



THE TROUBLE WITH RETIREMENT PLANS

A three-part series currently appearing in the American Institute of Certified Public Accountant's "CPA Insider" newsletter.

THE TROUBLE WITH RETIREMENT PLANS PART I

Here's a trivia question: what does Jay Leno, prescription drugs, the iPhone and retirement plans such as 401ks all have in common? Answer: they've all appeared on recent covers of Time Magazine.

Although I can sing lots of praise for my iPhone, I can't say I share similar enthusiasm about 401ks and other retirement accounts like it.

Surprising to many, the 401k, IRAs, SEPs and others like them were never designed to be the vehicle meant to carry people through their retirements. Quite the contrary, these plans were originally only meant to be nothing but a cash supplement to pensions, not a *replacement* of them.

Back in the seemingly ancient days of pensions, many workers retired with their pensions well intact but a problem existed in that the retired individual often had limited cash reserves to supplement their monthly checks. To solve this problem, back in the late 70s Congress created what was supposed to be nothing but a minor provision in the tax code that allowed individuals to take a percentage of their income, contribute it into a retirement plan and defer the tax so that when they retired, they'd have a "side fund" of cash to draw from.

The theory of giving individuals a retirement side fund sounded great until corporate America found a self serving opportunity nested within it. After all, designing and managing pensions required additional staff, they were costly, risky and carried lots of responsibility. As such, many corporations found a way to cut costs and risk by shifting the responsibility of retirement income to their workers through the framework of these type of retirement plans (401ks, IRAs, etc.).

I don't know about you but if I wasn't in the profession I'm in, I highly doubt I'd have much time to understand how to essentially be my own pension manager. To place this responsibility into the hands of the public who understandably has limited time and resources to be their own pension manager is just simply negligent. Furthermore, as we'll soon find out, even if someone does successfully manage their own retirement account to perfection, the chances of success are minimal at best given these plans are now being asked to do a job they were never intended on doing in the first place.

Let's take a closer look.

1. INADEQUATE INCOME

Let's take a hypothetical 40 year old named "Dave" who earns \$80,000 per year and who is doing a heroic job of contributing the maximum amount allowed into his 401k. Contributing \$16,500 per year (inclusive of a match) and miraculously achieving a steady 7 percent return each year less fees, in 25 years Dave should end up with around \$850,000 in his 401k.

Once retired, an important question then arises: how much income can he then expect to receive from his account without outliving it?

The answer can be found in something called the "[Withdrawal Rate](#)," a general rule of thumb that most market historians and financial planning professionals generally agree to. The answer to how much income one could safely generate from their account without outliving it is approximately 4 percent of its current value. Any more than that percentage, then the chances for success are significantly decreased. True, an account might very well earn higher returns, but one needs to maintain a cash cushion for the bad years as well as the good, hence the lower-than-market-average Withdrawal Rate.

With the Withdrawal Rate in mind, the income Dave can expect to receive from his retirement account comes out to approximately \$33,000 per year, which comes in at far less than a typical *pension* would have likely provided at around \$58,000 per year (70 percent of his current income of \$80,000; less if the pension was to provide for a spouse as well).

If you are interested in some quick rules of thumb that can help you determine the end result of your own efforts, just follow this simple guideline:

Assuming a 7 percent growth rate less fees of 1.5 percent, simply take the amount you are contributing into your retirement plan, then follow the math:

- If your retirement is 15 years into the future, the gross amount of income you can expect to receive is roughly 1x the annual amount being contributed.
- As an example, if \$10,000 is being contributed, based on the 4 percent Withdrawal Rate and other assumptions mentioned, you can expect to receive an annual income of \$10,000 in your first year of retirement.
- For additional examples, follow the chart below:

Years to Retirement	Expected Income	Example: \$10,000 contribution, income results:
20	1.5x the annual contribution	\$15,000
25	2x the annual contribution	\$20,000
30	3x the annual contribution	\$30,000
<i>If there is a company match, increase the results above by the match percentage.</i>		

Although not perfect and exact, the results above will provide you with a general idea as to the results your efforts can generally be expected to produce. Of course, all this should be considered hypothetical.

