Safe Retirement Planning

Dillard Financial Solutions Inc.

"Guiding Your Money To Safety"

THIRD QUARTER 2014 NEWSLETTER

Overcoming Lifestyle Changes

STEVE DILLARD

This year has been extremely busy for our team. We have visited 26 states and given over 120 group presentations in the last six months. We are happy to announce that we are now licensed to do business in all 50 states, and I think it's safe to say that WE ARE GROWING! Dillard Financial Solutions, Inc. is listed as a Verified Vendor on the United States Federal Registry to provide educational financial workshops for federal employees throughout the country, and we have enlisted 14 new representatives to help us out with our federal programs.

During our visits, we have gotten the same question over and over: ***How much money will I need at retirement, and how long will my money last?*** I have met with thousands of people this year and all of them have questioned their ability to survive on just 2.5% of their 401(k) at retirement. This comes as a shock to most people, but a recent study at Investopedia.com has shown that in order to make your 401(k) last you the rest of your life, you would only be able to draw about 2.5% of it as income each year. On a $400,000 retirement, that is only $10,000 per year. Pat Robertson of *The 700 Club* reported recently that the problems in the Middle East and the downturn of the European Market will eventually have a long-term impact on the US markets.

Americans are living longer and it is important that you understand how to maximize your retirement income. Dr. Laurence Kotlikoff has spoken at length about Social Security Maximization and has produced a report identifying a significant amount of Social Security income to which most people will never have access. If you are interested in this report, contact us and we will provide it at no cost or obligation to you.

The insurance companies that provide Fixed Indexed Annuities feature Income Riders that provide you income for life.* These riders pay out 4 to 5.5% per year with a guaranteed* benefit for your spouse. This can help you in your later years when the need for continued income is greater. Only insurance companies can guarantee this income* and you can rest easy knowing that your retirement dollars are never at risk of the stock market.

These are just a few of the areas in which we are helping our clients and we are here to help you. If you have any questions or concerns about living longer and making your money last, please call us toll free at 1.800.692.7643 or email us at dillardfs@aol.com for a complimentary retirement benefits review. Our staff is here to help. Don't wait until it's too late. The time to plan for your retirement is NOW. We look forward to seeing you soon!

God Bless,
Steve Dillard, ChFEBC℠

Steve and Teresa Dillard
Chartered Federal Employee Benefit Consultants℠

We are a **Verified Vendor** on the United States Federal Contractor Registry
DUNS: 078747605

**Returns are guaranteed by the reserves of the insurance companies.*

What You Don't Know About Social Security Could Cost You Thousands of Dollars Throughout Your Retirement

Maximizing Your Social Security Income for a Better Retirement Lifestyle

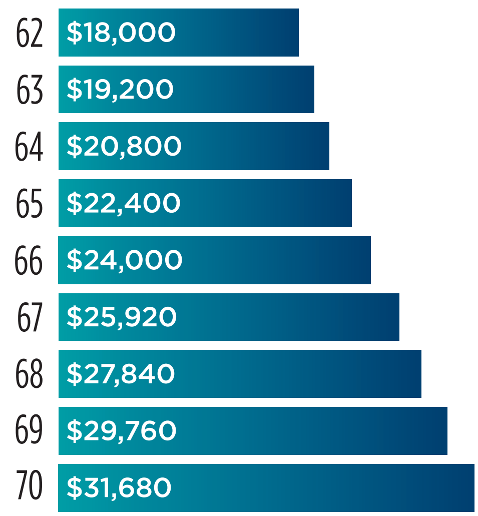
We're all aware of Social Security, but there are many aspects of the Social Security System that you may be unaware of — and it could cost you thousands each year during retirement. There are over 2,700 rules and more than 500 ways to claim your benefits. If you're nearing retirement age, you'll want to pay close attention to this article.

