
It's Your Money!

Annuities & Mutual Funds

Presented by: Peter C. Kote, JD and Paul Horn, CFP®, CPWA®, MS

Ask First!

“Ask First!”

This form is to be filled out by any person who is offering legal, financial, retirement, insurance, accounting, estate, long-term care or similar planning services. Respond to ALL categories completely; sign and date at the bottom of the page.

Ⓞ **MY EDUCATION-** I have achieved the following level of education (check HIGHEST level achieved):

<input type="checkbox"/> Some High School	<input type="checkbox"/> High School Diploma	<input type="checkbox"/> Bachelors Degree
<input type="checkbox"/> GED	<input type="checkbox"/> Some College	<input checked="" type="checkbox"/> Masters or other Advanced Degree

Ⓞ **MY CREDENTIAL(S)-** I have the following specialized credential(s) and training (examples: CFP, ChFC, CLU, CPA, JD, MBA, years of relevant experience):

CFP, CPWA, M.S. Investment Management from Creighton University I have over 13 years experience
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Ⓞ **MY RELEVANT LICENSE(S)-** I have the following license(s) giving me the legal authority to provide the services I am offering to you (examples: bar license (attorney); securities license; insurance license):

License Type	Covers What Activities	Issued By	License No.
CFP	Investments, Tax, Estate Planning, Retirement & Insurance	CFP Board	185243
CPWA	Advanced Estate, Tax and Investment Planning	Investments & Wealth Institute	153577

Ⓞ **LEGAL SERVICES-** (Check ONE):

- I DO NOT practice law, and the services I am offering to you do not involve practicing law.
 I DO practice law, and have an active license to practice law in California.
 I DO practice law, but DO NOT have an active license to practice law in California. I am, however, under the supervision of the following attorney who has an active license to practice law in California:

Name of attorney:	Telephone:
Address:	

Ⓞ **OUR BUSINESS RELATIONSHIP-** Check TRUE or FALSE:

- True / False: In our business relationship, I will at all times serve as a fiduciary and put your interests before my interests and those of my employer.

Ⓞ **MY COMPENSATION-** I will be paid in the following way (commission, fee, salary, etc.), by the named person or company, in connection with the services I am offering to you:

Way(s) I'll Be Paid	Payment Will Be Made By (name each person or company)
Fee-Only (based on a % of assets under management)	Client Only
*We do not receive bonuses/commissions on the sale of investment products	

Ⓞ **FINANCIAL PRODUCTS / AFFILIATED ORGANIZATIONS-** Check TRUE or FALSE:

- True / False: I offer or sell annuities, insurance, mutual funds or other financial products; or I am, or my employer is, affiliated with a person or organization that offers or sells annuities, insurance, mutual funds or other financial products.

Ⓞ *I certify under penalty of perjury that the responses herein are true to the best of my knowledge.*

Date: 4/12/21	Business Name: Benefit Financial Services Group (BFSG)
Signature:	Address: 2040 Main Street Suite 720, Irvine CA 92614
Print Name: Paul Horn	Telephone: (714) 282-1566

Senior Financial Planner



- As a Senior Financial Planner & Wealth Manager, Paul takes an active role in educating clients to help them grow, manage and protect their wealth. Paul assists clients in various aspects of wealth management including clients in transition, retirement planning, succession planning for business owners and planning for executives. He began his career in 2005 with Wells Fargo and has over 15 years helping high net worth individuals with complex retirement, investment, tax and estate planning. Paul is also a member of our investment committee.
- Paul is a Certified Financial Planner™ (CFP®) and a Certified Private Wealth Advisor™ (CPWA®). Paul holds a Master of Science degree in Portfolio Management and Security Analysis from Creighton University. Paul spends his time outside work with his wife and two young children.

<https://www.bfsg.com/our-team/>

Who Oversees the Financial Services Industry?

The Security and Exchange Commission (SEC): U.S. governmental agency that regulates securities transactions, activities of financial professionals and mutual fund trading to prevent fraud, manipulation and deception

The Financial Industry Regulatory Authority (FINRA): A self-regulatory organization (SRO) and the member regulation, enforcement and arbitration operations of the New York Stock Exchange. It is a non-governmental organization that regulates member brokerage firms and exchange markets



The SEC is the government agency and ultimate regulator of the securities industry including FINRA

What Do These Licenses Mean?

Series 7: sell all securities products except commodities and futures

Series 24: supervise and manage branch activities at a broker-dealer

Series 53: supervise municipal securities activities of a securities firm or bank dealer

Series 63: holder can solicit orders for any type of security in a particular state

Series 65: holder can give investment advice



Use [BrokerCheck.finra.org](https://www.brokercheck.finra.org) to do background check on any prospective advisor

Dinner & a Date with Commissions

Dates, Times & Location



**FIVE
CROWNS**

3801 East Coast Highway
Corona Del Mar, CA 92625

*Please arrive no later than 6:15 p.m.
Doors will close promptly at 6:30 p.m.*

Dinner

Thursday, September 17th
6:30 p.m.

