

Questions You Should Ask an Agent or the Company

- What is the guaranteed minimum interest rate?
- What charges, if any, are deducted from my premium?
- What charges, if any, are deducted from my contract value?
- How long is the term?
- What is the participation rate?
- For how long is the participation rate guaranteed?
- Is there a minimum participation rate?
- Does my contract have a cap?
- Is averaging used? How does it work?
- Is interest compounded during a term?
- Is there a margin, spread, or administrative fee? Is that in addition to or instead of a participation rate?
- Which indexing method is used in my contract?
- What are the surrender charges or penalties if I want to end my contract early and take out all of my money?
- Can I get a partial withdrawal without paying charges or losing interest? Does my contract have vesting?
- Does my annuity waive withdrawal charges if I am confined to a nursing home or diagnosed with a terminal illness?
- What annuity income payment options do I have?
- What is the death benefit?

-- [NAIC Buyer's Guide To Equity-Indexed Annuities](#)

Did You Say "Indexed Annuity?"

by Wendy Nelson Bailey, CFP®

"No downside risk and a chance to participate in market returns." This pitch is for an investment alternative that is being marketed to many who are still afraid of the volatility associated with investing in the financial markets. How can this be?

This alternative is delivered through what is referred to as an indexed annuity, meaning one that is tied to a market index. An indexed annuity has a fixed rate with a variable portion attached to the performance of an index. The most common are attached to the S&P 500 index returns, not including dividends. This fact is important. Since 1930, dividends have been approximately 40% of the S&P 500's average annual total return. (Source: *Morningstar EnCorr FMRCo* as of 12/31/2012)

This product was originally developed over 20 years ago to create an alternative to CD returns, but it was never expected to give market returns. The historical average on indexed annuities has been 3 to 5% per year: a return that does beat most CD rates these days but that does not begin to compete with the historical average of the stock market, which has returned about 10% on average. The higher market returns are what most people need to earn on their long term investments so they can generate an income and still keep up with inflation that has averaged 3% annually.

"The upside to an indexed annuity is that there is no downside. The downside to an indexed annuity is that there is very limited upside."

MarketWatch, Stan Haithcock,
Published Jan 15, 2013

Indexed or equity annuities are not simple products to understand. The insurance company is in control of the upside returns by setting caps and participation rates. A participation rate is the portion of growth in an index that is credited to the annuity in a given year. The insurance company generally won't credit 100% of the growth in order to balance down years. Annual gains are calculated on the anniversary date, which is pretty limiting when they are tied to one day to measure the returns for the entire year. Normally there is no upfront sales charge. However, the surrender charges can be between 10 and 20% and last as long as 10 to 15 years. So, index annuities may offer returns that are better than a CD in today's markets, but the long term surrender charges prohibit the use of them as short term options for holding money.

Please ask us if you have more questions about them, or to learn more about indexed annuities on your own, you can visit the following resources:

http://www.bogleheads.org/wiki/Equity-indexed_annuity

<http://www.finra.org/web/groups/investors/@inv/@protect/@ia/documents/investors/p125847.pdf>

http://money.cnn.com/retirement/guide/annuities_equityindexed.moneymag/index.htm

<https://www.fidelity.com/viewpoints/retirement/considering-indexed-annuities>

<http://www.foxbusiness.com/personal-finance/2014/08/13/are-equity-indexed-annuities-safe-investment/>

Southern Capital Wins Community Leader Award!

This year the Eastern Shore Chamber of Commerce awarded Southern Capital Services its annual Community Leader Award. As part of the recognition for this honor, Southern Capital was given a spot in the annual Daphne Christmas Parade. Eric Nager and his family represented the firm in the parade.

According to Heiko Einfeld, the Executive Director for the Eastern Shore Chamber, the Community Leader Award is given to a business that is very involved in the community, as well as being dedicated to the personal development of its employees. It is also important that the business go "beyond the call" in providing excellent customer service. Other

important factors that are considered are if employees of the firm serve on boards and volunteer their time. Southern Capital was grateful and humbled to be honored by this award.

Personal development is built into what we do since we have several associates with professional designations. For example, we have three Certified Financial Planners, or CFP®, on staff, and that designation requires 30 hours of continuing education credits every two years to stay current. For community involvement on boards, we have one associate who sits on the board at Westminster Village, and another who serves on that of the Community Foundation of South Alabama and

the Eastern Shore Chamber of Commerce. For other community involvement, we have one associate who volunteers at Prodissee Pantry, and another who is a member of the Daphne Optimist Club and the U.S. Army Reserve.

For those of you not from this part of the country, Mardi Gras has a heavy influence on all parades throughout the year here. Many do not realize that the Mobile, Alabama, area had the first Mardi Gras celebrations in the nation, not New Orleans, and Mardi Gras is known for its throws. Consequently, parade goers here are accustomed to throws and all parades feature them throughout the year, even the Christmas one! We tossed candy canes.



Celebrating This Time of Year

By Moxie H. Nager

As 2014 draws to a close, we have much for which to be grateful. In my case it's a warm, dry house that is safe from dogs; regular feedings and brushings; and, at this time of year, a Christmas tree in the living room. *(We have a live tree that needs to be watered, and I like to drink out of the tree stand!)*

We hope that 2015 will be as prosperous in the markets as this year has been. Until then, we wish you a Merry Christmas, Happy Hanukkah, and anything else you celebrate.

At Southern Capital, YOU are among the blessings we count!