Social Security was created in 1935 by the Social Security Act as a financial safety net for older Americans. Before that, support for the elderly wasn't a federal concern — it mostly fell to states, towns and of course, families. The program is based on contributions that workers make into the system. While you're employed, you pay into Social Security and then you receive benefits later on when it's your turn to retire. Contributions take the form of the Federal Insurance Contributions Act (FICA) taxes that are withheld from most paychecks.

When Should You Apply for Benefits?

Despite the fact that Social Security has been around for almost 70 years, most people have no idea when they should apply. Timing your application correctly is critical and you should consult with a financial professional before making an irreversible decision that will significantly impact your financial future as well as that of the loved ones you leave behind.

The graph to the right illustrates how waiting just a few years can significantly increase your yearly Social Security earnings. If you don't need to take the money as soon as you hit eligibility at age 62 and can delay it until 66 or even 70, you stand to earn a great deal more each year.



(Source: Merrill Lynch Investment Management & Guidance, February 2013)

Spousal Benefits

As a spouse, you may collect Social Security benefits from your own work record, but you may also qualify for a Spousal Benefit that could qualify you for up to 50% (if you file at full retirement age) of your spouse's benefit. It should be noted, however, that if you qualify for both benefits, you will only receive the higher of the two.

- You must be at least age 62 to qualify for benefits (but your benefit will be reduced).
- Your spouse must file for benefits. Unless you are divorced, you are unable to collect spousal benefits until your spouse has filed for their own benefits.
- The maximum benefit is 50%.
- Claiming before full retirement age, permanently reduces the benefit.

A unique option is to claim your spousal benefit while delaying claiming your own benefit. This allows you to receive a higher benefit later based on delayed retirement credits.

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Our Annual *Christmas Social* is Just Around the Corner!
Keep an eye on your inbox! We will be sending out more information, including a Save the Date & invitations soon!

RETIREMENT INCOME PLANNING WITH ANNUITIES

Your Relationship with Your Finances

MANAGE. DEFINE. UNDERSTAND.

YOUR RELATIONSHIP WITH YOUR FINANCES

Typically, there are three major changes in the relationship with your finances that occur upon retirement:

- Managing your lifestyle change
- Defining your attitude about investment risk
- Understanding how your savings will be affected

Managing Your Lifestyle Change

"Plans are nothing; planning is everything." – Dwight D. Eisenhower

You may have a vision of what you think your retirement will be like: spending more time with family, traveling or enjoying a favorite pastime. Maybe you even created a financial plan with these visions in mind. You never really know what life has in store for you. The plans you made need to be living and adaptable to ensure they accommodate the reality of your retirement.

There is no better time than the present to review your retirement plans. It is crucial that your assets are structured to grow and generate needed income but also remain flexible enough to address the unexpected.

Defining Your Attitude About Investment Risk

When you were in your 30s and 40s, it was easy to have a cavalier attitude about what the stock market was doing. You had two things on your side: Time and Steady Income from Employment. You had time for the market to recover and you could ride out the ups and downs. It is possible as you near retirement, you no longer have the luxury of time. It is not feasible for you to wait for the economy to bounce back or the stock market to right itself. If you experience a market loss of 20%, you might have to learn to live on 20% less income for the foreseeable future.

Additionally, if your account were to lose 20%, a corresponding 20% recovery would not get you back to "whole." In order to recoup the loss, you would actually need a 25% gain.

For example, if you had $100,000 and lost 20%, your new balance would be $80,000. If the account grew in the following year by 20%, the account balance would only be $96,000.

In years past, you probably had a regular income stream. If the need arose, you could set an additional amount aside to help get your savings back on track. While working full time and earning an income, you may have had quite a different attitude about your money. Your biggest income producing asset was yourself! Once that asset stops producing income, your other assets are too important to leave to chance.

There are some pretty amazing things that happen around the time of retirement. For many, it is a time of incredible change, perhaps the most dramatic change in your adult life. Unlike marriage or the birth of your children, you might not be surrounded by family and friends ready to chip in and help when it comes to retirement day.

