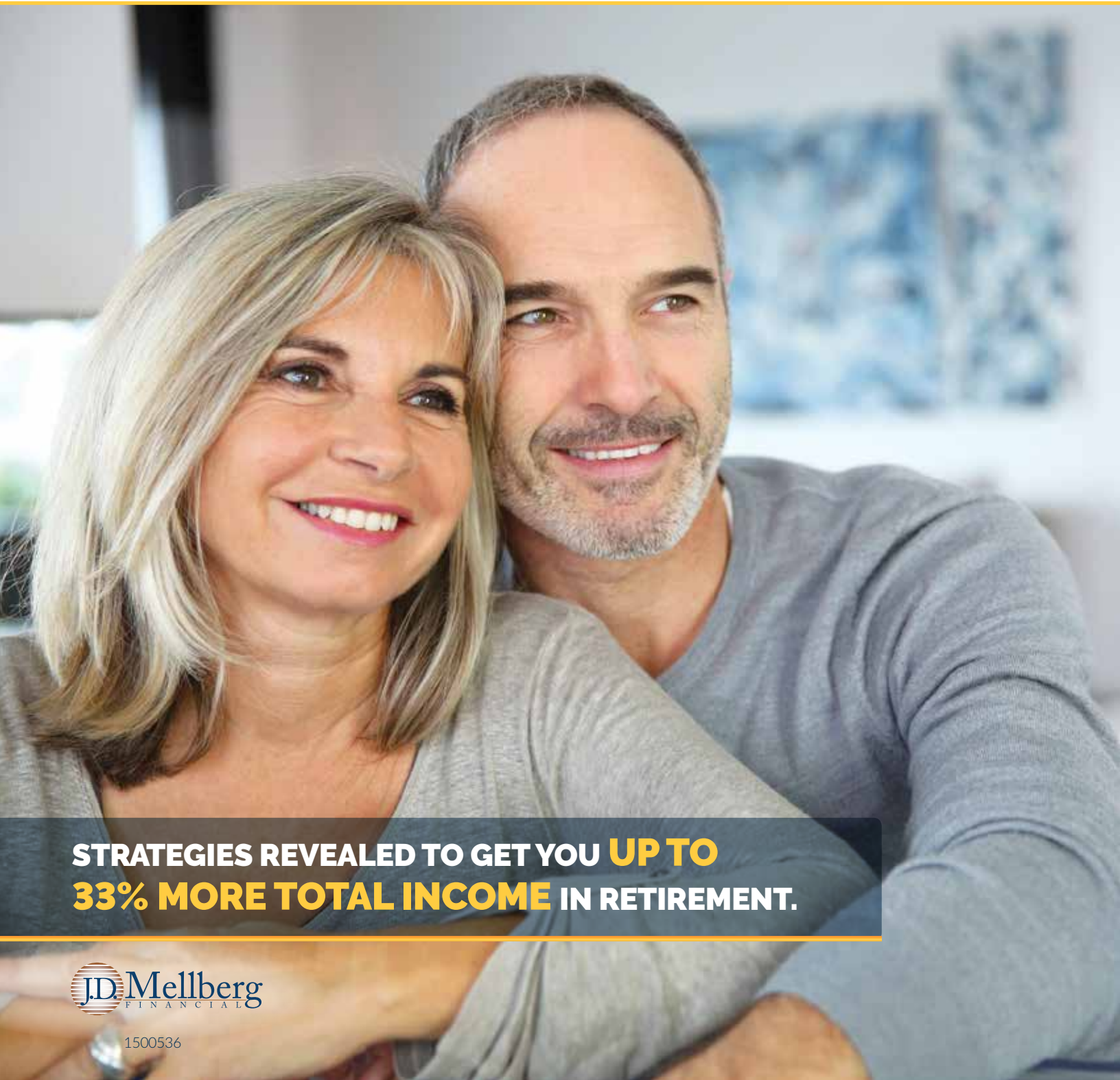
NextGen Annuity™



STRATEGIES REVEALED TO GET YOU UP TO 33% MORE TOTAL INCOME IN RETIREMENT.

J.D. Mellberg FINANCIAL

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About the Author

Joshua Mellberg is the CEO and founder of J.D. Mellberg Financial based in Tucson, AZ—an industry-leading financial organization that specializes in helping clients achieve a more financially confident and enjoyable retirement.

Josh has been featured on CNBC, PBS, Yahoo! Finance, and is a weekly contributor to New York Daily News. He has given hundreds of talks on retirement preparation, tax-minimization, and income planning strategies all over the nation. Josh has personally trained hundreds of hand-picked licensed insurance agents and advisors to specialize in retirement income strategies and his proprietary methods. Josh also regularly holds national training events for financial professionals within the industry.

Josh learned the value of a dollar the old-fashioned way – through hard work and integrity. By grade school, Josh was running his own businesses including landscaping, maid services and an online company selling items on eBay. College was no different. While earning his Business Management degree in Western Michigan University, Josh ran an online collectibles business and four construction crews building lofts in college dorm rooms.

Josh entered the financial services industry immediately after college working with a trust company and later a captive insurance company. These experiences taught him two valuable lessons. The first was that every client who purchased a trust didn't actually need one. And second was that a successful company needs to find products their clients need, rather than look for clients to sell products to.

This empowered Josh to start J.D. Mellberg Financial where he vowed to always offer clients a wide array of proven retirement products and services to help protect and then manage their retirement assets to fit their personal situation. Founded in 2005 and fueled by Josh's passion for empowering retirees, J.D. Mellberg Financial has helped thousands of seniors with income strategies designed to meet their needs and goals in retirement.

Today, more than 10 million people all across the United States visit J.D. Mellberg's websites, accessing complimentary resources and exploring retirement income strategies that can be specially designed to help meet their unique needs and goals. Josh's popular financial information videos have been downloaded and viewed more than four million times over the past year, with an average of 350,000 visitors each month.

A third-generation Arizonan, Josh resides in Tucson with his fiancée and their three dogs. When he is not in the office, you'll find him soaking up time with family and friends or traveling around the world.

JOSHUA D. MELLBERG

FOUNDER & PRESIDENT

NextGen Annuity™

Welcome to the world of the NextGen Annuities. Throughout this publication, you will find strategies designed to get you up to 33% more total income in retirement. This journey will begin by showing you tips for buying the right annuity, case studies, examples, and common mistakes you need to avoid. By the end the journey, you will discover what we call 'The J.D. Mellberg Difference.'

CONTENT:

J.D. Mellberg FINANCIAL

IS AN ANNUITY RIGHT FOR YOU?

The purpose of this report is to help you examine the preparation you have made for your retirement years to see whether or not there is more you can do to reach your financial goals. If you are in or nearing the Retirement "Red Zone" (the period 10 years before you retire and the first 10 years into retirement), your financial future may be on the line at this stage. The decisions you make during that time will affect the rest of your retirement years, no matter how long you live.

For more information or to schedule an appointment with a licensed advisor call

(888) 565-7451

One of the ways we help people strategize for retirement is through the purchase of annuities.

ANNUITY OVERVIEW

An annuity is a contract between a person and an insurance company that can be used as part of a retirement strategy, and can provide a wide variety of benefits including growth, tax-free income[§], market upside without the downside and income for life.[**]

People typically purchase annuities for one or more of the following reasons:

1. Guaranteed[*] income for life that can be adjusted for inflation[**]
2. Principal-protected growth
3. Legacy for beneficiaries[‡]

Each insurance company has its own spin on the features of its annuities and offers different options, but there are four basic types of annuities: immediate, fixed, variable, and fixed index.

