THE HISTORY OF ANNUITIES

Annuities have a long history dating back to the Roman Era when they were used as a form of gratification for loyal soldiers. These early annuities were given to soldiers as a thank you for military service. The first mention of annuities is recorded before the birth of Christ.

In the United States, annuities were first used by The Presbyterian Ministers Association as a retirement income for older ministers and their families. These annuities were funded by the church and were allowed to pass from the head of the household to a surviving spouse. These early vehicles were the foundation for future widow and orphan benefits.

Benjamin Franklin was an early supporter of the concept of annuities and in his will left 2 annuities to the cities of Philadelphia and Boston. The Boston annuity lasted until 1993 when the city officials voted to end the annuity and use the lump sum that remained.

Early trade between the colonies and England also involved annuities. Many annuity contracts were issued in England to benefit family members still residing there in return for raw good shipped from the colonies. The annuity contracts were known as “annunimums” and were very popular as a method of trade and safety. King Charles II even used an annuity to reward development of the Island of Martinique and Grenada prior to the concept of a fixed money standard.

During the Civil War, many annuities were awarded by the United States to military members in lieu of land ownership. The idea was supported by President Lincoln prior to his death as a method of assisting injured or disabled military personnel. After the Civil War, then President Grant rescinded many of these annuities on the grounds that the benefits far outweighed the contribution. A legal battle ensued and the Supreme Court heard the case a few years later and restored the benefits.

In the early 1900s, annuities were used in partnership with the sale of bonds because of the New York Stock Exchange collapse in 1903. The reason being the safeties of the bond issuers were often in question and an insurance company was a third party to help guarantee and provide future benefits. This stability allowed the country to help restore confidence in the financial sector.

At one time, banks were also allowed to sell annuities and often times issued their own annuity products. During the financial turmoil of 1919, individual states set up rules making it illegal for banks to enter into annuity contracts unless the product was issued by an insurance company. This set the guidelines today for the absolute safety an annuity provides.

During the Great Depression, annuity companies maintained their standards of safety and security. Many people’s financial lives were kept intact because of the solid security an annuity provided. One of the more famous stories is of the baseball legend Babe Ruth who invested 100% of his funds in annuities. His famous quote still resonates today... he said, “I may take risks in life, but I will never risk my money, I use annuities and I never have to worry about my money.”

Annuities provide today exactly what they provided nearly 300 years ago, safety, security, and freedom from risk. If your money is important to you and it must provide an important benefit, consider what many famous people have done, rely on annuities.

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TOP 15 MYTHS ABOUT ANNUITIES **EXPOSED**

MYTH 1	***"I don't need an annuity – I can figure out how to take withdrawals from my retirement accounts to meet my income needs."***

REALITY

When you retire, you can try to develop a strategy for taking withdrawals from your various retirement accounts and assets, which might include defined contribution plans like 401(k)s or 403(b)s, IRAs, individual investments like stocks and bonds, and personal savings. However, crafting an income strategy from investment and savings vehicles such as these by living off your interest and earnings, or by drawing down principal gradually, can be tricky. While you may be successful in meeting your income needs, there's always a danger that you'll either live longer than your income lasts or that your investments won't achieve the earnings you thought they would. If this happens, you'd either have to cut back on spending or, in worst-case scenario, run out of money altogether.

Through an annuity, you can help avoid the danger of exhausting your retirement assets since the annuity provides you with regular payments for as long as you live. For example, *Annuities: Now, Later, Never?* (PDF), a research paper published by the TIAA-CREF Institute (October 2006), demonstrates that a life annuity can provide the highest level of income available to a retired individual.

There are different ways you can choose to receive income from an annuity for yourself and, if applicable, your annuity partner. For example, if you only need income for yourself, you can select what's known as a "single life annuity." If you also want to provide benefits to your annuity partner, the annuity income drops to two-thirds of the amount it otherwise would be.

MYTH 2	***"If I own an annuity and I die, the insurance company will keep all my money."***

REALITY

This is a common misconception about annuities – and one that scares away many investors who might actually benefit from owning an annuity. Certainly, it's true that annuities are contractual arrangements that provide annuitants with payments until death, and if an annuitant dies soon after the payments begin all payments from the annuity cease.

However, virtually all annuities offer an option called a guaranteed period that reduces the annuitant's risk of receiving too few payments. With a guaranteed period, if both you and your annuity partner die within the guaranteed period, payments continue to your beneficiary(ies) until the end of the period. If you die after the guaranteed period ends, no further payments are made to the beneficiary(ies). Insurance companies offer guaranteed periods that cover varying lengths of time, such as 10, 15, and 20 years.

Selecting a guaranteed period is an effective way to remove the risk of losing all your money to the insurance company due to an early death. Note that while selecting a guaranteed period will reduce the amount of your payments, the overall cost may not necessarily reduce your payments by a large margin. Talk to your financial advisor and consult the annuity's prospectus for further information. Income riders that do not require annuitization are also available and pay out the account value of an indexed annuity upon death unless withdrawals or income payments.

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MYTH 3	*"Annuities don't give me the flexibility I need to create a retirement income strategy."*

REALITY

Actually, as we've discussed, annuities can provide a wide range of flexible arrangements such as fixed and equity linked account options, a variety of ways to receive annuity income and guaranteed periods. Also, when funding your retirement, note that annuities don't necessarily have to be an "all or nothing" choice. In other words, depending on your financial goals, you can combine an annuity with lump-sum or systematic withdrawals, or other ways to receive your money, to create an income strategy that's tailored to your needs. In fact, some studies show that combining an annuity with other income options can provide a better way to fund your retirement than selecting either an annuity or some other income option individually.

For example, some people in the early years of retirement may initially need less income (especially if they are working part-time or phasing into retirement), and more income later on as they get older. If you're in this situation, one strategy could be to use some of your retirement savings to purchase an annuity to meet basic monthly expenses while keeping the rest of your money in savings or investments from which you can take withdrawals to meet any additional financial needs.

For retirees who have specialized income needs, another option is a fixed period annuity. In contrast to a life annuity, a fixed period annuity makes regular payments over a specific number of years. When the fixed annuity period ends, the annuitant will have received all of his or her principal and earnings, and the annuity payments will stop. A fixed period annuity may be a good option in cases where you have other sources of lifetime income and want to supplement your income for a specific period of time; you'd life regular income for a specific period of time until you begin receiving lifetime income from another source; or you or your annuity partner is in poor health and you want a regular income for a limited time period.

MYTH 4	*"I heard that once I begin receiving income from an annuity, I can't transfer among the different investment accounts."*

REALITY

It's true that once you annuitize, the decision to receive payments through an annuity is irrevocable – you cannot, for example, transfer the money out of the annuity and put it into another investment vehicle such as an IRA. However, provided your annuity offers a sufficiently broad range of "crediting strategies," you can modify your investment strategy in response to market conditions or changes in your personal financial situation by reallocating your assets among the different investment accounts.