For some, retirement might seem like you are sailing off into the sunset or beginning a permanent vacation.

To you, it might be one of the scariest things you have ever done. If you have experienced some level of financial success, it's because you watched your budget and made sure you set aside a little bit every month or every year — preparing for this day.

Now you have stepped away from the career that supported you and your family. Perhaps you have successfully put your children through college and paid off your mortgage. A traditional view of retirement would also have you flip a switch that will change you from a "saver" to a "spender." That paycheck you have been receiving for the last 40 years is now gone and it's time to turn your carefully managed retirement plan into a lifetime income.

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Understanding How Your Savings Will Be Affected

Managing Income: Structured or Self-Managed

For much of your adult life, you may have become accustomed to getting a paycheck twice a month and paying your bills once a month. This constant and structured flow of money in and money out is something that might be second nature to you.

During retirement your employment paychecks stop and perhaps your Social Security benefits begin. Any additional income you require will need to be created by you. You can either create a new stream of structured income or try to manage the existing income on your own. Creating regular income from a lump sum of money can be more complicated than it appears.

Every year, your account undergoes changes. The market has gone up or gone down — or some amount of interest has been credited. For some accounts, fees will be taken out to cover expenses and riders. As you examine your statement, you need to decide how much to withdraw to maintain your standard of living for the upcoming year, factoring in taxes and the effects of inflation.

Improvised income can be quite dangerous in retirement. Whether the market is up or down, you will still need income every year. In a down market, these systematic withdrawals will exhaust your savings more quickly.

Typically people feel more secure knowing structured income can create regular income for the rest of their lives.

Growth

Indexed annuities are like other annuities, but instead of growing by an interest rate that is declared by an insurance company, they are linked to the performance of a market index. As opposed to a variable annuity that can go up or down in value and doesn't protect your principal, an indexed annuity has built-in safeguards that ensure your principal, as well as past gains, remain protected.

It is important to note that indexed annuities rarely, if ever, include any fees that would be deducted from your account. On the other hand, variable annuities typically have fees that are assessed even if your account value goes down.

For instance, a variable annuity often contains a variety of charges and fees. These fees can increase if you add optional riders to your policy. The basic fees associated with variable annuities are mortality and expense risk charges and administrative fees which average around 1.4%. Also, the underlying sub-accounts carry their own fees which average around 1%. If you add an income rider or death benefit rider, these fees can easily exceed 4% per year. In order to break even from these charges, the sub-accounts would need to grow by 4% each and every year.

Structured Lifetime Income

Financial tools are designed to do specific things. For example, life insurance pays a lump sum amount to beneficiaries. Checking accounts are used to pay bills and manage short-term cash. Health insurance helps pay medical bills.

Income annuities are specifically designed to create income — either today or at some point in the future. When you place a lump sum into an income annuity, the plan is custom designed to address a primary retirement need: ongoing income. If income is not needed right away, these products contain a provision commonly referred to as a "roll up."

SOLUTIONS

How do you address these realities and create a lifetime income for retirement? The good news is you are not the only person to wrestle with these challenges, and there is a solution. What you need is a safe harbor for your retirement assets. A vehicle that can:

- Outpace inflation and give you the growth you need
- Provide protection against market risk
- Create an income stream that is self-managing and perpetual

Financial service companies have created products that specifically address these needs and have proven to be a fit for retirees. These products are called fixed indexed income annuities, and they offer benefits such as:

- Growth
- Structured Income
- Lifetime Income

If you had **$100,000** and lost **20%**, your new balance would be **$80,000**. If the account grew in the following year by **20%**, the account balance would be **$96,000**.

sec.gov/investor/pubs/sec-guide-to-variable-annuities.pdf

The Advantage Group Research

In 2003, The Advantage Group, a nationally-recognized annuity research group, published a study demonstrating how a fixed indexed annuity would have performed during the very turbulent five-year period from September 30, 1998 to September 30, 2003. The study examined the performance of the mere (14) fixed indexed annuities that were available in 1998 and averaged their credited interest of that time frame.