Immediate Annuity: This annuity can immediately provide a regular income stream for your lifetime. It can be a good supplement to Social Security, especially if you don't have pension income, depending on the premium you pay and your age when you purchase it. But you give up control of your money as a trade-off for that promised income. You can't pull it out without a substantial penalty, or may not be able to withdraw a lump sum at all.

Fixed Annuity: This one earns a steady rate of return—typically from 1% to 4% - for a fixed period of time. The longer the term, the higher the earning percentage. The insurance company holds your

money and pays you part of its earnings in exchange for the use of your money.

Variable Annuity: This is an insurance product with an investment component that is tied to the stock market or other investments. You can lose earnings, and even principal, when the market drops. Fees for variable annuities range from 2% to 8% per year whether the market is up or down. Be sure you understand the terms and conditions of a variable annuity before you buy.

Fixed Index Annuity: A fixed index annuity has features of both fixed and variable annuities. If the market index goes up, your money has the potential to grow. And if the market goes down, you don't lose money because of it. In exchange for your premium payment, the insurance company provides you with income – immediately or in the future (deferred). Some benefits of fixed index annuities are: guaranteed* income for life,** tax-deferral, death benefit,‡ and if the index your annuity is linked to (ex. S&P 500®) increases, your earnings will rise as well. Once your earnings are credited (see contract for crediting periods), you cannot lose them to market volatility.

Now that you have an idea of the four types of annuities, we'd like to introduce you to strategies using what we call the "NextGen Annuities.™" NextGen Annuity™ strategies include what we consider to be the best features from each of the annuity types: market upside without the downside, uncapped,» protected from downside market risk and low fees.

FEATURES & BENEFITS

Each annuity type has its pros and cons when applied to your situation, depending on what you want your money to accomplish.

1. First, decide what the purpose of your money is. (i.e. reliable growth, income now, income later, to leave for loved ones).
2. Second, evaluate how well your current blueprint is leading you toward your goal (s).
3. Third, find ways to help make up for any gaps in reaching your goal(s).

By using little-known techniques blending annuities, leveraging Social Security income▲ and withdrawal management, and knowing the product terms inside and out, we have become a leading retirement income financial firm in the United States. Our agents and advisors, trained by Joshua Mellberg, know strategies to get more money out of these contracts, providing our clients with up to 33% more income^ over their retirement years.

As annuities evolve with new features and benefits, we are seeing a boom in annuity sales, particularly in fixed index annuities. As Baby Boomers have begun to realize the need to secure their funds, sales of annuities have grown from $5.25 billion in 2000 to $74 billion in 2014.

Here is a list of some of the newer and popular features and benefits seen in the annuity marketplace today, many of which our NextGen Annuities employ. Some are part of base policies and others are offered with the purchase of riders.

- Guaranteed* and Increasing Income for Life**
- Inflation Protection**
- Tax-Deferred Growth (taxes due upon withdrawal)
- Long Term Care (double or triple the monthly income upon qualifying health event)**
- Liquidity – or freedom to access some of your money at any time (limitations may apply)***
- Protection Against Market Downturns
- Guaranteed* Death Benefit for Heirs‡

What kind of monies can be used to purchase NextGen Annuities™?

- Savings
- CD assets
- Mutual Fund assets
- IRA assets
- 401(k) assets
- Public Stock assets

ANNUITIES: GUARANTEE* CLAIMS AND PROTECTION FROM DOWNSIDE MARKET RISK

Because insurance companies operate in a different business environment than banks and credit unions do, they are subject to different rules. And, since they are not banks or credit unions, the FDIC and NCUA have no authority over them, and do not back the funds against loss. Instead, insurers are subject to legal requirements to maintain a system of reserves, and many also have reinsurance (insurance for insurance companies) that provides the financial strength and ability to pay claims as they have promised.

RESERVES

Most Insurance companies are required to have $1 for every $1 in their own reserves that they contractually agree to pay. Therefore, should they have to pay out on every policy they have issued, they have the money they need to do that. Many companies actually have more than the required dollar-for-dollar on hand.

SOLVENCY AND SURPLUS

Your retirement income specialist can help you check the ratings of individual companies. Their ratings include their "solvency ratios" or statements as to how much capital they have to back the promises they have made to pay customers. Forbes explains:

For example, a company with a solvency ratio of 105 means that for every $1 dollar you put into an annuity they have $1.05 in assets to back that principal promise. In contrast, large banks only have to keep about .03 - .10 in reserves for every $1 dollar you deposit in the bank.

REINSURERS

Finally, many insurance companies also have a system of reinsurers—companies that have committed to back the insurance company's claims if they somehow should end up in default.

A COMPANY'S RATING IS IMPORTANT, BUT IT'S NOT THE WHOLE STORY

Credit rating companies like A.M. Best and S&P analyze thousands of insurers worldwide and provide grades to help identify the strongest and weakest companies. We took some figures from A.M. Best data and found that, at least in their formulas, there appears to be little connection between an insurance company's rating and solvency ratio.

STRONGER SOLVENCY RATIO LOWER RATING	WEAKER SOLVENCY RATIO HIGHER RATING
"A" Rated Company 107.10	"A+" Rated Company 101.45
"A" Rated Company 107.00	"A+" Rated Company 102.55
"B++" Rated Company 104.85	"A+" Rated Company 102.08
"A" Rated Company 106.16	"A+" Rated Company 103.45

Company Solvency Ratios & Rating Source: A.M. Best data 12/2016

As you see in the examples in the graphic, one "A+" rated company shows a 101.45 solvency ratio, which is lower than an "A" rated company whose solvency ratio is 107.10. We also illustrate a "B++" rated company that actually may be in a better position to pay back their annuity-owners than one that is "A+" rated.

As we have discussed, the stronger the solvency ratio, the better the promise may be from the insurer, regardless of the company's rating.

INCOME, GROWTH & LEGACY

Since there are three basic reasons you might be reading this report (income, growth, or to build an inheritance), we'll start by addressing the concerns that could affect anyone planning for retirement. Then we'll explain in more depth about the different types of annuities and how they might be helpful in reaching different financial goals. Finally, we'll show you how financial strategies built with annuities have helped others in situations similar to yours to achieve their objectives.

THE "CRISIS" IN RETIREMENT INCOME PLANNING

The way we look at it, there may be a number of reasons for concern:

- Some countries in Europe are having major economic problems, and that affects our economy.
- Baby Boomers are retiring—about 10,000 per day[3]. As they turn to living off their IRA and 401(k) assets, they are withdrawing money from the market.

In short, we are looking at a landscape that has not existed before, and we have to work hard to figure out how to negotiate it. Whatever your age or situation today, you should start now to plan your future.

An economist I respect is Robert C. Merton. Dr. Merton received the 1997 Nobel Prize in Economics and is a Distinguished Professor of Finance at MIT Sloan School of Management.[4]

In an article he recently wrote for the Harvard Business Review, entitled "The Crisis in Retirement Planning," Dr. Merton notes that:

Corporate America really started to take notice of pensions in the wake of the dot-com crash, in 2000. Interest rates and stock prices both plummeted, which meant that the value of pension liabilities rose while the values of the assets held to meet them fell. A number of major firms in weak industries, notably steel and airlines, went bankrupt in large measure because of their inability to meet their obligations under defined-benefit pension plans.[5]

Dr. Merton's point is that the lack of pensions has helped create a retirement crisis. There are millions of people in the retirement red zone who do not have solid financial strategies to see them through their golden years without running short of money.