— or —

Dinner

Thursday, September 24th
6:30 p.m.

— or —

Dinner

Thursday, October 1st
6:30 p.m.

Join us in-person OR attend this event virtually via Webinar.¹

Call our reservation line at: **(833) 556-2137** (Toll-Free, 24 Hours)

— or —

Register online at: **www.youRSVP.com** and enter code: **REJMAM**

For educational purposes only - nothing will be sold at this seminar.

Investment advisory offered through Liberty Wealth Management LLC, a registered investment advisor. Securities offered through AE Financial Services. Member FINRA, SIPC. Insurance offered through Lifetime Planning Marketing, INC. #0F1720

¹All webinar attendees who schedule and keep an appointment will receive a \$50 gift card to Five Crowns.

How to Find a Financial Advisor



Not all advisers are created equal. Here are some important considerations:

Fiduciary – Make sure they legally function under the “fiduciary standard” and must act in your best interest and not simply under the “best interest standard”. Under the “best interest standard” it is more of a transactional relationship.

Fee Only – This aligns their interests with yours and reduces conflicts of interest (no product sales, no commissions, no referral fees).

Proper Education – Most widely recognized designations are:

- Certified Financial Planner™ (CFP®) – Specializes in financial planning
- Certified Public Accountant (CPA) – Specializes in taxes
- Chartered Financial Analyst (CFA®) – Specializes in investments

Assets should be held at a 3rd party custodian – Have your assets with a custodian like Schwab, Fidelity or others for your protection.

Confirm they can meet your individual needs:

- Do they work with similar clients?
- How often will they meet with you?
- How do they make investment decisions?
- What services do they offer?

Research potential Advisers and their firm:

- Review Form ADV at <https://www.adviserinfo.sec.gov>.
- Use Broker Check to see advisers background and potential disciplinary history at <https://brokercheck.finra.org/>.

What Are Annuities?



An insurance contract where a person exchanges a lump sum of money for guaranteed income for life or a certain number of years.

Annuity Basics

- Annuities are NOT subject to the SEC rules
- Earnings in the annuity grow tax-deferred
- Distributions from annuities are taxed as ordinary income
- Annuities can be qualified (think retirement account like an IRA) or non-qualified (normal taxable account)
- Annuities can be a good way to create additional income
- Since annuities are taxed as income, they are less ideal for investing purposes
- Annuities can carry high fees

Common Types of Annuities



Immediate Annuity
(Receive payment now)



Deferred Annuity
(Money grows until payments start)

Types of Deferred Annuities



Fixed Annuity - Receive a guaranteed rate of return for the money to grow. Older contracts this may be 3% or more but new contracts are under 1%.



Variable Annuity – Money is invested in stocks and/or bonds so the returns fluctuate with market returns. You carry the investment risk and have the potential to make or lose money.



Indexed Annuity – Your return is linked to a stock market index (most commonly the S&P 500). You make money if the index goes up but if the index is negative your return is 0% instead of losing money.

Understanding Annuity Fees

Surrender Period - The amount of time you must keep an annuity without paying a fee to end the annuity contract.

Sample Surrender Fee Schedule

Period of Time Held Contract (Years)	Surrender Penalty (%)	* Annuity Balance	= Surrender Fee (\$)
1	8%	\$100,000	\$8,000
2	8%	\$100,000	\$8,000
3	7%	\$100,000	\$7,000
4	6%	\$100,000	\$6,000
5	5%	\$100,000	\$5,000
6	4%	\$100,000	\$4,000
7	3%	\$100,000	\$3,000



Most annuities allow you to withdraw 10% of the contract value per year without penalty



Understanding Variable Annuity Fees

Variable Annuities – Since the potential growth is uncapped they have higher fees than other annuities

- Mortality and Expense - The general cost to have the annuity
- Administration – This fee can be combined
- Fund Expense – Annual costs for the underlying investments
- Rider Costs (if any) – Costs for additional guarantees on the annuity

Example of VA Fees

Mortality and Expense	1.25%
Administration	0.25%
Fund Expense Ratio	1.00%
Living Benefit Rider	1.00%
Total Fees paid each year	3.50%

Understanding Index Annuity Fees

Index Annuity Fees: There are caps on potential returns, so you typically do not have additional fees



