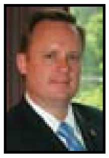
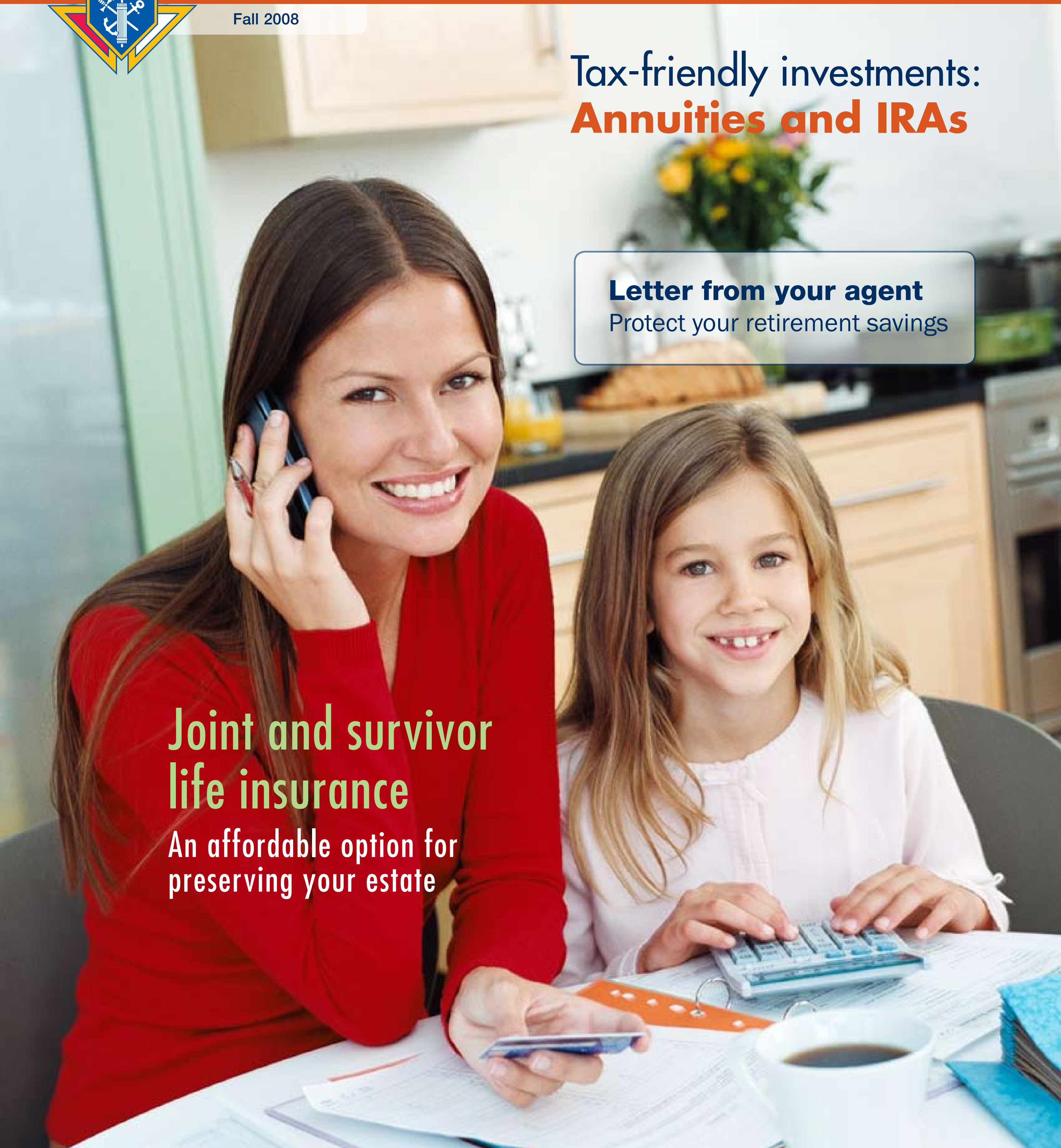