The information in this book may help you build your own retirement income strategy that leaves your savings intact while providing the money you need to maintain your lifestyle and still spend with confidence throughout all the years of your retirement.

Up until now, you've probably been focused on growth: money in the stock market, your IRA, your 401(k), bonds, etc. And everybody refers to whatever is in your portfolio in terms of "asset value."

That's fine when you're in the accumulation stage of your financial planning. But now things are changing. When your earning power—your normal stream of income—has stopped or is about to stop, it's time to start thinking about how you are going to use what you have accumulated, and how you are going to make it last.

With the right kind of annuity selections (within NextGen Annuity™ strategies), you don't have to give up higher income or growth, home health care or nursing home care, or access to your money. Know that there are contracts that give you upside without the downside, guaranteed* money for life that can double for long-term care,** and increase with inflation.**

We're not saying you shouldn't have any assets in more aggressive, higher risk growth accounts.

It is perfectly all right to have an investment portfolio *if you first make sure that your lifestyle spending is protected.* But it is important to understand the distinction between the two. Separate your "paychecks" from your "playchecks."

INCOME WITHOUT SACRIFICING PROTECTION FROM MARKET DOWNTURNS

In my view, the key to success with retirement income strategies is targeting that one important term: MONTHLY INCOME. For those in the retirement red zone, the time has come to shift focus from accumulation value (which is the focus of IRAs and 401(k)s) to income dollars.

> *"Our approach to saving is all wrong: We need to think about monthly income, not net worth," says Dr. Merton, who points out that one of the problems is that we have been taught to look at the wrong markers.*[6]

RETIREMENT INCOME PLANNING

WHAT'S YOUR NUMBER?

Let's start with this simple exercise to give you an idea of how annuities and our strategies can work. The purpose of the *Lifetime Income Calculator* on the U.S. Department of Labor's website is to show your retirement plan account balance as level monthly payments for your lifetime to help you assess your retirement readiness and plan for your retirement.

STEP 1: Visit the U.S. Department of Labor website: www.askebsa.dol.gov/Lia/Home

STEP 2: Answer each question.

STEP 3: Write down the number the Department of Labor says you will need today to generate the desired income at the retirement age you selected.

For example, we entered an account balance of **$862,000** for a **60-year old** wanting to retire in **six years.**

The calculator reported a projected annual income upon retirement of **$4,000** per month, or **$48,000** per year.

Lifetime Income Calculator

Retirement Age	60
Current Account Balance $	862,000
Current Annual Contribution $	0
Years to Retirement	6
Statement Date (MM/DD/YYY)	01/04/2017

Calculation Results

			Lifetime Income/Month with Joint & Survivor Annuity	
	Value at Retirement Age	Lifetime Income/Month for Participant with No Survivor Benefit	Participant	Spouse with 50%
Current Account Balance	$862,000	$4,000	$3,689	$1,845
Projected Account Balance	$1,104,231	$5,124	$4,726	$2,363

However, with our NextGen Annuity™ Strategy we could hypothetically get this retiree the same amount of income for $222,315 less cost. That means **you would need 35% more in the DOL formula than by using one of our strategies.** What would you do with an extra $222k after your income needs are taken care of?

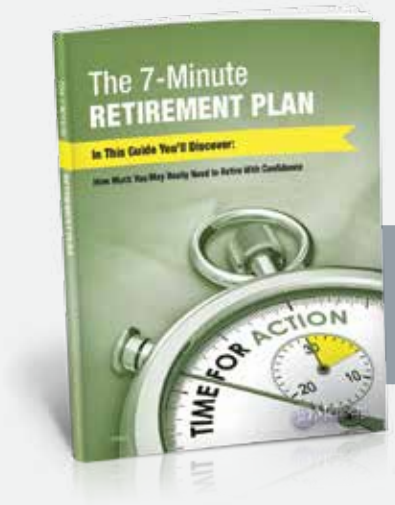
LEVEL INCOME					
		INCOME RIDER			
Year	Age	Income Account Value (Roll-up at 7%) (1)	Lifetime Annual Income Withdrawal (2)	Home Health Care (3)	Fixed Index Annuity w/ Income Rider
0	60	$639,685	N/A	N/A	Initial Purchase Premium **$639,685** Lifetime Annual Income Withdrawal **Starts Year 6**
1	61	$684,463	$0	N/A	
2	62	$732,375	$0		
3	63	$783,642	$0		
4	64	$838,497	$0		
5	65	$897,191	$0		
6	**66**	**$959,995**	**$48,000**	**$95,999**	
7	67	$911,995	$48,000	$95,999	
8	68	$863,995	$48,000	$95,999	
9	69	$815,995	$48,000	$95,999	
10	70	$767,995	$48,000	$95,999	

Or we can look at it this way: how much more income can you get with NextGen Annuity™ strategies by J.D. Mellberg for the same amount of money as the DOL formula ($862,000)? In this hypothetical example, the annual income is **$64,682**!

LEVEL INCOME					
		INCOME RIDER			
Year	Age	Income Account Value (Roll-up at 7%) (1)	Lifetime Annual Income Withdrawal (2)	Home Health Care (3)	Fixed Index Annuity w/ Income Rider
0	60	$862,000	N/A	N/A	Initial Purchase Premium **$862,000** Lifetime Annual Income Withdrawal **Starts Year 6**
1	61	$922,340	$0	N/A	
2	62	$986,904	$0		
3	63	$1,055,987	$0		
4	64	$1,129,906	$0		
5	65	$1,209,000	$0		
6	**66**	**$1,293,630**	**$64,682**	**$129,364**	
7	67	$1,228,948	$64,682	$129,364	
8	68	$1,164,266	$64,682	$129,364	
9	69	$1,099,584	$64,682	$129,364	
10	70	$1,034,902	$64,682	$129,364	

Both these hypothetical charts were produced by J.D. Mellberg Financial for demonstration of concepts only and does not represent a specific annuity product.

HOW MUCH DO **YOU REALLY NEED** IN RETIREMENT?



This guide is offered
FREE OF CHARGE!

The 7-Minute Retirement Plan

Avoid running out of money in retirement.
In this FREE guide you'll discover:

- How much you really need to retire with confidence.
- How to generate guaranteed* and increasing income for the rest of your life.**
- How inflation can decrease your purchasing power in retirement.

Call (888) 565-7451

To Receive Your FREE 7-Minute Retirement Plan or to Speak to a Licensed Agent.

Once you've gotten an estimate of "your number" based on the online formula, find out what your income number would be. Start with a tool we have created for you: ***The 7-Minute Retirement Plan,*** which you can order free of charge. But for now, let's do an abbreviated assessment here.

To determine your income number, you'll need to look at some basic information:

- Your age
- Your household income
- The age you plan to retire
- How much annual income you will need during retirement

INFLATION

One great thing about the workbook is it also has you take into account cost of living increases due to inflation – what I call ***"the invisible tax"*** – for the rest of your life. You want to make sure you have at least the same purchasing power down the road as you do today.

The Bureau of Labor Statistics provides an overview of inflation for the last 30 years[7]. If we average over the full 30 years, the inflation rate comes out to just over 4%.

Let's look at the effects of inflation on a personal level by checking some average prices over the last 15 years for things we use every day.