Doesn't sound too good? ... It doesn't end there. There's something else that obviously needs to be taken into account:

2. TAXATION

The above income is all *before-tax*. Given money withdrawn from these plans and others like it are *fully* taxed at the worst kind of tax, that of ordinary income, we can't end Dave's story above. We need to take it this important step further:

Let's assume when Dave retires he is in a modest 30 percent tax bracket. With this factored in, the income for Dave would not be \$33,000 per year, but less taxes owed, he'd actually end up with somewhere around \$23,000, which basically equates to purchasing power of approximately \$10,000 when adjusted for 3 percent inflation.

What chances does Dave have to survive on this level of income? The answer is most likely, "not much," and hence, the conclusive reason why even in his near perfect situation of "maxing out" his contributions and achieving steady market returns without loss, using what was only

supposed to be a *supplemental* retirement plan such as his 401k to replace a pension can't be expected to yield much success.

3. MARKET RISK

In a recent segment addressing the problems with 401ks, [60 Minutes](#) summarized the risk of retirement plans quite well when asking, "What kind of retirement account allows people to lose 50 percent of their money the moment they are due to retire?"

4. COSTS

Different sources report varying costs but if I had to filter through all my research, I feel comfort in estimating total costs in the typical retirement plan coming in at around 1.5 - 3 percent per year. [In many cases I've seen much higher](#). To some, these percentages might not sound like much, but if you earn an average gross return of 7 percent each year, 2 percent of these earnings equates to giving up nearly 30 percent of your gains.

5. PERFORMANCE

Most retirement plans are comprised of a menu of professionally managed mutual funds. While I am not here to say negative things about funds, the [fact of the matter](#) is that approximately 90 percent of them fail to outperform the static, low cost and unmanaged indexes they are trying to beat.

SOLUTIONS?

Some say pointing out the problems is easy, but what about the solutions? I have a couple of ideas to share, some of which are basic and others I know are quite creative and things you very likely have never heard before.

Stay tuned. I'll detail them in the next column soon to come.

[Alan Haft](#) is an investment advisor, author of three books including the national bestseller, [You Can Never Be Too Rich](#), and makes frequent appearances in national print, television and radio media such as The Wall Street Journal, Money Magazine, CNBC, BusinessWeek and many others.

THE TROUBLE WITH RETIREMENT PLANS. PART II

In my last column, I discussed the trouble with qualified IRS retirement plans such as 401ks, IRAs, 403bs, SEPs, etc.. At its conclusion, I mentioned I'd continue this three-part series by addressing conventional solutions that claim will improve the results of these plans.

Before addressing them, I'd like to first begin with a brief recap of several important points:

- Most qualified plans were never meant to replace pensions, they were only meant to supplement them and that's it.
- As a result, we are now being asked to retire on plans that even if funded and invested to perfection, they will leave many of us with completely inadequate retirement income.
- The contribution limits of these plans are low and restrictive.
- If one cannot make contributions, an individual is not permitted to make up for missed contributions in later years.
- Fees are typically quite high.
- Fund choices are limited and often below average.
- The value of the tax deductions one receives when making a contribution is often over estimated. In reality, the tax deduction one receives is actually a loan against future income whereas a true tax deduction is something that does not have to be paid back. Furthermore, it should be noted that the tax deduction is almost always spent rather than reinvested.

Conventional solutions that strive to improve upon these shortcomings typically revolve around discussions about the quality of the investments, fees and/or the amount being saved. However, I would like to begin by first focusing on the issue I consider of paramount importance and one that is often neglected: the issue of one's behavioral *mindset*.

In the past, most people retired with a pension, and as basic as it may sound, it's important to ask, "what exactly is a "pension?" It has nothing to do with the value of the account one has when they retire, rather, the pension is all about the income one receives.

Back in the seemingly ancient days of pensions, the retired individual didn't know nor did they likely think much about the value of the account that was busy generating a lifetime of monthly retirement checks. Similarly, does anyone receiving Social Security really know or care about the value of the account generating their benefits? Not at all. Most people receiving Social Security are only concerned about the income they receive.

When it comes to retirement plans, however, today's mindset is completely different: the primary focus is inverted. Given today's age where pensions are basically extinct and the retirement plan is often the only account an individual has to carry them through retirement, the individual's priority is most often focused not on the income the account will produce but rather on *preserving* its value as much as possible while taking out whatever amount of income it can support.