Over the five-year period, fixed indexed annuities that reset annually averaged 35.67 % in interest. This resulted in a return of more than 7 % per year during a period of time when many retirees lost large sums of money.

Fixed indexed income annuities offer benefits such as **GROWTH, STRUCTURED INCOME & LIFETIME INCOME.**

Taking Control of Your Retirement Savings

Even though the number of workers retiring with a traditional pension is at an all-time low, the need for guaranteed income in retirement continues to be extremely important.

There are several scenarios where qualified plans such as 401(k)'s, 403(b)'s and IRAs can be transferred into an annuity. Many annuities can offer the income dependability of a traditional pension, but with greater flexibility and enhanced retirement features. Establishing a guaranteed income stream through the purchase of an individual annuity creates a level of financial security many retirees find comforting. Additionally, you may be able to reduce the amount of fees and charges inside your savings plan by transferring your retirement savings from a company-sponsored plan to an individual annuity you choose. Understanding the transition from your working years to your retirement years is an important step. If creating financial stability and a dependable income is one of your retirement goals, purchasing a properly structured annuity is an important solution to consider.

The Income Annuity "Roll Up"

Depending on your future income needs, an income vehicle can be structured and set in place to create that income for you.

If you need income in the near future, it is possible to set aside that money today and take advantage of an income annuity that includes a "roll-up" value. If you use a "roll-up" type of income annuity, each year the value available for a lifetime income increases by a set amount. This increase will continue until you begin taking income, regardless of market performance. This guarantee* provides excellent financial peace of mind that your investments are growing, even with an uncertain economy or volatility in the stock market.

These products don't just generate income for a few years, rather, they create an income stream that is contractually guaranteed* to last the rest of your life. These contracts can be set up for individuals or spouses who need stable income and potential growth.

For all these reasons, a fixed-indexed income annuity has become one of the most popular options for retirees looking to protect their assets and prepare for a successful retirement. It may be a great fit for you!

Let's take a look at some of the concepts and terminology you may encounter as you research fixed indexed income annuities that fit your situation.

These products don't just generate income for a few years, rather, they **create an income stream** that is contractually **guaranteed* to last the rest of your life.**

How Does a Fixed Indexed Annuity with an Income Rider Work?

Stan Smith is **63 years old**. He has **$100,000 to invest** in a product that will provide him income in 10 years. By placing the money in an annuity contract with a **7% income rider**, Stan is guaranteed* to have **$196,715** in his income account at **age 73**, as long as he doesn't take any distributions during those 10 years. At age 73, Stan would be **guaranteed* $11,803 annually** for as long as he lives, assuming a **6% payout factor.**

Indexing

An indexed annuity is an insurance contract linked to a common market index, such as the S&P 500. If the index experiences a gain, you are entitled to share in the earnings. If the index experiences as loss, your account is protected against that loss with a modest baseline rate. Indexed annuities are fixed annuities that provide an opportunity to potentially earn more interest than other safe money alternatives. The indexed annuity returns vary based on a participation in a market index, and unlike variable annuities, you are insulated against market losses. Growth potential for indexed annuities can be strong, and they have returned over 15% in the past. Incorporating indexed annuities into your overall retirement plan can afford you the following benefits:

- **Safety and guarantee of principal**
- **Minimum guarantees***
- **Tax deferral**
- **Penalty-free withdrawal and liquidity options**
- **Guaranteed lifetime income***
- **Stock market index-participation growth**
- **Probate avoidance**
- **Ability to select and customize enhanced features such as:**
    - **Guaranteed* growth rates**
    - **Lifetime income (based on either single or joint life)**
    - **Death benefit**
    - **Health care expense program**