For example, as you grow older, you might decide you'd like a steadier income stream. You can take some of the annuity income you're receiving from more equity linked accounts and transfer it to more conservative investment choices such as fixed interest accounts. Conversely, if you'd like to increase your exposure to equities, you may want to transfer money from more conservative asset classes like fixed interest to equity linked accounts. No matter what your retirement investment goals are, note that an income stream that's diversified among different guaranteed accounts may provide a more stable income (in inflation-adjusted dollars) than if you have most or all of your investments in a single crediting strategy. (Of course, diversification cannot eliminate the risk of fluctuating returns.)

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MYTH 5	*"Annuities are a bad deal for investors because they have high fees and hidden expenses."*

REALITY

While it's true that some annuities may charge high fees (such as variable annuities) and other expenses, there are a number of lower-cost annuities available in the market. Therefore, if you're interested in purchasing an annuity, shop carefully and look closely at the sales loads, mortality fees, surrender charges, and other fees that a given annuity charges. Also, take the time to understand the different features available through any annuities you investigate and the prices for these features. Also, learn about the annuities' fees, surrender charges, investment options, and performance track record (although an account's past performance is no guarantee of future results). You can learn a great deal about an annuity and its features by reading the annuity's prospectus and/or disclosures or by visiting the website of the financial company that's offering it.

MYTH 6	*"Every annuity is a variable annuity."*

REALITY

The performance of a variable annuity is based on how the stock market performs. Fixed and immediate annuities are not based on stock market performance. They offer guarantees through fixed minimum interest rates, thereby offering protection against loss of principal and earnings.

MYTH 7	*"Fixed annuities will never outperform inflation."*

REALITY

Fixed annuities guarantee a set interest rate over a specific period, which is often used to give long-term investments more growth return and tax advantages than bank certificates of deposit. Some investment advisors do not recommend fixed annuities because of their perception of future inflation; they fee that some risk must be taken to grow savings to maximize personal wealth. However, for investors who cannot afford to lose any of their life savings, risk should never be a substitute for long-term planning and new income generation.

MYTH 8	*"Indexed annuities are often sold inappropriately."*

REALITY

The indexed annuity (IA) was created as a hybrid accumulation vehicle, combining some of the growth potential of the stock market with the safety features of a fixed annuity. While potential upsides may be capped at 7 to 12 percent, investors do not have to worry about losing their life savings. IAs generally offer several options that guarantee minimum interest rates paid, regardless of performance.

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MYTH 9	*"Annuities are all about penalties, surrender charges, and fat commissions."*

REALITY

Surrender charges are a much-maligned advantage of fixed annuities – not a disadvantage. If you have to sell a stock, bond, mutual fund, or other investment vehicle one year, two years or more down the road to meet an unexpected emergency, can you say for certain what that investment will be worth at that time?

The advantage of the fixed annuity, including IAs, is that the minimum value after surrender charges is clearly stated in the contract and in the disclosure statements. The value can only be higher, never lower, than what is expressly stated.

Like the 401(k) and the IRA, the annuity takes advantage of special legislation, which provides incentives for people to save more money for retirement. Annuity providers offer higher interest rates, guaranteed security, tax deferred accumulation and positive benefits for tax and distribution planning. Regarding commissions, the annuity is not a high compensation product. It is structured differently form other accumulation vehicles and over time generates similar commissions to other comparable products.

Actually, since the market embraced the IA in 2001, EIA commissions have been steadily declining, going from 10.7% of premium in 2001 to 7.7% in 2005.

MYTH 10	*"Never invest IRA money in an annuity."*

REALITY

Consumers frequently hear the recommendation to disregard any advisor who recommends an annuity within an IRA. However, when safety is paramount and loss to principal is not an option, the annuity offers a higher rate of return than other investments. Many fixed and indexed annuities outperform other non-security investments while removing risk to principal and savings. The features of the product, not tax deferability, are why many clients choose the products for IRAs.

MYTH 11	*"Only deal with registered investment advisors."*

REALITY

Some of the criticism toward annuities comes from professional asset managers who earn their commission as a percentage of the total money they manage and keep at risk for growth. Too often, seniors are talked into placing their money into vehicles that could instantly reduce their life savings. There is a big difference between the professional investor who wants to aggressively grow a $1 million-dollar portfolio and the retiree with $150,000 who likely needs every dollar to get through retirement without outliving savings. The latter may achieve their retirement goals just fine working with a licensed agent or advisor who is not necessarily an RIA.

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MYTH 12 *"Insurance agents aren't qualified to offer financial planning."*

REALITY

A securities license is only needed when selling speculative investments with the potential for loss. Many insurance providers focus on fixed and indexed annuities for retirement, in which loss to principal and earnings is not an option for their clients. They also undergo continual training and professional courses.

MYTH 13 *"Commission-based planners must be biased."*

REALITY

Financial firms created fee-based planning to ease client fears of non-objectivity. Their goal was to maximize medium term earnings and residual income, while having more control over client investments. Ironically, many within that field do not actively represent or sell fixed, indexed, or immediate annuities for retirement purposes, even in cases where there is no appropriate level of risk.

MYTH 14 *"Only deal with big, familiar names."*

REALITY

According to the Annuities Institute, brand visibility doesn't automatically mean the best rates, service, and performance. Restrictive affiliations and objective advice do not normally go hand-in-hand.

MYTH 15 *"Our financial designator is better than yours."*

REALITY

Many planners and consumers rightfully look to financial designators as an indicator of professional service, dedication, and commitment to excellence on behalf of clients. Some investment groups go as far though as stating that only two designators should be utilized for financial planning, and that the rest should be instantly dismissed. Ironically, many of the members within two of these bodies do not normally even carry insurance licenses, as they focus on risk based investments for aggressive growth purposes. They offer little support to risk-averse seniors looking for maximum security and safety for their life savings. Regardless of their financial designator, always make sure that your financial advisor understands your risk tolerance and provides service and products suited to your individual investment requirements.

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ADVANTAGES OF ANNUITIES

TAX DEFERRED GROWTH

The interest is not taxed until it is touched. Your funds grow tax deferred.

SAFETY

Annuities are among the most guaranteed and safe investments available.

AVOID PROBATE

Annuities transfer to a beneficiary without the need for a probate.

INCOME

At any time, annuities can change from a savings or accumulation vehicle to an income vehicle. Annuities can provide an income that cannot be outlived.

ESTATE PLANNING

Annuities transfer to a beneficiary without the need for a probate.

INTEREST INCOME

Interest is available for income any time after the first 30 days of the deposit. The interest can be withdrawn monthly, annually, or quarterly.

DEATH BENEFIT

Your beneficiaries always have numerous options for income and other settlements in the event of death.

FEES

No contract fee or sales commissions are deducted from your premiums.

COMPARISON

Interest rate on annuities is usually higher than bank CD's or other fully guaranteed products.

ACCESS

Unlike bank CD's, you have access to your funds during the interest earning time period.