The total return for the S&P 500 was 15.76%

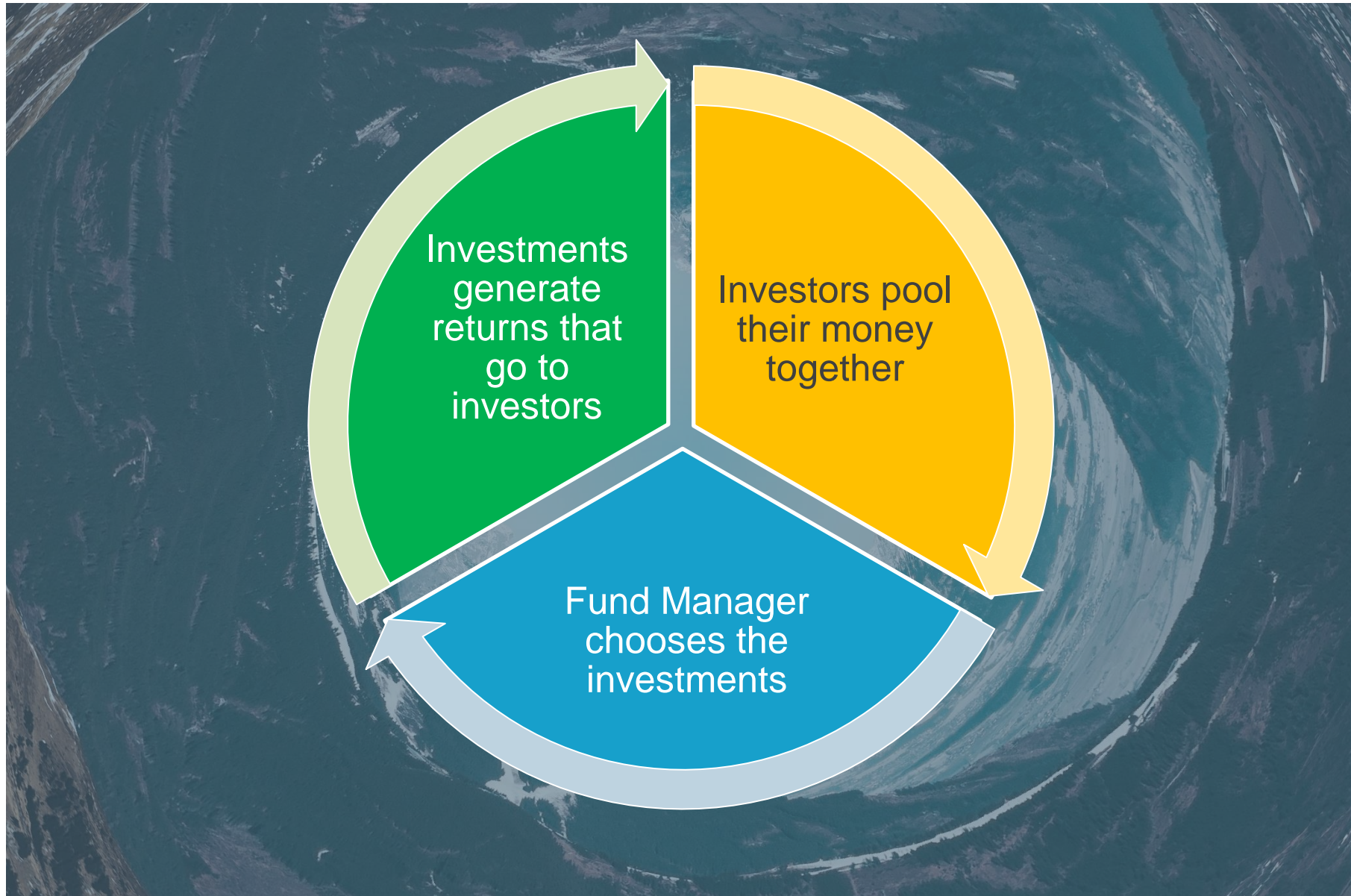
Example of a client's index annuity return for 2020

S & P 500 Index

Monthly Cap 1.00%

Policy Month	Monthly Index Rate	Capped Monthly Rate
1	3.285%	1.000%
2	-1.340%	-1.340%
3	4.981%	1.000%
4	1.968%	1.000%
5	2.901%	1.000%
6	2.797%	1.000%
7	-10.678%	-10.678%
8	-10.529%	-10.529%
9	8.339%	1.000%
10	10.855%	1.000%
11	-1.522%	-1.522%
12	6.548%	1.000%
Sum of Capped Monthly Rates:		-16.06%
Annual Index Rate:		0.00%

What are Mutual Funds?