On the contrary, pension managers of the past had a distinct advantage over us. In the past, over a 30 year working career, the pension manager needed to set aside roughly 15 percent of an individual's wages in order to provide them with 70 percent of their current income at retirement (60 percent if married). If the pension manager was faced with the additional burden of needing to preserve the account while generating the 70 percent target income, they would need to set aside not 15 percent of the wages but rather an astonishing **30 percent**, which would have been a feat just short of impossible. As opposed to the behavioral mindset of today, the pension manager

wasn't required to preserve the account, rather, they would use the principal and its earnings in order to generate a reasonable income for the retired individual who statistics show will rarely do this for themselves given the *mindset* of preservation that exists today.

For most people, this might be a lot to comprehend but evidenced by the recent market disaster that prolonged many retirements, it's critical for us to address these important points without delay. After all, with rare exception, today's individual is completely responsible for their own income at retirement and the need to take responsibility for this is a harsh reality most people need to face.

This leads me to the conventional solutions we often hear about that are said could increase our chances for heightened retirement income success. Let's take a closer look:

SAVE MORE

Some say one solution to generate more income at retirement is to simply save more money. Doing so would obviously increase the balance of an account at retirement and therefore the amount of income it can produce, but how many people can really save the 30-50 percent of their paycheck that would be necessary to produce a comparable amount of income that a pension would have provided? The answer is, "not many." Most people could never stash away 30-50 percent of their paycheck necessary to preserve their account while generating a comparable pension, so to me, this "solution" is really just a moot point.

WORK LONGER

Sure, working into one's 70s or part time during retirement could obviously improve the amount of income one can expect to generate at retirement but unless voluntary, many people would simply not elect this path. While for many this might end up being their reality, it certainly wouldn't be an optimal choice.

INCREASE THE RETURN

Betting on a higher return would certainly increase the account value at retirement and thereby the amount of income it can produce, but not only do we have no control over the return, most would agree the chances of sustaining a high return over a lengthy period of time is highly unlikely. As such, when projecting how much an account will be worth at retirement and the amount of income it can produce, many would be far better off assuming a moderate rate of return and treat higher results as a welcomed plus rather than anticipating higher rates and regretting a lower return.

LOWER THE FEES

I often hear to better the end results of retirement plans, Wall Street and the third party administrators that oversee them should lower their fees. Given we have no direct control over this issue, while it certainly sounds like a solution that could help our results, the politics of Wall Street and Washington make the chances of this happening distant and remote. Besides, even if fees were reduced, the effect they would have on the amount of income we can expect to receive at retirement is minimal at best.

CONCLUSION

So, is all hope lost?

Not quite.

Congress and many economic support groups are well aware of these issues and have recently proposed some interesting solutions such as:

1. Giving tax incentives to people who convert their plan into pension type of income at retirement via an annuity.
2. Limiting access to accounts before retirement.
3. Developing a system that can protect against loss of principal.

While these are ideas being proposed for the future, some are actually available today but are not widely known or promoted because they do not support the traditional system currently in place. Ironically, as a result of the repeal of the Glass-Steagall Act (which I'll detail more in the next column), the competition is now coming from the insurance industry which is the very organization that handles the payouts from lotteries, pensions, structured settlements and other forms of distribution that require at least some form of income guarantees.

By planning ahead, we can use the distribution capabilities of the insurance industry to:

1. Eliminate or minimize tax.
2. Protect the account from market loss.
3. Eliminate or reduce fees.

In my final column of this three-part series, I will cover the proper techniques for doing this and show how employing them can increase the efficiency of retirement income dollars by two to four times the amount when compared to the traditional retirement plans I've been discussing.

Stay tuned, and until then, feel free to email me with any questions you have.

[Alan Haft](#) is an investment advisor, author of three books including the national bestseller, [You Can Never Be Too Rich](#), and makes frequent appearances in national print, television and radio media such as The Wall Street Journal, Money Magazine, CNBC, BusinessWeek and many others.

THE TROUBLE WITH RETIREMENT PLANS. PART III

Opening this final installment of “The Trouble With Retirement Plans” with a slice of financial history may not seem all that relevant but in a moment you’ll see why it’s pertinent.

Put a trivia whiz on *Jeopardy*, ask what the relevance of 1933’s Glass-Steagall Act was and they’ll most likely answer that it created the FDIC. While this is certainly accurate, a lesser known fact was that it also placed a clear division between banks, brokerages and insurance companies.