	1999	PRESENT DAY	% CHANGE
Gallon of Gas	$1.30	$2.75	111.54%
First Class Stamp	$0.33	$0.49	48.48%
Gallon of Milk	$2.88	$3.15	9.38%
1 oz. Gold	$279.11	$1,221.80	337.75%
Electricity *(cents per kWh)*	8.63	13.51	56.5%
Movie Ticket	$5.06	$10.25	102.57%

Then vs. now: How prices have changed since 1999 (Tom Barlow), dailyfinance.com, 12/29/09.
Our Current Price Basket, The PeopleHistory.com, accessed 4/6/2015.
https://data.bls.gov/pdq/SurveyOutputServlet, accessed 6/20/2017.

It's interesting how things have changed. It's also sobering to think about what could be coming our way. ***How much will your buying power change in the coming years?***

Whether inflation increases at 2% or 5%, costs increase every year. Think about the effects on your retirement due to inflation over the next 30 or 40 years.

Which costs are going to **decrease** in the coming years? You may still have a mortgage, but plan to have it paid off before you retire. You may find that you are buying less "stuff" these days because you've already acquired many of the items you dreamed of having, and these items will last a long time. In short, **you are moving out of the accumulation phase of your life**. Many of these expenses will decrease or resolve entirely, but others may take their place.

Which costs are going to **increase** in the coming years? You may find that you have to hire people to do those projects you used to do yourself. Roofs will need to be replaced. Houses will need to be repaired and sometimes remodeled to accommodate older occupants. These will not be everyday expenses, but they will not be decreasing expenses. You should consider them in your planning.

Healthcare makes up another large portion of spending for many retirees. If you develop a serious medical condition, you will be spending a lot more on treatment and doctor visits. Should you need extended nursing care, whether at home or at another location, healthcare can become a larger portion of your expenses.

Annuity strategies can help protect your buying power by providing a hedge against inflation with increases to your income annually.**

Dr. Laurence Kotlikoff, Professor at Boston University, stated,

"Inflation-adjusted annuities are always the best way to go... An inflation-adjusted annuity guarantees that the amount of money you receive every month rises at the same rate as prices. If you don't buy something that is inflation-adjusted and prices go up enough, the purchasing power of that money could go to zero."[8]

If an annuity seems to make sense for your situation and it doesn't include that feature, be sure to consider also purchasing an increasing income rider.

TAXES

I'm not a tax professional, but we are all aware that taxes can eat up your assets. There are hundreds of taxes that could affect you, depending on your situation. You will find that many come into play for your retirement funds such as, Federal income tax, State income tax, Social Security tax and Medicare tax.

(Continued on page 14.)

(Continued from page 13.)

Higher wage earners tend to pay more than middle-income earners do. Still, any taxes can take a bite out of your retirement money.

Other taxes get paid every day. When you fill your gas tank, you pay a tax. When you buy just about anything (except food at a grocery store in some states), you pay taxes. Property taxes apply to vehicles, homes and commercial properties. The list goes on and on.

Using NextGen Annuity™ strategies with our approach of laddering, leveraging Social Security benefits▲ and other management techniques, we can help our clients wind up with more spendable dollars in their pocket with less owed to the IRS. The outcome is your income.

Spendable Dollars =

NET OF FEES, NET OF TAXES, NET OF INFLATION

LONGEVITY

When evaluating how much to save for retirement and how much income you'll need during retirement, one of the most difficult issues we face is the uncertainty of an individual's lifespan. We often say, "tell me how long you're going to live, and I'll tell you how much you need for retirement."

"According to the Census Bureau, the total number of centenarians in 2050 could exceed 4 million. That's enough oldsters to fill up all of Los Angeles.

Here's the bottom line. If you've retired anytime in the last 10 years or expect to retire sometime soon, you need to ensure that your savings will last you 40 years or longer.

Again, financially speaking, the smallest risk in life is dying. The biggest risk is living, actually outliving your money." [9] *- Dr. Kotlikoff*

Today, if you are age 65 and married, there is a 50% chance you or your spouse will live to age 92.[10]

Obviously it's going to be different for every person. Since we can't predict, the best we can do is prepare for the long term. Setting up a roadmap that provides for you for your whole life, no matter how long that is, could give you greater financial confidence that might actually allow you to live a longer, happier life!

INCOME SOURCES

To spend with confidence in retirement, you need to know that your income will be the amount you need every month, every year, for as long as you live. Many people gather funds all their lives, whether in IRAs or 401(k) accounts or other vehicles, expecting that what they have gathered will be enough to last through their retirement years.

There are five basic components upon which a retirement income strategy can be built:

- ✓ Social Security▲ (government pension)
- ✓ Company-backed pension
- ✓ Fixed or fixed index annuities
- ✓ Investments
- ✓ Savings vehicles

An important note about your Social Security income benefit: *"Social Security provides a huge incentive in very many cases to delay taking your retirement benefit until age 70. Unfortunately, most people think of Social Security as an investment, which it isn't. Social Security represents longevity insurance,"* advises Dr. Laurence Kotlikoff.[11]

Income annuities could also be viewed as longevity insurance...

Which sources you have and how you use them could determine how confident you can be about your financial future. For many people, the assets they have in place to provide permanent income cannot provide quite enough for them to continue living the lifestyle they enjoyed before retirement.

Where you will get your income from and when you take it should be evaluated by whether or not the funds are subject to factors such as:

- market volatility
- taxes
- inflation
- life expectancy
- marital status
- fees
- guarantees
- ...etc.

WILL YOU HAVE ANY INCOME GAPS DURING YOUR RETIREMENT?

Most retirement income plans are incomplete. They have some sources of permanent income, but not enough to cover all the expenses of day-to-day living. So how do you fill the gap between the permanent income coming in every month and what you need to continue in your present lifestyle?

After estimating your income and sources, how much do you still need to maintain your current lifestyle in retirement? This is your gap—the amount of money that would be added to your sources of permanent income—your "paycheck"—to allow you to live as you wish to in retirement. Understanding the gap that may exist between your income and your needed income is a key point in strategizing your retirement finances.

As an example, the chart on the right shows a hypothetical 66-year old who is planning on working for one more year, then turning on Social Security, and then income from other vehicle(s) around year six of his retirement.

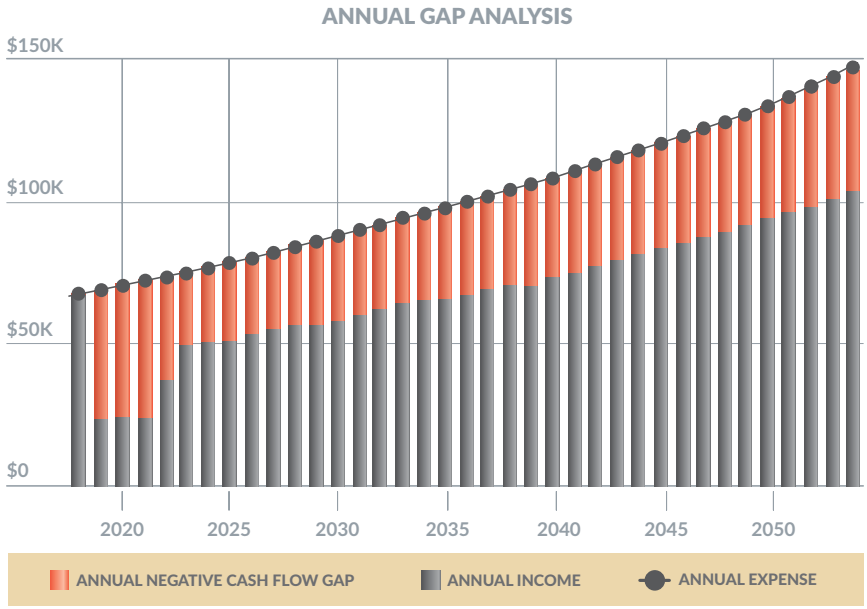
The grey indicates our retiree's permanent income: Social Security, government pensions, guaranteed* income annuities, etc.