Annual Reset

Most fixed-indexed annuities utilize a concept known as annual reset. This strategy allows interest earned to be "locked in" annually, and the index value is "reset" at the end of each year. This means that future decreases in the stock market will not affect the interest already earned. Annual reset can potentially offer a higher credited interest than other methods should the stock market fluctuate. It also increases policyholder value and allows an index credit to be added to the index account on each anniversary. The anniversary date is the actual day the annuity was purchased. Once added, the credit is "locked in" and can never be taken away, even if the index performs negatively in the future. The index credit of your initial premium now becomes the guaranteed index account "floor," which participates in all index crediting moving forward. This new amount will participate in future index growth, giving you the advantage of compounding. Additionally, the index starting point is reset each year on the anniversary of your policy.

This strategy is extremely beneficial when the index experiences a severe downturn or loss during the year. The account will not participate in any losses during the contract year and will still be credited from that point forward.

This is an ideal product solution if you are looking for the potential of market index participation returns without any risk of loss. Your indexed annuity contract with the annual reset feature does not have to make up previous losses in order for the annuity to earn additional interest. Each contract year, the index's ending value becomes next year's starting value.

Income Rider

A lifetime income benefit rider allows you to take lifetime income from your indexed annuity without losing control of your retirement assets. Income riders are designed to provide safety of investment, predictability, guarantees*, lifetime income and financial clarity to people who are worried about running out of money during retirement.

At the time of annuity purchase, insurance companies will offer you the option to add an income rider to the policy. This is possible because the lifetime income is in the form of regular withdrawals from your annuity rather than annuitized payments. Most income riders will guarantee* a set amount of growth each year for the life of the contract which is determined by multiplying your income account value by a guaranteed* income percentage. The guaranteed* income percentage is based upon your age at the time you elect payments.

You also have the ability to stop and restart the guaranteed* income benefit at your sole discretion. An important feature of the income account is the visibility of the account balance. This is important because the value of the guaranteed* lifetime income stream can be monitored.

Summary

As you begin retirement, you will experience three major shifts regarding how you relate to your finances.

Fixed indexed income annuities:

- **Can provide an additional income buffer by offering guaranteed* growth and lifetime income.**
- **Are insulated from market risk and periodically lock in gains, ensuring you continue moving forward**
- **Can create an income you can't outlive**

Regardless of how you get to retirement or what your goals are, one thing is clear; it can be disastrous if you manage your finances in retirement the same way you managed your money during your working years. Also, retirement strategies are much different today than they were in the past. The economy is completely different. People are living longer, and the tools available to you are more advanced.

Today, you can manage your lifestyle, avoid market volatility and create a lifetime income by doing a little planning and research. Fixed indexed income annuities can address each of the changes that retirement brings and can help you financially survive, even thrive, during your retirement and enjoy the next state of your life even more!

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Source: RetirementJourney.com

JACK MARION, one of the country's premier experts on indexed annuities states:

"An index annuity is a fixed annuity offered by an insurance company and provides Americans with zero risk to their principal. There is no catch to this; if the market drops by 10, 20 or even 30%, the worst you could receive that year is zero.

The index annuity earns a minimum rate of interest and offers the potential for excess interest based on the performance of an index. Fixed index annuities pay a minimum rate and the potential for more interest, depending on the performance of an independent equity or bond index."

(Continued from Page 2)

If you are a widow or widower, there are special considerations for the amount of your benefit. For instance, you are eligible to receive your benefit between the ages of 60 and full retirement age and your benefit is only reduced by a fraction of a percent for each month before full retirement age.

If you are divorced, but your marriage lasted at least 10 years, you may elect to receive half of your former spouse's benefit while delaying your own benefit, which will afford you a greater benefit later. It should be noted that this applies even if your former spouse remarries, however you are not eligible for their benefits while you are remarried (if your later marriage ends in death, divorce or annulment, you may be eligible for your former spouse's benefit again).

