

The Investment That Always Fits!

“Remarkable, Guaranteed Savings Program Makes Money, Tax Deferred,
If The Market Goes Up...Or If It Goes Down!”

From the offices of J. Tom King, CLU, CSA



Dear Friend,

I have a very important question for you to ask yourself:

How Can I Protect My Financial And Retirement Security... In This Time Of Great Uncertainty?

In this report, we're going to explain the different factors that can affect your retirement security, so you'll be fully aware of the potential dangers and mistakes most people make...and what to do about them.

Things like:

- A stock market that could have a huge downward correction...or possibly even crash!
- High risk decisions that most people aren't aware of.
- Why what's happening on the other side of the world could affect you right here in your own backyard.
- The real rate of returns on your investments... and how to REALLY figure it out.
- How investments can affect your taxes in little-known ways. And how your taxes can affect your investments in sneaky, costly little ways you might not know about until it's too late.

See, I have a very important question to ask you. Do you know, I mean really know...if you've done all that you could to protect your retirement security? Be honest with yourself. Do you know if you're getting the best possible after tax rate of return on your savings...with the minimum risk possible?

The purpose of this report is to inform you of the different financial areas that could really impact your financial future, so that you will be aware of them and be able to protect yourself. To give you a sense of REAL security!

This world we are all living in today is different than the world we all grew up in.

Imagine if time travel were possible! If someone from twenty years ago could land in this time! They would be shocked at \$2.45 gallons of gas, \$24,000 for an average car, a Dow again at 10,200, a thing called the NASDAQ, (it didn't exist back then) and so on!

People's investment choices were so much more limited compared to today. In 1958 the highest number of shares of stock traded for a single day was 5,368. By 1998 that number was an astonishing 1,216,326! Now it's over a Billion shares per day. And that is just the New York Stock Exchange!

With your choices being so limited, diversification was easily attained.

People would stay in one job for a lifetime. It was almost unheard of to switch jobs or heaven forbid, change careers!

It was common for people to put most of their savings in the local bank and feel secure that this nest egg would be enough for their retirement.

Think about all the things I've just mentioned, and compare them to today's world.

Today's world leaders are not believed or trusted, their every move and comment is dissected by a scandal hungry media, that in turn feeds this information to the public in the form of 20 second sound bites. Politicians take polls before taking any action, and sway in the political winds, changing their minds every day. Laws are so complicated, many members of Congress admit to not reading bills before voting.

Common Sense Is Not So Common Anymore!

In the old days, good old horse sense worked when picking investments. The value and potential of an investment was much easier to figure out. There was some basic business reasoning to the value placed on a stock. Nowadays, value is much more difficult to figure out, and often has nothing to with what's going on in the real world.

The value placed on securities can go up and down like a yo-yo...without any tie to how the company is performing! With Internet stocks first driving up prices like a space shuttle, and then crashing down like the Hindenburg, people are waking up to the fact that the stock market doesn't always go up.

People seemed to have lost any semblance of common sense! They buy stocks in companies that lose money on every sale, and ignore solid, well run companies. Then, when one investor gets nervous, everyone starts selling and the prices plummet.

See, the real driving force behind the stock market is the emotions all of us project upon it from our hearts, as well as from our brains.

Often, when the first group of people takes action, the rest of the herd will follow with pure emotion as the driving force. The reality is opposite to the supposedly calm, cool, analytical approach many people think is involved in stock market prices.

The most misunderstood element of the stock market is that an investor's perception of general business conditions, or an investor's perceptions of other investors' perceptions dictate stock market price movements.

As with anything in life, it's all a matter of perception. If people perceive that things are going well in the economy, and the government has a firm grip on the country, the stock market may move up, even though the real economy is not as good as measured by economists.

The real facts of what the economy is doing are not the issue. It's the public perception of the economy that matters.

Also, people's perception of other's views is a major factor in stock market movements. If people think that others think the market is fine, they will jump in, which will lead to a huge bandwagon effect. We saw a lot of this happening in the first half of this past decade, with people just buying into the market based on the fact that everyone else was doing it.

The last couple years has shown us that the same occurs with a sell-off in the market. If people hear that for whatever reason, others are, for example, taking their money out of mutual funds, you will see them doing the same, which results in an even bigger fall in the market.

Government conditions can also lead to stock market fluctuation. We've all seen some disturbing news about the government lead to a drop in stock market prices, even though this news doesn't really affect the bottom-line performance of the companies whose price has been lowered.

We all saw this happen when the Presidential election couldn't be decided right away, and prices fell even more.