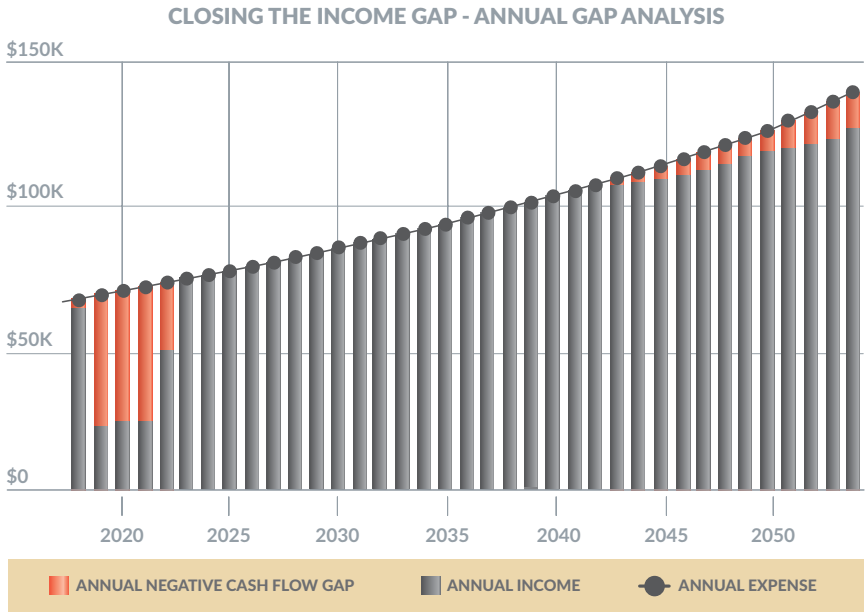
The red indicates the remaining portion needed to hit the projected income needs. Many retirees and pre-retirees designate non-guaranteed income sources ("maybe income") to make up the difference: income from vehicles that can go up and down with market volatility, income from steadily low interest rates that don't keep up with inflation, etc.

If you have a lot of "maybe" income that will fluctuate over time, this analysis will let you see what effect that might have on your purchasing power. This information can give you a much clearer picture of what you could need to maintain your current standard of living. Then you can decide how you are going to fill those gaps.

Do you think you should rely on permanent income or "maybe" income to give you confidence in retirement spending?

Before we dive into resolving the need for income for life, there are a couple more pieces of information to take into account.





The retirement income approach we advocate is built with NextGen Annuity™ strategies. We find annuities offered by top-rated insurance companies—the "best of breed" annuities with the terms you want —and configure them to make the most of the benefits that are most important to you. By laddering and using little known management techniques, we aim to maximize your income, get you higher growth potential and minimize the tax bite – and secure some income 100% tax-free![§]

It all starts with knowing how annuities work and finding the best terms for you. Let's break them down.

THE FOUR TYPES OF ANNUITIES

Today, there are four types of annuities. Keep in mind that each company that offers annuities has different terms, conditions, limitations and benefits captured in each of their annuity contracts. The following are basic definitions to help clarify how they work and interact on a base level.

1 IMMEDIATE ANNUITY

For many people, immediate annuities could play a role in their retirement strategy, especially inflation annuities, but they should not be the only vehicle employed.

This is sometimes called a single-premium immediate annuity. You can purchase an annuity with a lump sum and begin to receive regular payments right away (some immediate annuities allow you to wait for up to a year to begin payments). You are assured that specific amount of income for the rest of your life.

Also, there are no fees attached to immediate annuities, and there can be tax advantages. If you purchase with pre-tax dollars, however, the principal and interest will be taxed upon withdrawal.

Immediate annuities usually are more attractive to older retirees. Actuaries calculate longevity and other factors to determine how much income this type of annuity will pay out. Since older clients will likely be collecting over a shorter number of years, their monthly payouts will be higher.

For example, if you buy an immediate annuity for a $100,000 premium in your 60s, your payout will be around $6,000 per year. But if you buy the same contract in your 70s, your payout will be around $10,000 per year.

Immediate annuities may be a good choice for someone who hasn't saved sufficient funds for retirement, or if he/she wants a spouse to receive a steady income if the spouse lives longer. (With some contracts, this feature is standard. With others, it may require the purchase of a rider.**)

If you are considering buying an immediate annuity, check the survivorship provision of the contract carefully. It could be that unless you make sure the contract is set up to continue payments to a surviving spouse, his/her payments might stop or be cut as much as half. Some companies have products that allow you to purchase riders to provide ongoing payments to your spouse. Just be sure you understand the details.

Also, if you use non-qualified money (taxes already paid), up to 90% of the income from an immediate annuity can come to you tax free. If you're using IRA, 401(k), or other qualified money, this rule does not apply. However, if you use those funds to purchase a ROTH IRA and pay taxes at that time, all payouts are tax free.

Guaranteed* income for the rest of your life** is a good thing! But there is a side to this type of annuity that some people don't like: you lose control of your money.

When you start the income stream, you turn over control of your money to the insurance company. They contract to give you income, so you promise that you won't pull your premium out. If you do, you could face a stiff penalty, if you are able to withdraw it at all. For some people, the idea that the money becomes unavailable steers them away from this vehicle.

One more concern for many people is that immediate annuities don't account for inflation. You get the same amount of money every year, no matter what. But if the cost of living keeps going up, those dollars are going to buy less and less as time goes on.

IMMEDIATE ANNUITY PROS

- + Guaranteed* Income may be set for life**
- + Payments can start immediately
- + Tax advantages
- + No fees

IMMEDIATE ANNUITY CONS

- – Irreversible; lose control of your money
- – No access to your money without penalty
- – Most don't increase with inflation – "level income"

2 FIXED ANNUITY

A fixed annuity — offers a fixed rate of return for a fixed period of time. It pays a steady interest rate of 1-4%, has no fees for the base contract, and the principal grows tax-deferred. All payouts are taxable.

A fixed annuity offers a higher level of protection, too. In many cases, the longer the term of the contract, the higher the interest rate. Right now, we are seeing rates between 1% and 4%.

Unlike an immediate annuity, after the first year, a fixed annuity usually allows you to withdraw up to 10% of the policy value per year, without penalty. In that way, you retain control of your money. Depending on the term of the annuity's contractual agreement, there may be a penalty fee for early withdrawals of over 10%, so that needs to be considered if you think there is any chance you might need to recover your principal before the contract matures and penalties are phased out.

Another feature of a fixed annuity is that for people whose income sits at a certain threshold, incorporating this tool into your retirement income strategy can reduce or eliminate taxes on Social Security benefits. I recommend that you read our book, ***Maximizing Your Social Security Income: Secrets to Increase Your Cash-flow in Retirement,***▲ which explains this concept in detail. Your retirement income financial professional can also help you examine your own situation, and how you might effectively use this benefit.