DISADVANTAGES OF ANNUITIES

PENALTY FOR EARLY WITHDRAWAL

During the guaranteed period, if you withdraw more than the contract allows, a penalty is imposed. This penalty can be avoided by using the contract as an income (pension type income) or as a death benefit paid to a beneficiary. Most annuities allow you to withdraw 10% of the account value annually without penalty.

TAX PENALTY PRIOR TO AGE 59 1/2

Access to funds prior to age 59 ½ in any tax deferred investment, including an annuity, may be subject to a tax penalty of 10%.

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VARIABLE ANNUITIES *vs.* **FIXED INDEXED** ANNUITIES

FEATURES	ANNUITY TYPE	
	VARIABLE ANNUITY (VA)	**FIXED INDEXED ANNUITY (FIA)**
Starting Account Value (assuming no growth)	Always lower than your premium because of mandatory fees.	Always equal to or higher than your premium.
Premium Bonus	Can pay bonus money on your premium depending on the product you choose. VA bonuses generally range from 1 to 6%.	Can pay bonus money on your premium depending on the product you choose. FIA bonuses can be up to 10% or higher.
Participation in Market Gains	After fees, your premium is invested in equity sub-accounts which generally consist of stock & bond mutual funds. Your participation in market gains are limited by fees, diversification, & fund choices.	Your money participates in the gains of the market as calculated by your crediting strategy. A cap, spread, and/or participation rate will limit your potential gains.
Participation in Market Losses	Because your money is directly invested in the market, you participate in all market losses. Fees & withdrawals can compound account value losses.	Your money is not invested in the market & only participates in market gains, no losses.
Mandatory Fees	Transaction fee & broker fee (Class A VA), mortality & expense fee, fund fees (i.e. 12b-1 fee, etc.), policy fee, & possibly more.	Some have small policy fees.
Optional Fees	Early withdrawal* (Class B VA), income rider and death benefit rider fees.	Early withdrawal*, income rider, & death benefit rider fees.
Income Rider	Guaranteed step-up, if available, is usually up to a 5 or 6% step up & with most policies you are required to defer compensation for up to 5 years and annuitize the contract to activate lifetime income. In most contracts, your guaranteed step-up is forfeited if you withdraw from your account value. Lifetime payout percentage is rarely more than 5%.	Guaranteed step-up, if available, is most often between 7-8%, may include bonus premium, & deferral can be immediate or up to one year. Annuitization is not required & income can be paused or reduced at your option. Most policies allow withdrawals from account value without forfeiting the guaranteed step-up. Lifetime payout percentage is usually 5% or more & based on age at time of income rider activation.

*Early withdrawal fees are not optional in the sense that you can't choose whether they are part of your annuity contract. However, they are optional because they only occur if you choose to prematurely liquidate your policy.

Disclosure: The information on this page does not constitute tax or legal advice. Please see a qualified professional for such matters. Always ask for and read the applicable prospectus and/or product disclosure(s) before purchasing an annuity of any type.

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MUTUAL FUNDS *vs.* ANNUITIES

Let's Compare "Non-Qualified"

MUTUAL FUND	ANNUITY	EQUITY INDEXED ANNUITY
Mutual funds can be exciting in a bull market, but so can a roulette wheel at a casino.	Because of the many added benefits, features & accessibility, annuities are rapidly becoming the most popular investment.	Stock Market Performance with no downside risk. Fixed annuity with credited gains based upon the performance of stock market & 100% guarantee of your principal.
GUARANTEES		
There are no guarantees of any kind.	State Guaranty Fund. Minimum interest rate guarantee.	State Guaranty Fund. Minimum interest rate guarantee. Principal guaranteed.
ASSETS INSURED		
No insurance.	Covered by the State Guaranty Fund. Backed by company's Legal Reserve as required by Federal Regulation (the FDIC is on the Standard & Poor's Credit Watch as a "...negative credit implications...")	Covered by the State Guaranty Fund. Backed by company's Legal Reserve as required by Federal Regulation (the FDIC is on the Standard & Poor's Credit Watch as a "...negative credit implications...")
NET VALUE		
Severe in a down market or in bond funds when interest rates rise in a bear market.	Principal always guaranteed, if not prematurely surrendered, & will always earn at least the guaranteed minimum interest rate, even if interest rates fluctuate.	If the market crashes every year, you get all your money back. If the market goes up, you get all your money back & participation of all the gain. If the market goes up, up, up, then down, down, down, you get all your money back plus all the ups & none of the downs.
VALUE FLUCTUATION		
All earnings (or losses) are reported to the IRS each year.	All earnings are tax-deferred & not taxed until actually withdrawn or surrendered. This feature helps reduce taxation on Social Security Benefits since the earnings are not figured in calculation for Social Security taxation until withdrawn.	All earnings are tax-deferred & not taxed until actually withdrawn or surrendered. This feature helps reduce taxation on Social Security Benefits since the earnings are not figured in calculation for Social Security taxation until withdrawn.
LIQUIDITY		
Current market values will determine the withdrawal value.	Penalties from the IRS on withdrawals prior to age 59 ½ are 10% of the withdrawal amount, but the value is not subject to "current market value" as in mutual funds. Withdrawals are allowed from most insurance companies penalty free, such as: earned interest; 10% of contract value each year, full contract value if confined to a licensed nursing care facility; full contract value if diagnosed with a disease causing fatality within one year; surrender penalties reduced to 0 over a stated number of years.	Penalties from the IRS on withdrawals prior to age 59 ½ are 10% of the withdrawal amount. Most products have unlimited access to fund values penalty free based upon market gains. However, it must be noted that these products are designed for growth, not for liquidity.
INTEREST RATE		
Annual taxable income whether you take money out or not.	Tax deferred (no taxes paid) until actually withdrawn, if ever withdrawn.	Tax deferred (no taxes paid) until actually withdrawn, if ever withdrawn.

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ARTICLES & RESOURCES

The following 20+ pages are a collection of articles and excerpts from well known, reputable authors, newspapers, magazines, and other news sources. These have been collected for your benefit, to provide you information from different perspectives and sources to help assist you in your retirement decision.

