

Proceed With Caution: **Understanding Annuities**

By Jeff Rubleski, MBA

Annuities come in many shapes and sizes. They can be quite beneficial if purchased for the right reasons. However, they can also be difficult to understand and expensive to cancel if not held for the appropriate amount of time specified in the annuity contract. So the first rule to remember with annuities is to understand what you are buying before signing the annuity contract and make sure you get competent advice from an investment professional before purchasing an annuity. This is one investment that most people probably should not do on their own due to the complexity of annuities and the numerous options associated with annuity contracts.

Annuities are generally classified as immediate or deferred. Immediate annuities are commonly used by people who are retiring and want an income stream from the annuity either for life or for some defined period of time. Deferred annuities allow investments to be made periodically into a tax-deferred account. Choices for investments can range from fixed annuities with a specified rate of return to a variable annuity that has a variable return based on the performance of the stock or bond fund chosen for investment.

Annuities are not guaranteed by the federal government against default. So it's vitally important that you know the financial strength of the insurance company issuing the annuity, especially when purchasing an immediate annuity for retirement income. Companies like Standard & Poor's and A.M. Best rate insurance companies on their overall financial strength.

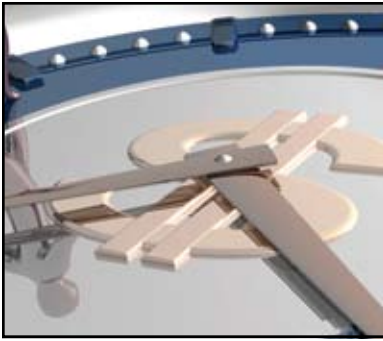
A properly structured annuity can serve as a vital component to your retirement security. Remember to seek competent professional investment advice before investing in any annuity. Don't be afraid to get a "second opinion" from a third party before committing to an annuity. Choosing an annuity is a long-term investment. Take your time before buying to ensure that an annuity is right for you.

Be Careful of High Yields

A basic tenet of personal finance is that risk and return are inseparable. In other words, if you want a higher return, you must take on more risk. When looking at a bond mutual fund, understand that a higher yield generally means more risk to you. Be especially careful before investing in "high-yield" funds. These funds (sometimes referred to as junk bond funds) invest in bonds issued by organizations that have low credit ratings. These funds can lose considerable value if the economy should stall or fall into recession.

Some high-quality bond funds will have a higher yield than others. Typically this is related to the average maturity of the bonds in the fund, referred to as duration. The longer the duration, the more sensitive the bond is to inflation pressures. Bond funds vary considerably depending on stated investment objectives and the overall quality of bond investments. Read the bond's prospectus carefully before investing. By doing this, you'll understand the essential factors that contribute to the bond fund's yield.





Nickels & Dimes

WELCOA'S ONLINE FINANCIAL BULLETIN

Medicare Part D Prescription Drug Facts

The Medicare Modernization Act of 2003 created sweeping changes to our nation's Medicare System. The MMA legislation provides seniors and people with disabilities with the first comprehensive prescription drug benefit ever offered under the Medicare program, the most significant improvement to senior health care in nearly 40 years.

There are a number of factors to consider before enrolling in Part D coverage. The most important is whether the Medicare-eligible beneficiary has "creditable" drug coverage from a former employer and how much of a personal financial contribution is required to keep the former employer's drug coverage. The monthly charge for Part D drug coverage starts at about \$30 per month. Part D drug coverage can be purchased only through vendors who have been approved by Medicare. To find an eligible Part D drug vendor and to learn more about the Part D benefit, please go to www.cms.hhs.gov.

Source: Centers for Medicare and Medicaid Services

Lifecycle Funds

A Simple Way To Invest For The Long Run

By Jeff Rubleski, MBA

Investing can seem overwhelming, with a myriad of investment decisions to make. So how do you get started? First, make a commitment to "pay yourself first." When you develop the discipline of paying yourself "first," how do you set into motion an investment plan that will fulfill your financial goals? Here's one simple path that is easy to implement and allows you to participate in the long-run growth of stocks and bonds.

This Financial Path Has 3 Easy Steps...

1. *Decide how much to set aside each month or quarter—have your mutual fund vendor automatically debit your savings or checking account to keep your plan on track.*
2. *Choose a no load "lifecycle fund" from a mutual fund vendor.*
3. *Select a lifecycle fund that closely matches the date you plan to retire.*

Lifecycle funds generally consist of stock and mutual funds that the selected mutual fund company manages. The lifecycle fund manager chooses the allocation of stocks and bonds to balance the risk of investment loss based on your age and expected date of retirement. For example, an individual who has 30 years before retirement will choose a lifecycle fund that has more exposure to stocks. A person with 10 years before retirement will typically have a lifecycle fund that has an increased exposure to bonds. The lifecycle fund is designed to provide an appropriate level of risk through allocations between stocks and bonds based on a defined investment time horizon (date of retirement).

The greatest benefit of lifecycle funds is simplicity. Most people are starved for time and lack the knowledge to know how to allocate their investments between stocks and bonds. If you fall into this category, consider a lifecycle fund. To find a lifecycle fund that is best for you, consult a financial advisor or consider searching for one on your own. There are a multitude of excellent funds. From an Internet search engine type in "lifecycle funds" and you'll be on your way to choosing a fund that works best for you.

