



Another Strategy to Achieve Lifelong Income by Thomas Curran

During the past six months the rapid and dramatic decline in stock market values along with troubles in real estate proved to be overwhelming for many committed long-term investors. Over my almost 50 year career, I never witnessed anything approaching the rapid melt down in net worth for so many investors.

As a result you may be considering making changes to your long-term strategy. When changes are contemplated Curran always cautions against over reacting. History tells us that events and results we least expect frequently do happen. It is the reason I sometimes refer to the years 1932-1937. In the depths of the Great Depression the Dow Jones Industrial Average increased almost 400%.

Still you may wish to prudently adjust your investment strategy.

The following is an actual example of a solution we proposed and implemented for one of our clients in March 2009.

BACKGROUND

Clients are married and in their 70s. They have four children and nine grandchildren.

They are comfortable in their retirement. They have been prudent in their spending habits throughout their lives. While they always believed they would not outlive their money, dramatic declines in stock market and real estate values caused us to reevaluate all of their investment strategies. Their good health combined with each having parents who lived into their 90s

motivated us to analyze the likelihood for maintaining their income for the rest of their lives.

First we determined how much income they required each month to maintain their current lifestyle. While their income is currently being supported by Social Security and retirement account benefits, there was still concern that further market declines would be more than they could emotionally handle.

We performed a financial stress test to determine their ability to pay for long-term care and medical expenses. We analyzed the financial impact of death on the surviving spouse. We knew their children were very important in their estate planning strategy. We reviewed their primary estate goals with regard to their children.

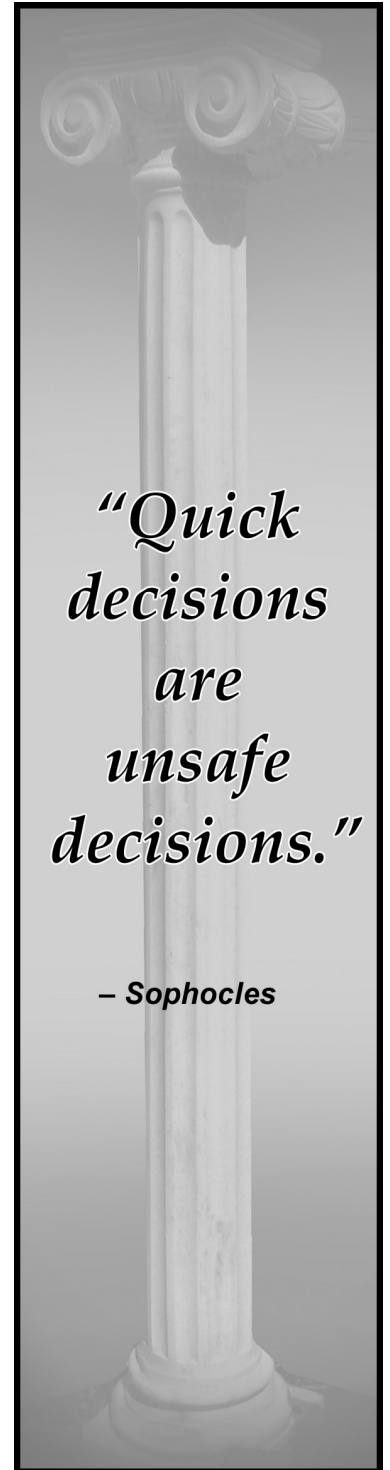
FINDINGS

We concluded the optimum strategy for achieving their income requirements was a guaranteed annuity payable to them for as long as one of them lived.

To accomplish the income goal (\$20,000/year) required an investment of approximately \$300,000. Curran is forecasting rising inflation rates so we recommended an annual adjustment of 3% each year. Assuming one survives 20 years, the payment in 2029 will grow to \$32,000.

The stress test told us the following: The couple had previously purchased a long-term care policy through Curran. The benefits are sufficient to meet the needs of our clients without jeopardizing the lifestyle of the healthy spouse.

(Continued, page 2)



*“Quick
decisions
are
unsafe
decisions.”*

– Sophocles

There is a universal life policy in force with a death benefit payable to their children upon the second to die. Curran recommended and secured the life insurance policy about nine years ago. We over funded the policy with higher premiums during the early years, which put us in the position to recommend a significantly lower premium be paid this year. While performing the stress test, we reviewed older life insurance policies, their cost and benefits.

We concluded the older life insurance policies' death benefit were mostly in cash values currently available to the owner. As a result we are reviewing them and considering their surrender for the accumulated cash value.

RESULT

Our clients are now secure in their future knowing the following:

They may hold their investments to include stocks more confident they will not run out of money.

They have protected themselves against inflation.

They will continue to remain invested for conservative growth primarily for the benefit of their children. As discussed they have placed a very high priority on providing their children with benefits from growth in their estate. They are secure knowing they will not be a burden to their children, which was a high priority for them in their planning.

They are now more secure in knowing they can remain in their home for as long as they choose rather than for as long as they can afford.

FLEXIBILITY

Because the annuity guarantees their monthly inflation adjusted income requirement over their lifetimes, they now have the freedom to invest for growth to benefit their children without the fear of running out of money.

Investors considering annuities must do so carefully. They may be appropriate to meet your objectives, but selecting the right one involves a complex assessment. Too frequently we review client profiles holding annuities whose owners do not fully understand what they own. Sometimes when we complete our analysis and review the clients who acquired an annuity without our help, we find they purchased the wrong type of annuity or should not have bought one.

When we complete our analysis and review, clients who acquired an annuity, life insurance or long-term care policy without our help frequently discover they may not have made the best choices to meet their needs. We can help you better understand annuities, life insurance and long-term care you may have previously purchased from another advisor. And when necessary and permitted by the policy, we can help you change previously purchased policies to meet your current objectives.



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