

**GUARANTEED
10-14%
Total Return***

The
IRA Total Return PlanTM

*Annuity guarantees rely on the financial strength and claims-paying ability of the issuing insurer.



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Guaranteed 10 – 14% Total Return* for Retirement Funds? Is It Possible?

Introduction

I work with a lot of people—primarily people who are retired or are planning to retire in the next few years. The greatest financial challenges they are concerned about are:

- Keeping their principal secure
- Having the cash flow to maintain their current lifestyles
- Generating growth

Many have learned through sad experience that the old rules don't apply. The tactics they used when they started accumulating their nest eggs are relics of the past. Low interest rates, low bond rates, and the volatility of the stock market have turned their retirement financial plans upside-down.

The result has been that a lot of people have been making decisions that are eroding their funds. As time goes on, they are truly becoming concerned that their money will not last as long as it needs to.

This report has two purposes:

1. It will explain **mistakes** that many people make while trying to plan their retirement, and how **the IRS could end up with up to 80% of your money** if you make those mistakes.
2. It will introduce the IRA Total Return Plan™—an exclusive strategy that I developed that **can guarantee* security of principal, guaranteed* cash flow, and up to 10 to 14% tax-equivalent yield** for you and your heirs.

***Please note:** Whenever you see an asterisk (*) in this report, it is there to remind you that life insurance and annuity guarantees rely on the financial strength and claims-paying ability of the issuing insurers, and that specific features such as increasing income require the purchase of riders, and require additional premium.

For the IRA Total Return Plan, we use a strategy combining life insurance and annuity products to make it possible to achieve 10 – 14% total return during retirement and for your heirs after your death.

Types of Money (according to the IRS)

Uncle Sam breaks your retirement money down into two categories:

Nonqualified—Financial products or investments you purchase with money after it has been taxed.

Qualified—Money that is put into investment accounts before taxes are taken from them. These accounts are also called “tax-deferred,” meaning that taxes will eventually be paid on them, but not until money is taken from the accounts. These accounts are usually established by employers/self-employed people who can allocate the funds before taxes are paid.

When you reach age 70½, you are required by law to start taking money out of qualified accounts and paying the taxes on them as you withdraw. That money is called a “required minimum distribution” (RMD). The amount of the RMD changes each year—it’s a percentage dependent upon your age, and of course reflects the amount in your account.

(Roth IRAs are set up with after-tax money, so they have different rules with regard to RMDs while the owner is alive. However, once you have passed away, your beneficiaries will have to take RMDs from your Roth IRA or cash out completely.)

MICHAEL

For the rest of this report, we’re going to talk from time to time about “Michael,” a 70-year-old man who has a \$1 million IRA and currently pays income taxes in the 35% bracket. Right now he’s concerned about what it means to his principal to have to take RMDs.

THEN THERE ARE...

Some financial vehicles can be qualified or nonqualified. In other words, you can purchase them with after-tax money, or you purchase them with pretax funds. These include:

- Annuities
- CDs
- Stocks
- Mutual funds

First, Michael needs to understand how RMDs work.

Required Minimum Distributions (RMDs)

The IRA “Ticking Tax Time Bomb”

Let me explain what I mean by that. First, remember that there are qualified and nonqualified moneys. Qualified products are the ones that have been allowed to grow tax deferred. The time bomb concept applies to qualified products—they’re sitting there, ticking away, waiting to explode on you.

The government requires that, starting at age 70½, you must take annual RMDs—required minimum distributions. Each year thereafter, the amount of the necessary distribution increases.

I figured the amounts in this table based on an IRA policy that starts at \$1 million with no other action than to take the distribution.

Factor	Age	Amount	Withdrawal Percentage	RMD Amount
27.4	70	\$1,000,000.00	3.65%	\$36,496.35
26.5	71	\$963,503.65	3.77%	\$36,358.63
25.6	72	\$927,145.02	3.91%	\$36,216.60
24.7	73	\$890,928.42	4.05%	\$36,069.98
23.8	74	\$854,858.44	4.20%	\$35,918.42
22.9	75	\$818,940.02	4.37%	\$35,761.57
22	76	\$783,178.45	4.55%	\$35,599.02
21.2	77	\$747,579.43	4.72%	\$35,263.18
20.3	78	\$712,316.25	4.93%	\$35,089.47
19.5	79	\$677,226.78	5.13%	\$34,729.58
18.7	80	\$642,497.20	5.35%	\$34,358.14
17.9	81	\$608,139.06	5.59%	\$33,974.25
17.1	82	\$574,164.81	5.85%	\$33,576.89
16.3	83	\$540,587.92	6.13%	\$33,164.90
15.5	84	\$507,423.02	6.45%	\$32,736.97
14.8	85	\$474,686.05	6.76%	\$32,073.38

This graphic was created by associates at J.D. Mellberg Financial.

You can see what happens to your principal. And this is not the only reduction. Each withdrawal is **taxed**.

Avoiding RMDs

MICHAEL

Michael doesn't need the money from the required minimum distributions. In fact, he has \$500K in nonqualified money, plus a pension that pays \$80K per year and his social security. Why does he have to pull money out of this account and pay the tax? He's thinking maybe he'll just ignore it.

Not a good idea, Michael. By law, you must begin taking annual RMDs at age 70½, and pay all taxes on those distributions. If you don't, the government can tax you **up to 50%** of the amount of what the RMD should have been (which is added to the amount of the RMD). This applies whether you:

- Take no distribution.
- Don't withdraw the full amount required.
- Fail to withdraw by the year-end deadline.

I have also encountered some retirees who think that they can roll the RMDs into Roth conversions. Unfortunately, **this is not allowed**. Review *IRS Publication 590* for more information on this topic.¹

One way to guard against such a penalty on your assets is to use annuities the way I have learned to use them in our IRA Total Return Plan. That's coming up, but first I think we need to talk about some of the mistakes people make.

¹ (2012). Individual Retirement Arrangements. *IRS*. <http://www.irs.gov/publications/p590/>

What NOT to Do

Reverse Dollar Cost Averaging (RDCA)

Michael doesn't use his IRA to live on, but many people do use investment money in this way. That's why I think it's really important that I explain the mistake that I see many people making, and how it might erode your account very quickly.

I'm sure you have heard of dollar cost averaging (DCA). The simple definition comes from Investopedia: "The technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. More shares are purchased when prices are low, and fewer shares are bought when prices are high."² This technique is used when investing for **growth**.

Essentially, dollar cost averaging means that you buy a fixed dollar amount of a particular investment on a regular schedule. DCA is promoted as a more prudent way to invest than making your investment in a stock or mutual fund all at one time. To use dollar cost averaging, on a monthly or annual basis, you place an equal amount of money into a stock or mutual fund for several years or longer. Since the price of any stock or mutual fund will fluctuate, during some years you will pay a high price, and during other years you will pay a lower price.

MICHAEL

This is how Michael earned all his money. In the 1980s and 1990s, while he was still working and was investing for growth, he practiced DCA. Dollar cost averaging is a great strategy for wealth accumulation.

However, there is a downside. Let's say that in early 2007, you decided that Citigroup was a good investment. At that time, Citigroup was one of the largest banks in America and consistently one of the highest volume stocks traded on the New York Stock Exchange.

² Investopedia. (Accessed 9-26-12). <http://www.investopedia.com/terms/d/dollarcostaveraging.asp#axzz25cPayzd>.

In June of 2007, Citigroup stock started the month at about \$53.33. It was down from a high price of more than \$55 a share, so a number of people thought it was “on sale” and bought what they thought was a bargain.

To make a long story short, Citigroup fell to about \$4.78 by the end of 2010. If you were practicing dollar cost averaging on this stock, you would have **lost approximately \$47.55 on every share you had purchased**. After patiently waiting 3 ½ years, you would have **lost a staggering 89%** from your supposedly “prudent” investment using dollar cost averaging.

As disturbing as DCA losses are, even greater losses have been incurred by millions of investors who engaged in a practice I call **“reverse dollar cost averaging” (RDCA)**.

Like DCA, RDCA involves designating a fixed dollar amount for investment during a specified time period. The difference is that with DCA, you *invest* a fixed amount of money every cycle; with RDCA, you *withdraw* a certain amount of money every cycle, usually to meet living expenses and cover extraordinary expenses.

Of course you can live with a smaller balance in your retirement account as long as you still have enough money to fund your lifestyle and for medical expenses for as long as you will live. However, RDCA can quickly erode your principal. And obviously, the more cash you withdraw from your retirement accounts, the less money you will have working for you.

You may be surprised to learn that **RDCA can also be dangerous when the stock market is rising too slowly**. If you are taking out \$36,000 a year to meet living expenses, your investments would have to be growing by \$36,000 a year to maintain the value of your account. That translates to a steady 3.6% annual return on a \$1million investment, every year, without fail.

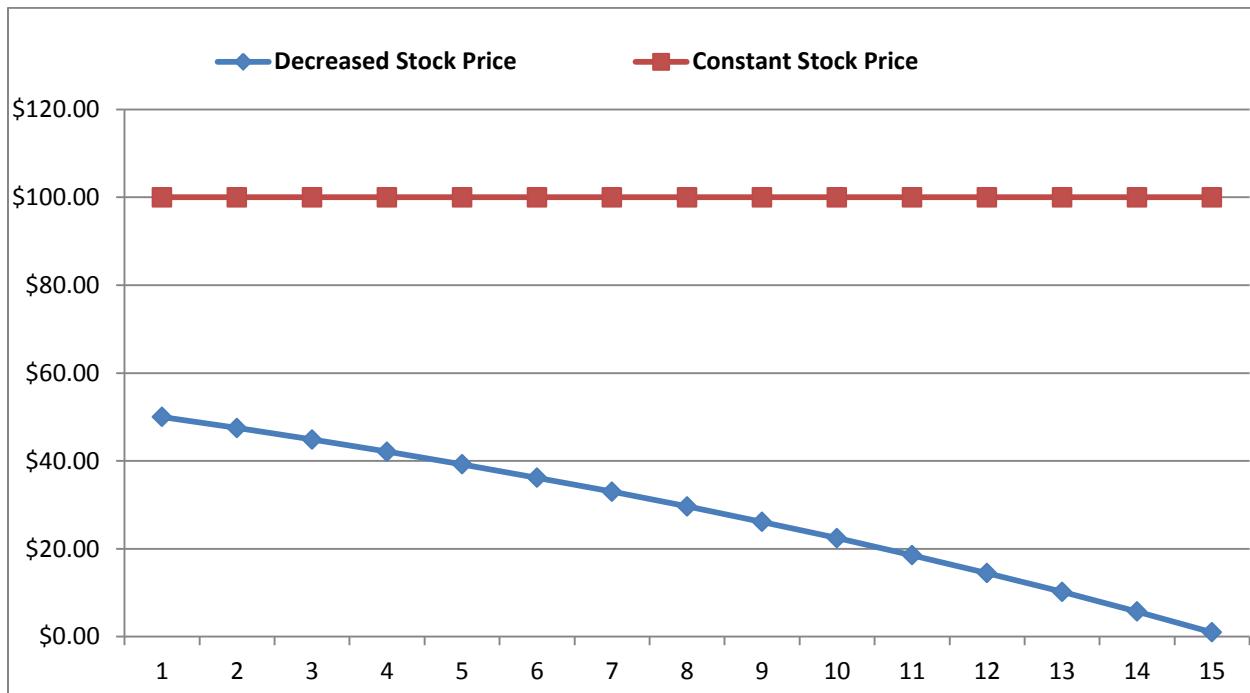
Following is a simple illustration that points out the difference between a DCA plan that works as advertised, and what happens when RDCA occurs.