But since 1999 when the act was officially repealed, the lines between financial institutions are now overlapped and completely blurred. Because of the repeal, unbeknownst to many, the pursuit of market returns is no longer confined within the framework of brokerages but is now also available within the *banking* and *insurance* industries as well.

Why is this relevant?

Well, while all three industries now offer at least some form of access to the market, the *characteristics* of our money within the framework of the industry we select can be vastly different from one another.

Specifically, the *characteristics* I am referring to are:

- **Taxes:** when and how we pay them.
- **Losses:** how the account is protected, if at all.
- **Fees:** how costs are structured.

While no institution can control the returns we receive, we do have control over the above and when we exercise such control, the difference it can make to the amount of income we can expect to receive at retirement can be quite dramatic.

Let’s take a closer look.

THE EFFECT OF FEES

Ironically, out of all characteristics, *fees* bear the *least* effect on the retirement income we receive but because the subject seems to attract the most media attention, I’ll start with it first.

Many of us have heard something to the effect, “if you lower your fees you’ll have more money for retirement,” and there’s no doubt this is true. In fact, back in March, 2007, it was well documented in congressional testimony ¹ that basically showed during the course of accumulating money and distributing it over a retirement, a lower fee would result in a higher compounding rate that could provide well over \$500,000 more money to the hypothetical individual cited in the testimony; an amount that is certainly nothing to sneeze at.

But how can one possibly lower fees inside a retirement plan? The answer we often hear from the likes of Warren Buffet and a long list of many other sources is to invest in the *indexes* rather than having professionals pick stocks for us inside the structure of a mutual fund. Not only would indexing significantly lower the fees, but it would also likely increase the performance of the account as well.

¹ Testimony of Matthew D. Hutcheson, “Are Hidden Fees Undermining Employee Retirement Income Security” US House of Representatives, March 6, 2007, p6

For example, the testimony above cited that “the S&P 500 index consistently outperformed 98 percent of fund managers over the past 3 years, 97 percent over the past 10 years and 94 percent over the past 30 years.” As for costs, “since index funds do no research and little trading, the costs of holding their portfolios are extremely small, some ranging as low as .10 percent a year.”

So, why do nearly all retirement plans fail to offer index investments? The answer, as well stated in the testimony, is that the plans “are guided to particular decisions by non-fiduciaries in pursuit of compensations which very frequently is in the form of hidden and excessive fees.”

In a vacuum there is therefore little doubt that indexing would be the optimal choice in terms of lowering fees and increasing performance. But how likely is it that retirement plans will follow the advice of Buffet along with many others and offer these low cost indexes? Given the deeply entrenched history between Wall Street and politics, the answer is very likely, “not much.”

As such, most people will continue paying the brokerage industry’s common **percentage based fees** that start off small but increase over time as the balance of the account rises, often peaking to its most expensive amount at the point just where it matters most: when we need to generate income from the account.

Most people will shift from accumulation into the distribution stage and continue to remain within the framework of the brokerage industry. At retirement, to try and minimize potential loss, individuals are often told to diversify their portfolio into a basket of stock and bond funds. While this will could very well help minimize loss, it will also serve to dilute returns.

If we assume average fees between 1.5 to 3 percent and one earns an average return of 6 percent, this translates into 30-50 percent of the earnings being lost just to pay the annual costs of the account itself.

Conversely, the insurance industry offers a variety of fee structures to choose from, two of which I want to address here:

- One can select an average **level fee** structure that is based on the amount being *contributed*, *not* the account balance, so the effect is that over time, these fees get proportionately *smaller*. When compared to **percentage based fees**, a *level fee* structure can not only provide tax-free distributions but it is one that is often at its *lowest* point when one needs to generate income from the account, thereby allowing an individual to realize more income instead of losing significant portions of it to fees. In fact, over the lifetime of an account, cumulative fees within this structure will typically be considerably less costly than that of percentage based fees.
- One can also choose to **eliminate fees** (management, transaction and other). In this structure (as well as the above), there is *no market risk to principal* and in exchange, earnings are capped but at levels that have the potential to produce comparable long term average market returns commonly associated with the brokerage industry. After a period of at least ten years or more, eliminating fees will generally increase an account value by roughly 10 to 20 percent. Although relevant, the more pertinent point is that when in the distribution stage of retirement, this higher account balance will typically translate into a 50 to 75 percent increase in the amount of income over that of a traditional retirement plan nested within a brokerage account.