Similarly, international events and conditions can lead people to buying in or selling out of the markets. Even though, again, these events will not really affect the performance of the company whose prices have been affected.

Finally the media's reporting of facts or news can have a big influence on stock market prices, even though most people know that media reports are often unfounded, or mere speculation.

Let's go over some reasons why the market rose so steadily during the 90's.

Many people believe the price increases were the result of the huge surge of money coming from people saving through their 401(k) plans at work, creating more buyers than sellers. Billions of dollars each year were poured into the market through the 401(k)'s or similar retirement plans, creating a greater demand for stocks. Also, many senior citizens transferred their wealth to their children, who are usually not as conservative with money as their parents had been. They massively invested in stocks, causing prices to go up.

Many people felt that corporations were learning to run much leaner and safer, causing more people to want to buy stocks in these companies.

There was also the factor of companies consolidating and merging, which many times ended up with a bidding war, which in turn, drove up the price of a stock. All these factors combined in a ripple effect raising prices on stock, in general.

An interesting phenomenon is the fact of how many people jumped at buying into the stock market, because the prices were high, they felt safer to jump in. This is kind of goofy, but millions of people will often wait to see how high the market is going before they buy in.

It's a curious thing, how the stock market is one of the only places where people want to wait until prices are going way up before they buy, instead of waiting for them stay flat or even go down before they buy!

Although this line of thinking may be faulty from a fundamental standpoint, this type of thinking during the bull market drove the prices of stock even higher, as the "jump on the band wagon" crowd continued to buy stock, no matter what the price.

See, if the truth were told, the market merely reflects people's opinions. If prices are stagnant, surging, or falling in panic, it's all caused by a form of mob psychology. Individual companies get caught up in the mob's action even if the firm's individual circumstances do not correlate.

THE RECENT HOUSING AND BANKING CRASH...

For years most people believed that things were basically okay, and as a result they were willing to buy more stocks, creating an upward boom in prices. But all that ended with the crash of the real estate markets, which in turn affected most of the banks and financial institutions drastically.

You may remember the drop of several hundred points in the fall of 2000. For whatever reason, many people did not feel good about things that day, and started bailing out, sending prices dropping.

Fortunately, the market recovered quickly. If that negative opinion had continued, the market could have just as easily gone south then, just like it has in the past several years.

There are two basic ways to make decisions about stocks. Fundamental Analysis is where one studies an individual company's sales, expenses, profits, outlook for the future and so forth, and makes buying or selling decision according to those parameters. It's a method of investing that's more individual company focused.

On the other hand, Technical Analysis basically ignores the operating results of individual companies and uses segments of the market or the market as a whole, from a more global, top-down perspective. Technical analysts look at the market as a big ocean, and try to determine what the waves are going to do based on what the waves have done in the past.

People who study fundamental analysis look at a teaspoon of water from the ocean and only pay attention to what the teaspoon of water might do based on its past.

Another method people follow is technically known as **Merlin's Method**. This is where you obtain a magic wand, wave it over a magic hat, and see what the spirits tell you.

Just kidding! Although, the ways we see how many people have invested before they become clients, we're not too sure that Merlin's Method isn't what they use.

Which method is best? No one really knows. Any, or all, of these methods can work... or not work!

Let's go over the different ways you can invest in the market, from our perspective.

There are really only two normal ways you can buy into the stock market. One is buying an individual security. The other is using pooled funds, whereby lots of individuals pool their money together, and let professional managers manage the money based on whatever philosophies or approaches the managers use.

The most common pooled fund is a mutual fund; they can have many variations, such as taxable funds, or tax-deferred funds, variable products, etc. You can also have funds inside profit sharing or pension plans, 401(k) and 403(b) plans, your IRA, and so forth.

Privately managed funds usually do not charge commissions, but charge fees based on the amount of money under management. It may be easier to arrange for tax management with privately managed funds than it would be with a large mutual fund. Tax management means that the fund structures its activity to maximize tax savings, and minimize tax costs.

Other pooled funds are held inside all kinds of qualified retirement plans, where you can invest in the same kind of funds as mutual funds or variable annuities held under the wrapper of the retirement plan.

As you probably know, retirement plans are tax-deferred, so tax management of the underlying funds is not as important as money being held outside of retirement plans.

One of the best solutions to the dilemma of investing in the market's upside...and avoiding the downside is a program called **Indexed Annuities**, issued by large, highly rated insurance companies.