Let’s say you have \$100 that you want to draw \$5.00 from each month. If you have it invested in a stock that has a return rate of 5% per month, your capital stays steady at \$100.

But what if that stock loses half its value? Even if it starts returning at 5% after than, you have lost half of your buying power. Now you are pulling the same \$5 per month from your account, but the account is depleting.

ROR = 5%				
Year	Full Value	Half Value		
1	\$100.00	\$5.00	\$50.00	\$5.00
2	\$100.00	\$5.00	\$47.50	\$5.00
3	\$100.00	\$5.00	\$44.88	\$5.00
4	\$100.00	\$5.00	\$42.12	\$5.00
5	\$100.00	\$5.00	\$39.22	\$5.00
6	\$100.00	\$5.00	\$36.19	\$5.00
7	\$100.00	\$5.00	\$33.00	\$5.00
8	\$100.00	\$5.00	\$29.64	\$5.00
9	\$100.00	\$5.00	\$26.13	\$5.00
10	\$100.00	\$5.00	\$22.43	\$5.00
11	\$100.00	\$5.00	\$18.56	\$5.00
12	\$100.00	\$5.00	\$14.48	\$5.00
13	\$100.00	\$5.00	\$10.21	\$5.00
14	\$100.00	\$5.00	\$5.72	\$5.00
15	\$100.00	\$5.00	\$1.00	\$5.00

The result of these progressions is shown on the following graph.

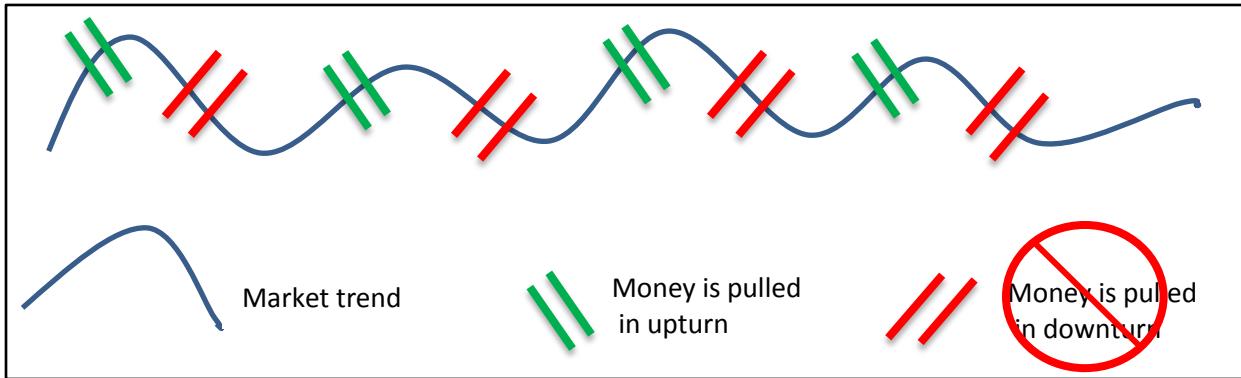


This graphic was created by associates at J.D. Mellberg Financial.

In summary, then:

1. Dollar cost averaging works well when a person has high, steady income and is therefore able to ride the waves of market volatility. Fluctuations occur because the point at which you are scheduled to buy may be a low point (when your money buys more shares), or at a high point (when you have less buying power). The rates can vary from minute to minute, so it's always something of a gamble.
2. Reverse dollar cost averaging, however, has serious consequences in the current economy. We cannot operate with the belief that the markets are going take off like they did in the 1980s and 90s. We have to face the reality that we may be in for a much different set of circumstances for the foreseeable future.
3. Recouping losses from RDCA is a lot harder than people realize.
4. If you pull money in an upturn, there isn't really a problem. But we can't be sure to hit those upward swings. In the worst-case scenario, people are pulling money out when the market is down. So even if the market rebounds and their rate of return goes back to what it had been,

they have less in their accounts, and therefore less returns to add to the principal.



This graphic was created by associates at J.D. Mellberg Financial.

AVOID THIS LIKE THE PLAGUE!

Don't pull money when the market is down, no matter what else you do!

How RDCA Affects “Buy & Hold” Strategy

“Buy & hold” is the concept that if you buy stocks and hold on to them long enough, over time your returns will be high. If you average the stock market returns over any given period of time, the overall return could look pretty respectable. But **averaging is not really an accurate picture of reality**.

Let's say I tell you that my sister and I run an average of 20 miles per week. That sounds pretty good for both of us getting our exercise, right? But then if I tell you that my sister runs about 40 miles per week and I hardly run at all, things look a whole lot different.

Relate that to the stock market. There will be moments (days, hours, weeks) during the time you have investments there when the market will be up, and other times when it will be down. **Are you willing to gamble that you will not need money during those dips?**

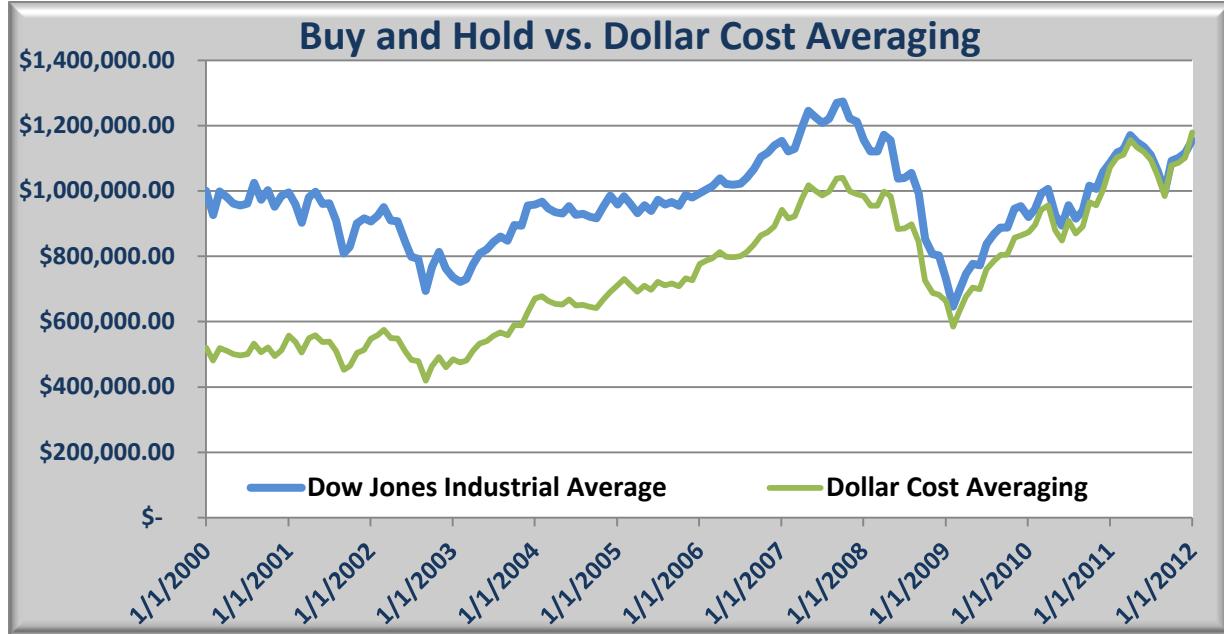
Actually, the results of “buy & hold” are similar to those for DCA in a good market. The following charts illustrate what could happen to Michael's \$1 million account if DCA worked according to the theory in a good economy, and what would happen if he practiced RDCA, pulling out about \$50,000 per year in a down

economy. The following is based on J.D. Mellberg research using data from the Dow Jones Industrial Average.

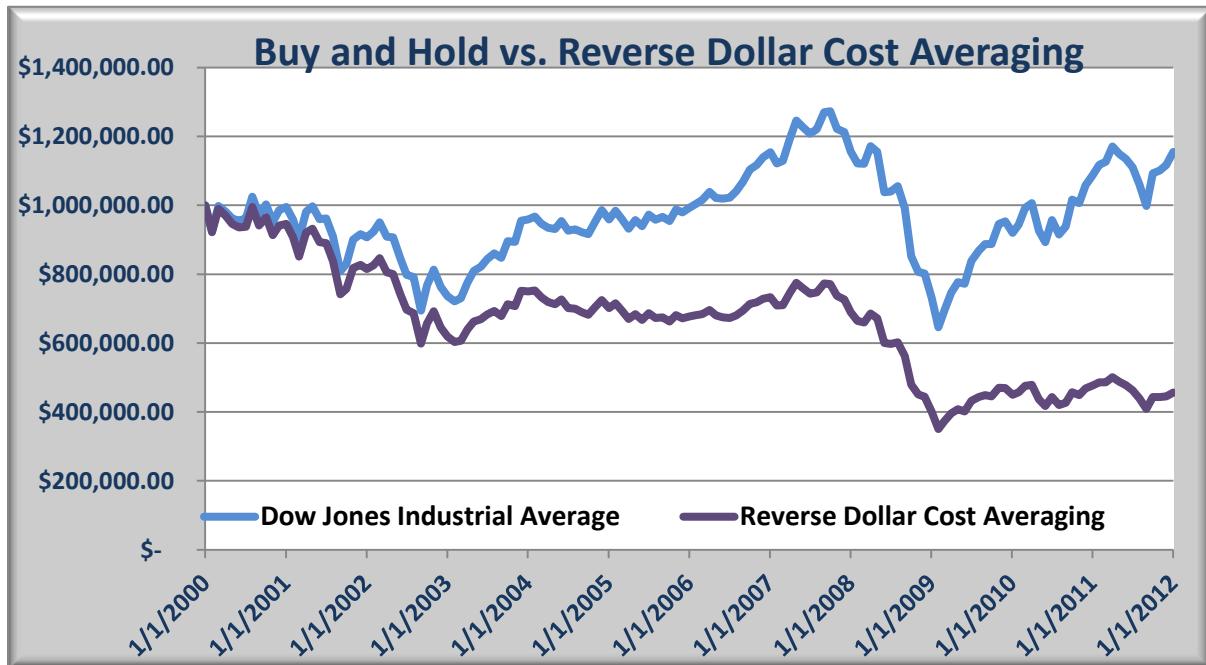
	Dow Jones Industrial Average	Reverse Dollar Cost Averaging
1/1/2000	\$1,000,000	\$1,000,000
1/1/2001	\$995,140	\$946,209
1/1/2002	\$906,720	\$814,981
1/1/2003	\$736,144	\$619,193
1/1/2004	\$958,644	\$750,109
1/1/2005	\$958,815	\$701,459
1/1/2006	\$993,084	\$676,985
1/1/2007	\$1,153,663	\$733,546
1/1/2008	\$1,156,284	\$689,131
1/1/2009	\$731,305	\$401,014
1/1/2010	\$920,187	\$449,448
1/1/2011	\$1,086,961	\$426,617
1/1/2012	\$1,154,689	\$456,159

Michael's gains with a successful DCA strategy increased his holdings about \$20,000 over these 12 years, even with the plunge that occurred in 2009 totals. However, if he had been practicing RDCA, his investment would have lost more than half its value.