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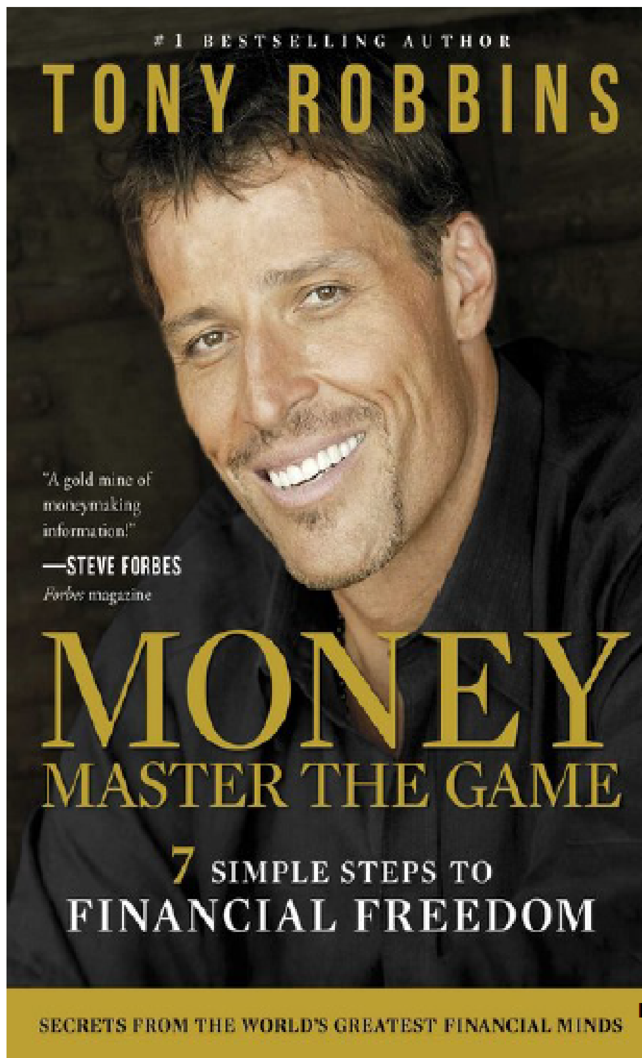


Variable Annuities

There is one type of deferred annuity I deliberately didn't mention above, and that is the variable annuity. The reason for that is, **nearly every expert I interviewed for this book agreed that variable annuities should be avoided**. They are extremely expensive, and the underlying deposits are invested in mutual funds (also known as sub accounts).

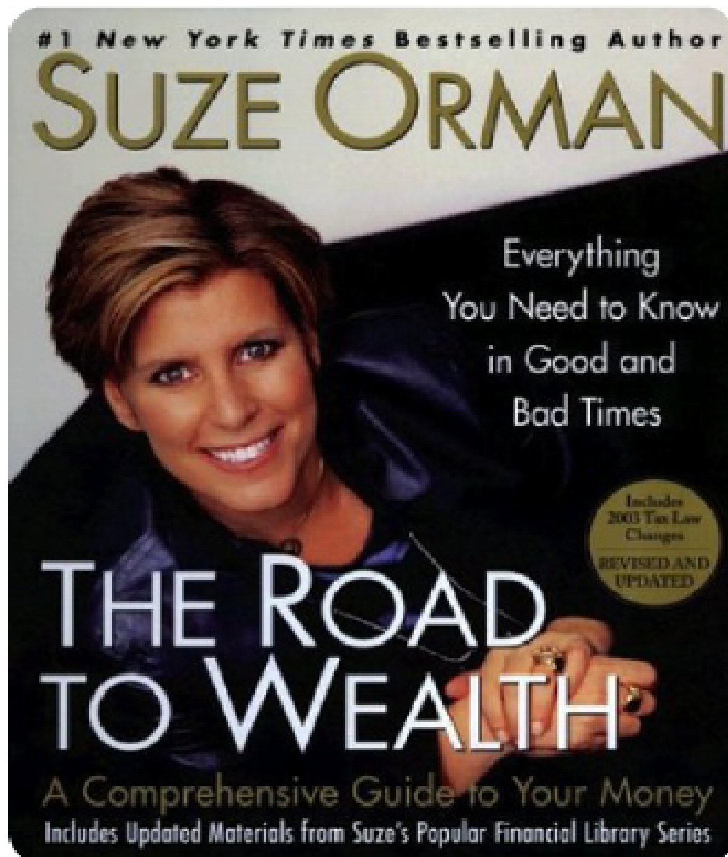
So not only are you paying fees for stock-picking mutual funds (which don't beat the market and can average upward of 3% in annual fees), you are also paying the insurance company (between 1% and 2 % annually). These products can be toxic, and yet brokers manage to sell about $150 billion in new deposits each year.

The Ultimate Income Solution

It's been said that if you give a man a hammer, everything becomes a nail. This is to say that the solution outlined below, as exciting as it is, is not the be-all and end-all solution, nor is it for everyone or every situation. It's part of an overall asset allocation. My objective here is to outline a powerful financial product, **a hybrid annuity, that gives us great upside potential during its growth phase but also provides a guaranteed lifetime income** down the road, when we crest the top of the mountain and begin the "second act" of our lives. It's called a **fixed indexed annuity (FIA)**.

The Gold Standard

To receive conflict-free advice, we must align ourselves with a fiduciary. **A fiduciary is a legal standard adopted by a relatively small but growing segment of independent financial professionals** who have abandoned their big-box firms, relinquished their broker status, and made the decision to become a registered investment advisor. These professionals get paid for financial advice and, by law, must remove any potential conflicts of interest (or, at a minimum, disclose them) and put the client's needs above their own.



Q. How do I know if a **Guaranteed Index Annuity** is right for me?

A. If you do not want to take **any risks** but still want to play the stock market, a **good index annuity** may be right for you.

Q. My financial advisor is recommending that I buy a **variable annuity** within my retirement account. What should I do?

A. Get yourself another financial advisor, pronto.

Q. You say there is a **guarantee on the downside.** What if the S&P 500 goes down 30 percent?

A. Yes, there is a guarantee on the downside, which is why investors in index annuities accept a ceiling of 10 percent a year on their own gains. In fact for those who do not want to take any downside risk, the index annuity can be a good option. Unlike regular index funds, where you claim 100 percent of the gains but also suffer 100 percent of the decreases, **in an index annuity your money can only go up; it cannot go down.**

If you invest $20,000 in an index annuity on index annuity on March 15 and by the following March 15 the index has fallen by 30 percent, you will still end up with $20,000 at the end of that year. The next year, when the market rises by 20%, you will be credited with 50% of that increase up to a maximum of 10% or, in this case, 10%, or $2,000. So instead of having a total of $18,000 after two years (you would have lost $5,000 in the first year and gained back only $3,000 in the second year), as you would in a typical mutual fund account, you will have $22,000. **This kind of annuity limits your upside but effectively protects you from a downturn.**

The Washington Post

Opinions

America's utterly predictable tsunami of pension problems

By George F. Will Opinion writer February 22

Some American disasters come as bolts from the blue — the stock market crash of October 1929, Pearl Harbor, the designated hitter, 9/11. Others are predictable because they arise from arithmetic that is neither hidden nor arcane. Now comes the tsunami of pension problems that will wash over many cities and states.

Dallas has the fastest-growing economy of America's 13 largest cities but in spite of its glistening commercial towers it represents the skull beneath the skin of American prosperity. According to its mayor, the city is "walking into the fan blades" of pension promises: The fund for retired police and firefighters is $5 billion underfunded. Prompted by projections that the fund will be exhausted within 20 years, retirees last year withdrew $230 million from it in a six-week span. In the entire year, the fund paid out $283 million and the city put in just $115 million. In November, the New York Times reported that the police and fire fund sought a $1.1 billion infusion, a sum "roughly equal to Dallas's entire general fund budget but not even close to what the pension fund needs to be fully funded."

