Tim Vendt
Financial Security

"Securing Your Future"

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This concept is called a "Split Annuity". It combines a "Fixed Annuity" with an "Immediate Annuity". The "Fixed Annuity" is used to re-grow the asset. The Immediate Annuity is used to provide an income stream.

The concept of a "Split Annuity" is probably best explained with a hypothetical example. So here goes!

Mr. Doe needs to supplement his retirement income but wants to know his money is safe. For several years he has been using the interest off of his $100,000 Certificate of Deposit (CD). The problem is when rates on CD's drop so does his income. And if that is not bad enough, the taxes he has to pay on the minimal interest is like adding insult to injury. Mr. Doe found his solution in a "Split Annuity". Let's take a look at the numbers:

Of Mr. Doe's $100,000 he put $59,100.87 into a "Fixed Annuity" that is guaranteed to pay 5.4% for the next 10 years. Therefore at the end of 10 years the "Fixed Annuity" will have a value of $100,000. Mr. Doe put the other $40,899.13 into an "Immediate Annuity" with a payout structured to last 10 years. On the "Immediate Annuity" he is getting a 4.85% interest rate. That gives him a 10-year monthly income of $428.73 per month.

<u>Original $100,000</u>

Fixed Annuity	Immediate Annuity
$59,100.87	$40,899.13
@ 5.4% / year	@ 4.85% / year
$100,000 in 10 yrs	$428.73 / mo for 10 yrs
	$5,144.76 /yr for 10 yrs
	Total = $51,447.60

Mr. Doe now has more income because he is getting a better rate of return that will continue guaranteed! And because he used non-qualified funds, most of the money being paid to him is not being taxed because he has already paid taxes on it. He only has to pay taxes on the interest portion. And the benefits don't stop there! The funds in the "Fixed Annuity" grow tax deferred, so Mr. Doe isn't paying taxes on the growth. If, for some reason, Mr. Doe should need some money out of the "Fixed Annuity" he can get it through penalty free withdrawals. For that matter if he should need the money to pay for a nursing home stay with some "Fixed Annuities" he can liquidate the whole account without incurring a surrender charge. Of course if he takes money out of the "Fixed Annuity" it cannot re-grow the $100,000. Also if Mr. Doe should die at any point during the 10 years the money in both the "Fixed" and the "Immediate" annuities will bypass probate and go to his loved ones (the beneficiaries). The "Fixed Annuity" can pay the beneficiaries a lump sum, however the immediate Annuity" must follow the same payout schedule as when Mr. Doe was alive

Another possible use for a "Split Annuity" is an efficient way to fund a Long-Term Care insurance plan.

If you would like to see what a "Split Annuity" could do for you, and you live in Missouri or Arkansas, fill out the "I Want Information" form, call, or email me.

Please note: Annuities have certain tax implications. Tim Vendt Financial Security does not give tax advice and strongly encourages you to consult with your tax advisor about your individual situation.