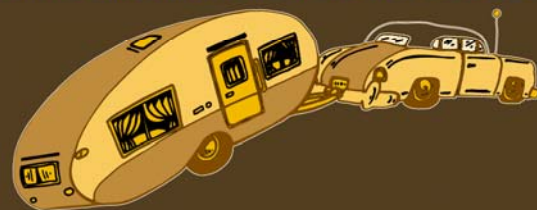


Retirement Rambler

SOUTHWEST
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1901 Rambler, Model B

Rambler Innovation

This experimental Model B Rambler introduced the front-mounted engine. However, before production of this version was started in 1902, the wild dream of the front mount was abandoned and the production model included the "standard" under-the-seat engine mount.

*Motor Trends
February, 1963*

Annuity and His Other Brother Annuity

Remember the old Bob Newhart Show and the three "neighbors" who showed up with the introduction of "Hi, I'm Larry and this is my brother Darryl and my other brother Darryl?" Two brothers; same name. Confusing, wasn't it?

Folks seem to experience that same kind of confusion with the term "annuity." It's a catch-all term that gets used to describe a variety of investment vehicles used in a number of situations.

An annuity is issued by a life insurance company and has two phases: an "accumulation phase" during which you are making deposits into the account and a "liquidation phase" during which you are making withdrawals.

This month we are going to concentrate on how annuities are used in the "accumulation phase" and next edition we will explore how they can be used to provide lifetime income.

Annuities from which withdrawals will not be made until a future time are called "deferred annuities" and come in two basic forms: fixed and variable. A fixed, deferred annuity works much like a savings account— you make deposits to the annuity and the account is credited with a stated rate of interest. The rate generally has a floor (2% to 4%) for the life of the contract and an annual crediting rate which is, hopefully, a little higher than the floor.

A variable, deferred annuity

provides the owner with several investment fund choices that have something of the look and feel of mutual funds. The owner can allocate his deposits among the stock, bond and cash funds made available and thus participate in the ups and downs of the markets.

So what's the potential advantage of a deferred annuity? In two words: tax deferral. The investment return is not subject to income taxation until the funds are withdrawn.

But this tax-advantage comes at a price. First, there are fees to be paid to the insurance company and the investment managers. These range widely but can run from 0.50% to 3.0% or more of the assets per year. Second, there will likely be a surrender penalty if you exit the contract before some stated period ends, usually 5 to 10 years. Finally, withdrawals before age 59 1/2 cause a 10% tax penalty as well.

Bottom line, deferred annuities must be carefully evaluated. The costs may well outweigh the benefits.

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Market Update

Index	April, 2007	YTD, 2007
Dow Jones Industrials	+5.87%	+5.52%
S&P 500	+4.43%	+5.10%
Russell 2000 (small cap US stocks)	+1.80%	+3.78%
MSCI EAFE (developed foreign mkts)	+4.44%	+8.70%
Lehman Bros Aggregate Bonds	+0.54%	+2.05%
3-Month T-Bill	+0.43%	+1.75%

Source: Morningstar, Inc.