

## WHAT IS AN ANNUITY?

AN ANNUITY IS AN INVESTMENT CONTRACT THAT IS DESIGNED FOR ANY TYPE OF RETIREMENT FUNDS IN WHICH TAX-DEFERRED GROWTH & INCOME ARE DESIRED. IT IS VERY SIMILAR TO A BANK SAVINGS ACCOUNT OR CD EXCEPT THAT IT IS OFFERED BY AN INSURANCE COMPANY. MANY BANKS CURRENTLY OFFER ANNUITIES, THE ANNUITIES THEY OFFER ARE ALL ISSUED THROUGH INSURANCE COMPANIES.

## HOW IS IT DIFFERENT THAN A CD OR MONEY MARKET ACCOUNT ?

INTEREST EARNED ON A CD OR MONEY MARKET ACCOUNT IS SUBJECT TO FEDERAL & STATE INCOME TAXES IN THE YEAR EARNED. INTEREST EARNED IN AN ANNUITY IS TAX-DEFERRED UNTIL IT IS WITHDRAWN.

## SHOULD I BE CONCERNED ABOUT PAYING TAXES ON MY INTEREST INCOME ?

YES. IF YOU PAY INCOME TAXES, THE AMOUNT OF INTEREST THAT YOU ACTUALLY EARN (YOUR NET- YIELD) IS LESS THAN THE ASSUMED INTEREST RATE. FOR EXAMPLE, A 5.00% YIELD IN A CD OR MONEY MARKET FUND WILL NET YOU 3.60% IN A 28% TAX BRACKET.

WITH AN ANNUITY, YOUR EARNING THE FULL INTEREST THE COMPANY IS CREDITING YOU WITH BECAUSE IT'S GROWING WITHOUT ANNUAL TAXATION. FOR EXAMPLE, 8.00% ACCUMULATING TAX-DEFERRED IS EQUIVALENT TO A 11.10% YIELD IN THE 28% TAX BRACKET, A MAJOR ADVANTAGE THAT ANNUITIES HAVE OVER OTHER TYPES OF INVESTMENTS.

## WHAT DIFFERENCE DOES IT MAKE IF MY MONEY GROWS TAX-DEFERRED ?

SINCE YOU DON'T PAY CURRENT INCOME TAXES ON THE INTEREST EARNED UNTIL IT IS WITHDRAWN, ALL OF YOUR INTEREST GROWS & COMPOUNDS AT THE CREDITED RATE. FOR EXAMPLE: ON OUR BONUS ANNUITY, IN JUST 10 YEARS, ASSUMING BOTH HAVE A 5% INTEREST RATE, A \$ 25,000 ANNUITY IS WORTH OVER \$44,975 VERSUS A CD OR MONEY MARKET ACCOUNT AT JUST \$35,607 IF YOU ARE TAXED AT 28%.

## BUT IF I HAVE TO PAY TAXES ON THE INTEREST WHEN I TAKE IT OUT, WHY IS IT DIFFERENT?

EVEN IF YOU TOOK OUT ALL THE ACCUMULATED VALUE AT ONCE, YOUR GAIN WOULD BE GREATER THAN IF YOU PAID TAXES ON AN ANNUAL BASIS. THE REASON FOR THIS IS THAT THE ENTIRE INTEREST BALANCE IS FREE TO COMPOUND TAX-DEFERRED, NOT JUST THE AFTER-TAX PORTION AS IN A CD OR OTHER TYPE OF AFTER-TAX SAVINGS ACCOUNT. ALSO YOU CAN CHOOSE TO PAY THE TAXES IN A YEAR THAT YOUR OTHER INCOME MAY HAVE DECLINED, OR YOU CAN SPREAD THE TAXES DUE OVER A NUMBER OF YEARS.

