

**SPECIAL
POINTS OF
INTEREST:**

- Are IPOs making a comeback to pre-recession levels?
- Variable Annuities may come with a price but take a look at the benefits!
- Can you create retirement income without taking too much risk?

**INSIDE
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The Return of the Initial Public Offering

After a drought of initial public offerings over the past few years, the IPO market finally began to perk up in the second quarter of 2009 (see chart). If the pace continues to accelerate, it could be a promising signal for investors.

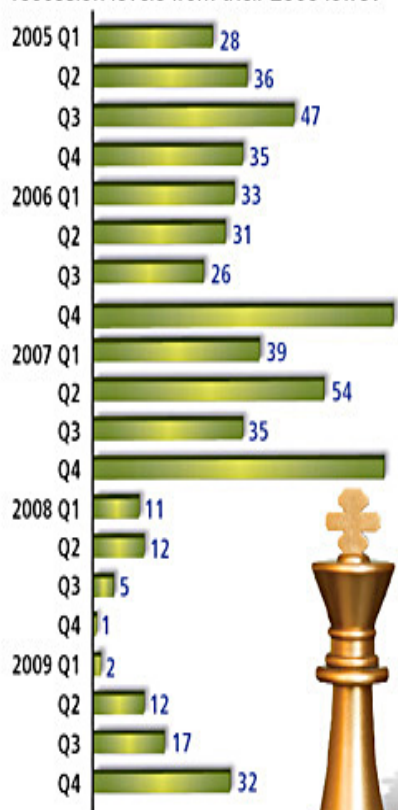
Private companies seeking to raise cash may choose to “go public” by offering shares of ownership on a stock exchange. When a company offers new shares to the public, it’s called a *public offering*. A great deal of attention focuses on the conditions that draw companies to make their debut or “initial” public offering.

Although it can be difficult for individual investors to get in on an initial offering, IPOs can serve as a useful indicator of the outlook for the stock market as a whole. Companies that want to go public will typically wait for market conditions that could fetch a high price for their shares. Because start-ups are seen as more risky than established firms, investors may give an IPO a cool reception when overall confidence levels (and stock prices) are down.

Predictably, IPOs all but disap-

Climbing Back?

Are IPOs on their way back to pre-recession levels from their 2008 lows?



Source: Hoovers.com, 2010



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.

Although investing in an IPO may not be appropriate for many investors, it’s still a good idea to keep an eye on the pace of new offerings. Signals from the IPO market may yield clues about the health of the broader investing climate.

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peared as the nation battled a recession and a bear market in 2008. It’s no coincidence that the IPO resurgence in 2009 coincided with a stock market rally that began in March of that year.

Protection for a Price

The biggest financial worry among investors this year is that their investments will “get clobbered,” according to a late 2009 poll.¹ So it’s not surprising that 74% of investors said a guarantee was “extremely” or “very” important when choosing an investment.²

A guaranteed investment? Actually, it’s no joke. Variable annuities, which are insurance contracts that offer an opportunity to pursue investment gains, give contract holders the ability to purchase guarantees to help protect against downside risks. Although the guarantees come at a price, consider the potential value of these benefits.

Guaranteed minimum accumulation. Regardless of the performance of the underlying investments, the contract value will maintain a minimum level after a specified term. This level is usually equal to the amount of premiums paid.

Guaranteed minimum income. When the annuity owner begins taking retirement income, the payment will be based on the greater of either the actual contract value or a minimum payment amount.

Guaranteed minimum withdrawals. A fixed percentage (usually between 5% and 7%) of the annuity premiums can be withdrawn annually for a specified period (including the owner’s lifetime), regardless of market performance.

There are contract limitations, fees, and charges associated with variable annuities, which can in-



clude 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. The investment return and principal value of an investment option are not guaranteed. Because variable annuity subaccounts 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 in-

vestment 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) *Money*, December 2009
- 2) *InvestmentNews*, June 22, 2009

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A Potential Income Source for the Risk-Averse

A survey of investors 65 and older found that 17% were unwilling to take on any investment risk.¹ Another 19% said they were willing to take only below-average risk, even though they knew it meant they were giving up the opportunity to pursue higher-than-average investment gains.²

Yet 58% of people in this same group also said their investment goals included generating current income.³ How is it possible to generate a retirement income without taking on too much risk? One way is by investing in fixed-income instruments, usually debt securities. But even these instruments pose some risks that investors may not be comfortable with.

An alternative is to purchase a long-term retirement income vehicle from an insurance company. Although no financial instrument is entirely without risk, the guarantees offered by a fixed annuity can help address the concerns of even the most risk-averse investors.

Fixed for Life

An annuity is a contract with an insurance company that provides a guaranteed income at some point in the future, after the contract has been funded with premium payments. If you are concerned about earning the highest possible investment return, an annuity may not be for you. But if you are interested in a guaranteed income or a guaranteed interest rate, you may want to consider the role an annuity could

play in your portfolio.

Annuities are flexible and can be shaped to help meet your individual needs. For example, you could choose an income that lasts for a specified period, for the rest of your life, or for the lives of you and another person. Or you might choose to earn a specific rate of return for a guaranteed period, possibly with the opportunity to lock in a higher rate, depending on market performance.



Source: *Journal of Financial Planning*, November 2009

The amount of income paid by an annuity depends on variables that include the amount paid in premiums, the contract's rate of return, the age and gender of the contract holder, and the number of years over which income payments will be received.

Annuities have contract limitations, fees, and expenses. Any guarantees are contingent on the claims-paying ability of the issuing insurance company. Most annuities have surrender charges that are assessed during the early years of the contract if the contract owner surrenders the annuity. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty. The earnings portion of annuity withdrawals is subject to ordinary income tax.

A source of guaranteed income may help remove some of the uncertainty associated with volatility in the financial markets. It's possible that annuitizing a portion of your savings may allow you to enjoy your retirement years with less concern that you might outlive your money.

1–3) Investment Company Institute, 2008

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What's New at Brandywine



From Raymond's Desk

Memorial Day Weekend “officially” kicks off the summer vacation season. I am in much need of a short reprieve and will be heading to Austin, Texas for the long weekend to visit with a few close friends.

The weather at the Jersey Shore, where I would typically vacation, the last weekend in May is very unpredictable and can sometimes be very cold and more often it seems to rain. The climate in Austin is typically much warmer and allows for some fun outdoor events. A friend of a friend owns a rather large yacht, and we go boating on Lake Travis which has 270 miles of shoreline. The lake is surrounded by enormous homes of which range from 10,000 to 25,000 square feet. No, those are not typos the homes are very large.

And of course in Texas you have to get good old barbeque! There is a famous restaurant called, “The Salt Lick” and I LOVE their Bar-B-Que! I enjoy visiting Austin each year and am looking forward to my trip.

From Jill's Desk

Happy May everyone! This is a very exciting month for me, because I am finally going to California for my first time! It all started nine years ago, back when I was a senior in high school and choosing a college was all I could think about. I decided to stay local and go to Philadelphia University, but my goal was to move to California when I graduated. Well, a couple of things happened that prevented me from completing my plan, one in which being that I met my boyfriend 3 months before I graduated college. Go Figure!

Long story short, three years ago my college roommate and best friend, Marie, decided to move to Los Angeles to find a better job and she loves it! She has invited me to visit her many times over the last three years, but we always seemed to have conflicting schedules. Thankfully we were both able to take a long holiday weekend for Memorial Day so we can finally see each other and I can finally see California. I just hope it is as wonderful as I have always imagined. If you have any suggestions of places I should see or visit, please call or email me!