Brought to you by D. Todd Minard

KNIGHTS OF COLUMBUS

Financial Beacon

Fall 2008

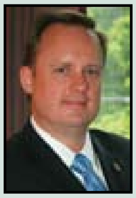


Tax-friendly investments: **Annuities and IRAs**

Letter from your agent
Protect your retirement savings

Joint and survivor life insurance

An affordable option for preserving your estate



A MESSAGE from your agent

Dear Brother Knight:

You may be thinking about your 2008 taxes as this year comes to a close, but that's also the best time to think ahead to your 2009 taxes, and beyond. Never take for granted the U.S. tax laws that favor saving for retirement. Contributing money that grows without being taxed until after you retire is a huge advantage for you.

A 401(k) or a similar account—in addition to the IRAs and annuities described in the article on the next page—has outstanding tax benefits. However, be very careful about rolling over 401(k) funds when you retire or leave a job. With the coming wave of baby boomer retirements, a host of rollover options are surfacing on the marketplace.

After you've worked hard to build up a retirement account, the worst outcome would be to roll it over into an unsafe investment, backed by slick sales materials and potentially empty promises. If it looks too good to be true, it probably is.

Nobody likes to think about taxes, but as long as you're doing it, please consider how to make the best use of our tax code to provide for your retirement and your family. And when it's time to roll over funds that have grown in a tax-deferred account, I'd be glad to talk with you about protecting those assets.

Fraternally yours,

D. Todd Minard

Joint and survivor life insurance:

An affordable option for preserving your estate

Dollar for dollar, joint and survivor life insurance may be the most effective way to preserve your estate for future generations, or for the ongoing care of a survivor who will have special needs.

Joint and survivor policies are permanent, or whole, life insurance, meaning that the premiums and coverage are fixed for life. Also, in contrast to "term" life insurance that stays active only for a specific time period, the premiums build a cash value over time.

Joint and survivor insurance is sometimes called "second-to-die" life insurance because the policy is written on two people and pays off when the second person dies.

It can be an excellent value for two reasons:

1. The premiums are based on the health risks of both people. For example, a husband may not be able to afford permanent life insurance premiums because of his health, but his wife is less of a health risk, so the premium is significantly lower.
2. Estate taxes are delayed until the second spouse dies. Another option is to set up a third-party owner of the policy—a trust or a child—so that income and estate taxes can be avoided altogether. This requires guidance from legal and tax experts.

Providing for survivors who need special care

This variety of life insurance can provide stability for survivors who will continue to depend on the income their parents' estate can generate. For example, children who will need special care as adults benefit from this product.

Depending on the size of your estate, the policy may fund a trust that can generate steady income, or it can be used to pay estate taxes. In either case, joint and survivor life insurance could be a powerful component of your estate planning. ✦

Please give me a call if you'd like more information about the Knights of Columbus's joint and survivor life insurance plan, DUALife.

Minimum age for Long Term Care insurance drops to 30

An important safeguard to your net worth, in addition to life insurance, is long term care insurance. The Knights of Columbus has reduced the minimum age to 30 for purchasing this insurance, which pays for common types of day-to-day assistance that fall outside of traditional health insurance and Medicare coverages.

Buying earlier can reduce your overall cost, as shown here. ▶

Age when purchasing policy	Annual premium	Total premium paid at age 85
30	$480.40	$26,411.20
40	739.20	33,264.00
50	1,362.20	47,677.00
60	2,374.00	59,350.00
65	3,544.40	70,880.00
70	5,735.00	86,025.00

Annual premium based on a K of C Comprehensive Long Term Care policy, for single care, with a $200 daily benefit, lifetime benefit duration, and 30-day elimination period. For comparison only.