Graphs always give a good visual idea of the differences, so let's look at the same general effect on line charts.



This graphic was created by associates at J.D. Mellberg Financial.



This graphic was created by associates at J.D. Mellberg Financial.

Obviously, the impact on your investments in this scenario is extreme. But there are more ways that RDCA can affect your bottom line.

RDCA and the 4% Rule

Some people are still trying to follow the 4% rule.

Walter Updegrave, a senior editor with Money Magazine, explains it this way: “Just withdraw 4% of your nest egg the first year of retirement, increase that dollar amount each year by the rate of inflation to maintain your purchasing power, and you have 90% assurance that your savings will last at least 30 years.”

But then he explains that “[t]he high probability that your savings will last 30 or more years if you stick to the 4% rule hinges on your investments earning a decent rate of return.

“Assuming you invest in a diversified portfolio with a reasonable balance of stocks and bonds—say, 50-50—history shows you've got a good shot at getting the returns you'll need. ***But the stock market can take some frightening dives that may lead to decade-long periods of mediocre returns or worse. And recent research shows downturns may be more common than we used to think.*** (Emphasis added.)

“If you're unlucky enough to experience a large loss or period of paltry gains, especially early in retirement, the odds of your nest egg surviving three decades can easily drop from 90% to 60% or lower.”³

Unfortunately, the vehicles that are employed to drive the 4% rule haven't seen annual returns above 4% for quite a while, so Updegrave's warning is well taken. More likely than breaking even, people trying to practice the 4% rule in today's economy will experience the effects of RDCA.

An August 2012 report from Thornburg Investment Management gives a detailed picture of the real returns over 30 years on several common types of investments. These are the figures after expenses (taxes and fees):

³ Updegrave, Walter. (June 19, 2012). Does the 4% rule for retirement withdrawals make sense? *Money*. <http://money.cnn.com/2012/06/14/pf/expert/retirement-savings-withdrawals.moneymag/index.htm>.

Real Returns over 30 Years⁴

U.S. large cap stocks	5.78%
U.S. small cap stocks	5.03%
Municipal bonds	4.08%
International stocks	4.43
Long-term government bonds	4.11%
Corporate bonds	2.64%
International government bonds	2.18%
Real estate	0.38%
T-bills	-0.71%
Commodities	-2.56%

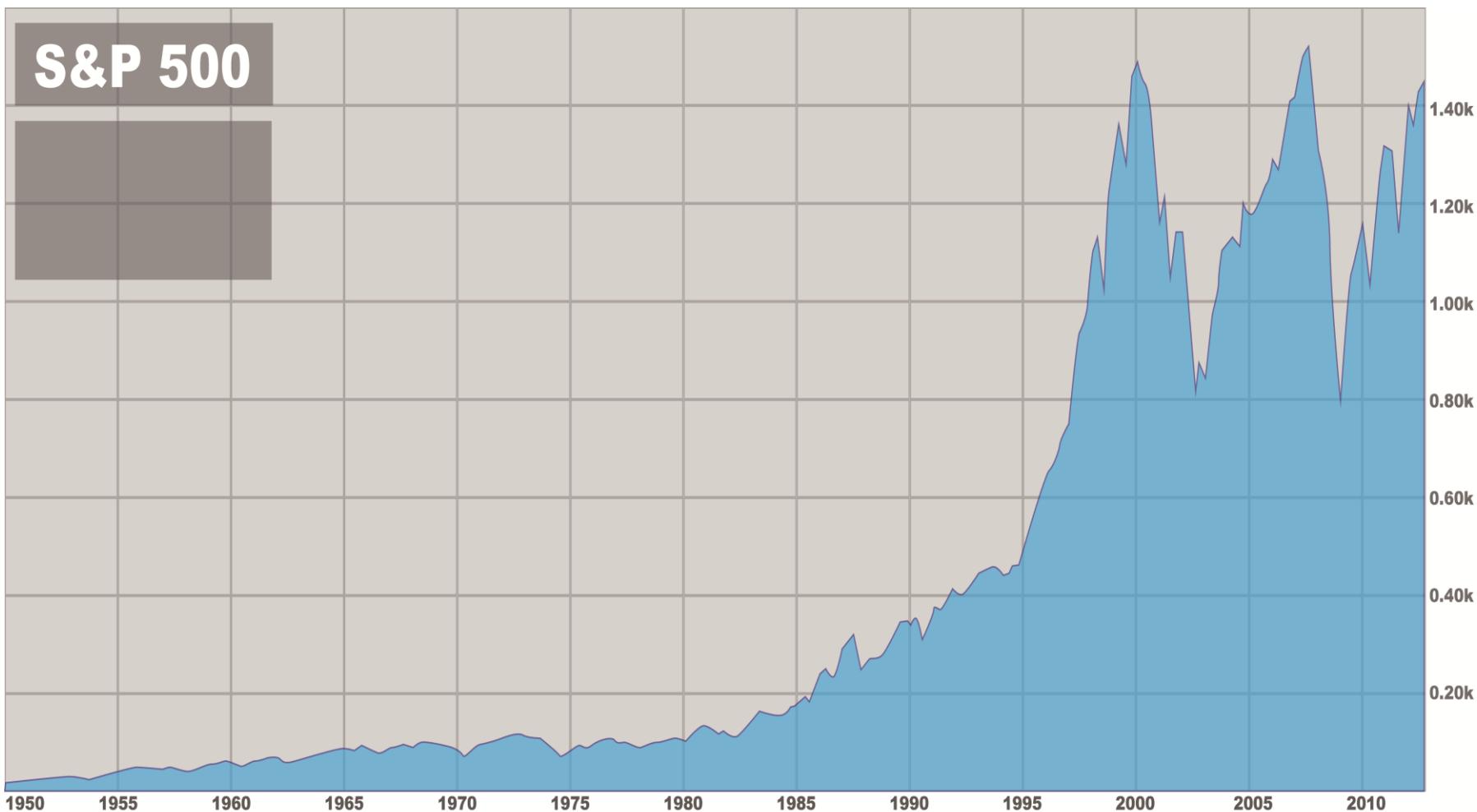
*This graphic was created by associates at J.D. Mellberg Financial,
using data from Thornburg Investment Management.*

According to the report, inflation over the same period was 2.96%.

Not an overwhelming gain, is it?

As a matter of fact, the historic stock market performance is not stellar, by any means. I often refer to a graphic that shows the entire history of Standard and Poor's (S&P) 500TM.

⁴ (Aug 2012.) A study of *real* real returns. *Thornburg Investment Management*. Vol. 19.
http://www.thornburginvestments.com/literature/generic_lit/TH1401_realreal.pdf



This graphic was created by associates at J.D. Mellberg Financial using data from yahoofinance.com.

I'm sure some of you are looking at that graph and focusing on the crazy growth that occurred in the market in the 1980s & 90s. There is an extremely important factor to consider that explains how that spike happened.

In 1974, the government passed the Employee Retirement Security Income Act (ERISA). Baby Boomers started contributing to 401(k)s, 403(b)s, IRAs—qualified accounts—often with matching funds from their employers. Millions of Boomers were making contributions and earning up to 18% per year.⁵

Now the Boomers are reaching the age of 65 at the rate of 10,000 per day, and that will continue for another 17 years.⁶ What that means is that a large number of them are pulling money out of the market to support themselves—many of them experiencing the effects of RDCA as they do so in a lackluster economy. Under this kind of pressure, it doesn't look like the future of the market is a friendly place for people needing stable income.

Again, I would ask you to look at the history. That kind of gain seen over the 80s and 90s is—to put it mildly—nontypical.

Look at the cycles here: periods of high returns punctuated with cycles in which growth was less than dynamic for anywhere from 12 to 25 years. (They're called “secular trends.”)

The following charts are based on the history of the Dow Jones average from its inception in 1896.

Bull Market History

Secular bull market occurs when each successive high point is higher than the previous.				
Start	End	Years	Annualized Return	Cumulative Return
12/1896	01/1906	9	10.56%	148.92%
07/1924	08/1929	5	30.44%	294.66%
12/1954	01/1966	11	8.72%	154.29%
01/1982	01/2000	17	15.09%	1003.19%

⁵ Barth, Adam. (Jul 11, 2005). The 11% solution: An article in Barron's says the stock market is very overvalued. *Generational Dynamics*. <http://www.generationaldynamics.com/cgi-bin/D.PL?d=ww2010.i.050711eleven>

⁶ Pew Research Center. Accessed Sept 23, 2012. <http://pewresearch.org/databank/dailynumber/?NumberID=1150>

Bear Market History

Secular Bear market occurs when a trend does not rise above the previous high.				
Start	End	Years	Annualized Return	Cumulative Return
02/1906	06/1924	18	-0.24%	-4.29%
09/1929	11/1954	25	0.07%	1.69%
02/1966	10/1982	17	0.05%	0.83%
02/2000	12/2011	12	0.93%	11.67%

These graphics were created by associates at J.D. Mellberg Financial.

In 2012, we're 12 years into the bear cycle. According to this history of trends, and taking into consideration the state of the economy, we could have another 12 years to go before the trend changes. There are no guarantees in either direction, but that would be my estimation.

