Brought to you by D. Todd Minard, FIC

KNIGHTS OF COLUMBUS

Financial Beacon

Fall 2009

Long-term care
The long learning curve

FIXED ANNUITIES
A look back in time

Letter from your agent
The Knights of Columbus earns top ratings in 2009

A MESSAGE from your agent

Dear Brother Knight:

Looking for some *good* economic news? Two respected financial industry rating services have given the Knights of Columbus their top rating in 2009. A.M. Best rates us A++ (Superior) for the 34th consecutive year, and Standard & Poor's rates us AAA (Extremely Strong) for the 17th consecutive year.

It's even more encouraging that A.M. Best lists its A++ rating for us as "stable." Tell me, when's the last time you heard that word attached to a financial services provider? Here's part of A.M. Best's published assessment:

The ratings of the Order reflect its strong fraternal and insurance presence within the Catholic communities in the United States and Canada, its superior risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio and the Order's consistently positive statutory operating results.

In short, our Order's conservative, values-based management prevails even during tough times. That's one reason the K of C is certified by the Insurance Marketplace Standards Association for ethical and honest business practices. Only four U.S. insurers have this certification and top ratings from Standard & Poor's and A.M. Best.

Just thought you'd like a reminder about the quality of the organization you've chosen to be part of.

Fraternally yours,

D. Todd Minard

The long learning curve for **long-term care**

Our parents never stop teaching, whether they want to or not. We learn from them about how to be adults, how to be parents, and sometimes, reluctantly, how to grow old.

When parents reach a point where it's a struggle to manage the daily necessities—getting dressed, fed, cleaned, etc.—we begin to see how much daily care is required. It can be a surprise to learn how little government programs will provide for the cost of in-home or nursing home care.

Medicare, for example, generally pays for only short-term medical care at home or for a limited stay in a nursing home after a hospitalization. Medicare is designed to pay for "skilled care," usually from doctors, nurses, and hospital staff. It isn't designed to cover the long-term day-to-day services referred to as "custodial care."

Medicaid, on the other hand, does pay for long-term care. But people don't qualify for it until they've exhausted virtually every source of wealth. This can mean a drastic reduction in lifestyle for someone whose spouse's custodial care is paid for by Medicaid.

Unlike government programs, private "long-term care insurance" is intended to protect families from the expense and hardship of custodial care. Unfortunately, many baby boomers' parents didn't have access to this type of coverage, so boomers are learning harsh lessons from their parents' difficulties.

One lesson to learn about long-term care coverage is that it is most affordable when purchased well before retirement age. It gets more expensive for each year that you age, and poor health can increase the costs or make coverage unavailable.

According to *BrokerWorld* magazine's 2008 survey about individual long-term care insurance, the average age of someone buying this insurance dropped from 63 in 2002 to 58 in 2005, which is a good thing—but it hasn't continued to drop.

One reason for this may be that long-term care coverage options and limits are unfamiliar to so many. The principle behind the coverage, however, is simple.

Just as with auto and home insurance, you buy it because you can't afford to pay out-of-pocket for a catastrophic loss.

A 2008 report by the risk management firm, Lifeplans, in conjunction with MetLife's Mature Market Institute, estimates the average annual cost in the U.S. of nursing home care (semi-private room) was $77,380, and for assisted living services, $36,372.

Coverage is most affordable when purchased well before retirement age.

Unfortunately, these are more than abstract numbers to many sons and daughters. We see how our parents' decisions have affected their senior years, and we learn. At the same time, our children will be learning as they watch the decisions that we make.

Please let me know if you have questions about long-term care insurance. The Knights of Columbus offers excellent coverage options to our members at very reasonable rates, and I'd be happy to give you more information. ✦

What a difference a guarantee makes

A look back in time explains the rising popularity of fixed annuities

Showing continued doubt about an economic recovery, more consumers appear to be using the retirement planning mantra, "Safety first." Sales of annuities with a fixed rate of return in the first quarter of 2009 were 73 percent higher than the first quarter of 2008, according to estimates by LIMRA, a life insurance industry organization.

The Knights of Columbus topped this, increasing annuity sales nearly 100 percent in the first six months of 2009 over the same period in 2008. This followed a 40 percent increase in 2008 over 2007.

To gain some perspective on this trend, take a hypothetical look backward: On January 1, 1999, two 55-year-old men in the U.S. each invest $50,000 toward their retirement income.

One put the money in an S&P 500 stock fund and the other purchased a Knights of Columbus tax-deferred retirement annuity. Ten years later, on December 31, 2008—we're using that time period to avoid the major stock fluctuations—see how their investments performed (chart below).

Sales of annuities with a fixed rate of return in the first quarter of 2009 were 73% higher than the first quarter of 2008.

One reason for the difference in growth is that monies in the S&P fund were taxed annually on any gains, while gains from the annuity won't be taxed until the funds are withdrawn.

This accomplishes an important thing: the annuity fund grows tax deferred, and allows a greater compounding of interest.

Another reason the annuity earned a better return during this period is that it had a fixed rate of return that was protected by a guarantee from the Knights of Columbus (as are all annuities from the Knights of Columbus). This means that once the rate is locked in, shifts in the stock market don't affect the annuity's performance.

Keep in mind that the previous decade's stock fund returns don't predict those of the next decade. For many people, stocks do have a place in a diversified portfolio of retirement funds. It's important to get expert advice when you're making decisions about your financial future.

If you've got questions about retirement annuities, I'd be glad to talk with you.✦

This information should not be construed as advice about buying specific stocks, mutual funds, or annuities. Always consult a qualified financial expert when making investment decisions.

	S&P 500	Fixed Annuity*
Original investment on Jan. 1, 1999	$50,000	$50,000
Value on Dec. 31, 2008	$43,494.17	**$78,152.41**
Annual compounded rate of return	-1.38%	4.57%*

**Based on a Knights of Columbus Vantage Single Premium Deferred Annuity*

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 planning
- Estate preservation
- Scholarships
- Family fraternal benefits

How life insurance can protect your heirs from estate taxes

Beyond the value of protecting a family from the premature loss of a breadwinner, life insurance can be an important tool for protecting an estate's assets from taxes in the probate process.

When a married spouse dies, his or her assets generally transfer tax-free to the surviving spouse. This includes the payout from a life insurance policy.

But say the surviving spouse dies before spending (or gifting) all of the money paid by the policy. That leftover money—perhaps all or most of the payout amount—now becomes a taxable part of the estate.

The point is, don't allow the entire burden of estate planning to fall to the surviving spouse—who knows whether that person will be able to accept such a burden when the time comes?

Life insurance can be used to protect your heirs in at least two important ways:

1. A joint and survivor (also called "second-to-die") life insurance policy can provide funds to pay estate taxes, so your heirs don't have to sell property or liquidate investments you wanted them to have. Joint and survivor insurance is permanent, or "whole," life insurance—as opposed to "term" insurance—and the premiums are based on the health risks of both spouses. This can be a major advantage. 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, and the premium is significantly lower as a result.

2. Assign a permanent life insurance policy to a third-party beneficiary, such as a child or a trust, so that income and estate taxes on the policy's payout can be avoided altogether.

These matters require guidance from legal and tax experts. I'm always ready to help, also, by guiding you through the ins and outs of life insurance, annuities, and other tools you can use to plan for your family's financial security now and in the future. ✦