BASICS OF TWO TAX-FRIENDLY INVESTMENTS: **ANNUITIES AND IRAS**

Fixed-rate annuities and IRAs are two rightfully popular investment tools that can give you tax advantages. Although both leverage the strength of compound interest that builds without an annual tax hit, they work in different ways. As tax season approaches, take a look at some basic features of each.

Fixed-rate annuities

The basic concept of an annuity, which is an insurance product, is simple: You pay into the annuity today; the annuity generates a steady retirement income.

Fixed-rate annuities offer a stable, predictable return, in contrast to variable annuities which are tied to the performance of underlying investment funds. *(Note: The Knights of Columbus does not sell variable-rate annuities.)*

You may contribute a lump sum on a series of payments to an annuity. You've paid income taxes on this money already, so your principal is not taxed when you withdraw the money. Meanwhile, the interest grows tax-free.

Payouts from an annuity are typically "annuitized," meaning you receive regular payments (such as monthly) over a period of time. This can be a fixed number of years, or the rest of your life, or even the rest of your life plus the life of a beneficiary.

Once you start receiving payments, the portion that represents your principal is not taxed. The interest earned within the annuity is taxed as ordinary income. But often, you'll be in a lower tax bracket as a retiree, so that works to your advantage.

Traditional IRAs

The two primary versions of Individual Retirement Accounts (IRAs), are the traditional and Roth. (See sidebar.) The traditional IRA allows you to save for retirement while simultaneously reducing taxable income for the current year. That's because, unlike an annuity, a portion of your IRA contributions are tax-deductible.

The money in an IRA may be invested in stocks, bonds, mutual funds, etc. The income your investments earn (from interest, dividends, or capital gains) is not taxed until you withdraw money. Non-taxed money earning compound interest is a strong engine for growing assets.

You may begin withdrawing from a traditional IRA at age 59½. Disbursements become mandatory at age 70½. Withdrawals count as regular income for tax purposes. But as with the annuity, you're likely to be in a lower tax bracket when you withdraw the money as a retiree. ✦

This publication is not intended as specific tax advice. Please consult a licensed tax expert.

Roth IRA suits retirees in higher tax brackets

Unlike with a traditional IRA, contributions to a Roth IRA are made with after-tax dollars. This means that when you withdraw the principal and interest from the Roth IRA, the money isn't taxed, provided the account has been open for five years and you are at least 59½. If you believe you'll be in a higher income tax bracket during retirement than now, consider a Roth IRA instead of a traditional IRA.

The Roth IRA also offers greater flexibility in the timing of disbursements. Unlike other retirement accounts, the Roth IRA does not require withdrawals to begin once the account holder has reached a certain age.

YOUR AGENT

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Contact me today for information on long-term care insurance

Family benefits & services

Knights of Columbus insurance consistently ranks at the top of the industry in financial stability and ethics. Please call to discuss these services:

- Financial needs analysis
- Life insurance
- Tax deferred fixed-rate annuities
- Long-term care insurance
- Retirement account rollovers
- Estate preservation
- Scholarships
- Family fraternal benefits

33 years and counting:

Knights of Columbus earns A.M. Best's highest financial strength rating

"The Order has a strong affinity with its large membership base through its charitable works and competitive portfolio of life insurance and annuity products."

— A.M. Best 2008 rating report

For the 33rd consecutive year, A.M. Best Company has given the Knights of Columbus its highest financial strength rating, A++ (Superior). A.M. Best is a worldwide rating and information agency, which conducts in-depth analyses and issues reports about the fiscal stability of insurance companies.

Among the factors cited in A.M. Best's 2008 affirmation were the Order's:

- Strong fraternal and insurance presence within the Catholic communities in the United States and Canada.
- Consistently positive statutory operating results.
- Strong risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio.

Strong in numbers, strong in service

The Knights of Columbus is the world's largest lay Catholic organization with more than 1.75 million members. In 2007, members of the Knights of Columbus donated more than 68 million hours of volunteer service for charitable causes, and contributed more than $144 million to charity. ✦