are totally tax free after age 59½, as long as the Roth account was established and contributions started at least 5 years prior to distribution. If the account holder dies with a Roth account balance remaining, the proceeds go to the beneficiaries tax free. Roths plans do not have Required Minimum Distributions (RMD) starting at age 70 ½ as Traditional plans do and you can continue to contribute earned income (but not investment income) after reaching age 70½.

Should you put your retirement money in a Traditional plan or a Roth plan? The great football coach Robert Neyland of the University of Tennessee once said *"When you throw the ball, three things can happen – and two of them are bad"*. Traditional IRAs and QRPs are like the forward pass in football. *When you put your money in a traditional plan, three things can happen – and two of them are bad.* The bad things are everything coming out is taxable and you must start taking out your money at age 70½. The only good thing about Traditional plans is the income tax deductibility of the deposit. Many traditional retirement savings plans did not truly need the income tax break when money was put in.

Unfortunately, Roths weren't available then. But they are now, and in many ways Roths are the opposite of Traditional IRAs. *When you put your money in a Roth, three things can happen – and two of them are good.* The good things are that everything coming out is tax free and you do not have to start taking money out at age 70½. In fact you never have to take your money out; you can leave it as a tax free legacy.

2010 IRA Contribution Limits

The 2010 IRA contribution limits are $5,000 for both Traditional and Roth IRAs. If you are age 50 or older, you can contribute an extra $1,000, for a $6,000 total contribution limit. You may be eligible to contribute to both plans, but your combined contribution to both accounts cannot exceed the above limit ($5,000 or $6,000).

How a PUA Rider can help save income taxes

by Ken Thul, CLU, ChFC, v

At the time of this writing it appears the Bush era tax cuts will be extended, which presents an excellent window of opportunity. When you combine our new Nordic Single Premium Life's Paid Up Addition (PUA) Rider with these lower tax rates, not only will you pay less in taxes but you will be able to spread them over a period of up to 5 years.

This rider allows you to make a tax free transfer of one lump sum of money from an annuity or a Qualified Retirement Plan (401k, 403b, 503c, 457, Traditional IRA) to a Sons of Norway Immediate Annuity and we will spread the premium deposits to the new life policy over a period of up to 5 years to reduce the tax burden in any one year.

Here's how it works: You have $100,000 in a Traditional IRA, fully taxable as income when you withdraw it. You want to use this money to pay for a Nordic Single Premium Life policy for the benefit of your heirs. If you withdraw this money in one lump sum, you must add $100,000 to your taxable income in that year. The extra taxes all in one year are too much for most people.

However, if you use our new PUA Rider, we will transfer your IRA to Sons of Norway (a non-taxable event), and then transfer only $20,000 per year for 5 years to the life insurance policy. This allows you to spread the taxes over 5 years instead of all at once. It's simple and easy because we do all the work.

Please contact your Sons of Norway Financial Benefits Counselor to see how this new product can work for you.

Advisor Answers

Sarah Mattson of Kansas City asks:

Q: I have this old 401k at my former employer, how do I transfer it to Sons of Norway?

A: That's easy Sarah, the IRS allows these transfers on a tax free basis, and a Sons of Norway Financial Benefits Counselor can do all the work. We'll help you complete the application and as well as a transfer document. Sometimes your old plan requires the transfer request on their form. That's easy too and we can help you get the form and complete it properly.

Once the transfer has been made Sons of Norway becomes the custodian of your own personal IRA (Traditional or Roth to match your old plan). We guarantee the safety of your invested principal and we guarantee a minimum rate of return. There are no annual fees or administration charges and we'll do all the required IRS reporting, and handle your Required Minimum Distribution (RMD) if you plan requires it and send you account statements regularly.

It's *your* money and we can help put it in *your* plan.

–Leonard Carlson,
Director of Agencies

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