How so? Well, when taking distributions from the framework of the brokerage industry, if we assume a 7 percent average return less typical fees of 1.5 percent, this leaves earnings of 5.5 percent. To cushion against potential loss, the commonly referenced Withdrawal Rate states a person should withdraw no more than 4 percent of the account value per year. However, if one eliminates fees, earns the same 7 percent average return and has no possibility for market loss,

most or *all* of these earnings can be taken for income, thereby increasing retirement income by a factor of 50 to 75 percent.

Bottom line: when in the distribution stage of retirement where percentage based fees are typically at their highest point, the proportionate effect of fees is far greater when compared to the effects during the accumulation stage.

THE EFFECT OF LOSS

As mentioned, a transition from the accumulation stage into the distribution stage commonly results in diversifying a brokerage account into stock *and* bond funds. Here, one might prudently follow “The Rule Of 100” which recommends subtracting one’s age from 100, resulting in the suggested percentage of stock exposure one should generally have in their portfolio.

While prudent in practice, market years such as 2008 were a disaster for both of these frequently suggested guidelines. With the exception of cash positions, in that year and others like it, just about *everything* went down in value; hence the reason the heavily scrutinized Withdrawal Rate understandably recommends taking *no more* than 4 percent of a brokerage account’s value for income. While earnings might exceed 4 percent, when an account is exposed to loss, one obviously needs to maintain a reserve for periods when losses occur.

But when an account is (a), protected from market loss, (b), fees are level or eliminated and (c), market returns are still possible, then one would *not* have to hold back earnings to cushion against market downturns; one could *use* most or all of the earnings for income, and this particular set of characteristics is available *only* within the insurance industry and is therefore the main reason I am focusing on it here.

In the insurance industry’s structure where market losses *cannot* occur, if we assume an average return of 7 percent, then withdrawing anywhere between 6 and 7 percent equates to a 50 to 75 percent increase in income when compared to the brokerage industry/Withdrawal Rate’s recommended 4.

THE EFFECT OF TAX

While fees and protecting an account against market loss are of course quite important, the characteristics that will bear the most effect on our retirement income is by far *taxation*.

This is because year after year, taxes effect:

- The amount of **income** one actually gets to spend, and,
- The overall **account value** given that taxation causes the need to withdraw the *gross* amount of income which often exceeds the returns the account is actually earning.

For example, suppose one retires with \$1,000,000 and the desired spendable income is \$50,000. In a one-third tax bracket, one would have to withdraw \$75,000 to actually spend \$50,000. If one diversifies their portfolio, receives an average return of 6 percent less 1.5 percent fees, the account could be *out of money* in 20 years.

Furthermore, and something that is often not factored into this area of discussion: withdrawals from a traditional retirement account will likely expose one’s Social Security income benefits to taxation, up to the tune of *85 percent*. While many focus on taxation issues regarding income taken from a taxable, brokerage retirement account, when factoring in *indirect* taxation, withdrawals from these retirement accounts can also cause increased taxes on Social Security income as well.

For example, if one withdraws \$20,000 from a taxable retirement account, they would obviously be paying taxes on this full amount. In a one-third tax bracket, that would equate to approximately

\$6,000 owed in taxes. However, this income could also very likely trigger 85 percent of the equivalent Social Security income to be exposed to taxation as well, resulting in an *additional* \$5,000 - \$6,000 owed in taxes.

If, however, one *eliminated* the tax by utilizing the characteristics available within the insurance industry, they would only have to withdraw \$50,000 from a \$1,000,000 account earning 5 percent to actually spend the same amount. In this case, the balance of the account would likely have far greater longevity than that of a typical taxable brokerage retirement account. And finally, within this structure, Social Security income would *not* be exposed to taxation as a result of these withdrawals as well.

Eliminate the tax, and depending on one's bracket, an individual can typically increase their income by 50 to 65 percent as well as potentially eliminate up to 85 percent of Social Security exposure to taxation as well.

It's as simple as that.

CONCLUSION

If within the *insurance industry* one chooses to:

- **Level out the fees**, whereby costs are *lowest* at the point of *distribution*,
- **Eliminate the possibility of market loss**, whereby one can withdraw most or all of the earnings for income, and,
- **Eliminate the tax**, it is therefore possible to increase one's retirement income by a factor of *three times* the amount when compared to distributing money from that of a taxable, brokerage retirement account such as a 401k, 403b, IRA and others.