A realistic timeline for any one person to earn money in the stock market is a complete cycle—27 to 30 years. Consequently, the likelihood that your investments will have to endure some downturns is pretty certain. Therefore, surfing the wave of the market with the *hope* of having what you need at the end of the ride is not sound planning.

In summary, pulling money from your account when the market is in a downtrend fuels reverse dollar cost averaging. And if you *do* pull money out of your account when the market is down, it is virtually impossible to see enough gain afterward to put you back where you started.

RDCA and the “Balance” Strategy

There is still another way that RDCA can negatively impact your financial plans, and that is if you are trying to follow the “balance” (50-50) construct—keeping half of your money in stocks and the other half in bonds. In the past, you could balance one against the other—when stocks were up, bonds were down and vice versa. In today’s market, that’s not the case. For quite a while now interest has been down, which means bonds are up. But warnings have been sounding about the “bond bubble.”

Robert Wiedemer is a respected man in the financial world. He is managing director of Absolute Investment Management and has written a best-seller about our current financial woes and how to protect your money in these times.

He recently wrote an article for the *Financial Intelligence Report* (August 2012) that caught my eye, because it points out something that **I've been saying for a long time.**

He notes that bonds have been doing well for three decades, but **that the bubble will burst.** "...[P]redicting exactly when is not easy..." but it will happen.

He explains how record-low interest rates have kept the government bond market relatively healthy for a long time, but there is a catch.

...keep in mind that the way the Federal Reserve controls interest rates is by buying and selling bonds. This is referred to as Open Market Operations. If it wants to lower rates, it buys bonds. If it wants to raise rates, it sells bonds. So, by buying bonds it can keep rates low. But, the Fed is buying those bonds with PRINTED money, not taxes or borrowed money. So, keeping interest rates low ultimately creates inflation. Otherwise, central banks would always keep interest rates low to boost economic growth. The Federal Reserve's attempt to keep interest rates low by buying bonds creates inflation, which will ultimately force up interest rates. So, paradoxically, the Fed's attempt to keep interest rates low ultimately will raise interest rates more than would have happened without Fed action. The medicine becomes poison.

Like all government stimulus measures of borrowing money and printing money, it's not money from heaven. It provides a way to kick the can down the road. But it makes the problem much, much worse later on. It certainly isn't solving the fundamental problems the economy faces, only delaying it in the false hope that we can simply grow our way out of the problem.⁷

So when inflation hits, interest goes up, which means bonds go down. What happens if the stock market is down at the same time? That's a very real possibility

⁷ Wiedemer, Bob. (August 2012). "Bonds are in a dangerous bubble—protect yourself before the burst." *Financial Intelligence Report*. Vol. 10, No. 8, page 3.

in today's economy. That's also why leaving an account balance in your IRA may not be a good idea. You may have to pull RMDs when conditions are in worst-case-scenario, which would deeply erode your IRA.

MICHAEL

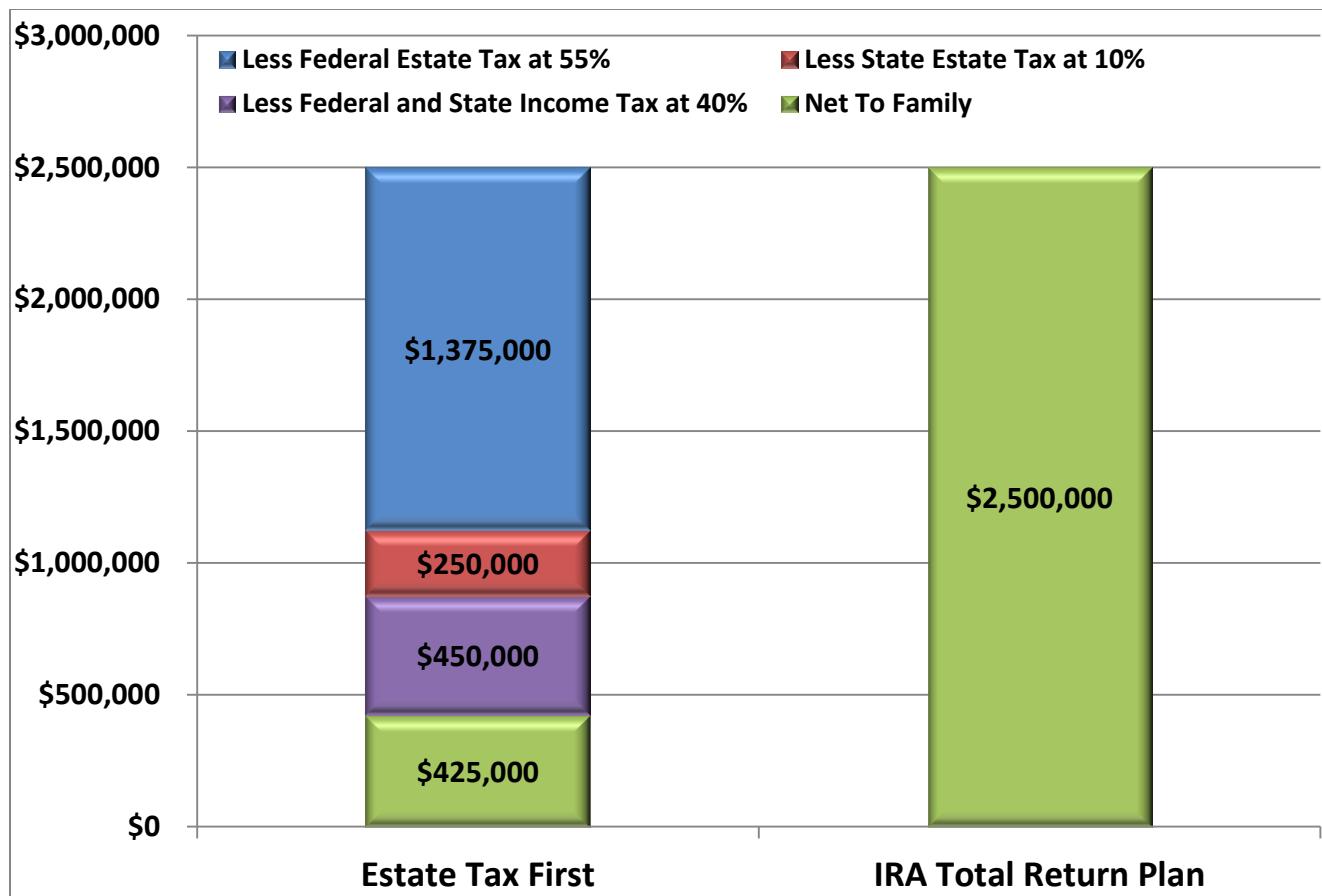
Michael is also considering making the beneficiary of his IRA a trust, so that taxes won't be directly levied on his heirs.

Making the Beneficiary a Trust

This won't take long to explain, but I think it deserves the emphasis of a separate section because it is a common mistake.

If you make a trust the beneficiary of your IRA, when you die the funds in it may be taxed heavily.

1. **When you die, the tax on your IRA becomes due.** The rate at which it will be taxed will be figured on your balance and the tax brackets of your heirs.
2. **There may be estate taxes when it goes into the trust.** As of January 1, 2013, the top limit for tax-free estates is \$1 million. Everything above that is taxed at 55%.
3. **Your heirs may be required to pay income taxes and estate taxes as your money is disbursed to them.**



*This graphic was created by associates at J.D. Mellberg Financial
to reflect current tax law in the U.S.*

In this example, your beneficiaries could lose up to 83% of their inheritance to taxes.

This can be largely avoided. Using the IRA Total Return Plan, you can reduce your taxes substantially by moving the money into a combination of financial products NOW. The money in the annuity will grow tax deferred while you are living. The money on the insurance side of the plan will go to your heirs tax free. Additionally, **you do not lose control of the money**. You can still use as much of it as you need to. Meanwhile, the money you intend to endow is protected and growing tax free.

Converting Your IRA to a Roth IRA

MICHAEL

A friend told Michael that he converted his traditional IRA to a Roth IRA because the rules are different for Roths.

This sounds like a good idea because deductions or withdrawals from a Roth IRA are usually not taxed if they are taken at age 59½ or older, and if you have had your Roth IRA for at least five years.⁸

The challenge with this solution is coming up with all the money that will be needed to pay for the **tax that is due when you convert** a traditional IRA to a Roth IRA. As you will learn below, **the Roth IRA conversion tax can be quite sizeable.**

MICHAEL

If Michael converted his \$1 million IRA to a Roth IRA, he would pay \$420,180 in taxes, leaving him with a principal of only \$579,820 on which to build.

Of course, each person's financial situation, tax deductions, etc. are somewhat unique, so the answer could be different for different individuals. For instance, there can be significantly less growth potential in a lower-balance Roth IRA than in a higher-balance traditional IRA.

We have actually recommended that a few of our clients convert from traditional to Roth IRAs. Usually those people were young enough to have several working years left to recoup the money lost by paying the tax bill on the conversion. Converting to a Roth can also make sense if the owner thinks he/she can earn a high-enough rate of return to recover all the money paid out in the Roth IRA conversion tax. On the other hand, some people can't see losing so much of their nest eggs to taxes.