Nowadays, America's most persistent public dishonesties are the wildly optimistic but politically convenient expectations for returns on pension fund investments. Last year, when Illinois reduced its expected return on its teachers' retirement fund from 7.5 percent to 7 percent, this meant a $400 million to $500 million addition to the taxes needed annually for the fund. And expecting 7 percent is probably imprudent. Add to the Illinois example the problems of the 49 other states that have pension debt of at least $19,000 per household and numerous municipalities, and you will understand why many jurisdictions will be considering buyouts, whereby government workers are offered a lump sum in exchange for smaller pension

benefits. Last September, in the seventh year of the recovery from the Great Recession, the vice chair of the agency in charge of Oregon's government workers' pension system wept when speaking about the state's unfunded pension promises passing $22 billion.

The Manhattan Institute's Josh B. McGee reports that teachers' pension plans, which cover more people than all other state and local plans combined, have at least a $500 billion problem. This is the gap between promised benefits and money set aside to fund them.

A clear and present consequence is, McGee says, pension cost "crowd out." Because pensions are consuming a larger share of education spending, 29 states spent less per pupil on instructional supplies in 2013 than in 2000, and during that period teacher salaries per pupil were essentially flat.

This is just another instance of public policies that transfer wealth from the young to the elderly, who, after a lifetime of accumulation, are society's most affluent cohort.

Pensions, including those of private companies, are being buffeted by a perfect storm of challenging events: People are living longer. Economic growth is persistently sluggish. Bond yields have declined dramatically during seven years of near-zero interest rates, which produce higher valuations of equities, lowering the future returns that can be realistically expected. As of last August, the Financial Times reported that pensions run by companies in the S&P 1500 index were underfunded by $562 billion — up $160 billion in just seven months.

The generic problem in the public sector is the moral hazard at the weakly beating heart of what Walter Russell Mead calls the "blue model" of governance — the perverse incentives in the alliance of state and local elected Democrats with public employees' unions. The former purchase the latter's support with extravagant promises, the unrealism of which will become apparent years hence, when the promise-makers will have moved on. The latter expect that when the future arrives, the government that made the promises can be compelled by law or political pressure to extract the promised money from the public.

This game, a degradation of democracy, could be disrupted by laws requiring more realistic expectations about returns on pension fund investments, or even by congressional hearings to highlight the problem. But too much of the political class has skin in the game.

The problems of state and local pensions are cumulatively huge. The problems of Social Security and Medicare are each huge, but in 2016 neither candidate addressed them, and today's White House chief of

staff vows that the administration will not “meddle” with either program. Demography, however, is destiny for entitlements, so arithmetic will do the meddling.

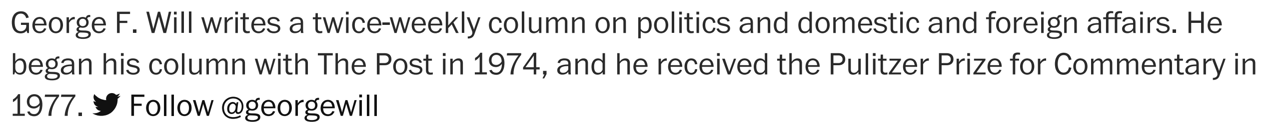
Read more from George F. Will’s archive or follow him on Facebook.

Read more here:

The Post’s View: Will senators finally face up to the hard truth about pensions?

George F. Will: Rahm Emanuel reaps the whirlwind of Democratic rule

The Post’s View: Maryland’s procrastinates on pension fund fixes — again



Retirement Planning course corrections to consider.

By Steve Vernon MoneyWatch March 27, 2017, 5:30 AM

It's no secret that millions of Americans are approaching their retirement years with meager savings and high anxiety about their financial security. And a recent study from Merrill Lynch and Age Wave reveals steps that Americans are willing to take to get their retirement back on track.

The overwhelming majority (88 percent) of people surveyed said their primary objective is peace of mind, while just 12 percent say they want to accumulate as much wealth as possible. But peace of mind means different things to different people:

- 57 percent report they want to live comfortably within their means.
- 39 percent say they want to have the financial resources to live the life they choose.
- 34 percent want to feel they could handle a major unexpected expense.
- 28 percent don't want to feel overwhelmed by debt.
- 25 percent want to feel confident they won't outlive their money.
- 17 percent want to provide for their family if something happens to them.

Actually, this is a good planning list -- it would be best to address all of these goals.

One challenge is that talking about your finances is generally taboo in America: Only 8 percent of survey respondents feel personal finances can be discussed openly, while the remainder consider the topic a private matter or one that can be discussed with a spouse or partner or only very close family and friends. In fact, many people would rather talk about their preferences for end of life than their financial status.

It would certainly help if older workers and retirees would share their ideas and insights with their family and friends. After all, they're all in the same financial boat.

What changes are people willing to make to enhance their financial security in retirement? Here are 11 steps the survey found Americans are willing to take:

- 90 percent would be willing to cut back on their expenses. Perhaps they can focus on spending just enough to meet their basic living needs and what truly makes them happy.
- 79 percent would seek financial advice. In this case, they'll want to make sure their advisers are qualified and act in their best interests.
- 77 percent would increase the use of tax-protected retirement accounts.
- 75 percent would seek expert advice on how to pay lower taxes. Note that this may not be a good use of time for Americans with meager savings, since they could already be in a very low tax bracket when they retire.

- 70 percent would buy a financial product that provides guaranteed income for life. These people would be wise to seek low-cost income annuities that maximize their lifetime income.
- 66 percent would sell real estate or other personal belongings. Finding the best way to deploy home equity is a good use of time for older workers and retirees who own a home but have modest retirement savings.
- 64 percent would postpone taking Social Security. This is a smart move for virtually all retirees.
- 60 percent would take Social Security as early as they could. This strategy works only if you're sufficiently disciplined to save your Social Security benefits, don't spend them, and are skilled or lucky enough to out-earn the stock market. Oh, it also helps if you die fairly quickly after you retire. If you live to average life expectancies or longer, you'll receive more income over your lifetime by delaying the start of your benefits, and that doesn't even count the extra benefits to a surviving spouse that results from delaying the start of your benefits.
- 43 percent would withdraw the cash value from a life insurance policy. Such people would want to explore their options: Many policies allow the holder to convert the policy's cash value into a lifetime annuity.
- 39 percent would ask social services or charities for support.
- 25 percent would declare bankruptcy.

In addition to taking these steps, older workers would be wise to develop a strategy for generating lifetime retirement income, explore their options for continuing to work and make sure they have adequate medical insurance that supplements Medicare.

As you can see, your financial security in retirement has many moving parts. It's well worth spending hours and days planning for peace of mind in your retirement years, so you can go enjoy the rest of your life.

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Annuities Can Be A Great Way To Invest Safely

RTTNews.com
by RTT Staff Writer
1/18/2012 1:53 PM ET

In times of market mayhem, annuities can be a safe way to invest your money, especially if you're eying retirement.

