



Brought to you by Mark L. Deaton, FICF

# KNIGHTS OF COLUMBUS Financial Beacon

Fall 2015

**INSURE  
YOUR MOST  
VALUABLE  
ASSET: YOU**

**TAX FRIENDLY  
SOLUTIONS:**

**IRAs and  
Annuities**

**Life insurance in your  
Financial Plan?**

**YES!**





## A MESSAGE from your agent

### **Dear Brother Knight:**

I'm proud to tell you about an exciting milestone for Knights of Columbus Insurance: For the 40<sup>th</sup> consecutive year, ratings agency A.M. Best has awarded us with the highest possible rating for financial strength (A++, Superior).

From life and disability insurance to long-term care policies, we make it our business to protect you, your fellow Knights and your families without taking on unnecessary risk. In fact, no other insurance company in North America is more highly rated than we are. And since we've been protecting Catholic families since 1882, you could say we're experts in our field. Couple that with our commitment to ethical investments, which adhere to our Catholic values, and it's easy to see why we continue to grow in strength and numbers.

I'd like the opportunity to meet with you to discuss how our strength is *your* strength. Insurance is my business, but my focus is *you*.

Fraternally yours,

**Mark Deaton**

# Insurance as part of your financial plan? In a word, YES!

When most people think of a financial plan, they think of savings, of 401k plans, or picture stocks, bonds and mutual funds. Insurance often gets lost in the shuffle or dismissed. But maybe it's time to take another look. Life insurance can be a safe—and some would even say essential—part of any financial plan.

There are several advantages to including insurance in your financial plan—with very little risk. But remember, insurance policies are not one size fits all. Here's a look at how you can benefit from adding a permanent life insurance policy to your mix.

**Protection.** Just like the name implies, permanent life insurance is a policy that will last your entire life as long as you continue to pay the premiums—even if your health takes a turn for the worse. Like any life insurance, it will protect the financial future of your spouse and dependents by paying them a benefit when you die

### **But how does permanent life insurance help your finances?**

**It's a safe choice.** Permanent life insurance isn't affected by market losses like stocks and mutual funds. Provided that you pay your premiums as outlined in the contract, permanent life insurance guarantees that your money will grow over time—no matter what's going on in the stock market.

**Cash Value.** Permanent life insurance policies offer one other important feature—cash value. This value accumulates over the course of the policy and can be used by you.



People often use their policy's cash value to pay for college, a housing down payment or other major expenses.

**You have access**—at any time.

Unlike other retirement accounts such as a 401(k) or IRA, a whole life policy gives you the option of accessing your money with no early withdrawal penalty. It's your money; it's up to you.

**Dividends.** Dividends—while never guaranteed—are an important way that companies like the Knights of Columbus share their success with our policyholders. Those who purchase permanent life insurance contracts can, by vote of the Board of Directors, receive a partial return of their premiums. These are called dividends. Once declared, the insured has a number of options for using those dividends that can add value—and even more insurance—to their existing policy. ♦

*This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.*

# Two tax-friendly investments: Annuities and IRAs

Tax-deferred annuities and IRAs are two rightfully popular 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 year-end tax planning approaches, take a look at some basic features of each.

## Tax-deferred 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 at a point later in time.

Tax-deferred 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 annuities.)

You may contribute a lump sum or 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-deferred.

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 can work 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 tax year. That's because a portion of your IRA contributions are tax-deductible.

The money earned in an IRA 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 without an IRS penalty. Disbursements become mandatory at age 70½. Withdrawals count as regular income for tax



purposes. But as with the tax-deferred annuity, you may 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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### 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
- Disability Insurance

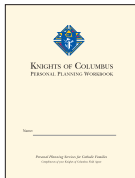
**Contact me today for information on long-term care insurance**



KNIGHTS OF COLUMBUS  
**Financial Beacon**

Knights of Columbus Supreme Office

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**The document your family will be glad you left behind**

In one place, you can assemble all the information your family would need to take care of basic financial matters in your absence. Your complimentary Knights of

Columbus Personal Planning Workbook helps you compile details about key contacts (attorneys, insurance agents, etc.), financial accounts, bills, passwords, the location of important documents, and more.



Contact me today for your complimentary Workbook.

Contact me today for information on long-term care insurance

**INCOME ARMOR—insure your most valuable asset**

No one expects to have an injury or illness that keeps them from working, but it happens more often than you'd think. In fact, statistics show that one in four men will suffer a disability that causes him to miss 90 days or more of work. And for women? That number is even higher—one in three.\*

When you're young and healthy, it's easy to forget—or ignore—this possibility. Which is why very few people find themselves insured against this devastating loss when they need it. It's not surprising then that 70 percent of the private sector are not covered by long-term disability insurance. But it is a risky strategy.

Most people tend to think of their home as their most important asset—but think again. It's actually your ability to earn a paycheck. If you were to become sick or injured for a significant period of time during your

working years, that income disappears. Fortunately, there's Income Armor. A disability income insurance designed to protect your greatest asset—you.

Income Armor is just what the name implies—protection against loss of income due to disability. It's available to both members and their wives between the ages of 18 and 61. You can choose a maximum benefit period of two years or five years, or to age 67. And once in place, the policy can't be cancelled as long as you pay your premium when due.

The base policy premium covers these benefits:

- 1 Total disability
- 2 Partial disability
- 3 Organ donor
- 4 Rehabilitation and retraining
- 5 Waiver of premium



And you can add on other optional riders such as these:

- > Catastrophic disability
- > Cost of living adjustment
- > Guaranteed purchase
- > Social insurance

Don't let an unexpected disability come between you and your financial security. Trust Knights of Columbus Income Armor to give you a comprehensive—and affordable—way to protect your future. I'm here to answer any questions you may have, and help you design a plan. ♦

\* The Real Risk of Disability in the United States, Milliman Inc., on behalf of the LIFE Foundation, May 2007