Whatever your retirement plans are, they are very individual. That's why **you need to learn about the options available, then choose what's right for you. We can help you through the process, free of charge. Call us to set up an appointment.**

⁸ Bischoff, Bill. (Dec 29,2010). When Roth IRA withdrawals aren't tax-free. *Smart Money*.
<http://www.smartmoney.com/taxes/income/when-roth-ira-withdrawals-arent-taxfree-1293571638217/>

THE IRA TOTAL RETURN PLAN

This is not just another idea. This is a plan that I have worked on for over 2 years, calculating the scenarios that affect different groups of retirees. I've studied case after case, played out this situation and that one until I have come up with what I feel is an amazing strategy for a lot of people. **In essence, we are talking about a “hybrid” index annuity and a customized life insurance policy, both with payouts guaranteed.***

I use guaranteed* insurance contracts (GICs) to ensure that:

- **Your principal is protected.**
- **You have the cash flow you need at the time you need it.**
- **Your money has the possibility of actual growth.**

Here's what I mean by "growth":

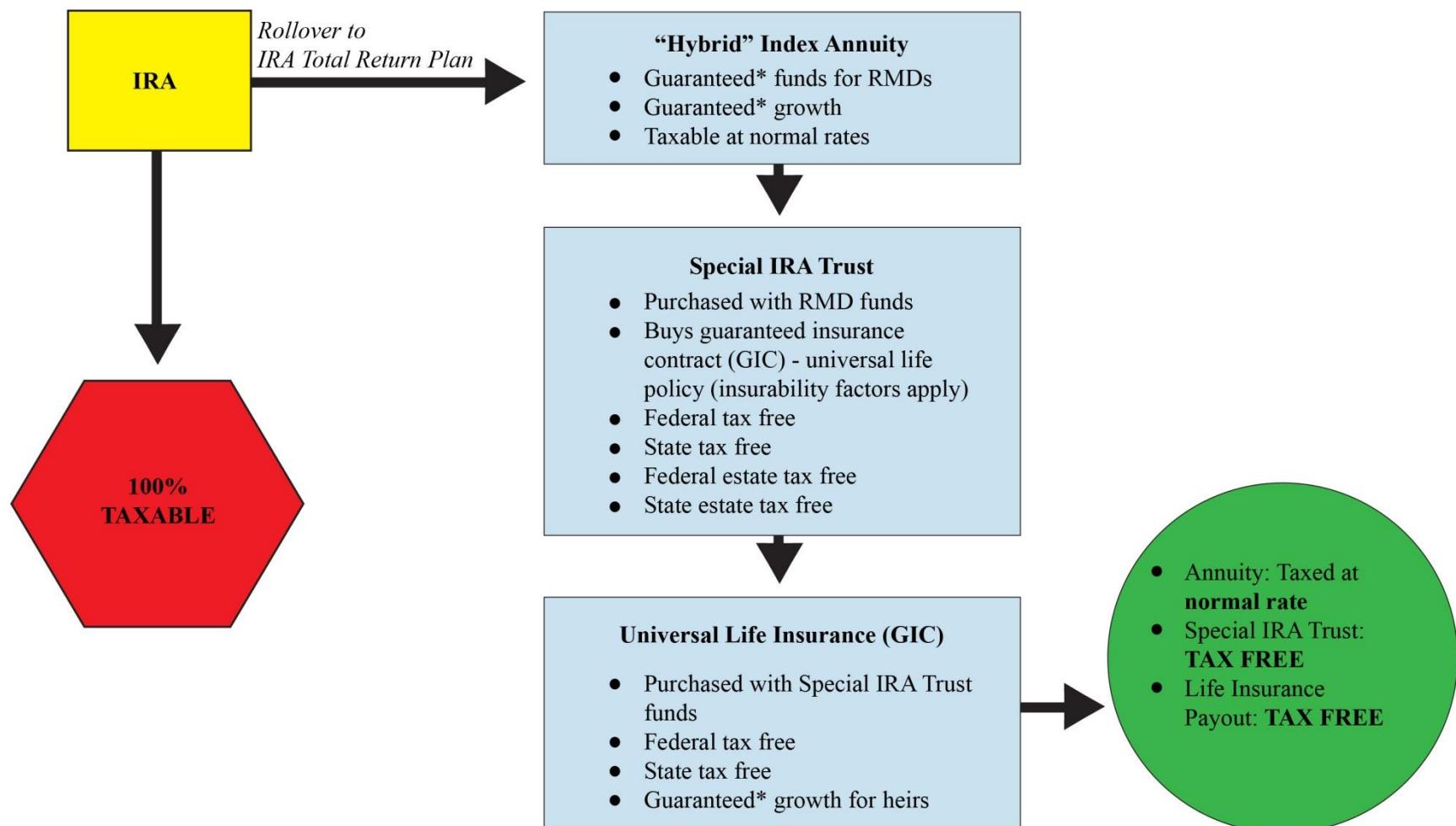
- If you leave the funds in your account to maturity, **those funds can earn 10% to 14%* total** for you and your heirs. (If you cash in early, you may still have earned 4% to 7%.)
- You have the possibility giving your heirs from 2/3 to 100% of their inheritance **tax free**.

Why does this work so well? Because we can **tailor the plan to fit you**.

You Don't Lose Control of Your Money

One other thing I want to make really clear: **there is a built-in exit strategy**. If your circumstances change several years down the road and you find that you need more money than you thought you would, you can restructure the plan. **You always have access to your money, as long as you live.**

How the IRA Total Return Plan Affects Your Estate



This graphic was created by associates at J.D. Mellberg Financial.

It is important to note that if you use these products individually, you won't get this kind of return. But when you blend the RMD-friendly GIC and the "hybrid" index annuity, you can create this IRA return-boosting combination.

This plan can work for just about anyone in any income bracket, but I have identified **the group that earns most from it**. See if the following apply to you.

1. You don't need the IRA RMD funds for current expenses (for 5 to 10 years).
2. You're 68 to 80 years old (returns are less after age 80).
3. You can devote all or part of the assets in IRA funds to the IRA Total Return Plan.
4. Your funds available for this plan are between \$200K and \$2 million.

Again, this is the optimum group, but **people in other circumstances can still benefit**, so keep reading.

The Basics

The first step is to answer one question: **What do you want your money to do for you?**

For most people the answers are:

- Securing the principal
- Ensuring the cash flow to maintain their current lifestyles
- Generating growth

To institute the IRA Total Return Plan, you will divide the money you dedicate to this strategy into two categories:



**Fixed Income
("Hybrid" Annuity)**

**Growth & Accumulation
(Life Insurance Contract)**

You can get a higher rate of return without sacrificing security. We can achieve this through a marriage of various guaranteed* insurance contracts (GICs) that you purchase from insurance company(ies). There are multiple types of contracts. Some are designed for preservation of capital and some for wealth accumulation on a tax-free distribution basis.

The “magic” happens when we search through hundreds of available annuity and life insurance contracts and identify the combination of policies that will bring you and your heirs the greatest return. That’s our expertise. We work with you to determine exactly what you want to accomplish, then we find the most suitable financial vehicles to help you reach your goals.

MICHAEL

Michael has some interesting options. Since he has \$500K in nonqualified funds plus a pension, he will want to spend that money before he starts the income stream from his IRA Total Return Plan. That means he could work the program in a couple of ways.

First, he put his whole IRA into this new plan and let it grow while he lives off his nonqualified money.

Or he could split his \$1 million IRA into separate sectors—half in the IRA Total Return Plan, to grow undisturbed and be distributed to his heirs after his death, and the other half wherever else he wants to put it for his own use during his lifetime.

It is absolutely legal to split the principal into different “baskets.”

The Annuity Component

The purposes of the annuities in this strategy are **security of the principal** and **guaranteed* income**.

Let's start with a little background that will help explain just how dynamic this plan might be.

There are four basic types of annuities.

- **Immediate Annuity:** This annuity can be structured to function something like a *personal pension* in that it provides a regular income stream for your lifetime. It can be a good income, depending on the premium you pay and your age when you purchase it. But you give up control of your money. You can't pull it out without a substantial penalty.
- **Fixed Annuity*:** This one might remind you of a treasury bond, in that it earns a steady rate of return—typically from 1 to 4%. The longer the term, the higher the earning percentage. The insurance company holds your money and uses it, similar to the way a bank does.
- **Variable Annuity:** This is an insurance product with an investment component that is totally tied to the stock market. You stand to lose earnings, and even principal, if the market drops. Add to that the fact that fees for variable annuities range from 2% to 8% per year whether the market is up or down. You have to be very careful about the terms on these products. (We don't use these because I don't think that by themselves they're the best vehicles for retirement planning. But you need to understand them because they come into play with the next type of annuity.)
- **Index Annuity:** An index annuity has features *of both fixed and variable annuities*. If the market goes up, you get some of the gain. You have a contractual limit as to how much that gain is. The reason for this limitation is that there is a tradeoff for the benefit that if market goes down, you don't lose anything—your principal is protected. The limit covers the insurance company's expenses for offering you this protection.

We have employed a new strategy that combines some of the features *of immediate, fixed and index annuities* by allowing the opportunity to earn interest based on potential market index gains without directly participating in the market.

- “**Hybrid**” (**Fixed Index**) **Annuity***: This annuity contains features *of both immediate and index annuities*. This family of annuities is specially designed for IRA growth for you and your heirs. You have the same opportunity for protection of principal and the guaranteed* income stream as you have with an immediate annuity, but you don’t lose control of your money. Plus you have the opportunity for growth based on the gains of the market index to which the annuity is tied. The older you are when you turn on the income stream, the more it pays, and it has to pay out every year for your lifetime.

In the IRA Total Return Plan, we use a “hybrid” or fixed index annuity that is specifically suited for IRA rollovers. **The annuity is held inside your IRA. It is a tax-deferred annuity.**

*Fixed annuities are not stock market investments and do not directly participate in any equity, bond, other security, or commodities investments. Indices do not include dividends paid on the underlying stocks, and therefore do not reflect the total return of the underlying stocks; neither an index nor any fixed index annuity is comparable to a direct investment in the equity, bond, other security, or commodities market.

How do you find the right “hybrid” annuity to serve your financial goals?

Actuaries design these annuities, and there is wide disparity among actuaries about who they think will live longer. More on that later. But for now, consider these statistics:

- A man who is 65 years old has a 50% chance of living to age 85.
- A woman who is 65 years old has a 25% chance of living to age 96.
- A man who is 65 years old has a 25% chance of living to age 92.⁹

In other words, people live a lot longer now than they did a generation or two ago. This has been the stimulus for change in the insurance industry. Actuaries look at the overall health of each individual and are aware that many may live to ripe old ages. They take these statistics into consideration when they establish the bases for annuity and life insurance contracts.

We help you shop around and find the insurance and annuity policies that will give you and your heirs the best return, based on how you want your money to perform. Insurability depends on factors such as age and health.

With the “hybrid” annuity, if you have to pull your RMD when the market is down, you’re not caught up in RDCA because you don’t lose money when the market is down. You might be pulling from an annuity that is not gaining for the year, but you’re not eroding the principal, and that’s the important thing.

Remember, your principal is secure. Your earned interest is locked in and you receive gains when the market is up, but no losses when it is down. **Gains are added to your principal at the intervals specified in your contract. Once the gains are added to your principal, they are also protected.**

⁹ (Apr 4, 2012). Actuarial life table. *Social Security Administration*.
<http://www.ssa.gov/OACT/STATS/table4c6.html>

The Insurance Component

Many people have life insurance, but most don't blend it with "hybrid" annuities. Most life insurance policies are not set up to receive RMDs, either. This is a specialized type of universal life insurance (flexible premium adjustable whole life insurance), specifically designed to provide guaranteed* increasing benefits for you and your heirs.

When you don't need that RMD money to live on, you can roll it into a GIC that focuses on **tax-free wealth accumulation**.

The insurance policy is held outside your IRA. (It is illegal to place life insurance inside a qualified account.) Returns on this policy are—as with the annuity—guaranteed* by contract. The funds held here are your assurance of payout.

Your annuity contract states that even if the balance goes down to zero, you will continue to receive your stream of payments.

