

## Not All Annuities Are Created Equally

By Glen Ladau

**N**ot all annuities are created equally. There are many different types of annuities, used to meet different goals and objectives in different ways. Yet, when some people hear the word “annuity” certain ideas pop into their minds. They form an opinion about “annuities” without fully understanding what type of annuity is being referred to. It is important not to “tar all annuities with the same brush.”

All annuities provide some type of guarantee, which of course, is based on the claims-paying ability of the company issuing the annuity and all provide tax deferral. But beyond this, there exist great differences.

**Immediate annuities** are those in which you purchase a guaranteed stream of payments from an insurance company in exchange for a specified sum of money. These streams of payment can be guaranteed for a specified period of time, such as 5 or 10 years, or for life. It can even be guaranteed for joint lives. Typically, you exchange your asset for a stream of payments over a specified period of time and at the end of the specified period, the principal is gone. The advantage, however, is that the payments can provide significant cash flow and can be guaranteed for life.

I have spoken with many people who when hearing the word “annuity” think of this type. This was a very common form of annuity in years past. However, as the automobile ad once stated, “This is not your father’s Oldsmobile!” Many other forms of annuities have evolved providing different guarantees as the needs of the investing population have changed.

**Deferred annuities** are those used as an investment. The investor continues to own the principal in a deferred annuity, just as they would in any investment. Within the category of deferred annuities, there are many types.

In a **fixed annuity**, your principal earns interest at a fixed rate and is guaranteed by the insurance company. A fixed annuity can be compared to a CD, except that it is tax deferred and is not FDIC insured.

An **equity index annuity** also provides a guarantee of principal, with a rate of return tied to the stock market. This type of annuity provides the potential for greater gains than a

fixed annuity, with the same protection of the principal. However, the returns are typically limited by a participation percentage or maximum cap. The participation percentage may limit you to 50% of the stock market return. A cap may limit you to a maximum return of 8%, even if the stock market gains 30%. In addition, many equity index annuities severely limit your liquidity and flexibility and have high surrender charges for many years.

**Variable annuities** allow you to invest in equity and fixed income sub-accounts, with no cap on gains. Although the principal is not guaranteed in the same way it is in equity index or fixed annuities, most variable annuities offer to provide some form of guarantee to protect your principal, cash flow, death benefit or income. These guarantees can vary widely from one company to another and you should be sure to read the prospectuses for details. Variable annuities can be used to provide the potential for greater gains, while granting the peace of mind required to feel comfortable investing. While growth is never guaranteed, as your returns will depend upon the actual performance of the sub-accounts selected, it is the potential for growth that makes variable annuities attractive.

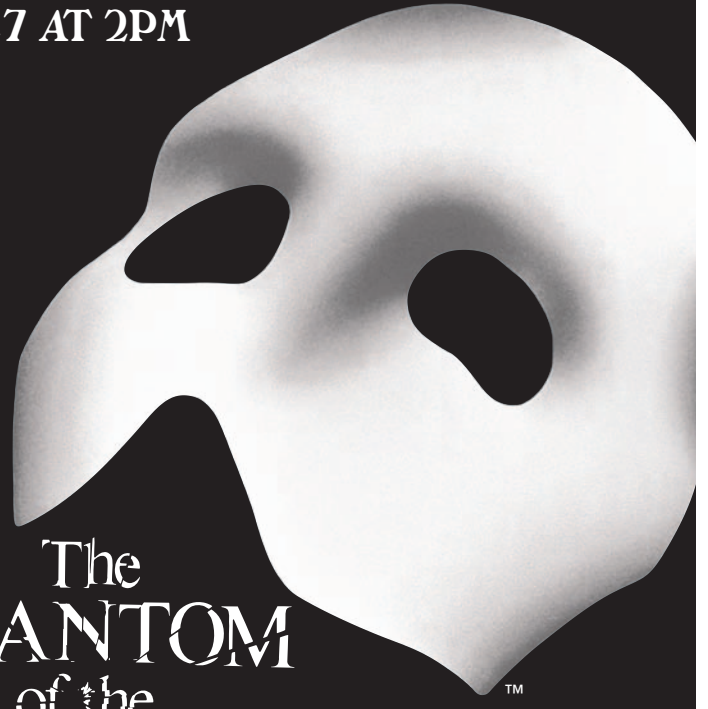
As you can see, in addition to the “guaranteed stream of payment” annuity that most investors are familiar with, many other annuity products exist. All of these various annuities can be powerful financial instruments. As with any financial tool, it is important to utilize the one that will allow you to achieve your financial goals and objectives in the most efficient manner. This cannot be done without first identifying your goals and objectives. The best way to do this is to work with a financial professional who can help you create the most efficient, effective financial strategy.

*Glen Ladau, President of the Matrix Financial Group, is a Certified Financial Planner, Certified Public Accountant and Chartered Life Underwriter. He is a graduate of the Wharton School of Finance at the University of Pennsylvania. He has over twenty years experience developing successful financial strategies. He incorporates a unique, personal approach to working with clients. As Glen describes it, “What we do best is listen.”*

*Glen has offices in Boca Raton, Boynton Beach, Palm Beach Gardens and Plantation. Opinions offered are not intended as individual investment advice. If you have any questions, please call Glen at 888-356-3900.*

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**When you allow yourself to be unpredictable, you step from the known into the unknown where anything is possible.**

— Deepak Chopra, M.D.

## Boca Raton Surgeon Performs Revolutionary Computer-Assisted Knee & Hip Replacement Surgery at North Broward Medical Center

*Dr. William R. McKay’s new procedure offers a minimally invasive, more accurate surgical option*

**Boca Raton, FL**—Orthopaedic surgeon William McKay, MD is performing at North Broward Medical Center what only a small percentage of surgeons across the country have been able to offer: *Computer-assisted, minimally-invasive total knee and hip replacement surgery.*

The procedure, developed by global medical device maker Smith & Nephew, uses a proprietary computer and camera system to track the precise locations of bones relative to the instruments used during surgery. The application enables Dr. McKay to make computer-guided cuts to within 1mm and 1-degree of perfect alignment, a rarity in joint replacement surgery. During a traditional procedure, the surgeon relies upon cutting blocks, personal estimates of proper joint alignment, and the general feel of the joint in the determination of implant placement.

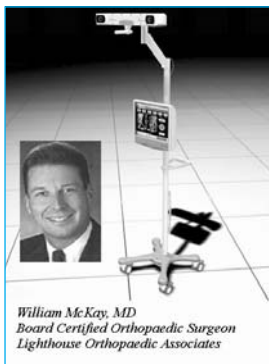
Implant alignment during joint replacement surgery is vital. This procedure not only enables a higher degree of accuracy, but by eliminating certain steps required in traditional joint surgery, it is also a much less invasive technique.

In addition, real time images of the instruments and the joint implant itself can be superimposed over the patient’s bones on the computer screen. Surgeons using the software can therefore determine the fit and

alignment of the new implants before ever making the first cut.

Benefits to the patient via the new technique:

- Smaller incision than ever possible before
- For the hip, the alignment of cup and stem is optimized, which helps prevent dislocations and near-term revisions. And leg length is controlled, reducing the potential for leg-length discrepancies
- For the knee, the elimination of a rod inserted into the canal of the femur to assess alignment of the implant, thereby reducing the risk of fat embolism and taking the guesswork out of joint alignment
- The opportunity for a surgeon to “see” how the implant will fit prior to cutting the bones
- Using the computer system, surgeons can make very precise adjustments to the ligaments



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