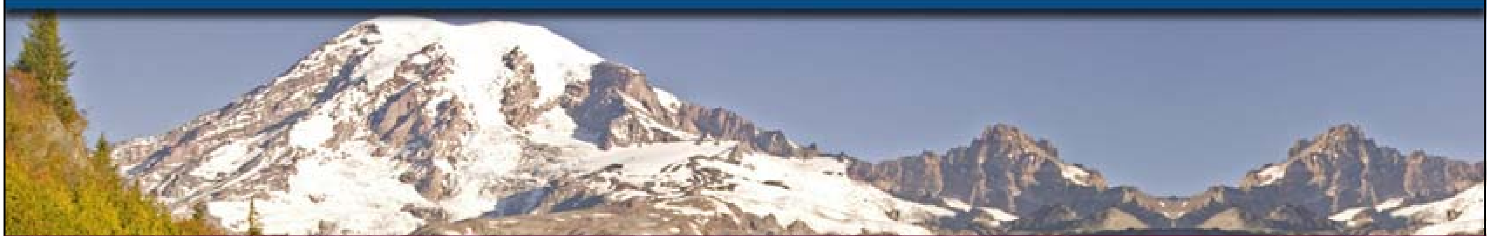
ClearView Wealth Management

Investing with Clarity and Vision



Clarion Newsletter January 2013

Annotated

Annuities Make a Comeback

Once Derided, Now Applauded

Bob Cannon

In the 1990's many of our clients wanted to invest in annuities. They were very popular. Clients sought the many benefits provided by this unique investment offering a choice of sub accounts in which to diversify their investment dollars and take advantage of the insurance wrapper that offered them annuitization options and certain guarantees of principal. Insurance companies issued a wide variety of annuity products designed to meet the many diverse needs of their investors. Annuities were often used to protect limited assets by virtue of death benefit guarantees and to help ensure the client did not run out of money in retirement. Many people used them to "self insure" against long-term care requirements in later life.

Variable annuities were first brought to market in the 1950's and were often purchased for their tax-deferred buildup of investment earnings similar to 401Ks. Like 401Ks and traditional IRAs, taxes are paid on the gain upon withdrawal. They gained in popularity over the years and really took off in the 1990s. Then, largely due to a widely circulated and often cited study by Moshe Milevsky of York University, they came under attack for being too costly and for charging, what some thought, were unnecessary fees. They have surrender charges for the first several years, limiting one's ability to withdraw their funds (not true with Immediate Annuities) and generally fell out of favor with

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Contact Us
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Bob Cannon has been selected as a recipient of the **2012 FIVE STAR** Award for Wealth Managers in the Seattle area for the second consecutive year.

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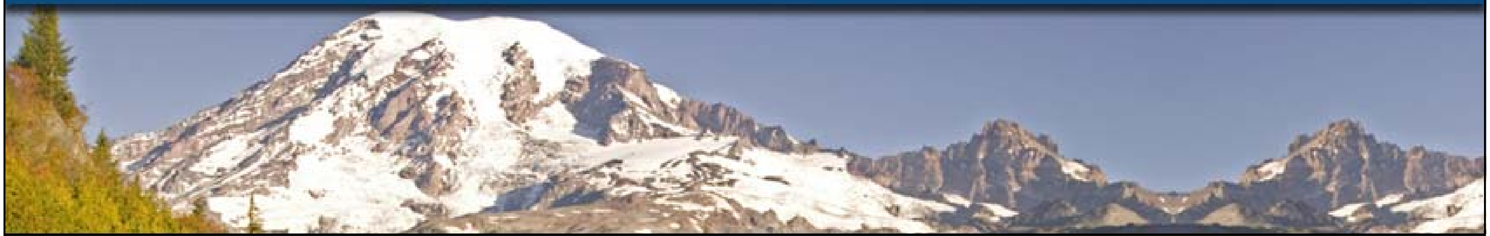

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investors due to the barrage of negative press they received. Now they are back.

Upon further study and analysis, Professor Milevsky now believes some insurance companies are not charging enough according to his recent Wall Street Journal article. He also recommends that individuals who have not funded, or have under-funded traditional retirement plans put a portion of their savings into annuities to create their own personal retirement plan. It has been a long time since ClearView clients have asked about purchasing annuities, but all of a sudden we are receiving a number of inquiries about their viability. Annuities definitely have their place. They are not for everybody, but what is?

People lost a substantial percentage of the value of their investments that were in the stock market during 2008. Much of the loss has been regained, but people still remember the dramatic decrease in the account values shown on their monthly statements and are once again seeking some safety in the form of insured guarantees offered by many annuity products. Given the flat overall performance of the stock market during the last ten years, annuities may no longer look to be so expensive. Once again people are seeing the value of guaranteeing a portion of their money with annuities.

They still have lots of fees, they still have surrender charges and they are still not for everybody. But just like in the 1990's, they serve their purpose for the right client seeking the benefits of principal guarantee, the right to annuitize, investment diversification, and other benefits offered by the insurance companies who issue and manage these products. For many people annuities are the answer to the question, "Where can I invest my hard-earned savings to ensure I can have a comfortable retirement with guaranteed income I cannot outlive?"

Please call us to learn more about annuities and to determine if this insured and guaranteed investment option might be suitable for you.

What is "Money Management"

Why do some Financial Professionals suggest third-party asset managers?

Some investors are puzzled when a financial professional recommends third-party asset managers to supervise their portfolios. Why would they recommend turning over the active management of the portfolio to someone else?

Why? Because it may be in the best interest of the investor. The portfolio management capability and resources of a single financial professional or small financial consulting group can pale in comparison to what an outside money manager might provide.

It can be a value-added service. Most financial advisors devote their time to helping their clients address retirement and legacy planning issues. A third-party money manager allows them to spend more time focusing on these issues instead of which fund family and/or funds to be buying or selling.

Before a suggestion like this is made, the financial professional should evaluate the risks and goals associated with the investor prior to committing client capital, to ensure that the proposed move is appropriate for a client. They should also look at the third-party manager's approach – its performance, how it hedges and why, what kinds of investments are being added and subtracted, how timely any changes in strategy have been deployed, and how often it communicates.

This is simply part of fiduciary responsibility. Before a financial professional can suggest a third-party asset manager to a client, they must study the makeup of the organization, its fund managers and its team, and product offerings.

A potential "step up" for the investor. Bringing in a third-party portfolio manager may help an individual investor access more sophisticated institutional investment strategies. Many of these management firms favor "open architecture" – an investor's portfolio can include a wider variety of mutual funds, ETFs and separately managed accounts. Some allow the client and the financial professional the opportunity to monitor the portfolio in "real time" (or something approximating it). So "hiring out" the management of a portfolio could prove to be a wise choice.

Happy New Year!

May 2013 bring you a year full of health, wealth and happiness!