An annuity is a financial product sold by financial institutions, such as an insurance company. It is designed to accept and grow funds from an individual and then pay out a stream of payments upon annuitization.

It's a great way to grow your money without much risk.

"I think if you really look at it, those investments are safe money investments," Kirvan Financial President Rob Kirvan said in an interview with RTTNews. "You cannot lose one penny of principle, so when you're looking at it from that perspective and you're gaining a 4 to 6 percent return, I think they're very valuable to have as part of a portfolio for sure."

Your investment is backed by policy holder reserves, which means that every dollar of principle that they bring in via annuities must have a reserve requirement. Most companies hold 5 to 7 cents on every dollar."

Kirvan said, "So if I put $100,000 in, no matter what happens in the marketplace, no matter what happens with the insurance company, they have to guarantee that principle."

The risk may not be great, but the chance of a payout is still there. Over the last 12 years, fixed income annuities have outperformed the S&P 500, Kirvan said.

This could make annuities an ideal investment for someone close to retirement age that's looking to secure their hard-earned dollars for the rest of their life. Kirvan said annuities are "100 percent" a good investment for those closing in on retirement.

"[For] many retirees or pre-retirees, their biggest concern is the money they saved up over a lifetime, they don't want to lose it," he said.

"They just went through 2008, they just went through 2002, and they're not very happy with sustaining those losses. For a percentage of the portfolio putting it into an annuity product is a very safe investment and one that will pay the yield they're looking for."

While they are a good idea for older folks, Kirvan said that in general, younger people might want to look for something with a higher reward for their risk.

"I think younger people in general should look for a higher return," he said. "When you're younger and in your 30s and 40s, you're able to lower cost average, so it doesn't matter if the market [is] up or down."

Kirvan said fixed annuities can be bought in terms from one to 20 years, with the most common usually around 10. Most institutions allow withdrawals of 10 percent per year.

http://www.nasdaq.com/article/annuities-can-be-a-great-way-to-invest-safely-20120118-01082

CBS moneywatch.com

4 Percent Withdrawal Rate May Be Too High for Today's Retirees

by Steve Vernon: Sunday
October 2, 2011

A recent paper has called into question the generally accepted rule that four percent is the amount you can safely withdraw from IRAs, 401(k) accounts, and retirement savings to generate reliable, lifetime retirement income. While analysts and financial planners have long advocated the four percent rule, or some variation of it, it may no longer make sense in today's environment.

Before we dig into the conclusions of this paper, let's briefly review the four percent rule, which goes like this:

• Invest in a portfolio balanced between stocks and bonds

• Withdraw four percent of your account in the year you retire

• Give yourself raises for inflation each year thereafter.

By using this method of generating retirement income, the theory goes, the odds are very low that you'll outlive your retirement savings for periods of retirement that are up to 30 years long.

One common analytical argument for the four percent rule goes like this:

• Look at every possible 30-year retirement period in the past, for as many years for which reliable, historical investment data is available.

•Assume you invested in a specific asset allocation between stocks and bonds and earned historical rates of return.

•Calculate the safe withdrawal rate for each of these periods, given the specific asset allocation.

The analyses then spell out, for all of these possible retirement periods, how often a specific withdrawal rate failed (meaning you would have outlived your money). Past results have always shown that a four percent withdrawal rate has had low failure rates across all the time periods studied for portfolios that were balanced between stocks and bonds.

Another common analytical argument for the four percent rule constructs a probabilistic model that prepares 500 to 1,000 projections of investment returns over 30 years based on historical returns and potential deviations from these returns. The probability of failure (i.e., outliving your retirement savings) is then estimated under various withdrawal rates and specific asset allocations. These models deem a withdrawal rate to be safe if the estimated failure rate is below certain thresholds, such as one out of 20 (5 percent) or one out of 10 (10 percent).

Both types of analyses can be used to analyze periods of retirement different from 30 years, and as you'd expect, shorter retirement periods can generate higher safe withdrawal amounts, and longer periods lower safe withdrawal amounts.

With this background in mind, let's now look at the paper that calls into question the safety of a four percent withdrawal rate in today's economy.

http://finance.yahoo.com/focus-retirement/article/113581/4-percent-withdrawal-rate-high-r?elq=61b6e8daa10647239c86936d3ca8de59

The August 2011 issue of the Journal of Financial Planning included the paper, Can We Predict the Sustainable Withdrawal Rate for New Retirees, by Wade D. Pfau, Ph.D. This paper looked at the range of minimum withdrawal rates that were safe for various time periods, and it found significant variations.

For example, the paper shows that for a portfolio that was invested 60 percent in stocks, the safe withdrawal rate for a 30-year retirement that started in 1966 was 3.53 percent. The safe withdrawal rate remained below four percent for retirements beginning from 1964 to 1969. On the other hand, the safe withdrawal rate was over 10 percent for 30-year retirements that started in 1921 or 1922.

The paper goes on to predict safe withdrawal amounts for retirements beginning after 1980 (we won't know the safe withdrawal rate for 30-year retirements until the 30 years are up). The model described in this paper predicts safe withdrawal rates of 2.7 percent for retirements beginning in 2000, 1.5 percent for retirements beginning in 2008, and 1.8 percent for retirements beginning in 2010.

The paper then examined the periods for which low safe withdrawal rates were required, and found some patterns. The lowest safe withdrawal rates occurred for retirements beginning when interest rates on bonds were at historical lows, when dividend yields on stocks were below average, and price/earnings ratios on stocks were at or above historical averages. These three situations describe the current economic circumstances.

When you think about it, this only makes sense. Your retirement savings can generate only three types of retirement income: interest and dividends, appreciation in your retirement investments, and withdrawals of principal. If current economic conditions are such that the first two items are expected to be below historical averages, it only follows that your total retirement income will be below historical averages.

The four percent rule is also questionable if you incur significant investment management expenses, or if your investments underperform historical indices due to active management.

Now don't get me wrong: I prefer the four percent rule over another common method of generating retirement income from savings — that is, withdrawing whatever amounts you think you need to cover your living expenses and then hoping you don't outlive your money. The four percent rule, or a variation of it, gives you discipline for your withdrawal and investment strategies, and it's simple to understand and implement.

However, the results discussed in this post point to problems with blindly following a fixed withdrawal strategy over many years without taking into account the current economic circumstances, and without adjusting for your investment experience as it unfolds over your retirement. The four percent rule should serve simply as a starting point.

When it comes to generating retirement income from IRAs, 401(k) accounts, and retirement savings, we're in uncharted territory, given the current environment and the large numbers of Baby Boomers retiring without traditional pension plans. All of these elements point to a need for holistic retirement planning, taking into account all sources of retirement income, including Social Security and continued work.

It may take time and effort to determine your initial withdrawal and investment strategies, and then monitor them as your retirement unfolds. But you'll thank yourself when you reach your 80s and 90s with retirement savings that continue chugging along, generating the retirement income you need.

http://finance.yahoo.com/focus-retirement/article/113581/4-percent-withdrawal-rate-high-r?elq=61b6e8daa10647239c86936d3ca8de59

SmartMoney
THE WALL STREET JOURNAL MAGAZINE
JULY 14, 2011, 12:15 P.M. ET
By **ROBERT POWELL**

Retirees Should Have More Annuities, Fewer Stocks

Equities should be no more than 25% of your portfolio, says Robert Powell.

