

# PRISM PLANNING & SOLUTIONS GROUP, LLC

## *Annuity Awareness Newsletter*



### FROM YOUR ADVISOR

As we approach the two-year mark from the first interest rate increase by the Federal Reserve in this cycle, the trend in data seems to suggest both consumer spending and the labor market are cooling. Think of the interest rates the Federal Reserve controls - the overnight Fed Funds rate - as a valve that controls the flow of water. Too much water and we have a flood, not enough and we are parched. There's a lag time of 6 - 18 months between when the Fed adjusts the valve and when we know if we have the right amount of water. There are many variables we know, and probably more we can't even identify, so the Fed's challenge is knowing when the valve is opened just the right amount. Plus, some people benefit more from too much water and others benefit from not enough, so they are all trying to pressure the Fed into accommodating their interests. We can't know today where we will be in a year - drought or flood - but we can say that key indicators such as unemployment claims, personal expenditures and job openings seem to be pointing towards getting closer to the Fed's goal of bringing inflation down to more historically normal levels without creating chaos in the economy. Stay tuned.

### ANNUITY AWARENESS

Annuities are complex products that allow investors to defer taxes on earnings and can generate an income that can last as long as you live. Different structures - such as Fixed or Variable - determine what licensing, if any, the person selling you the annuity must have. Licensing provides oversight to the behavior of the person recommending the annuity.

Much has been written both praising and condemning annuities. I believe they are neither good nor bad, it just depends how they are used and what the investor understands - and doesn't understand - about their advantages and disadvantages.

Annuities can offer guarantees - a word you don't see very often related to investments, with good reason. Some guarantees are built into the basic product while others are available for purchase for an additional fee. Most of the time, financial planning involves discussing the probabilities of various things happening in the future. You, the client, may have to make decisions about trade-offs that affect those probabilities. Getting from an 80% probability of success to a 90% probability can be "expensive," whether the price is saving more of your current income or planning to spend less later.

### UPCOMING EVENTS

All events hosted on Zoom unless indicated otherwise.

June 20, 2024, at 6pm - TBD

Zoom information provided upon registration.

Please email: [Sharon@PPSgrp.com](mailto:Sharon@PPSgrp.com) for more information.



## ANNUITY AWARENESS

Whether you want an 80% or 90% probability of success, you are still more likely to not run out of money, and perhaps even leave a larger legacy than you want.

Annuities, when used properly, can help increase your probability of success through guaranteed income, possibly with fewer trade-offs because unlike your investment portfolio, you don't need to consider volatility in the math.

You can read more about types of annuities and features they offer [here](#). You should also consider speaking with a Certified Financial Planner® professional to see if annuities may be appropriate for you. Ideally, consider one who will not be paid a commission if you purchase an annuity.

## “ALL THINGS IRA CORNER”

Changing jobs? You have six options for your Employer Plan Retirement Funds.

- Convert to a Roth IRA (can be done in one step)
- Convert to Roth Plan Assets
- Take a Lump-Sum Distribution
- Leave it in the current Plan
- Move it to a New Employer's Plan
- Roll Over Plan Assets to an IRA

Each has advantages and disadvantages, so “best” depends on your situation and preferences. IRAs provide for more investment options and flexibility in naming beneficiaries and estate planning. Roth assets allow for tax-free future earnings.

Taxes and penalties may apply to Lump-Sum distributions but consider this if you need money now and have no other source of funds.

For more information about IRAs and Qualified Retirement Plans, click [here](#) and consider speaking with a member of Ed Slott's Master Elite Advisor GroupSM. Employer plans have federal creditor protection while IRAs depend on state law.

Julia Peloso-Barnes, CFP® is a member of Ed Slott's Master Elite IRA Advisor Group™. For more information on anything mentioned in the “All Things IRA” Corner please email Julia at [Julia@PPSgrp.com](mailto:Julia@PPSgrp.com) or schedule a call/zoom [here](#).

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## KEY POINTS

- Annuities are neither good nor bad. They are a tool, and like all tools can work well in some situations but are completely inappropriate in others.
- Annuities are complex products with different structures, features and benefits. Take your time and make sure you understand what they are and how they apply to you and your situation.
- Annuities can provide guaranteed lifetime income, something no other investment product can do, but there are trade-offs; know what they are.
- A Certified Financial Planner® professional can help you understand the features and benefits of annuities, determine whether they may be appropriate for you and help you plan for a secure financial future for you and your family.

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