If you choose the appropriate rider,** the total insurance payout to your heirs can be even more. For instance, we use a specialized IRA trust called an irrevocable life insurance trust (ILIT) that exists inside the insurance contract. All premiums added to this contract accumulate tax free.

MICHAEL

If something were to happen to Michael immediately after we set up his IRA trust, it would be taxable. That's why we would set up a multigenerational IRA. Now if he would suddenly die, his heirs would be able to transfer Michael's IRA funds into their own inherited IRAs, and thus defer the taxes. They could then make their own arrangements to protect the principal and have the possibility of earning more.

How can insurance companies offer guaranteed* contracts like these?

In my opinion, it's a matter of actuarial math. The following is according to a survey done by the Insurance Studies Institute.

- Approximately 40% of people over 65 lapse their policies (that means they stop paying before the policies reach maturity, for whatever reason—they roll the policy into another one, they decide they don't want it, they cash it in, etc.). Last year, that amounted to about 19 million people who terminated their contracts. When they did that, the insurance company got to keep most of the money.
- In the same year, 2.5 million people died, and the insurance companies paid their heirs the life insurance benefit claims.
- The bottom line is, the companies only have to pay out on about 10 cents on the dollar, or about 5% of their capital.¹⁰

Actuaries know this, so they can afford to give some pretty liberal rates to a person in his 70s.

Part of the IRA Total Return Plan is asking insurance underwriters to bid for your business. To get those bids, we have to ask you for medical records. At some point you will have to apply for insurance by filling out forms (in particular, the HIPAA form) to grant access to medical records.

Insurability is a concern for many clients. However, you may find that there are several ways to overcome any problem with being accepted.

1. **You may be more insurable than you think.** Medical advances, better nutrition, and improved lifestyle choices have prompted insurance companies to review their insurability tables. People who may have been turned down in the past may be found acceptable now. Those with chronic conditions and serious illnesses can still get insurance with certain companies, and we know which companies those are. So if you have heart disease, cancer, diabetes, or some other condition, you can still apply for and purchase insurance.

¹⁰ Kampa, Christopher & Siegert, Paul. (Aug 2010). Surveys of seniors reveal roadblocks to reliable life settlement information. *Life Insurance Settlement Series Edition No. VII*. http://www.insurancestudies.org/wp-content/uploads/2010/09/ISI_LifeInsuranceSettlementSeries_VII1.pdf

2. **Philosophies differ.** Companies look at the overall picture differently. One may consider a person a bad risk and give him a low benefit, but pay a higher annual income because they don't think he'll be around long. Another company could judge the same person a good risk and agree to a higher overall benefit but a lower annual income because they think he'll live longer. The bottom line here is it can't hurt to apply and see what they say.
3. **You can have your spouse take out the insurance.** If you are married and your spouse is healthier and/or younger, he/she may have an easier time qualifying. We can still build your strategy—we just change that detail.

WHO IS INSURABLE?

A *Wall Street Journal* article tells of a 78-year-old woman who had breast cancer and whose father died of a massive heart attack in his 60s. She was able to buy a \$20-million policy. As the article states, “Ever so quietly, insurance industry number crunchers are tossing aside the old statistical models and life tables. They’re recasting tired stereotypes about the ‘fatal’ disease of yesteryear. They’re rethinking that most ancient of questions: How long will we live? And they’re coming up with what many would say is a radical answer.”¹¹

¹¹ Passy, Charles. (Feb 20, 2012). The cost of living longer—much longer. *The Wall Street Journal*. <http://online.wsj.com/article/SB70001424052970203716204577014133786068816.html>

HOW PROTECTED IS YOUR MONEY IN INSURANCE POLICIES?

Remember that these vehicles are contracts between the consumer and insurance companies. Because of that, they are **not insured by the FDIC**.

I'll tell you why that doesn't bother me.

Financial institutions that are FDIC-insured engage in something called "**leveraging**," which allows them to borrow money **9 times over** what they take in. For instance, if you put \$100,000 into an FDIC-insured account, the bank can go to the Federal Reserve and borrow \$900,000 against that holding. I believe that overuse of leveraging is the root of much of the economic turmoil we are experiencing today.

Insurance companies play by entirely different rules. Because they are private companies, there are laws in every state that regulate their use of money. (The rules differ somewhat from state to state, but they all have them.)

Every insurance company will typically be a part of a group of **reinsurers**. They have from 4 to 14 reinsurers who guarantee that they will cover any payout if the insurance company can't pay the entire benefit claim.

There has never been a case where someone did not get paid a claim that was due because of a default on the part of the insurance company.

Not only that, but **contracting companies are only allowed to borrow against annuity funds on a dollar-for-dollar basis**. If you put that same \$100,000 into an annuity, the company could only borrow \$100,000 against it. It is much more likely that they will avoid overextension with these laws governing them.

An Illustration of Some Possible Outcomes of the IRA Total Return Plan

First I'll present a general summary of this strategy, then we'll look at a hypothetical illustration of possible returns based on Michael's situation.

IRA Total Return Plan Strategy

Traditional individual retirement accounts are great for accumulation of retirement savings because you do not pay taxes on the amounts you put into the IRA, or on an IRA's interest or earnings. However, when you withdraw money from a traditional IRA, you pay taxes on all that you withdraw. And while your tax bracket in retirement may be lower than when you were working, taxes can still eat away at your retirement savings.

In retirement you may have other sources of funds for your financial requirements and may not need to take money from your traditional IRA. The tax laws require that, regardless of your need (or lack thereof) you must begin taking required minimum distributions (RMDs) from a traditional IRA by April 1 of the year following the year in which you reach age 70½. These distributions are taxable as ordinary income. Even though you take your RMDs, there may be a significant amount of money left in the IRA when you die. Unless provisions are made, your beneficiaries will be required to pay taxes on all they inherit from the account. The tax rate on these proceeds may be 35% or more when the death benefit is added to your beneficiaries' existing incomes.

If you have determined that you do not need the RMDs from your traditional IRA for your regular expenses, you can implement the IRA Total Return Plan, which will increase the amount available to your beneficiaries. To do so, you use your traditional IRA to purchase a fixed annuity or fixed index annuity. The RMDs from the IRA are used to fund a life insurance policy. The death benefits on that policy are tax free to your beneficiaries. People who are planning on passing the assets from their IRAs to their children at death may find that the net benefits will likely be substantially higher if the money is paid out from a life insurance policy rather than a traditional IRA when they die. Thus, using both annuities and life insurance can be a desirable way to transfer the wealth created in your traditional IRA to your children or other named beneficiaries.

The presentation that follows shows how the IRA Total Return Plan may work. This is a hypothetical illustration based upon the purchase of a flexible-premium, deferred, fixed index annuity with an optional guaranteed minimum death benefit rider, plus the purchase of flexible-premium universal life insurance.

Please note:

1. The RMDs reflected in this presentation are based on a hypothetical annuity illustration. We may employ various policies for an individual's plan, depending on his/her particular situation. The RMD amounts are based solely on the annuity account value and the applicable IRS distribution rate. The RMD amounts do not include the actuarial present value of the death benefit rider, the addition of which would cause the RMD amounts to increase. Higher RMD amounts require greater withdrawals and will reduce the IRA account value, and the death benefit base of the death benefit rider faster. If the account value is reduced to zero due to withdrawals, the death benefit rider benefits will terminate.
2. The values in this presentation are not guarantees or even estimates of the actual amounts you can expect under the IRA Total Return Plan, because they are based on values from hypothetical illustrations. The insurance companies may at any time change the assumptions upon which the illustrations are based.
3. This presentation does not constitute legal, tax, accounting or investment advice from any company. You should consult your own legal, tax, accounting and investment advisors prior to making any decision to purchase the annuity and life insurance products shown in this presentation.
4. The insurance companies pay commissions to the persons who sell their products, so the compensation does not come out of your funds.

Tax Equivalent Rate of Return Table

Because this money is growing tax free, I wanted to show you that instead of paying taxes on it, you could be keeping that money AND earning. The tables here show you how much Michael could earn.

IRA Total Return Plan Summary at Age 85

Rate of Return	
Return	
Guaranteed Values	5.44%
Historical Worst Performance	8.09%
Historical Average Performance	8.86%
Historical Highest Performance	9.23%

Tax Equivalent Rate of Return at 40% Tax Bracket	
Return	
Guaranteed Values	7.96%
Historical Worst Performance	10.53%
Historical Average Performance	11.39%
Historical Highest Performance	11.79%

Estate Tax Equivalent Rate of Return at 55% Tax Bracket	
Return	
Guaranteed Values	12.71%
Historical Worst Performance	15.23%
Historical Average Performance	16.23%
Historical Highest Performance	16.66%

These graphics were created by associates at J.D. Mellberg Financial.

Michael's IRA Total Return Plan

There are as many ways to configure this plan as there are clients. Remember: this is a personalized program. For simplicity's sake, I decided the best way to represent the possibilities with this strategy was to show you how one might perform. Let's look at Michael's full profile now.

MICHAEL

1. *He is 70 years old at the time his policies are set up.*
2. *The initial premium is \$1 million.*
3. *He is in the 35% tax bracket.*
4. *He is in the “preferred” health category.*

Based on the average life expectancy of people in the United States, the tables show what the rates of return would be for the IRA Total Return Plan figured using just one of the hundreds of combinations of annuities and universal life insurance policies that we might employ. In this example, Michael began his IRA Total Return Plan at age 70. The calculations project that the policyholder is expected to live to age 85.

The following charts show four of many possible outcomes.

1. The first table shows the guaranteed* return on his IRA Total Return Plan contracts. This is “worst-case scenario”—the very least return he could see if his funds earn absolutely nothing—ever. (I would never anticipate this is all you would earn, but it is the baseline.)
2. The second table shows a low return. Based on the historic performance of these contracts, this is the lowest return that I would expect you to earn.
3. Third is the median return—not by any means the lowest return possible, nor the highest. **This is the average outcome that I would expect you to earn.**
4. Last is the highest possible performance of Michael's IRA Total Return Plan contracts.