You can participate in the market's upward movements...and have a guaranteed return on your savings, even if the market plummets!

Your money is safe, and all your earnings are tax deferred, so you never pay taxes on money you don't take out!

These programs have been around a long time, but often not many people would listen to us when we recommended them because in years past, all you had to do was buy stocks, and they went up. But... Now reality has firmly set in.

Now that your retirement picture looks pretty scary when you think about your money being in the market at the worst time for you...people are listening to us very closely about these savings alternatives!

See, the way it works can vary from company to company, but basically, you buy an annuity contract with the insurance carrier, and they give you a choice of stock market indexes you can pick from. (Or, if you want, you can use this just like a common fixed annuity, where your money gets a stated rate of interest each year, and your principal grows by that amount, tax deferred.) Some newer plans even pay start up bonuses of up to 25% on day one!

Once you pick the index you want to use (like the Dow, or S & P 500, etc.), the insurance company will give you a certain percentage of the growth of that index (somewhere around 75%, for example) if the index goes up over the year. So, as an example, if you chose the S & P 500 index, and it went up 8% that year, you'd earn 6%, tax deferred on your money that year. This is called the plan's "participation rate."

But...if the S & P 500 tanked, and went down 15%...at the end of the term you would still earn the minimum rate in the policy, which right now might be between 1-2%, tax deferred! Do you see how awesome this is?

You get a guaranteed contract, backed by a giant insurance company, and other provisions that make annuities a very low, low risk investment for your retirement savings.

You get to participate in the market if it goes up. And, if the market goes down...you still earn a positive return instead of losing principal like everyone else in stocks and mutual funds may do!

The Indexed Annuity may be the smartest savings vehicle to park some of your money that you won't be touching for a while. No doubt about it.

It's very important that you know about different types of alternatives, so you'll be able to make educated decisions on where is the best place to invest your money.

I'm not exaggerating when I say that within these general classifications, there are literally hundreds of different theories, styles, philosophies and styles of management. It would be impossible to go into them all here in this brief report.

However, I do want you to be aware of the fact that there are many different strategies and concepts, and before you can make your decisions, you need to know what they are and how they might fit your personal financial goals and situation.

The most important thing is for you to understand how to quantify your goals and objectives, and build a plan based on those goals and objectives. And remember you must be careful, because what may seem obvious or apparent isn't always the case.

It's very important to look at your investment goals in the market as long range plans. There are plenty of people out there today who will tell you about the killing they made in the market overnight. The reason these stories are so remarkable is because they are so rare; however, if you were to always look at the long-range performance of the stock market the results can be very good.

We are not suggesting that you shouldn't have some money in low-risk low-return investments.

All we're saying is that you must know the true net rate of return. You must know what actually will keep money in your pocket. When all is said and done, what else matters?

Now, we can't talk about long-term performance without going into the area of market volatility. (The ups and downs of the market)

The incredible volatility of the market is fueled by many factors. The first two, greed and fear, are probably the strongest forces driving the market.

Greed comes into play when people buy in, and fear arises when people sell because they are scared.

These human emotions, in my opinion, are the most dominant forces of the market. For example, political scandals, or situations, can drive prices up or down.

Way back when, the market dropped 271 points when rumors of Clinton's impeachment surfaced.

Program trading, which is the computerized methods many traders and large investors use to assist them, create situations where events are made momentous by the computers kicking in pre-programmed trading instructions.

This was a big factor in the crash of October 1987. And you know what has happened in the past couple years with the housing crash, and the bank "bailouts."

Recently the market has seesawed on news and rumors concerning everything from this year's most crazy election, to various problems in the Mid-East and wildly fluctuating oil prices. Many times, the jumps whether up, or down, are impossible to predict.

The key to safety and security, no matter what happens with any of the variables that creates volatility in the markets, is to have proper diversification! You have to spread out the risk appropriately, so that you are safe as possible. It's critical not to put all your eggs into one or two baskets.

There are many choices to make depending on your own unique situation.

Timing of your investments is also another form of diversification. For example, you can invest money all at one time, or spread the money being invested over a span of time.

You can use investment options with different timing elements, to protect your investments.

You can also invest in either individual stocks or pooled investments such as mutual funds, variable products, privately managed funds, partnerships, the list is truly endless.

All of these are elements that should be considered when diversifying your portfolio.

Let me share a story with you about some clients I know. (I've changed the names...)

Paul and Janice came into our office for their yearly review not too long ago.

Paul and Janice have been married for 28 years. Paul is an electronics engineer with a large corporation. Janice had been a stay at home Mom while the kids were younger, but for the last seven years has been teaching a few art classes at the local junior college.

