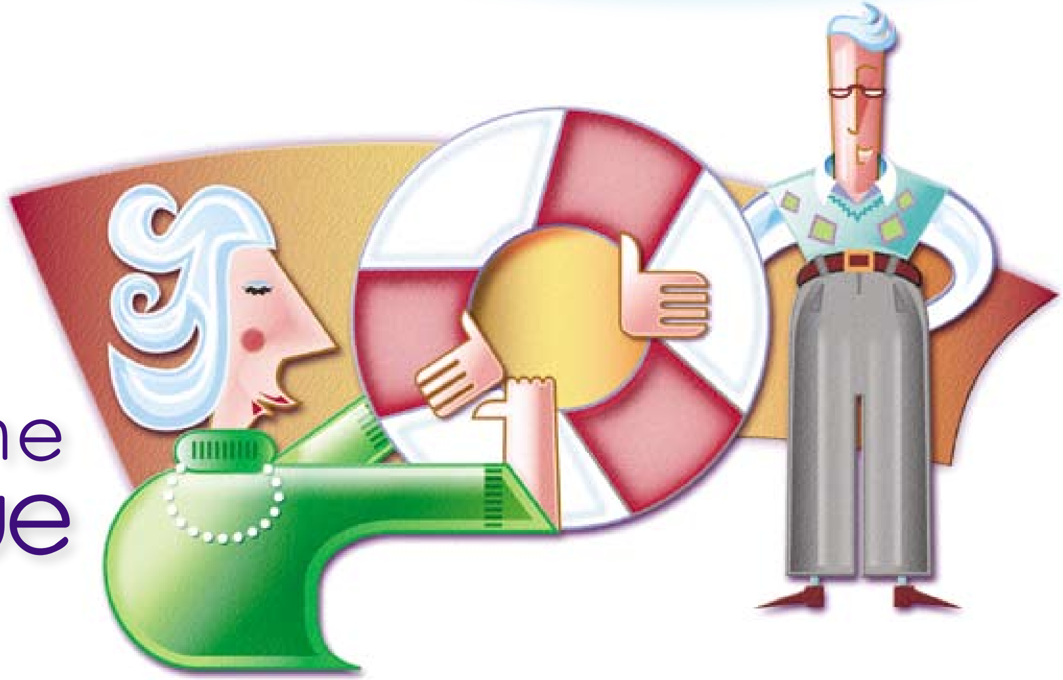
Roth to the Rescue



Fixed annuity adds to retirement security

Richard Weinroth learned that when you lose half the value of your portfolio in the stock market, what remains is all the more precious.

"I had been in the market for years, and, unfortunately, four years ago, like so many people, I took the proverbial bath," said the 64-year-old ERIE policyholder from Glenwood, Md. "I said, enough is enough."

Weinroth fled the market for the security of a savings account. Tired of meager interest earnings, this spring he invested in a Roth IRA.

Even for those whose gold watch is years away, concern is growing that a comfortable retirement might be out of reach. The stock market is too volatile for must-have money, retirees of once-solid companies are finding that their "guaranteed" pension is anything but, and Social Security's future has become a political football.

Investors who want to safely preserve capital to guarantee a future income are finding tax-free Roth IRAs—sometimes paired with life insurance—to be an indispensable tool.

"It's the best deal out there," Marlton, N.J.-based financial planner Brian Greenberg said of the Roth, which, unlike a Traditional IRA, offers no tax benefit at time of contribution. The payoff for a Roth comes later with income free from federal income taxes as long as the account has been held a minimum of five years. "When you pull that money out, you pay no taxes on it," Greenberg said. "Every dime goes straight into your pocket."

Many options

There are many ways to invest Roth monies, such as stock or mutual funds. Erie Family Life's Roth is funded by a fixed annuity.

"The money is invested conservatively," explained Kathy Bradley, an ERIE agent and specialist for life and long-term care insurance at Boizelle Insurance in Gaithersburg, Md. "It should not be your total portfolio, but the conservative end of your portfolio. It's not going to bring double-digit returns, but you aren't going to lose your shirt."

That's exactly what Richard Weinroth wanted to hear. "My wife wanted a guarantee that if I put in a dollar, I'd get a dollar plus a little more back," he said.

With Bradley's help, the Weinroths invested the maximum of $16,000 in Roths for 2004 and 2005, and Richard rolled over a separately held Traditional IRA. "Growth is not the thing for us anymore," Weinroth said. "We want to protect our assets." ▸

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A comfortable investment

Weinroth said his 25-plus years as an ERIE Policyholder made it easier to venture from his savings account.

"We feel very comfortable with the decision because of the instrument, who Kathy is, and who Erie Insurance is. I've been treated fairly by ERIE in all the things we've done, and feel that we have a good partnership. That's why I felt so good about putting our money in an Erie Family Life Roth IRA."

Financial planner Greenberg said that he likes to couple a Roth, which has contribution and income limits, with life insurance, because death benefits are free from federal income tax.

"Roths and life insurance are the perfect marriage because when you cash out, the proceeds from a Roth are income tax free. And, you don't pay income taxes on life insurance proceeds unless you receive more than you paid in," Greenberg said.

"They are both of the same concept—when you retire and are on a budget, you want to be able to use every dollar you are generating," Greenberg said.

An Erie Family Life Roth can be started with as little as $600, said Bradley, adding that consumer interest in Roth IRAs is growing. "What I hear people telling me is that they are more and more concerned about making sure their future is taken care of," she said. "They say, 'When it comes time to retire I'm not going to depend on my company or the government.' They don't want to leave their future in someone else's hands." •

New ERIE annuities can fund Roth IRA

Retirement plans such as Traditional IRAs and Roth IRAs are often funded by annuities. In August, Erie Family Life unveiled a new lineup of annuities aimed at providing you with new tools for financial security. The ERIE Flagship Annuity portfolio consists of the following plans:

Flexible Premium Deferred Annuity (FPDA)

This option allows you to make scheduled or intermittent payments into a vehicle that will be available when you need it years down the road. This plan can also be used as a non-qualified savings plan for retirement.

Single Premium Deferred Annuity (SPDA)

If you have between $10,000 and $49,999, a single premium deferred annuity is an excellent choice.

Enhanced Single Premium Deferred Annuity (Enhanced SPDA)

If you have $50,000 or more, Erie Family Life's Enhanced SPDA offers a two percent first year bonus interest rate and an additional quarter percent interest rate enhancement. The Enhanced SPDA is a great alternative to taxable certificates of deposits and ideal for rollovers from qualified plans.

Single Premium Immediate Annuity (SPIA)

The SPIA is a good choice for someone who desires an immediate income stream. Income options include period certain, life annuity, life annuity with period certain and joint and survivor annuity.

Life Insurance

Another key ingredient to long-term financial planning is life insurance. Erie Family Life has also added a new guaranteed premium term life insurance plan. The ERIE Flagship Term Plus offers fully guaranteed rates for 20 or 30 years. Consult with your ERIE Agent about the benefits of ERIE's new term product. •

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