Guaranteed Values								
Year	Age	RMD Withdrawal* ¹ (assumes taxes paid from another source)	Annuity Death Benefit* ² (pretax) ²	Life Insurance Death Benefit ³	Total Death Benefit (pretax)	Rate of Return ⁴	Tax Equivalent Yield ⁵	Estate Tax Equivalent Yield ⁶
Issue	70	\$39,650	\$1,000,000	\$988,415	\$1,988,415	N/A	N/A	N/A
1	71	\$39,110	\$1,088,951	\$940,795	\$2,029,746	102.97%	165.69%	357.34%
2	72	\$38,553	\$1,089,763	\$979,357	\$2,069,120	43.84%	64.99%	117.19%
3	73	\$37,978	\$1,088,668	\$1,017,750	\$2,106,418	28.19%	40.69%	69.36%
4	74	\$37,385	\$1,087,539	\$1,053,971	\$2,141,510	20.97%	29.86%	49.47%
5	75	\$36,773	\$1,082,896	\$1,091,370	\$2,174,266	16.81%	23.75%	38.66%
6	76	\$36,141	\$1,077,503	\$1,127,043	\$2,204,546	14.08%	19.80%	31.84%
7	77	\$35,321	\$1,069,564	\$1,162,473	\$2,232,037	12.15%	17.03%	27.16%
8	78	\$34,651	\$1,059,272	\$1,197,736	\$2,257,008	10.71%	14.98%	23.74%
9	79	\$33,786	\$1,048,210	\$1,230,689	\$2,278,899	9.58%	13.39%	21.11%
10	80	\$32,899	\$1,035,745	\$1,262,090	\$2,297,835	8.68%	12.12%	19.03%
11	81	\$31,493	\$1,034,367	\$1,294,961	\$2,329,328	7.99%	11.13%	17.38%
12	82	\$30,098	\$976,331	\$1,325,373	\$2,301,704	7.19%	10.14%	15.92%
13	83	\$28,714	\$917,216	\$1,356,154	\$2,273,370	6.52%	9.30%	14.69%
14	84	\$27,342	\$861,003	\$1,383,361	\$2,244,364	5.94%	8.58%	13.63%
15	85	\$25,807	\$807,366	\$1,407,185	\$2,214,551	5.44%	7.96%	12.71%

This graphic was created by associates at J.D. Mellberg Financial.

For explanation of the numbers in the headers, see Notes for Tables on page 42.

Historical Worst Performance								
Year	Age	RMD Withdrawal* ¹ (assumes taxes paid from another source)	Annuity Death Benefit* ² (pretax)	Life Insurance Death Benefit ³	Total Death Benefit (pretax)	Rate of Return ⁴	Tax Equivalent Yield ⁵	Estate Tax Equivalent Yield ⁶
Issue	70	\$39,650	\$1,000,000	\$1,288,415	\$2,288,415	N/A	N/A	N/A
1	71	\$39,370	\$1,118,229	\$1,241,055	\$2,359,284	135.93%	218.67%	471.47%
2	72	\$38,810	\$1,171,699	\$1,279,874	\$2,451,573	56.57%	81.79%	143.15%
3	73	\$38,231	\$1,267,020	\$1,318,520	\$2,585,540	37.25%	51.32%	83.22%
4	74	\$37,634	\$1,374,304	\$1,354,990	\$2,729,294	28.53%	38.06%	59.01%
5	75	\$51,573	\$1,501,481	\$1,407,189	\$2,908,670	23.81%	30.92%	46.35%
6	76	\$50,700	\$1,507,697	\$1,457,421	\$2,965,118	19.86%	25.66%	38.00%
7	77	\$49,617	\$1,574,477	\$1,507,147	\$3,081,624	17.44%	22.27%	32.46%
8	78	\$48,892	\$1,633,178	\$1,556,651	\$3,189,829	15.60%	19.75%	28.42%
9	79	\$48,025	\$1,710,897	\$1,603,843	\$3,314,740	14.24%	17.85%	25.37%
10	80	\$52,663	\$1,622,451	\$1,655,008	\$3,277,459	12.60%	15.92%	22.73%
11	81	\$50,486	\$1,621,073	\$1,706,872	\$3,327,945	11.55%	14.57%	20.73%
12	82	\$48,475	\$1,532,476	\$1,755,661	\$3,288,137	10.43%	13.27%	18.96%
13	83	\$46,738	\$1,447,482	\$1,804,466	\$3,251,948	9.50%	12.18%	17.49%
14	84	\$45,326	\$1,371,906	\$1,849,657	\$3,221,563	8.72%	11.26%	16.24%
15	85	\$62,048	\$1,304,112	\$1,909,722	\$3,213,834	8.09%	10.53%	15.22%

This graphic was created by associates at J.D. Mellberg Financial.

For explanation of the numbers in the headers, see Notes for Tables on page 42.

Historical Average Performance								
Year	Age	RMD Withdrawal* ¹ (assumes taxes paid from another source)	Annuity Death Benefit* ² (pretax)	Life Insurance Death Benefit ³	Total Death Benefit (pretax)	Rate of Return ⁴	Tax Equivalent Yield ⁵	Estate Tax Equivalent Yield ⁶
Issue	70	\$39,650	\$1,000,000	\$1,463,415	\$2,463,415	N/A	N/A	N/A
1	71	\$39,370	\$1,138,859	\$1,416,055	\$2,554,914	155.49%	249.90%	538.35%
2	72	\$39,029	\$1,160,212	\$1,455,093	\$2,615,305	61.72%	89.35%	155.92%
3	73	\$38,622	\$1,232,362	\$1,494,130	\$2,726,492	39.70%	54.98%	89.14%
4	74	\$38,019	\$1,329,628	\$1,530,985	\$2,860,613	30.05%	40.36%	62.66%
5	75	\$55,914	\$1,624,049	\$1,587,525	\$3,211,574	26.28%	33.69%	49.64%
6	76	\$54,963	\$1,615,726	\$1,642,020	\$3,257,746	21.75%	27.78%	40.52%
7	77	\$53,753	\$1,667,047	\$1,695,882	\$3,362,929	18.92%	23.94%	34.46%
8	78	\$52,914	\$1,757,432	\$1,749,408	\$3,506,840	16.98%	21.26%	30.16%
9	79	\$51,991	\$1,915,569	\$1,800,566	\$3,716,135	15.70%	19.36%	26.98%
10	80	\$68,279	\$1,833,661	\$1,867,347	\$3,701,008	13.98%	17.33%	24.22%
11	81	\$65,733	\$1,733,256	\$1,934,458	\$3,667,714	12.54%	15.67%	21.98%
12	82	\$63,370	\$1,637,516	\$1,998,142	\$3,635,658	11.36%	14.29%	20.14%
13	83	\$61,215	\$1,546,423	\$2,061,424	\$3,607,847	10.37%	13.15%	18.60%
14	84	\$59,395	\$1,464,459	\$2,120,684	\$3,585,143	9.55%	12.18%	17.28%
15	85	\$88,138	\$1,367,416	\$2,206,839	\$3,574,255	8.86%	11.39%	16.23%

This graphic was created by associates at J.D. Mellberg Financial.

For explanation of the numbers in the headers, see Notes for Tables on page 42.

Historical Highest Performance								
Year	Age	RMD Withdrawal* ¹ (assumes taxes paid from another source)	Annuity Death Benefit* ² (pretax) ²	Life Insurance Death Benefit ³	Total Death Benefit (pretax)	Rate of Return ⁴	Tax Equivalent Yield ⁵	Estate Tax Equivalent Yield ⁶
Issue	70	\$39,650	\$1,000,000	\$1,538,415	\$2,538,415	N/A	N/A	N/A
1	71	\$39,370	\$1,111,049	\$1,491,055	\$2,602,104	160.21%	259.61%	563.35%
2	72	\$39,029	\$1,194,700	\$1,530,093	\$2,724,793	65.07%	93.52%	161.95%
3	73	\$38,447	\$1,370,304	\$1,568,955	\$2,939,259	43.24%	58.54%	92.93%
4	74	\$37,967	\$1,470,392	\$1,605,758	\$3,076,150	32.43%	42.70%	65.03%
5	75	\$55,608	\$1,615,434	\$1,661,992	\$3,277,426	26.80%	34.40%	50.69%
6	76	\$54,665	\$1,613,765	\$1,716,189	\$3,329,954	22.20%	28.37%	41.33%
7	77	\$53,505	\$1,741,328	\$1,769,803	\$3,511,131	19.65%	24.71%	35.29%
8	78	\$52,808	\$1,803,011	\$1,823,223	\$3,626,234	17.47%	21.79%	30.78%
9	79	\$52,003	\$1,949,400	\$1,874,393	\$3,823,793	16.07%	19.78%	27.48%
10	80	\$77,384	\$1,846,706	\$1,950,279	\$3,796,985	14.27%	17.69%	24.67%
11	81	\$74,696	\$1,744,025	\$2,026,353	\$3,770,378	12.82%	16.01%	22.41%
12	82	\$72,225	\$1,650,914	\$2,098,892	\$3,749,806	11.64%	14.63%	20.56%
13	83	\$70,304	\$1,585,327	\$2,171,263	\$3,756,590	10.72%	13.53%	19.03%
14	84	\$69,021	\$1,494,565	\$2,240,149	\$3,734,714	9.87%	12.54%	17.70%
15	85	\$102,639	\$1,417,280	\$2,340,805	\$3,758,085	9.23%	11.79%	16.66%

This graphic was created by associates at J.D. Mellberg Financial.

For explanation of the numbers in the headers, see Notes for Tables on page 42.

Notes for Tables

- * These amounts are taken from just one annuity's illustrated values for guaranteed, lowest, median and best values. We may employ others for an individual's plan. For an explanation of the values directly related to your IRA Total Return Plan, please request the complete illustration from your J.D. Mellberg Financial representative.
- ¹ The RMD amounts shown are based solely on the face value of the annuity and the applicable IRS distribution rate. The RMDs do not include the actuarial present value of the death benefit rider, which will cause the RMDs to increase. Higher RMDs will result in higher withdrawals and will reduce the annuity's value and the benefit base of the death benefit rider faster. The amounts shown also do not include any tax liability, and assume that taxes are paid by some other means rather than being deducted from the RMD.
- ² Taxes would be due from the recipient on the amount shown in this column.
- ³ These amounts are based on a hypothetical universal life insurance policy, solely for illustration. We may employ various contracts for an individual's plan, depending on his/her particular situation. For an explanation of the values directly related to your plan, please request the complete illustrations from your J.D. Mellberg Financial representative.
- ⁴ This rate of return is calculated from pretax values. This does not account for any estate tax, income tax, inheritance tax, etc. This is the most basic calculation and tells you the rate of return you will need on your original principal to get the same amount as the total death benefit (pretax).
- ⁵ This rate of return is calculated from post-tax values. We assume the original principal is taxed at a 35% tax rate of beneficiaries. We then calculate the rate of return needed in order to get the same death benefit net of taxes. The value is obtained by taxing the annuity death benefit at the assumed 35% tax rate of beneficiaries, but leaving the life insurance portion tax free. Tax equivalent yield ***does not take into account estate tax, income tax, inheritance tax or the tax on income of a decedent***. Please consult your tax advisor for specific tax advice for your situation.
- ⁶ This rate of return is also calculated from post-tax values. We assume that the original principal is taxed at a 35% rate for beneficiaries, as well as the estate tax rate of 55%. We then calculate the rate of return needed in order to get the same death benefit net of taxes. The value is obtained by taxing the annuity death benefit at the assumed tax rate of beneficiaries plus the estate tax rate, but leaving the life insurance portion tax free.