Inversely, when utilizing the characteristics available within the insurance industry, one can achieve the same results realized within the *brokerage* industry but with three times *less* the amount being contributed.

In summary, the choices we have when controlling taxes, losses and fees are highlighted below. Keep in mind, the following results assume the *same* annual contributions (\$16,500), the *same* market returns (7 percent), the *same* period of time, *net* of *all* fees and the shared *mindset* to *preserve* one's account over a typical retirement:

(continued)...

		Years To Retirement, Estimated Annual After Tax Income		
Industry	Available Characteristics	15	20	25
* Brokerage	Percentage Based Fees Gains and Losses Pay Taxes	\$11,000	\$18,000	\$27,000
		<i>The income above does not include possible additional tax on Social Security benefits.</i>		
** Insurance	No Fees No Losses Pay Taxes	\$23,000	\$37,000	\$58,000
		<i>The income above does not include possible additional tax on Social Security benefits.</i>		
** Insurance	Level Fees No Losses No Taxes	\$38,000	\$72,000	\$121,000
		<i>The above income does not effect taxation on Social Security benefits.</i>		
<small>*Assumes Withdrawal Rate of 4%, fees of 1.5% and 25% combined tax bracket. IRS penalties before the age of 59 1/2 typically apply. **Surrender penalties will apply during the early years of the contract. Be sure to read the contract or policy before a contribution is made. *** All the above should all be considered hypothetical, not guaranteed, subject to change and for example only.</small>				

After outlining the above, I am often asked, “should everyone utilize the insurance industry for their retirement?” My answer is always, “**absolutely not.**” One should *never* consider utilizing the insurance industry for their retirement any more or less than they should consider utilizing the brokerage or banking industry.

Each industry serves its own unique function and purpose, and only when one’s situation is well assessed and *all* facts are well understood should *any* decision or approach ever be made.

That said, I often find there are gross misconceptions about the insurance industry, many of which are archaic in nature and based on outdated beliefs including, but not limited to, fee structures available and that the only access our money has to potential market returns is through the framework of the brokerage industry. The use of insurance policies and other products in a *modified*, suitable and legal manner that emphasizes *living benefits* takes an individual who thoroughly understands the new evolution of these products and designs the plans only in the best interest of the client and no one else.

For full disclosure, I am part of an independent registered investment advisory firm that utilizes the brokerage, insurance and banking industries. This means we can and often implement a *combination* of characteristics above that typically include us receiving percentage based fees for brokerage services as well as commissions when implementing insurance based plans. I do not work for any particular financial company or industry nor should this column be construed as an endorsement or condemnation for any particular product.

The sole intention of this series has been to try and open the realm of possibilities many people don’t know exist that could help one realize a more peaceful, comfortable and prosperous retirement *regardless* of the path they select. Recognizing a short column cannot fully contain all information and disclosures needed to completely understand these concepts, I welcome any follow up questions by emailing me at alanh@kingspointcapital.com.

SUMMARY AND ADDITIONAL COMPARISON

Summary and further comparison between brokerage based retirement plans and after-tax insurance based plans:

	Brokerage Based Retirement Plan	Insurance Based Retirement Plan
Market Risk	Unlimited	None
Market Upside	Unlimited	*Up to 15%
Fees	Increasing	**Level
Early Termination Penalties	Increases yearly through age 59 1/2	Decreases yearly to 0 in 10 years
Partial Withdrawals	Full penalty on the entire account balance	No penalties on up to 90% of the account balance
Contribution Limits	Limited by IRS	Unlimited
Catch Up Provisions <i>ability to make up for missed contributions</i>	Not allowed	Allowed any time
Loans	Up to \$50,000, required to be repaid	Allowed, up to 90% of account balance with no repayment required
Collateral Use	Not allowed	Allowed
Taxes	**Contributions are tax deductible, withdrawals are fully taxable	Contributions are after-tax, withdrawals are tax-free
Taxes at Death	Fully taxed	Tax-free
<p><i>*current rate, subject to change</i> <i>**average total of all fees including mortality and administrative expenses</i> <i>***assumes a 33% combined Federal & State income tax plus penalties that are levied on entire account value.</i></p>		

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