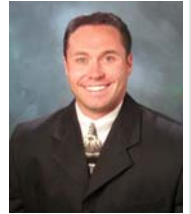


# RAYMOND'S DAILY "PLAN-IT"

SOLUTIONS ~ FOUNDATION ~ INDEPENDENCE

FEBRUARY 2008

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## Election Year Antics

### Primaries Unusually Early; Expect the Unexpected

Strange things have been known to happen during election years. As we enter a campaign cycle that is already unlike others we've seen, we can expect to see out-of-the-ordinary behavior by everyone from policymakers to Wall Street traders. In fact, we have already seen some change from past election years. Take the primaries as an example. In 2004, nine states held their primaries prior to February 5. In 2008, at least 22 states will have held their primaries by that date.<sup>1</sup> In fact, no fewer than 29 states have moved their primaries to earlier dates in order to jockey for greater influence over choosing the next president.<sup>2</sup>

As we move through this year, it may be good advice to expect the unexpected.

### Uncertainty Is Certain

One concern in any election year is uncertainty. In this respect, 2008 may be no different. Regardless of the election outcome, we can expect changes in tax policy, entitlement spending, and health-care insurance. Public and private sectors tend to postpone making big decisions when faced with uncertainty.

### Tax Debate Still to Come

The bulk of the debate over tax policy probably, still lies ahead. Although the general direction in which each party plans to steer tax policy is already well known, the individual candidates disagree over the finer points. Neither party is likely to nail down this plank in its campaign platform until it selects nominees.

What's at stake is whether the 2001 and 2003 tax cuts will be extended, allowed to expire after 2010, or revised to include or exclude certain income groups. The fate of capital gains taxes, the estate tax, and the alternative minimum tax also lies in the balance.

## Health Care

Most of the presidential contenders have acknowledged that there are problems in the health-care system but differ in how or whether the government should be involved in expanding health-care-coverage to more Americans. It's impossible to know whether reforms such as universal health care, tax credits, and tax-deductible insurance premiums will materialize or will just be grist for the campaign trail. What is known is that medical costs are rising faster than the rate of general inflation, and there is likely to be increasing public pressure to rein in costs.<sup>3</sup>

Election years always hold surprises. For investors, it may be important to stick with a long-term strategy and not be distracted by short-term developments. You may benefit from a review of your financial situation

1-2) WashingtonPost.com, 2007

3) Haver Analytics, 2007, consumer price index for the period January 1947 to July 2007

## Living Comes with Guarantees

In a Best's Review survey, consumers listed safety, security, and guaranteed income payments for life as some of the top reasons for selecting a retirement income product or strategy.<sup>1</sup> Given these factors, it's no surprise that over 80% of the \$131.7 billion in 2005 variable annuity sales offered some sort of living benefit guarantees.<sup>2</sup>

Several types of living benefit guarantees are available that can provide valuable protection for variable annuity owners for an additional fee.

\* **Minimum accumulation benefit.** Guarantees a minimum contract value after a specified term, regardless of market performance. This amount is typically equal to the amount of premiums paid.

\* **Minimum income benefit.** Guarantees that payment will be based on the greater of either the actual contract value or a minimum payment amount when the owner begins taking retirement income payments.

**\*Minimum withdrawal benefit.** Guarantees that a fixed percentage (usually between 5% and 7%) of the annuity premiums paid can be withdrawn annually for a specified time (including life), regardless of market performance.

A variable annuity is a long-term financial vehicle designed for retirement purposes. It is a contractual agreement in which one or more payments are made to an insurance company, which agrees to pay the contract holder an income or a lump-sum amount at a later date. There are contract limitations, fees, and charges associated with variable annuities, which can include mortality and expense risk charges, sales and surrender charges, administrative fees, and charges for optional benefits. Withdrawals reduce annuity contract benefits and values.

Variable annuities are not guaranteed by the FDIC or any other government agency; they are not deposits of, nor are they guaranteed or endorsed by, any bank or savings association.

Withdrawals of annuity earnings are taxed as ordinary income and may be subject to surrender charges plus a 10% federal income tax penalty if made prior to age 59½. Any guarantees are contingent on the claims-paying ability of the issuing company. Because variable annuity sub accounts fluctuate with changes in market conditions, the principal may be worth more or less than the original amount invested when the annuity is surrendered.

Variable annuities are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) Best's Review, August 2007

2) Journal of Financial Planning, August 2007

### The Trouble with Timing

The Dow Jones Industrial Average closed above a record 14,000 on July 19, 2007, but the party didn't last long. By August 16, the Dow hit a four-month low of 12,846 and lingered in the low 13,000s through mid-September.<sup>1</sup> During this time, many investors may have experienced a wave of conflicting emotions as the market soared and then sank.

The temptation for many investors is to buy when the market is high, betting that it will only continue to climb, and to sell when the market tanks, hoping to

limit their losses. The speculation that drives market timing can often cause investors to get in right before a downturn or to flee before realizing potential gains.

The maxim "buy low, sell high" is great advice, but there is no way to accurately forecast the performance of the market. One of the best strategies may not be market timing, but rather simply time. A buy-and-hold strategy can help investors ride out the rough patches and possibly realize a greater return than if they had attempted to time the market, inadvertently missing out on the best days.

The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

With a long-term outlook on stock investing, perhaps time will help you achieve the goal of buying low and selling high.

1) Yahoo! Finance, 2007. The Dow Jones Industrial Average is generally considered representative of U.S. stocks. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results.

### *From the Desk of Raymond...*

During periods of Market uncertainty, humor, is always a short term remedy....Compliments of one of my clients...Thanks, Kris!

Dan was a single guy living at home with his father and working in the family business. When he found out he was going to inherit a fortune when his sickly father died, he decided he needed a wife with which to share his fortune.

One evening at an investment meeting he spotted the most beautiful woman he had ever seen. Her natural beauty took his breath away.

"I may look like just an ordinary man," he said to her, "but in just a few years, my father will die, and I'll inherit 20 million dollars."

Impressed, the woman obtained his business card and three days later, she became his stepmother.

Women are so much better at estate planning than men.

~Raymond