Fewer stocks, more annuities. That, in essence, is the advice gleaned from two just-published reports for the benefit of those living in or approaching retirement.

Retirees should invest just 5% to 25% of their portfolios in stocks, or at least that's the case for those whose primary goal is to minimize the risk of running out of money and sustaining their withdrawals, said one report published by Putnam Investments new think tank.

And, Americans can avoid the risk of outliving their assets by saving more, working longer, investing wisely, delaying Social Security and buying a life annuity, according the Government Accountability Office (GAO).

For his part, W. Van Harlow, Ph.D., CFA charterholder and director of research at the Putnam Institute, is suggesting a conservative asset mix largely because of what he views as the greatest risk to a retiree's portfolio: the unfavorable "sequence of returns" in the securities' markets.

That's a fancy way of saying retirees who have too much money in equities face the very risk that the stock market will keep falling at the very same time they are withdrawing money for their accounts. And that doing so increases the odds that they will outlive their money or, more likely, reduce their withdrawals and presumably their standard of living. (By the way, many retirees experienced this risk firsthand from 2000-2009. So it's not one of those risks that people talk about, but never have to face in reality.)

In an interview, Harlow noted that once a retiree starts taking money from their retirement accounts, the withdrawals become "path dependent." And if the success of a retirement income plan rests on whether the markets go up or down, one has to figure out how to protect oneself against that volatility, and especially against the risk of unfavorable "sequence of returns." And the best way to do that is by reducing one's overall exposure to equity to no more than 25%, he said.

Harlow also took issue with many life-cycle, or so-called target-date, mutual funds in the marketplace today, suggesting that many have far too much invested in equities. "The higher

equity allocations used in many popular retirement investment products today significantly underestimate the risks that these higher-volatility portfolios pose to the sustainability of retirees' savings and to the incomes they depend on," he said in a release. His advice to retirees who own or plan to buy a target-date fund is to check the asset allocation of those funds.

By way of background, we should note that very few retirees and would-be retirees own just one mutual fund which also happens to be a life-cycle or target-date fund. In fact, investors saving for retirement in a 401(k) often own many funds, one of which might be a life-cycle fund. The research does suggest, however, that would-be retirees do face the risk of unfavorable sequence of returns given their mix of assets in their retirement accounts.

On average, according to a recent Investment Company Institute report, 401(k) plan participants in their 60s have about 50% of their money in equities, spread among a mix of stock, life-cycle and balanced mutual funds, as well as company stock. What isn't so well known, though, is the percent that represents of a retiree's or would-be retiree's total portfolio, or what it might represent if you factored in the net present value of, say, a defined benefit plan, or Social Security, or the net present value of any earnings a retiree might generate. In other words, that 50% might be just 5% of a total portfolio or it might be 75%.

So, using Putnam's research as your guide, any overall portfolio where the percent allocated to stocks greater than 25% would be subject to the risk of unfavorable sequence of returns.

Meanwhile, the 79-page GAO report, which was undertaken by at the request of Sen. Herb Kohl, D-Wisc., the chairman of the Special Senate Committee on Aging, details how Americans can avoid the risk of outliving their savings.

In the study, the GAO found that while most retirees rely primarily on Social Security, most Americans fail to maximize their benefits. An estimated 72.8% took benefits before age 65, and only 14.1% took benefits the month they reached full retirement age. By taking the benefits on or before their 63rd birthday, nearly half 49.5% passed up at least 25% to 33% in additional monthly inflation-adjusted benefits that would have been available had they waited until full retirement age, the GAO said.

Overall, the GAO found that experts recommended that retirees systematically draw down their savings and covert a portion of their savings into an income annuity to cover necessary expense or opt for the annuity provided by an employer-sponsored defined benefit pension instead of a lump-sum withdrawal.

The GAO also found that given the difficult economy and life expectancy increases, experts recommend that most workers, if possible, continue to work and save well beyond age 62.

And the GAO said that an immediate annuity can protect retirees from the risk of outliving one's savings, but that only about 6% of those with a 401(k)-type plan purchased one at retirement.

2 http://www.smartmoney.com/retirement/planning/retirees-should-have-more-annuities-fewer-stocks-1310417735232/?mg=com-sm

According to experts consulted by GAO for its report, retirees ought to do consider the following:

- Many retirees should delay taking Social Security to increase payments for life.
- Depending on net worth, households also should consider buying a life annuity, particularly if they don't have a traditional pension that guarantees sufficient income.
- High-net-wealth households generally don't need life annuities.
- Middle-income households, such as those with $191,000 in financial assets and without a traditional pension, should consider using a portion their savings to purchase an inflation-adjusted annuity.
- Delaying Social Security is more cost effective than purchasing an annuity to enhance retirement income because the money that a retiree would forego by waiting until age 66 is less than the amount needed to purchase the contract.
- Retirees should make withdrawals from their investment portfolio at a rate of no more than 3% to 6% annually at retirement, with adjustments for inflation, to help ensure they won't run out of money.

Sri Reddy, a senior vice president and head of institutional income at Prudential Retirement, commended the GAO for addressing what Americans can do to ensure income throughout retirement, saying that the recommendations are logical and rational. "It speaks volumes that this is a pending issue," he said.

But the GAO's recommendations don't necessarily take into account the human element, he said. According to Reddy, more time and energy must be spent educating workers about how much they need to save for retirement and how much longer they might have to work to achieve their retirement goals, before one can talk about whether an income annuity is the right product or not.

"We need to help people arrive at a destination with some level of comfort," Reddy said. "Before product, you need tools, education and support."

In essence, Reddy said people need a baseline understanding of what they need for retirement and some forms of protection in place while saving for retirement. And all the rest is moot if we haven't provided the education need to help people get there. "We also need to focus on outcomes," said Reddy. "Not account values, but how much we need in terms of retirement income."

He noted, for instance, that annuity with a guaranteed minimum withdrawal benefit can provide those saving for retirement with some degree of protection and an idea of how much income they will receive in retirement. That type of annuity protects savers against investment losses and guarantees the percent and total amount a person can withdraw from the annuity.

Robert Powell is editor of Retirement Weekly, published by MarketWatch. Learn more about Retirement Weekly here.Follow his tweets here.

Robert Powell has been a journalist covering personal finance issues for more than 20 years, writing and editing for publications such as The Wall Street Journal, the Financial Times, and Mutual Fund Market News.

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3 http://www.smartmoney.com/retirement/planning/retirees-should-have-more-annuities-fewer-stocks-1310417735232/?mg=com-sm

Robert Powell

July 11, 2011, 12:01 a.m. EDT

Retirees need less stocks, more annuities

By Robert Powell, MarketWatch

BOSTON (MarketWatch) — Less stocks, more annuities. That, in essence, is the advice gleaned from two just-published reports for the benefit of those living in or approaching retirement.

