The **break-even rule** of **100 and low market rates**

Is waiting for a better interest rate a good strategy – or a costly one?

The longer you wait, the longer it can take to make up lost interest.

The low interest rate environment and the uncertain economy have many people sitting on the sidelines with their retirement savings.

The thinking goes that it's better to wait for interest rates to start rising than to commit your money to a retirement vehicle (such as an annuity) at the current interest rate.

But here's something you should consider. <u>That waiting period could cause you to lose interest that may require years to make up</u> – even if you do get a higher rate of return in the future.

Calculate how long it will take to make up interest using the break-even rule of 100.

Every year that you wait, you lose 100% of the interest you could have earned that year,

So if you take that 100 and divide it by the percentage that you think interest rates will increase over time, you'll get the number of years required to make up that interest **for each year that you wait.**

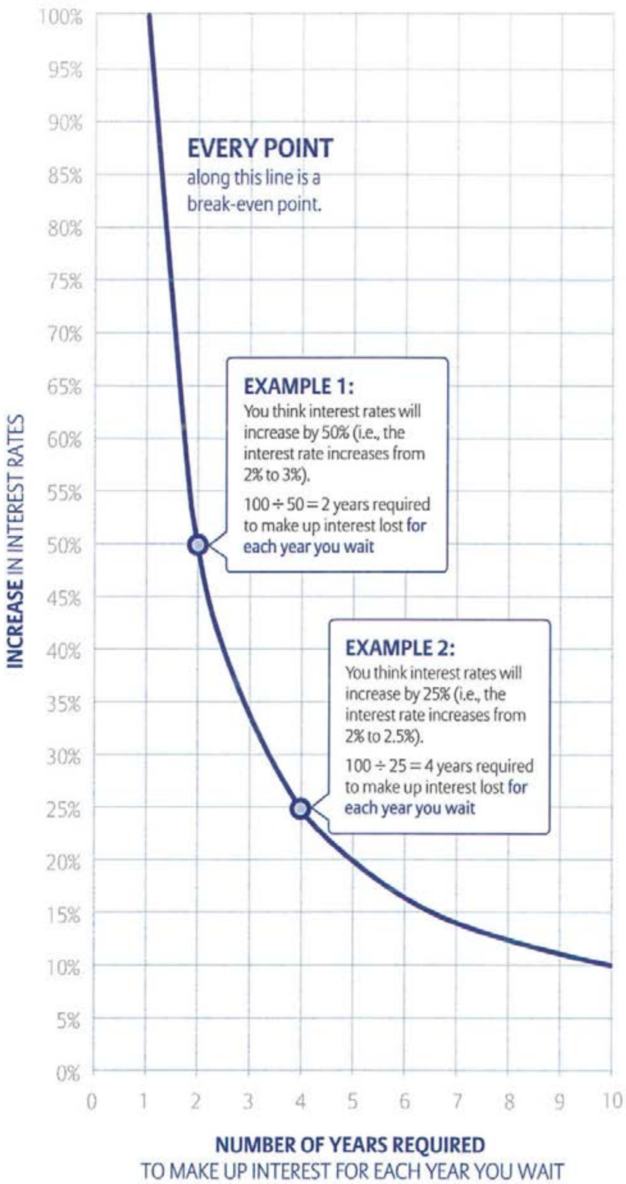
100 ÷ (interest rate increase) = # years per year of waiting

That number of years is your "break-even" point. You have to recoup the interest you *didn't* get during the period you were waiting before you start earning more from having a higher interest rate.

Note that this rule assumes the money is currently earning no interest at all.

See the break-even rule of 100 in action on the other side.

100 / (interest rate increase) = # **years** per year of waiting



Let's look at two examples, using a chart that shows potential increases in interest rates and the number of years required to make up that interest for each year you wait. (The break-even rule equation assumes interest rates do not fluctuate over that period.)

As you can see, even assuming a very modest increase, waiting for interest rates to go up can set you back several years before you can start reaping the benefits of a higher interest rate.

And if your retirement is only five to 10 years away, you may not have the time to make up the lost interest before you start drawing on your assets for income.

So the questions you have to ask yourself are:

- How much do you think interest rates will increase?
- How soon?
- And most important, is it in your best interest to wait?

Regardless of interest rates, annuities are designed to help meet long-term retirement needs. They offer income that can be guaranteed to last as long as you live, tax deferral, and a death benefit for beneficiaries. Note that with a fixed index annuity, there is the possibility of receiving 0% interest.

While at some point in the future we do expect interest rates to rise, now may still be **the time to consider an annuity.**