## WHY ARE ANNUITIES ABLE TO GENERATE SUCH FAVORABLE RETURNS ?

AN ANNUITY GROWING TAX-DEFERRED IS BEST ILLUSTRATED BY WHAT IS KNOWN AS TRIPLE COMPOUNDING:  
INTEREST ON PRINCIPAL + INTEREST ON INTEREST + INTEREST ON TAX SAVINGS

## WHAT IS THE DIFFERENCE BETWEEN A QUALIFIED ANNUITY & A NON-QUALIFIED ANNUITY ?

A QUALIFIED PLAN IS USED TO FUND PLANS SUCH AS IRA'S & 401 K'S IN WHICH BEFORE-TAX DOLLARS ARE SET ASIDE TO REDUCE TAXES IN THE YEAR EARNED. FUNDS PUT INTO AN IRA OR 401 K PLAN REDUCE YOUR ADJUSTED GROSS INCOME IN THE YEAR YOU START OR ADD TO SUCH A PLAN. YOU CAN WITHDRAW FUNDS ANY TIME AFTER AGE 59 1/2 AND YOU MUST BEGIN WITHDRAWALS WHEN YOU REACH AGE 70 1/2 OR THE GOVERNMENT IMPOSES AN EXCISE TAX OF 50% IF YOU DO NOT TAKE THE MINIMUM DISTRIBUTION.

A NON-QUALIFIED ANNUITY IS USED WHEN AFTER-TAX DOLLARS ARE USED TO FUND AN ANNUITY. YOU CAN PUT ANY AMOUNT INTO A NON-QUALIFIED ANNUITY. THERE ARE NO GOVERNMENT RESTRICTIONS OTHER THAN THE AGE 59 1/2 RULE. YOU ONLY PAY TAXES ON THE INTEREST PORTION IN THE YEAR WITHDRAWN, AS TAXES HAVE ALREADY BEEN PAID ON THE AMOUNT INVESTED IN THE NON-QUALIFIED ANNUITY. IT WILL GROW & COMPOUND TAX-DEFERRED.

<OVER>

## WHAT TYPE OF FUNDS CAN I PUT INTO AN ANNUITY ?

ANY TYPE OF FUNDS CAN BE TRANSFERRED INTO AN ANNUITY, INCLUDING SAVINGS ACCOUNTS, CD'S, MONEY MARKET FUNDS, STOCKS, BONDS, MUTUAL FUNDS, CASH VALUE OF LIFE INSURANCE POLICIES AND EVEN EXISTING ANNUITIES.

## IF I HAVE NON-QUALIFIED FUNDS, WOULD IT BE TO MY ADVANTAGE TO START A NON-QUALIFIED ANNUITY ?

YES. NOT ONLY DO YOU HAVE THE GUARANTEE & LARGE BONUS OFFERED BY THE INSURANCE COMPANY, YOU HAVE TAX-DEFERRED GROWTH, PROBATE AVOIDANCE, NO SALES CHARGES OR FEES OF ANY TYPE, AND FREE FROM ANY TYPE OF MARKET RISK. IN ADDITION, YOU CAN DO A 1035 TAX-FREE EXCHANGE ON ANY EXISTING LIFE INSURANCE OR ANNUITY CONTRACT.

## IF I ALREADY HAVE A QUALIFIED IRA OR 401 K PLAN, WHY WOULD I WANT TO CHANGE TO A QUALIFIED ANNUITY ?

BECAUSE OF THE GUARANTEE AND LARGE BONUS OFFERED BY THE INSURANCE COMPANY, AND IN MANY CASES, TO REGAIN LOSSES INCURRED IN VARIOUS STOCKS AND MUTUAL FUND ACCOUNTS. ALSO, YOU CAN DO A TAX-FREE EXCHANGE ON ANY QUALIFIED PLAN NO MATTER WHAT TYPE OF PLAN IT IS (NO CAPITAL GAINS TAXES ARE PAYABLE TO TRANSFER QUALIFIED ACCOUNTS TO A QUALIFIED ANNUITY.)