Retirees should invest just 5% to 25% of their portfolios in stocks, or at least that's the case for those whose primary goal is to minimize the risk of running out of money and sustaining their withdrawals, said one report published by Putnam Investments new think tank.

And, Americans can avoid the risk of outliving their assets by saving more, working longer, investing wisely, delaying Social Security and buying a life annuity, according the Government Accountability Office (GAO).

For his part, W. Van Harlow, Ph.D., CFA charterholder and director of research at the Putnam Institute, is suggesting a conservative asset mix largely because of what he views as the greatest risk to a retiree's portfolio: the unfavorable "sequence of returns" in the securities' markets.

That's a fancy way of saying retirees who have too much money in equities face the very risk that the stock market will keep falling at the very same time they are withdrawing money for their accounts. And that doing so increases the odds that they will outlive their money or, more likely, reduce their withdrawals and presumably their standard of living. (By the way, many retirees experienced this risk firsthand from 2000-2009. So it's not one of those risks that people talk about, but never have to face in reality.)

In an interview, Harlow noted that once a retiree starts taking money from their retirement accounts, the withdrawals become "path dependent." And if the success of a retirement income plan rests on whether the markets go up or down, one has to

figure out how to protect oneself against that volatility, and especially against the risk of unfavorable "sequence of returns." And the best way to do that is by reducing one's overall exposure to equity to no more than 25%, he said.

Harlow also took issue with many life-cycle, or so-called target-date, mutual funds in the marketplace today, suggesting that many have far too much invested in equities. "The higher equity allocations used in many popular retirement investment products today significantly underestimate the risks that these higher-volatility portfolios pose to the sustainability of retirees' savings and to the incomes they depend on," he said in a release. His advice to retirees who own or plan to buy a target-date fund is to check the asset allocation of those funds.

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The GAO report, "Retirement Income: Ensuring Income Throughout Retirement Requires Difficult Choices," can see found at this website.

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Robert Powell is editor of Retirement Weekly, published by MarketWatch.

Excerpt from an MSN money Article on the safety of Life Insurance Companies 2-25-09

The next big financial meltdown?

Company Focus2/25/2009 12:01 AM ET

Continued from page 1

[Related content: stocks, insurance, insurance companies, life insurance, Michael Brush]

Don't worry, be happy

Though industry supporters acknowledge there could be serious trouble if the economy and the markets sink low enough, they cite several reasons a doomsday scenario isn't realistic:

- First, life insurers typically have very little money invested in stocks or risky mortgage-backed securities. Most of it is in bonds -- and in a broadly diversified portfolio of high-grade corporate or government bonds at that, maintains Steven Weisbart, the chief economist at the Insurance Information Institute. "There may be one portion of their portfolios where they are experiencing investment losses, but you have to look at their overall business and how they are managing that business," Ohio Insurance Director Mary Jo Hudson told me. "Based on the analysis that we do here in Ohio, the insurance companies are safe and sound."

- Next, outright bankruptcies are unlikely, says Sterne Agee analyst John Nadel, because life insurance companies have agreed to make payouts over the long term -- typically several decades from now. They can survive near-term market weakness because they aren't required to make payouts right away.

- Nadel also doubts a run on the insurance companies will occur, because they charge hefty fees for cashing out accounts. Uncle Sam hits policyholders with penalties for cashing out early, too.

- And unlike Bear Stearns and Lehman Bros., insurers did not borrow huge amounts of money to make investments, Connecticut Insurance Commissioner Thomas Sullivan says.

TIME Business
News and views on the economy, markets and business

How Safe is Your Insurance Company?

By Sean Scully / Philadelphia Friday, Oct. 10, 2008

A statue stands atop Grand Central Station in front of the MetLife building in New York.

Lucas Jackson / Reuters

Consumers could be forgiven for being jittery this week when news came that MetLife and The Hartford, two well known insurance giants, had experienced huge losses on their investments and were seeking billions in private investment to keep up their reserves. Their stocks have dropped by at least half in just a month. After all, wasn't this the way Bear Sterns, Lehman Brothers, Washington Mutual, and Wachovia started their slides into oblivion?

But major American insurance companies are in little danger of going the way of the extinct banks, industry analysts and officials say. And policy holders are in no danger of being unable to insure their lives, homes, and property. "We don't have a liquidity crisis, we aren't experiencing a credit crisis," says Robert Hartwig, president of industry trade group The Insurance Information Institute. "We have the cash to pay claims."

Unlike the banks that have collapsed or merged under pressure, insurance companies are tightly regulated, mostly by the states. The companies are required to keep vast sums of cash and short term investments to be able to pay off policies, and they are required to pay into state funds to protect policy holders in case one of the companies should ever fail.

Despite the stomach churning stock plunges, the situation with insurance companies simply doesn't compare with the failed banks, says financial analyst Barry Rabkin of Financial Insights, an IDC company. "They're solvent — solidly solvent" thanks to conservative investments and tight state regulator oversight. The big companies are "not going anywhere."

Insurance companies did invest in real estate and mortgages, he says, but not in the huge way the banks did — only about 10% of investments were in those areas industry-wide. It is those investments that have caused recent reported investment losses at MetLife and The Hartford.

1 http://www.time.com/time/business/article/0,8599,1849023,00.html

About two-thirds of insurance company investments are in solid, conservative instruments like federal and municipal bonds. Even AIG, the insurance giant bailed out by the federal government in September, is solvent in its insurance operation. The losses at AIG came mostly from the unrelated financial services division, which other insurance companies do not have.

And even if a company were to fail outright, consumers are protected much in the way that routine bank deposits are guaranteed by the FDIC. Under a 40-year-old system, each state has an "Insurance Guarantee Fund" to which companies contribute that guarantees property, casualty, life and health claims if a company is insolvent. The maximum amount per claim varies by state and by the type of insurance, but it is as high as New York State's $1 million on property and casualty claims.

But insolvency is quite rare, Hartwig says. There have been about 600 such cases in more than 30 years, most of those small companies that were overwhelmed by natural disasters. Last year was a record low year for solvency problems in the industry and those all involved small companies that were still staggering under the weight of claims from Hurricane Katrina.

The jitters over insurance companies came to public attention this week, when stocks of both MetLife and The Hartford took a pummeling as they announced losses on their investments, particularly in the distressed mortgage sector. And the *Wall Street Journal* reported Thursday that the two companies had discussed merging, though the talks had not produced an agreement. Analysts for the credit rating company A.M. Best have downgraded their outlook for insurance companies, but they say the companies have weathered the financial crisis better than banks and investment houses so far. While warning that "nobody is immune" in such a dismal financial market, analyst Tom Rosendale says customers aren't facing an immediate collapse of the major insurance companies. "At the end of the day," he says, "I don't think people should be panicking about their insurance companies just yet."

2 http://www.time.com/time/business/article/0,8599,1849023,00.html