FULL RETIREMENT AGE

YEAR OF BIRTH	FULL RETIREMENT AGE
1937 and Earlier	65
1938	65 and 2 Months
1939	65 and 4 Months
1940	65 and 6 Months
1941	65 and 8 Months
1942	65 and 10 Months
1943-1954	66
1955	66 and 2 Months
1956	66 and 4 Months
1957	66 and 6 Months
1958	66 and 8 Months
1959	66 and 10 Months
1960 and Later	67

Social Security and Taxes

Many individuals pay taxes on as much as 85% of their Social Security benefits. This occurs if you have too much **provisional income** that must be reported on your tax return. Provisional income is your adjusted gross income which includes: wages, pensions, dividends and interest. In addition to these amounts, tax-exempt interest income **and 50% of your Social Security benefits are included.**

FILING STATUS	PROVISIONAL INCOME	PERCENTAGE OF SOCIAL SECURITY THAT IS TAXABLE
Single, head of household, qualifying widower, and married, filing separately (where the spouses lived apart the entire year)	Below $25,000	All Social Security Income is tax-free.
	$25,000 – $34,000	Up to 50% may be taxable.
	More than $34,000	Up to 85% may be taxable.
Married couple filing jointly	Below $32,000	All Social Security Income is tax-free.
	$32,000 – $44,000	Up to 50% may be taxable.
	More than $44,000	Up to 85% may be taxable.

You may lower the amount of taxes you pay on Social Security by reducing your overall taxable income. Proper retirement planning can reduce the amount of money that counts towards your threshold income which can lower or eliminate the amount of taxes you will pay on your Social Security benefits.

To learn more about Social Security Maximization and the ways in which we can help you better understand your benefits, call us at 800.692.7643 for a complimentary Social Security Benefits Analysis.

California Dreamin'

We would like to extend a very special thanks to Mary Burkhard for inviting us to be with her friends at **NAPS BRANCH 323** in California this summer. Calvin and I had a great time visiting with them and we are really looking forward to working with the California NAPS group in the near future!

Jim Isom and Steve Dillard

Sylvia Acevedo Dominguez and Mary DiGioia with Calvin Bagley

Meet Our Home Office Team of Professionals


Steve Dillard
ChFEBC℠


Teresa Dillard
ChFEBC℠


Brent Dillard
ChFEBC℠


John Lohr
National Marketing Director, NASCOE


John Foran
IT Consultant


Jessie Voisin
Licensing


Patty Patterson
Law Enforcement Consultant


Leslie Barch
Administration

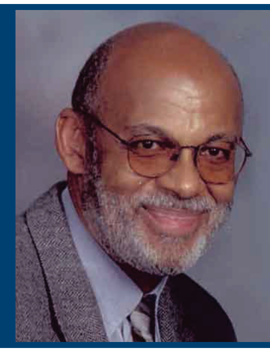

Matthew Morse
Marketing Coordinator

We have a team of agents nationwide to assist you with all of your Safe Retirement needs. Call us toll-free at 1.800.692.7643 to set up a complimentary retirement benefits consultation with the agent closest to you!

WHAT OUR CLIENTS ARE SAYING ABOUT US!

I first met Steve & Teresa at a postal event in Myrtle Beach, South Carolina 6 years ago. Since then, they have helped me set up my TSP and retirement benefits. Since then, I have retired from the Postal Service. My wife and I love to travel and we have had a very enjoyable retirement lifestyle utilizing the tools and strategies Steve and Teresa have helped us put in place. Everything Steve and Teresa set up for us has done exactly what they said it would do. These are good people and they have good, Christian values."

Leon Amos
Charleston, South Carolina



"I have really appreciated all of the information provided by Dillard Financial Solutions, Inc. They have taken time in thoroughly explaining everything to me and have provided valuable information regarding my retirement benefits during my FSA retirement process.

I have received bits and pieces of training over the years, but I've never been able to sit with someone and have them answer all of my questions pertaining to my personal benefits."

Dillard Financial Solutions, Inc. was such a joy to work with!

Marjorie Shore
Hays, Kansas

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