We've helped them with everything from fixing their messed up insurance, to a college savings plan for their kids.

For the purpose of this report we will only go into the investment portion of Paul and Janice's total financial plan.

Several years ago, Paul's parents died within a few months of each other and Paul was left \$100,000 from his parent's estate. His parents had invested this money very conservatively in simple low rate CD's.

When they came to us, we advised them about the benefits of diversifying and they agreed to go along with the following plan we developed for them.

We advised them to split the money they wanted to be in the market into some Indexed Annuities. Against our advice, they wanted to buy some stocks they, and their broker, picked.

So we put \$50,000 into Indexed Annuities, and they bought a bunch of stocks.

At the end of their seventh year, the Indexed Annuities had averaged an annual compound rate of return of 11.2%, tax deferred!

Their annuities grew to \$105,124 in the seven years...without a nickel of taxes paid!

On the other hand, the \$50,000 they put into the stocks they and their broker picked, originally had done well, and the \$50,000 had grown to \$90,000 or so. (Plus, they had to pay just shy of \$10,000 in taxes, because they sold some of the early winners, and got hit with capital gains and ordinary income tax!)

But...when the market tanked... they lost their rear ends!

The portfolio dropped to \$61,500 as of the last time we saw them (We think it's lower yet.). If you take the \$11,500 in profit they made, less the \$10,000 in taxes they wasted...their net return was only \$1,500 over seven years! This compounds out to an after tax rate of return of less than 1/2 of one percent per year!

And they are the lucky ones, because they got in seven years ago!

We see absolute horror stories every day of retirees or soon to be retirees who bought into the stock market in its glamour days...and have lost over half of their money as of the date of this report! (Granted, those are paper losses, but they still sting and could end up being real losses if the retirees are forced to cash the stocks in because they need money!)

This illustrates a point we need to make here, and that you need to consider very strongly, in our opinion.

Here's my point. Here's the question you MUST ask yourself:

If I Were To Take Paper or Actual Losses Of 10, 15, 20 or Even 25% Out of My Retirement Money...Would That Kill My Financial Security??

Please be brutally honest with yourself!

Please try to imagine yourself needing money for retirement, and seeing that 25% (or more) has disappeared.

Maybe for a month.

Maybe forever.

See, here's an interesting mathematical equation you need to be aware of.

If you had \$100,000 in stocks, and the portfolio drops 50% (which many have), you would have \$50,000 left. Right? With me so far?

OK. Now in order for that \$50,000 to grow back to \$100,000...your portfolio would have to grow 100% just to get to break even!

See, gravity works in investments as well as on earth!

It takes twice the amount of growth to overcome the losses.

What if this happened to you? How would you feel knowing you had to make 100% on your money...just to get back to even?

Could your situation handle it?

If this scares you a bit, it should! These are very scary times, and no place for amateur night.

The time of the never-ending stock boom has ended. It's over.

Now I'm not saying the market won't go up, because over time, it probably will. It's just that the ridiculously easy money days are history.

Since the market is likely to go up over the long haul, and is likely to be very choppy and volatile for a while...why not get the best of both worlds using Indexed Annuities?

If things in the market go up, your account goes up!

If the market crashes and burns, your account does NOT go down!

And you won't pay a penny in taxes until you actually take out any gains! If you leave the money in the annuity, it keeps growing at a higher rate because there's no money coming out of the account to pay taxes with...so the entire amount of principal grows even faster!

This is perfect example of why proper diversification strategies can be so beneficial.

What's right for you? Well, that's going to depend on you own unique situation.

You need to consider your age, your health, your goals, your objectives etc.

- Do you need income?
- Can you afford to wait for you investments to grow, or will you need access to the money shortly?
- What's your risk tolerance?
- What kind of job security do you have?
- What are your family circumstances?
- Do you have children in school?
- Grandchildren to consider?
- Parent's that are getting up in years?

All these elements must be reviewed before you can make an educated decision. Planning like this can help you avoid walking a dangerous tightrope with your money.

We've talked about how to take control of your financial life, and to be aware of legitimate alternatives you have available to you that you might not be aware of.

We hope you've learned something, and that you are thinking about what you can do to protect yourself from making any or all of these awful, costly mistakes.

So what's the next step? Where do you go from here?

Well, we have an easy way to find out how exactly how you're doing with no pressure and ZERO of any "sales" garbage.