## WHAT TYPE OF GUARANTEES DO I HAVE THAT MY FUNDS ARE SAFE ?

A RATED INSURANCE COMPANIES PROVIDE ANNUITIES THAT GIVE 100% GUARANTEE OF PRINCIPAL. STATE INSURANCE LAWS REQUIRE INSURANCE COMPANIES TO MAINTAIN RESERVES OF AT LEAST 100% OF THE AMOUNT ACCUMULATED IN YOUR ANNUITY. THERE IS NO MARKET RISK AND YOU HAVE THE PEACE OF MIND KNOWING YOUR MONEY IS SAFE AND GUARANTEED TO GROW FOR YOU WITHOUT ANY TYPE OF MARKET RISK.

## ADVANTAGES OF ANNUITIES

- 1. TAX-DEFERRED GROWTH - THERE ARE NO TAXES PAYABLE WHILE YOUR ANNUITY GROWS & COMPOUNDS, TAX-DEFERRED.
- 2. NO SALES CHARGE OR FEES - 100% OF YOUR MONEY IS EARNING INTEREST.
- 3. NO MARKET RISK - PEACE OF MIND KNOWING YOUR MONEY IS SAFE FROM MARKET FLUCTUATIONS.
- 4. SAFETY OF PRINCIPAL - 100% GUARANTEE OF FUNDS WITH MINIMUM INTEREST GUARANTEES.
- 5. COMPETITIVE INTEREST RATES - INTEREST RATES HAVE ALWAYS BEEN COMPETITIVE WITH OTHER FUNDS, COMPARE RATE HISTORIES.
- 6. ANNUITIES AVOID PROBATE - PROCEEDS OF ANNUITIES ARE PAYABLE DIRECTLY TO THE NAMED BENEFICIARY AND AVOID PROBATE, COURT & ATTORNEY FEES.
- 7. STATEMENTS - THE COMPANY SENDS YOU A QUARTERLY OR ANNUAL STATEMENT SO YOU ALWAYS KNOW THE VALUE OF YOUR ANNUITY.

FOR FURTHER INFORMATION CONTACT :

**ALLIO**  
**INSURANCE**  
**SERVICES**

*Specializing in Life, Health, Senior Care & Annuity Products*

15577 Coleman Road • Meadville, PA 16335  
1-814-337-5277 • Toll Free 1-800-274-8416

Chris Allio  
AGENT

# \* ANNUITIES VERSUS CD'S \*

## FEATURES

**TAX ADVANTAGE**  
INTEREST EARNED IN A CD IS FULLY TAXABLE

**NO SALES CHARGE**  
**OR ANNUAL FEES**

**NO MARKET RISK**

**SAFETY OF PRINCIPAL**  
CD'S ARE LIMITED TO \$100,000  
FDIC INSURANCE

**HIGH COMPETITIVE**  
**RATE OF INTEREST**

**DISTRIBUTION OF ANNUITY**  
**FUNDS UPON DEATH**  
CD'S MUST GO THROUGH PROBATE

**PENALTY-FREE WITHDRAWALS**  
CD'S DO NOT ALLOW THIS

**QUARTERLY OR ANNUAL STATEMENTS**

**ANNUITIES CANNOT BE SEIZED BY**  
**CREDITORS. A CD CAN BE SEIZED.**

## BENEFITS

**NO CURRENT CITY, STATE, FEDERAL OR**  
**SOCIAL SECURITY TAXES PAYABLE WHILE**  
**YOUR ANNUITY GROWS TAX-DEFERRED.**

**100% OF YOUR MONEY IS EARNING INTEREST.**

**PEACE OF MIND KNOWING YOUR MONEY IS**  
**SAFE FROM MARKET FLUCTUATIONS.**

**A RATED INSURANCE COMPANY INVESTMENTS**  
**ARE DESIGNED TO ACHIEVE LONG TERM**  
**CONSISTANT RESULTS -**  
**TO PROVIDE GUARANTEES.**