FIXED ANNUITY PROS

- + Typically 1-4% fixed interest
- + Up to 10%/yr penalty-free withdrawals
- + Tax-deferred growth
- + No fees

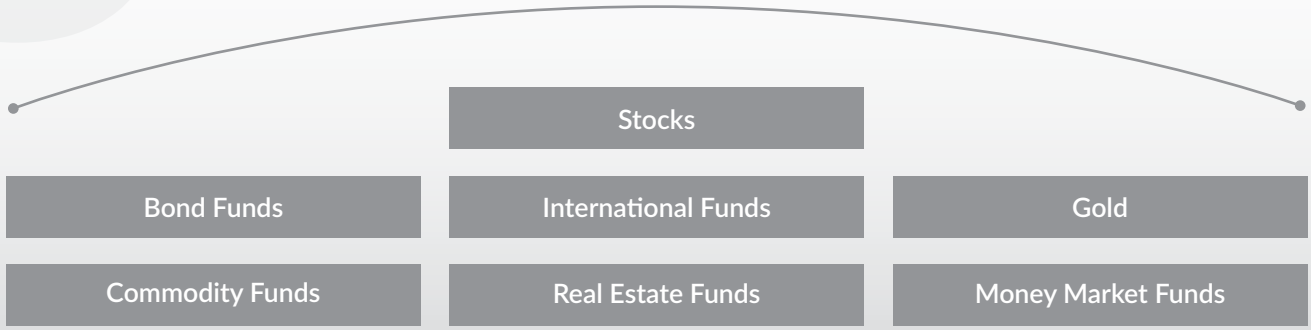
FIXED ANNUITY CONS

- – Limited liquidity**
- – Income may be flat and not hedge against inflation
- – Growth potential is fixed

3 VARIABLE ANNUITY

We would be happy to go through a fee analysis exercise on any existing variable annuity contract, or one you are considering, at no charge or obligation.

A variable annuity includes an investment feature, think of it as a box that holds diverse investments (subaccounts), managed by mutual fund managers. Because the funds are exposed to the stock market, they are exposed to higher risk with the potential for higher gains.



VARIABLE ANNUITY WRAPPER - EXAMPLE OF SUBACCOUNTS

(Continued on page 20.)

(Continued from page 19.)

As long as you trade within your box, you can buy and sell without paying capital gains taxes. You are only taxed when you pull money out of the box.

Variable annuities have worked well for high income earners, particularly for younger people who have many years to wait out stock market volatility to attain greater growth before they need the income.

We have clients who have variable annuities that generally perform well, and I would not counsel them to drop those contracts. What works depends on the client's goals and resources. If you have a well-structured variable annuity that is performing, you may want to keep it.

Unfortunately, it is often variable annuities that give annuities in general a bad name. The reasons are fees and volatility.

FEES

One of the biggest problems we often find with variable annuities is their fees. Here are some common fees we see:

In our complimentary 42-point contract review for clients, we outline 13 fees that could be charged on variable annuities, and some of those have variations that could result in additional charges. We've seen fees between 3% and 7.5% per year. If you aren't making as much profit per year as you're paying out in fees, then this vehicle isn't working for you. (Wouldn't it make more sense, in this scenario, just to buy a low-cost mutual fund or exchange traded fund outright, and not have additional fees?)

VOLATILITY

Because they are tied to investments, variable annuities open up the possibility of a lot of growth, but they also leave you open to losses, including a loss of principal, if there are downturns. What if you need money when the market is down? How much will a withdrawal erode your funds?

If you are paying fees and making withdrawals from your variable annuity, your funds could be on the line. Variable annuities are often used for growth; but in my opinion, they are not generally appropriate vehicles for retirees.

VARIABLE ANNUITY PROS

- + Designed for growth
- + You can trade between different funds within the account (i.e. bonds, stocks, international funds)
- + Gains are deferred

VARIABLE ANNUITY CONS

- – Potential for loss of principal (high risk)
- – Annual fees can be as high as 3% - 7.5% per year
- – Withdrawals during a downturn can lead to "asset erosion" quickly

Fee	Charge
Administration	0 - 5%
Mortality & Expense	1 - 2%
Mutual Fund Subaccount	.5 - 2%
Turnover Ratio (Transaction)	.7%
Death Benefit Rider	1%

FIXED INDEX ANNUITY

The fixed index annuity (FIA) has been around just over 20 years. It's kind of a blend of other annuity types, and utilizes beneficial elements of each.

- Steady guaranteed* income (like a fixed annuity)
- Liquidity/Access*** to your money (typically after year 1, up to 10% year, 50% over 5 years, without penalty)
- Potential for principal-protected growth without market downside (your money increases when the market goes up and may be locked in on the crediting schedule, and you don't lose credited interest or principal when the market goes down)

An FIA is similar to a variable annuity in that interest gains are linked to the rise in value of a stock market index. However, in an FIA, your money is not actually invested in or exposed to the market. If the specified index gains value, additional interest is added to your money, while your money generally won't grow at the same rate as the index gains value. After those gains are credited (see your annuity contract for crediting timeframes), you do not lose the credited interest when the index loses value.

Many insurance companies offer fixed index annuities, and each company may have up to 15 types of contracts. Different contracts use different methods of figuring your gains. Generally speaking, there are three ways a company can manage your gains so that your money grows and the company also makes a profit – giving the company the assets to keep its promises to you, even when you live long enough to run out of actual value in the annuity.

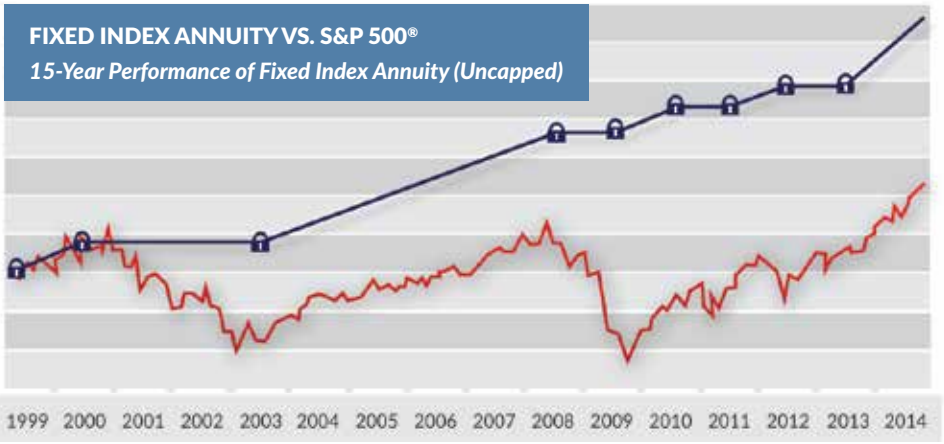
Cap - *(keyword: ceiling)* the limit on the amount you can earn over a given time period, typically a year. Example: At a 10% cap rate, if an index experiences 20% growth, you will be credited 10%. We like the contracts that are uncapped*. However, even uncapped* contracts will have other types of governors.

Spread - *(keyword: margin)* a percentage of an index gain that you do not receive. Example: At a 1% spread, if an index experiences 10% growth, you will be credited 9%. The higher the spread percentage, the lower the return will be of any interest gains to your principal.

Participation rate - the percentage of the gains you are eligible to receive in a given period of time. Example: At a 50% participation rate, if an index experiences 20% growth you get 10%.

We tend to favor for our clients the contracts and terms that give you the maximum protected growth and income, using our approach of laddering, leveraging and managing.

Note: *Fixed index annuities with an income rider** are generally a cornerstone of J.D. Mellberg's strategies with NextGen Annuities.™ With the ability to get our clients guaranteed* income, increasing income and lifetime income,** we leverage these contracts with others to achieve a higher interest rate over time and ultimately higher payouts for our clients. Speak to a J.D. Mellberg Financial professional to learn more about what a fixed index annuity might do for your needs and goals.*



Market value based on the S&P 500® Index. Historical performance of the S&P 500® Index should not be considered a representation of current or future performance of the Index or of any annuity. This is a non-guaranteed, purely hypothetical example for the purpose of illustrating comparative assumptions. Past performance does not guarantee future results.