A way to look at this is that a doctor cannot help a patient until he or she does a diagnosis to see what is wrong, and then prescribe treatments based on that diagnosis. So the patient can have a "map", or a plan, on how to get well. And, just like that doctor, the first step towards getting well financially, we need to perform a diagnosis to see what "ails you!"

Now here's what I'd like to offer you:

A FREE CONSULTATION TO FIND OUT EXACTLY WHAT YOU ARE FEELING ABOUT YOUR MONEY. A "DIAGNOSIS", IF YOU WILL.

Yes, we will do something your doctor wouldn't do - provide an initial interview and consultation... free of charge! And no, it will not be a disguised sales presentation. Or a "pitch". Or anything, except a brief (45 minutes or so) time to review what is going on in your financial life, how changes in your status may affect you, and what might most concern you.

And that's it.

If, at the end of the interview, you do not feel like we can help you, or that you don't like me, or that you want to keep doing what you're doing, etc., that's fine.

And that's it.

We part friends. You go home, and we leave it at that.

NO PRESSURE. NO PITCH. NO HASSLES!

See, we routinely tell about 25% of the people we have an initial consultation with that they should keep their money where it is.

Sometimes we can also tell you things you need to do so you can take care of some loose ends you may not even know you have.

On the other hand, we find over 75% of the clients we meet with have some serious holes in their financial planning that could be very costly, and wreak emotional, and financial, havoc on you and your kids. We can explain this to you at the meeting, and then tell you what you can do to plug these holes right away.

We get so much pleasure helping clients like yourself discover the little known ways to save yourself and your family thousands or even tens of thousands of dollars... especially in unnecessary income taxes!

So how do you know which group you fall into? Are you in the 25% that doesn't need to switch any money around? Are you in the 75% that should switch certain of their money around right away?

Well, there's only one way to find out...through the FREE initial interview! It won't cost you a penny, and it only takes 45 minutes or so, and won't come with even one ounce of pressure!

We SWEAR we will not try to sell you anything. NOTHING.

All we will do is ask you some questions, listen to your questions, answer them as best as we can, and maybe give you some valuable and free advice. That's it.

If you decide to end it after the free meeting, that will be that.

We WILL NOT call you ever again. (You can stay on our mailing list, if you'd like, but that is a no-obligation way we stay in touch, that most people really like, because our newsletter is fun, entertaining, thought provoking, and FREE!)

Unless you call us, we won't call you!

On the other hand, if you decide you might want us to help you, we can discuss that too.

In any case, you will never be under any pressure. NEVER!

If you are interested, and want to get more free information that comes with absolutely no obligation, that'll be your decision, and your decision alone.

So, now the next move's up to you.

So, no matter what you decide we wish you nothing but the best of luck!

If you aren't interested in pursuing this any further, we hope that you at least received some education and knowledge from this report that will help you.

See even if you never decide to do business with us, we want your life to be better for having contacted us, whether or not you eventually become a client!

All we want is for you to be as safe and secure with your retirement savings as possible, to help you sleep better at night...so you don't have to worry about outliving your money.

Take care, and I hope to talk to you soon!

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NOTES - This analysis may not be accurate for every retiree. Some people do not pay estate taxes. Others are in tax brackets that are different than those shown in our illustrations, which may be higher or lower than your actual tax bracket. No specific policies are being promoted in this report. Any illustrations are merely possible scenarios that could be helpful to you, and do not reflect, nor are they derived from any actual policies. They are strictly hypothetical in nature. No representations are being made as to any future

results you could experience. Your actual results will vary from those presented, and will be higher or lower than the examples shown. The illustrations and examples herein are simplified. They may or may not be similar to your situations or practical for you. There is much more information to be considered and an illustration complying with NAIC guidelines will be provided where it is required. Please seek the advice of a Financial Planner or our office before implementing these suggestions. When considering investing in an annuity, one should investigate all charges and fees usual to this form of investment. Sales charges, management fees, mortality fees and surrender penalties are characteristic of these types of investments. Surrender penalties will typically apply to the first five to ten years of an annuity time period. Because each annuity policy is unique, please carefully review your policy for all charges and expenses that may apply before making any changes. We do not give tax or legal advice. The comments regarding tax treatment in these articles simply reflect our understanding of current interpretations of tax laws as they apply to life insurance and annuities. Since tax laws are always subject to interpretation and possible changes in the future, we recommend that you seek the counsel of an attorney, accountant or other qualified tax advisor regarding life insurance taxation as it applies to your particular situation.

- J. Tom King, Knoxville, TN 2009