**STATE INSURANCE LAWS REQUIRE INSURANCE**  
**COMPANIES TO MAINTAIN RESERVES OF AT**  
**LEAST 100% OF THE AMOUNT ACCUMULATED**  
**IN YOUR ANNUITY.**

**STATE FUND GUARANTEES ANNUITIES.**

**INTEREST RATES HAVE ALWAYS BEEN**  
**COMPETITIVE WITH OTHER ACCOUNTS.**  
**COMPARE RATE HISTORIES.**

**PROCEEDS OF ANNUITIES ARE PAYABLE**  
**DIRECTLY TO THE NAMED BENEFICIARY(S)**  
**AVOIDING PROBATE, COURT & ATTORNEY**  
**FEES THIS CAN SAVE FROM 5 TO 10% IN**  
**ESTATE SETTLEMENT COSTS AND AVOID TIME**  
**DELAYS AND PUBLICITY.**

**10% YEARLY, OR CUMULATIVE PENALTY- FREE**  
**WITHDRAWALS AVAILABLE SO YOU ALWAYS**  
**HAVE ACCESS TO YOUR FUNDS.**

**THE INSURANCE COMPANY SENDS A**  
**QUARTERLY OR ANNUAL STATEMENT.**

**ANNUITIES CAN PROTECT YOU FROM THE**  
**CLAIMS OF CREDITORS.**

# INVESTMENT RISK LEVELS

<b>LEVEL 4 SPECULATION</b>	<b>OPTIONS, COMMODITIES INDEX FUTURES, PRECIOUS METALS, SPECULATIVE STOCKS, JUNK BONDS, LIMITED PARTNERSHIPS</b>	<b>HIGH RISK</b>
<b>LEVEL 3 GROWTH</b>	<b>BLUE CHIP GROWTH STOCKS, MUTUAL FUNDS, RENTAL PROPERTY CONVERTIBLE BONDS, TAX SHELTERS</b>	
<b>LEVEL 2 INCOME</b>	<b>TREASURY SECURITIES, ZERO COUPON BONDS, GOVERNMENT AND MUNICIPAL BONDS, UTILITIES, PRIMARY RESIDENCE</b>	
<b>LEVEL 1 SAFETY OF PRINCIPAL AND INCOME</b>	<b>CASH, CD'S, SAVINGS ACCOUNTS MONEY MARKET FUNDS, ANNUITIES, INSURANCE DEPOSITS</b>	

**FINANCIAL PLANNER'S WILL ADVISE TO  
GO BY AGE IN DETERMIING RISK**

*EXAMPLE:*

**AT AGE 65, A MINIMUM OF 65% OF INVESTMENTS  
SHOULD BE IN LEVEL 1,**

**AT AGE 70, A MINIMUM OF 70% OF INVESTMENTS  
SHOULD BE IN LEVEL 1,  
SAFETY OF PRINCIPAL AND INCOME**

**ANNUITIES ARE LEVEL 1, SAFETY OF PRINCIPAL & INCOME**

## **THE SAFETY OF FIXED ANNUITIES**

**ANNUITY PLANS PROVIDE 100% GUARANTEE OF PRINCIPAL, BACKED BY THE FINANCIAL STRENGTH AND ASSETS OF THE COMPANIES THAT UNDERWRITE THEM. ALSO, ANNUITIES HAVE A FIXED MINIMUM INTEREST RATE, USUALLY 2% WHICH IS GUARANTEED FOR THE LIFE OF THE CONTRACT.**

**THIS REPRESENTS A MAJOR ADVANTAGE OVER:**

**STOCKS**

**BONDS**

**MUTUAL FUNDS**

**WHICH PROVIDE NO SUCH GUARANTEE !**

**NOTE: ALMOST ALL PENSION AND RETIREMENT PLANS AND STATE LOTTERIES ARE FUNDED BY *GUARANTEED FIXED ANNUITIES!!!!***