BUILDING YOUR PERSONALIZED STRATEGY FOR INCOME...

PERMANENT INCOME
Once you decide what approach works best for you, we go to work engineering the nuances and details, and blending them into the strategy that best fills your income requirements. What is the least amount of dollars to get your income secured for life?**

INFLATION PROTECTION
The cost of living doesn't stay level; inflation will continue to eat away at the value of the dollar. We utilize insurance-company-backed benefits to ensure that your income is indexed to the CPI-U. If inflation goes up, so does your income. Your buying power remains, even if the cost of living goes up.

GROWTH
We use fixed index annuities to give you a potential to earn more, linked to the performance of a specific market index. However, you also have the protection of the contract to keep you from losing any of your principal or credited interest if the index drops. So when the index gains, you gain. When it drops, you don't gain but you don't lose your credited growth, either. Even after you start taking regular distributions, your money has the potential for growth.

LARGE PART OF YOUR MONEY CAN REMAIN TAX FREE
There is a little-known IRS rule referred to as the annuity exclusion ratio. If the annuity is structured properly, this ruling excludes up to 80% of your money from taxes. Also, if you convert a traditional IRA to a Roth IRA *(and pay taxes at that time)*, your money grows tax-sheltered, and you can receive ALL of that money tax-free.

We know where to look for tax-efficient vehicles, and tax-efficient strategies that matter. You will want to consult with your tax advisor to see how these strategies fit with your unique situation.

GETTING STARTED
Our job is to know available annuity contracts, inside and out, so we can find the "best of breed" when it comes to your specific needs and goals. Once we find the ones with your preferred benefits – be it for income, for growth, for legacy, for some of it all, we'll review them with you and start building your customized strategies from the choices you make. The beauty of our strategies with NextGen Annuities™ is that they can be completely customized to meet your goals.

HEALTHCARE COVERAGE STRATEGY
Unexpected medical bills have thrown curve-balls at many retirement strategies. What if something changes along the way—you have an accident or develop a long-term illness—are you prepared for it?

The key is not letting them be unexpected—plan for them! Some annuities offer benefits that allow for increased payments ***up to double or triple what your usual income would be to help cover medical bills if you have a qualifying health event.*** *And you don't even have to be insurable to buy an annuity, so you can take advantage of that benefit no matter what your current health status is!* (This benefit is included in some contracts. For others, it may be available for purchase as a rider.** The benefit typically only pays at the increased rate for up to 5 years.)

No matter what the circumstance, a retirement income specialist can find the right blend of products to help you make your money serve the purposes that suit you best.

You don't have to choose between the indexing component versus the income component – you can have both. Even if you take withdrawals, you can still get growth. Our NextGen Annuity™ strategies are not like your grandfather's annuity.

...YOUR STRATEGY FOR GROWTH

USING AN ANNUITY STRATEGY TO ACHIEVE GROWTH

For clients focused on protected growth, we often recommend uncapped' index annuities. Now, annuities can help protect and increase your retirement assets. Say you have $200,000 and you purchase an index annuity. The insurance company is now legally obligated to provide a guaranteed* interest rate and the potential for earning additional interest, without the risk of losing your principal to market volatility. When the market grows, your assets grow. When the market index drops, your gains and principal are locked in, and you won't lose money due to the index drop.

By using an annuity for growth, you get protection from market downturns and growth potential. You may not get all the gains, but you'll never participate in market downturns with those monies. Perfect for protecting and growing.

Each type of annuity offers a different growth structure. For some, a long-term commitment can allow your principal to increase. In other cases, interest rates may be locked in for a set period of time, or crediting strategies provide some index-linked growth. (Please refer to the Fixed Index Annuities section, page 21, for more information.)

KEY HIGHLIGHTS OF GROWTH-ORIENTED ANNUITY STRATEGIES

- Guaranteed* to grow if the specified stock market index goes up
- Guaranteed* not to lose credited interest when the index drops
- Protects principal from losses to market volatility
- Tax-deferred growth

BUILDING YOUR PERSONALIZED ANNUITY STRATEGY DESIGNED TO LEAVE A LEGACY

Another benefit often available for additional premium is a death benefit rider. While most annuities will pay a benefit equal to the remaining cash value of the annuity contract at the annuitant's death, the rider can guarantee* that if the death is prior to a specific age (such as 75 or 80, an age chosen by the contract-owner at the time of purchase) the heirs will receive the greater of (1) the current cash value (CV) or (2) the difference between the income benefit base (IBB) and the CV, paid over a certain number of years.

Note however, that the income or withdrawals that have been taken prior to the death will impact the overall value to beneficiaries. With different annuity contracts, the beneficiary (for example, your spouse or one or more children) may be paid the total amount of the premium(s) you paid to the insurance company. If you paid the insurance company $400,000, your beneficiary may receive $400,000. In other cases, your beneficiary may receive either the full current cash value of your annuity or the total amount of the premiums you paid to the life insurance company— whichever is the larger amount!

There are a variety of payout options available with different death benefit riders** offered by different annuity contracts. Let us know what your preferences are, and we will find the rider that best helps you fulfill your wishes.

FOR MORE INFORMATION, CALL

(888) 565-7451

CONFIDENTIAL & NO OBLIGATION SERVICES

We recognize that every client's situation is unique. That's why we do a personal analysis for every person, then use the tools we have developed to find the products that have the potential to best help you reach your financial goals in retirement.

This is the part of your retirement income strategy you set up yourself to help establish the solid financial foundation you need to provide for your living expenses in retirement.

J.D. Mellberg FINANCIAL

We also take into consideration all the factors that can affect your money, how much of it you get to keep, and what your purchasing power will be. Factors like taxes, inflation, fees, asset erosion, etc. can eat away at your assets if you aren't aware of what's going on.

On the other hand, if you know the ins and outs of these factors, you're in a position to set up a retirement income strategy designed to provide:

- ✓ Permanent income*
- ✓ Money you can't outlive**
- ✓ Provisions for keeping up with inflation**

Depending on your goals, it's also possible to build in extra features:

- ✓ Enhanced death benefits‡
- ✓ Up to 33% more income than other retirement income strategies^
- ✓ DOUBLE to TRIPLE income for qualifying healthcare expenses**

When you have these requirements met, the thought of retirement could bring you more financial confidence.

The foundation for this kind of personal retirement income strategy is annuity products offered by insurance companies. Though annuities are offered by insurance companies, **you don't have to be insurable to take advantage of them!** These retirement benefits are available to everyone, regardless of health.

What J.D. Mellberg Financial agents and advisors who are trained in NextGen Annuity™ strategies do next is search out the "best of breed" annuities:

- ✓ the products with the **highest** payout or interest rates,
- ✓ offered by **top-rated** companies,
- ✓ that can be leveraged to **best** meet the individual goals of our clients.

The "best of breed" products we utilize combine what we believe to be the most beneficial features of other annuities:

- The **steady income** and control of immediate and fixed annuities
- The **growth** that comes with leaving fixed annuity funds intact for a longer period of time
- The potential for **gains** that come with fixed index annuities

Next, we meet with you and conduct a detailed analysis of your particular situation. Once we know where you stand and what you want to accomplish, we go to work using our NextGen Annuity™ strategies to tailor a retirement income strategy designed to help you fill your income requirements. The results will be dramatic.

