



Yes, You Can Understand Your Finances



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IRAS, 401KS AND OTHER ALIENS

You are not alone. If you feel overwhelmed and confused about all the different kinds of financial vehicles and their tax characteristics, good news, you're normal! All the various terminology can be really daunting. Especially if finances aren't your thing.

Let's keep it simple and basic:

- **Qualified Money** - any account that has never been taxed.
- **401ks** - come out of your check before taxes.
- **403bs** - Teachers, hospitals, tax-sheltered annuities
- **457** (Public Employees)- Deferred Compensation
- **IRAs** - Personal accounts you establish with after-tax dollars and then claim on your tax return, thus making the funds non-taxed.
- **Simple**- kind of mini personal 401k.
- **Keogh**- an independent personal retirement plan, pre-tax.

For the most part, qualified accounts can be combined and consolidated into a self-directed

IRA once you leave an employer, retire, or turn 59 1/2. In fact, if you are unhappy with the performance or investment options of your current 401k, most plans allow for an "in-service distribution" under your employer if you are at least 59 1/2, to a self-directed IRA of your choosing. Some plans do have restrictions but most are pretty straight forward.

What is often confusing to most people is that all of these "types" of accounts really only refer to the tax status of the money (and contribution limits). The contents, or the "vehicle" that is funding the account, can be any number of financial instruments. For example: an IRA account can be a CD, an annuity, a mutual fund, stocks, bonds, even real estate. Remember, qualified is a term that refers to the account's tax status.

On the other hand, "non-qualified" accounts refer to all accounts whose original investment, or *basis*, has already been taxed. Most of these accounts produce some kind of interest, income, or dividends that are taxable as they are earned each year. One exception are municipal bonds and bond funds which may be exempt from federal and possibly state income tax. Another exception is a deferred annuity whose growth is not taxable until withdrawn.

Speaking of annuities, they have become a very popular choice for qualified and non-qualified accounts alike. With the uncertainty and volatility of the stock market, many investors are nervous about having their hard earned money subject to loss, and like the safety and guarantees that such a vehicle provides. Especially a fixed index annuity. Here you have the best of both worlds. A *safe, guaranteed* investment with the *potential for higher returns* than CDs and savings accounts. The fixed index annuity earns interest that can be linked to an external equity index such as the S&P 500. When the market does well, your interest credited can be higher, when the market goes down, you may not earn additional interest that year, but you never lose the interest that was

previously credited- therefore never going backwards while riding the "investment rollercoaster."

How do you know a fixed annuity is safe since it is not FDIC insured?

Well, they offer 4 very valuable layers of protection:

- 1) They are issued by insurance companies that back the annuities with a pool of assets called "cash reserves" that are mandated and monitored by each States' Department of Insurance.
- 2) These companies are obligated to use all of their general assets to protect annuity values from the effects of any adverse financial conditions.
- 3) These insurance carriers provide annuity owners with written verifiable contractual guarantees that the money you put into an annuity is protected from loss. (Except for the potential penalty for premature withdrawals that exceed the account's free withdrawal provisions.)
- 4) Every state has jurisdiction over the carrier, so if you have any problems with the insurance company, you can always contact your State Department of Insurance for help.

Only annuities can help guarantee that you won't run out of money, and the unique features of an FIA address some of the growth issues people might have as well when we consider the twin ravages of inflation and income taxes.

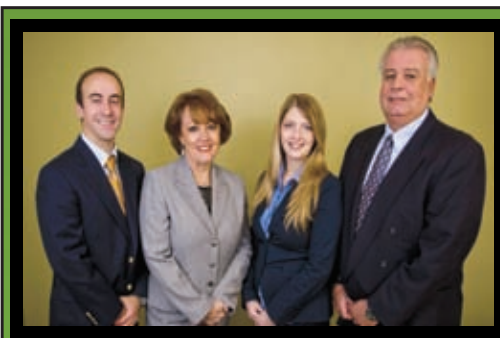
Finally, the Obama administration has given its stamp of approval, jumping on the guaranteed income band wagon, and even including annuities in a report from the Administration's "Middle Class Task

Force" that came out in January 2010. Annuities are among the tools the administration is promoting as it tries to *give Americans a better shot at a more secure retirement, given that the greatest risk in retirement is running out of money.*

There is no one cookie cutter solution for everyone. Just like each one of us is an individual with unique physical characteristics and personalities, each person's financial situation is unique to them as well. It is imperative to work with an advisor who truly cares about you and listens to your concerns. **It's not all about dollars and cents.** Here at Family Focus Retirement Group, we pride ourselves on helping you build your financial house one brick at a time. We'll start with the foundation and guide you in customizing your plan to suit your individual needs and risk tolerance. If you're looking for a different advisor experience we encourage you to attend one of our upcoming workshops, or to contact us directly where we'll invite you to come in and get to know us. *People helping people.*

Already have a financial advisor? That's not a problem.

Almost everyone that comes to see us for the first time does, and we're not looking to break any relationships that are working. Typically, what we like to do is see if there are areas for you to save money on taxes and other financial expenses. If there are, and we don't know any of this for sure, we can talk about what makes sense. So, why not see if there are any opportunities that might exist in *your* situation. If you would be open to that, call us at our office at (732) 364-5462, or email us at kathy@ffrgonline.com.



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Family Focus Retirement Group, LLC

Our philosophy at FFRG is to provide intelligent solutions for you, our clients, so that you have peace of mind in knowing that your strategies are consistent with your objectives and values.

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- Charitable Gifting
- Income Solutions
- Investments Under Management

Kathleen Nolan, R.I.A.R.
Registered Investment Advisor Representative
President / Founder
Investment Advisory Services through REAP Financial, LLC

Family Focus Retirement Group, LLC
presents . . .
FINANCIAL FITNESS FOR WOMEN
Beginner's Brunch
Sunday
11am-1pm
Jan. 16th and Jan. 23rd
Come learn in a comfortable atmosphere with other women

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"START SMART: TIME TO GET SERIOUS ABOUT SAVING YOUR MONEY"
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8 pm
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FINANCIAL FITNESS FOR WOMEN: PART 2
Dinner Seminar
Jan. 25th and Jan. 26th
6:00 PM
Call for details
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Kathleen A. Nolan R.I.A.R. is a Registered Investment Advisor Representative, Investment Advisory Services Provided through Reap Financial, LLC. She is a member of the National Ethics Bureau, BBB, Jackson Chamber of Commerce, WOMANS Advisory Board, Brokers International.