Types of Mutual Funds

Equities (Stocks): Invest in US companies like Coke, Apple or Microsoft

Annual Fees: Average annual fees typically range about 0.75% - 1%

International Stocks: Invest in foreign companies from countries like Germany, Japan or China

Annual Fees: Average is higher and range about 1.25% - 1.5%

Bonds: More conservative than equities and you are a creditor

Annual Fees: Average is lower and typically about 0.50%



Stocks are more aggressive and bonds are more conservative

Mutual Fund Expenses



Mutual Funds With Loads: Sold by brokers or licensed insurance agents and carry a large commission

Class A: Front load of typically 5.75% and lower ongoing expenses

Example: Invest \$100,000 will have a commission of \$5,750 so you only invest \$94,250

Class B: Back Load and higher ongoing expenses

Tip: Possibly the worst share class with the highest fees

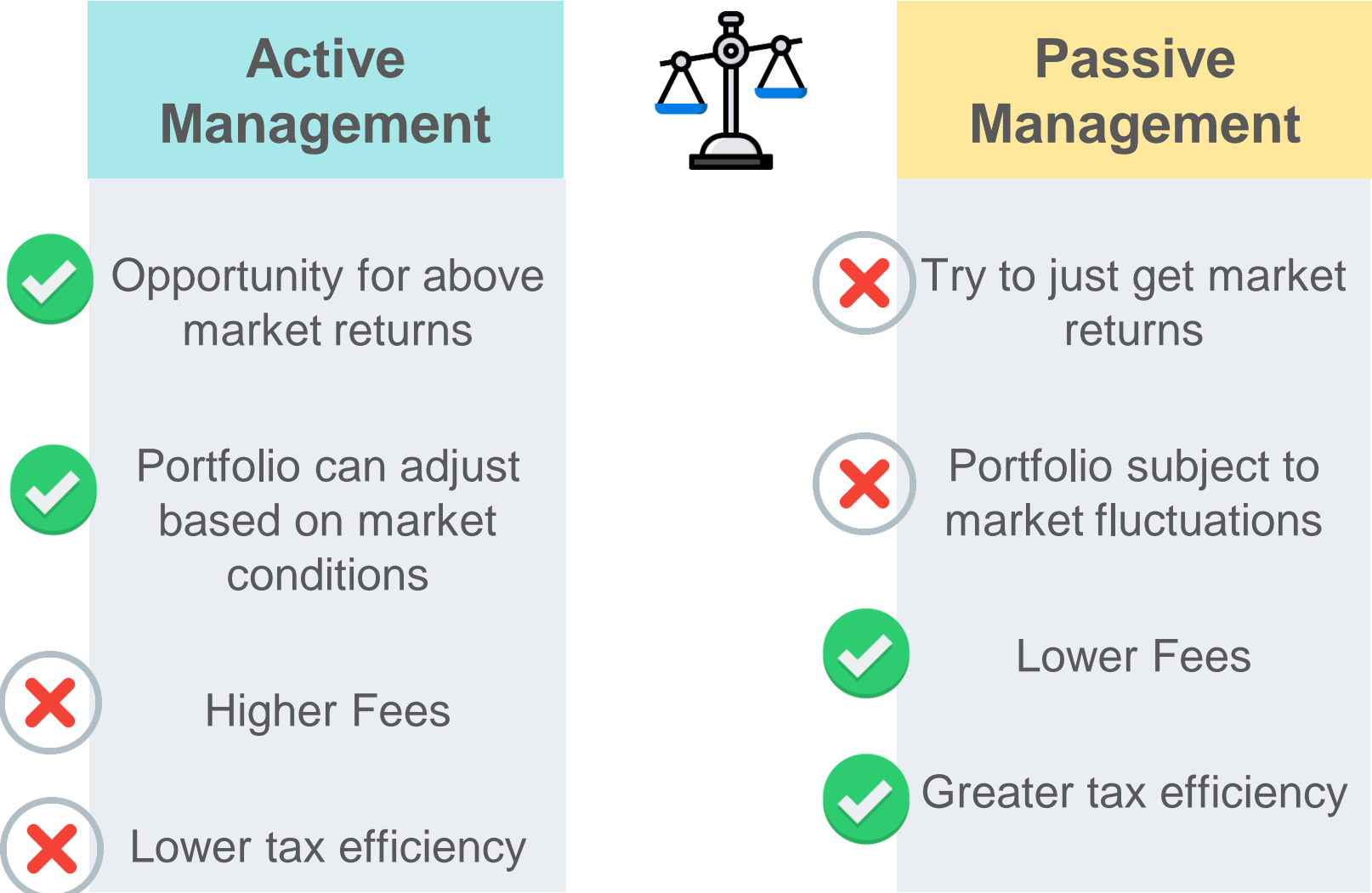
Class C: No initial fee but higher ongoing expenses typically around 2% per year

Example: Invest \$100,000 and then pay annual fee of \$2,000



Mutual Funds With No Loads: Sold directly from the mutual fund company and there is NO commission

Active Verse Passive Management



THANK YOU



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BFSG Disclosure

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