PERSONALIZED AND CONFIDENTIAL ANALYSIS
The first thing we need to do to build a retirement income strategy tailor-made to your life is to understand who you are, what assets you have, and what dreams you have for retirement. We look at every aspect of your life and financial situation that could impact your retirement spending, then research the products available to find the ones that will help you meet your goals, including the vehicles you already have in place, and evaluate them based on your specific situation.

SOCIAL SECURITY▲

- What is the best time for you to start receiving benefits?
- How can you maximize the amount you receive from this program throughout your lifetime?
- Can you avoid the Social Security "tax torpedo?"

COMPANY-BACKED PENSION ***(if applicable)***

- If you haven't locked in your distribution yet, which option makes the most sense for you?
- How can you put those funds to work for you?
- How many years will you receive pension benefits?

ANNUITIES YOU ALREADY HAVE OR ARE CONSIDERING

- What are your net gains?
- How much are you paying in fees?
- Are you using the contract as effectively as possible?
- Insurance companies' "Vital Signs" analysis

PERSONAL POTENTIAL "INCOME GAP" ANALYSIS
The gap analysis is a report that is exclusively available to you, and we can integrate the findings as we develop your personal NextGen Annuity™ strategy. Understanding the gap that may exist in your need for income is a key point in strategizing your retirement income.

IN CONCLUSION...

We hope we have given you enough information to see that, no matter what your retirement financial goals are, our strategies with NextGen Annuities™ may be right for you. They offer the protection, the flexibility, and the earning potential that few other retirement vehicles can.

If your goal is providing income for yourself and/or your spouse, we hope you have seen that it is not necessary (or wise) to use vehicles that carry a substantial amount of risk to fill the gap between your company-backed and government benefits and the monies you need to maintain your lifestyle. It is also not necessary to feel that you have to use up your savings, being afraid to spend and hoping that your money will last.

A NextGen Annuity™ strategy encourages spending with confidence. When you know you can't outlive your money, many of the concerns about retirement evaporate.

FOR MORE INFORMATION, CALL

(888) 565-7451

In their white paper entitled Investing Your Lump Sum at Retirement, Doctors David Babbel and Craig Merrill concluded,

"...the argument for this income solution in retirement is compelling. By covering at least basic expenses with lifetime income annuities, retirees are able to focus on discretionary funds as a source for enjoyment."[12]

In his most recent article, Dr. Babbel revealed that this is the strategy that he has used to prepare for his own retirement. "My personal approach to addressing and balancing [the] risks ***include deferred and immediate annuities in an innovative and responsive, albeit simple way."***[13] If it works for an economist, could it work for you?

If your goal is to accumulate money for later in life, I hope you see the benefits of having your money work for you in an environment that protects your premium plus the credited accumulations. With our strategies, you can do this while maintaining control, in that you can still have some liquidity for your money if you need it.

If your plan is to provide more inheritance for your loved ones than you would otherwise be able to provide, especially if your health keeps you from buying life insurance, our strategies offer you the ability to increase your funds while they remain protected. You also have the option of using those funds if your circumstances change.

WE BELIEVE *in helping people retire with the confidence that they have permanent income for life and/or protected growth of their funds.*

WE BELIEVE *in informing people so they can make empowered decisions.*

WE BELIEVE *in using our know-how to find the best potential terms to satisfy our clients' goals.*

If you have discovered that your personal retirement financial goals could be served by building a strategy described here, our team can:

- ✓ Provide you with an in-depth, personal report that details the provisions of the vehicles you may already have in place.
- ✓ Help you determine what your income number is, so that you can be confident that you have enough coming in to maintain your lifestyle.
- ✓ Research insurance companies and annuity products that could be leveraged to get you up to 33% more income.^
- ✓ Show you ways you may be able to optimize your Social Security benefits.▲
- ✓ Show you ways to potentially keep up to a large portion of your income tax-free.§

DISCLOSURE KEY

* Annuity guarantees rely on the financial strength and claims-paying ability of the issuing insurance company and are not guaranteed by any bank or the FDIC.

** Some annuities may have a lifetime income guarantee as part of the base policy; others may have riders available that provide this benefit. Riders may also be available for benefits like an annual increase to help combat inflation or for as much as doubling your income in case of a qualifying health event. These annuities are not long-term care and are not substitute for such coverage. Optional riders may be available with a charge.

*** Most annuities have a withdrawal (surrender) period for the first five to 15 years of ownership. After the first year, however, you may be able to withdraw up to 10% of the account value without penalty. Withdrawals may significantly reduce the guaranteed* withdrawal and death benefit amounts, and any withdrawal prior to age 59½ may be subject to an additional 10% federal income tax penalty. See your annuity contract for terms, exclusions and limitations.

▲ Joshua Mellberg and J.D. Mellberg Financial are not associated with, nor endorsed by, any government agency, including the Social Security Administration.

◊ Annuities may be exempt from creditors in certain situations, depending on factors such as your state, if the contract-owner is a family member instead of the debtor, whether the contract is mature or income has started being paid out, certain dollar limits, and the type of creditor.

‡ Many annuities have a death benefit; however, if the annuity-owner has received the full amount of withdrawal value, no death benefit may remain at the annuity-owner's death. Loans and excess withdrawals will reduce the policy value and death benefit. See your annuity contract for terms, exclusions and limitations.

» Fixed index annuities offer the potential for higher earnings, but will limit those earnings with caps, spreads or participation rates applied to the upside of the index. If an annuity is "uncapped," other methods may be used to limit your earnings.

^ Increased income is possible with NextGen Annuity™ strategies using individual strategies. This approach will follow a specific strategy suited to your financial goals and may require buying multiple annuities. Results will only be realized by working closely with your agent over an extended period of time to help make sure the strategies are used correctly. You will have to keep the annuity product(s) purchased for the full time period chosen to maximize your results, and your results could vary. These results may not be possible in case of excess withdrawals or complete surrender, and you may incur penalties. Not appropriate for all retirees. Not available in all states. All withdrawals are subject to income taxes, and if taken prior to age 59-1/2, may incur an additional 10% federal penalty. If you have questions about your NextGen Annuity™ strategies, please contact your agent.

§ Tax-free income may be realized through one of several strategies such as: using an existing Roth IRA in conjunction with a fixed index annuity for guaranteed* income, converting traditional IRA to a Roth IRA, or utilizing a strategy incorporating a life insurance policy contract. Income taxes will apply to traditional IRA distributions and conversions.

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Retirement isn't the end of the story – it's the beginning of a new chapter and you are the writer. Call us today,

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This report is meant to provide general information on issues that many people consider in making the decision as to whether or not they should purchase a financial vehicle, including insurance products; and if they do decide to buy, which types and benefits will best suit their goals and needs. This information is not designed to be a recommendation to buy any specific financial product or service. This material is not intended to provide, and should not be relied upon for, accounting, legal, tax or investment advice. Please consult with a professional specializing in these areas regarding the applicability of this information to your situation.

By responding, to this offer you may be contacted by a licensed insurance agent regarding retirement income planning using fixed insurance products. Josh Mellberg is insurance licensed in all 50 states (AR364647/CA0G91919/TX1567166) and all employees of J.D. Mellberg Financial have the appropriate licenses for the products they offer.

We have met many financial professionals who are interested in joining our group and, although some will claim to be associated – we choose not to affiliate with everyone who asks. You see, without committing to the specialized training our agents and advisors receive and without earning access to NextGen Annuity™ strategies, other agents are not able to offer the same services we do. So if a financial or insurance professional says that they are affiliated with J.D. Mellberg Financial, simply call our office at (888) 565-7451 and we'll include their J.D. Mellberg bio, along with any additional reports you're welcome to request.