The tax rate is based upon the assumed income tax rate. ***This does not take into account gift or estate tax liability.***

Disclosures

This presentation only reflects how one particular annuity and one particular universal life insurance policy may be used as part of the IRA Total Return Plan. (We may employ one of hundreds of other combinations, depending on the individual's circumstances.) It assumes that the RMDs payable under the annuity are used as premiums for the universal life insurance policy. This presentation is not intended to be a projection or prediction of current or future performance. There can be no assurance that the RMD amounts applied as premiums to the life insurance contract will be sufficient to keep the life insurance policy in force because (i) the RMD amounts may not be sufficient or may run out if the account value becomes zero; (ii) the charges for the life insurance product may be higher than illustrated; (iii) the amount credited to the cash value of the life insurance product may be less than illustrated. In such case, the life insurance will terminate without value and the owner will only have any remaining account value of the total annuity value.

This presentation does not reflect what can be received under the specific annuity or universal life insurance contract if the owner surrenders either before the policies mature. The annuity and the universal life insurance policy are subject to surrender charges and other charges and penalties if either is surrendered before maturity. In addition, tax penalties may apply if the owner is under 59½ years of age.

This presentation has been prepared for informational and educational purposes only. The presentation does not constitute legal, tax, accounting, or investment advice. The tax rates that are assumed are based on information from a hypothetical client's IRA account. The presentation does not take into account the consumer's individual tax scenario, including but not limited to, the impact of gift or estate taxes. The consumer should consult his or her own legal, tax, accounting, and investment advisors prior to making any decision to purchase the annuity and life insurance products reflected in this presentation and prior to making any gifting decisions and to discuss income, estate, gift, and other tax issues. J.D. Mellberg Financial has no obligation to notify you of any changes in the tax laws or interpretations of the tax laws.

Guarantees provided by life insurance and annuities are subject to the financial strength and claims-paying ability of the issuing insurance company. Annuities and life insurance are not FDIC insured; are not obligations or deposits of, and are not guaranteed or underwritten by any bank, savings and loan or credit union or its affiliates; are unrelated to and not a condition of the provision or term of any banking service or activity.

As you can see, the initial premium of \$1 million is substantially increased. **Even if you pass away during the first year, the total benefit to your heirs is more than double the principal!** And it just goes up from there. Surely this is a more secure option than the other strategies we've discussed.

FOR CLARITY'S SAKE...

Be sure you understand that these are insurance contracts. If you purchase any contract, then back out of it before it is mature, there will be a penalty to pay. If you leave the contract intact until maturity, you will have the opportunity to earn the gains we have talked about. If you have to restructure at some point, the gains may change, but there will still be additions to your principal.

A WORD OF CAUTION

I have had some clients who put off applying for insurance for various reasons. **I advise against that.** There have been cases in which people delayed application, then developed medical problems that made them less eligible for coverage (or at least for the amount of coverage they desired).

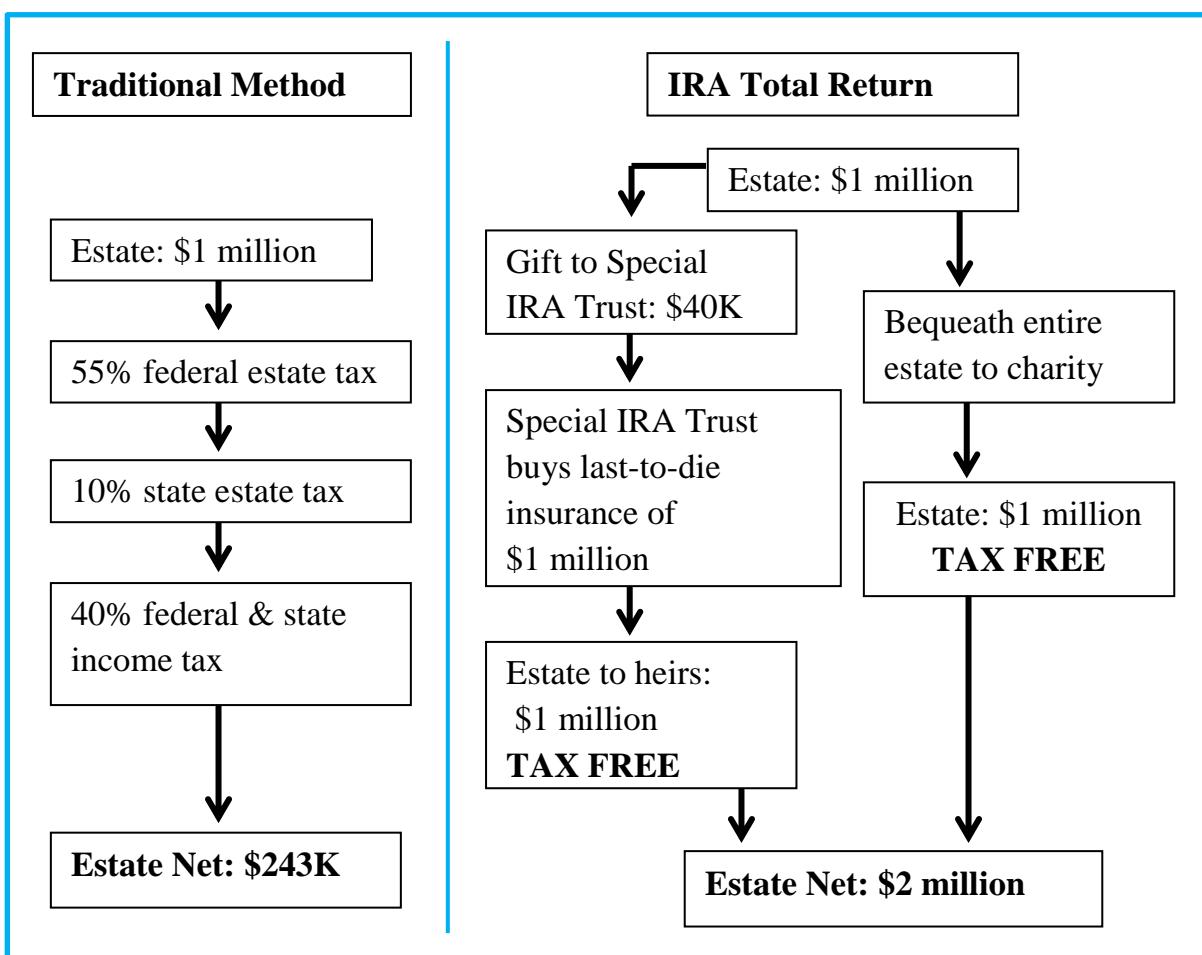
The process of setting up a life insurance policy for your IRA Total Return Plan and getting the optimal bid can take 2 to 3 months, so the sooner you start, the sooner you could be approved.

Once that is done, you can decide if this strategy is the right one for you.

MICHAEL

Michael has yet another option. He could make his family heirs to half of his IRA, leaving them the part of his estate that is in the Special IRA Trust (ILIT). The RMDs put into that portion of the account would guarantee* their inheritance, which they would receive tax free. He could leave the part that is held in the “hybrid” index annuity to a nonprofit corporation, such as his church or a university. Because the beneficiary of that money is a nonprofit organization, they would receive their share tax free also.

Dr. Barry Kaye illustrates this principle in *You Buy, You Die, It Pays*.¹¹ My illustration is based on his reasoning, but is tailored to the IRA Total Return Plan as it applies to Michael’s situation.



This graphic was created by associates at J.D. Mellberg Financial.

¹¹ Kaye, Barry. (2006). *You Buy, You Die, It Pays*. USA: FHA Press. p. 26.

Again, this is a very individualized plan. ***The only way you will know whether or not it is right for you is to talk with me or one of my highly trained, insurance-licensed retirement planners.*** We will explain the program in more detail and work out your specific scenario free of charge. Then it's up to you. You decide whether this is the way you want to protect your assets for your heirs and provide income for your retirement years.

I hope we'll be hearing from you soon.

The IRA Total Return Plan works most efficiently with amounts from \$200,000 to \$2 million. But it also works with other amounts. We designed this plan so that as many people as possible would be able to benefit from it.

About J.D. Mellberg Financial

J.D. Mellberg Financial is an independent financial planning firm. Since its founding in 2005, J.D. Mellberg Financial has undergone tremendous growth. The company started with 5 employees and has become an Inc. 500|5000 company with 75 employees working in the office in Tucson, Arizona. We continue to expand.

The company also has affiliate retirement income planners throughout the U.S.A. so that retirees not located in or near Tucson can receive the same services as those who can visit the home office. Josh only affiliates with those he considers the best, and he puts his entire team through extensive training.

J.D. Mellberg Financial and its affiliates serve retirees and those planning retirement all over the country, helping them find the best strategies to meet their retirement goals. As one of the leading financial services firms in the U.S., the company distinguishes itself by offering consumers comprehensive education and working very closely with them to help design unique income-generating plans for their retirement.

The financial advisors at J.D. Mellberg Financial are committed to guiding all of their clients through unique processes specifically designed to meet their distinct retirement desires.

These retirement planners understand people's preconceived ideas about annuities, and that is why we have built this company on a foundation of education. Instruction is the number one item of importance—helping people understand these products and how they work so that they can make more informed decisions that can enhance their retirement living.

Joshua Mellberg is a Registered Investment Advisor and is insurance licensed in all 50 states.

All employees of J.D. Mellberg Financial who offer investment or insurance products have the appropriate licenses for the products they offer.

Insurance-licensed annuity educators are standing by to answer questions and help point you in the right direction. Our dedicated team of annuity educators is ready to hear from you, and will do their best to help you live the retirement of your dreams.

This is meant to be a general educational report

on issues that most people planning retirement consider in deciding whether to buy annuities—and if they do decide to buy, which types of annuities and annuity features might be most appropriate for them. This report is not designed to be a recommendation that any individual buy any particular financial product or service.

- * *Annuities are contracts between you and an insurance company. Annuity product guarantees rely on the financial strength and claims-paying ability of the issuing insurer.*
- ** *Annuity riders may be available for an additional annual premium that may provide additional benefits and income guarantees.*

If you are unable to access any of the reports or articles referenced in our book, please call us at the number below to request copies.

If you have further questions, please contact us.

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