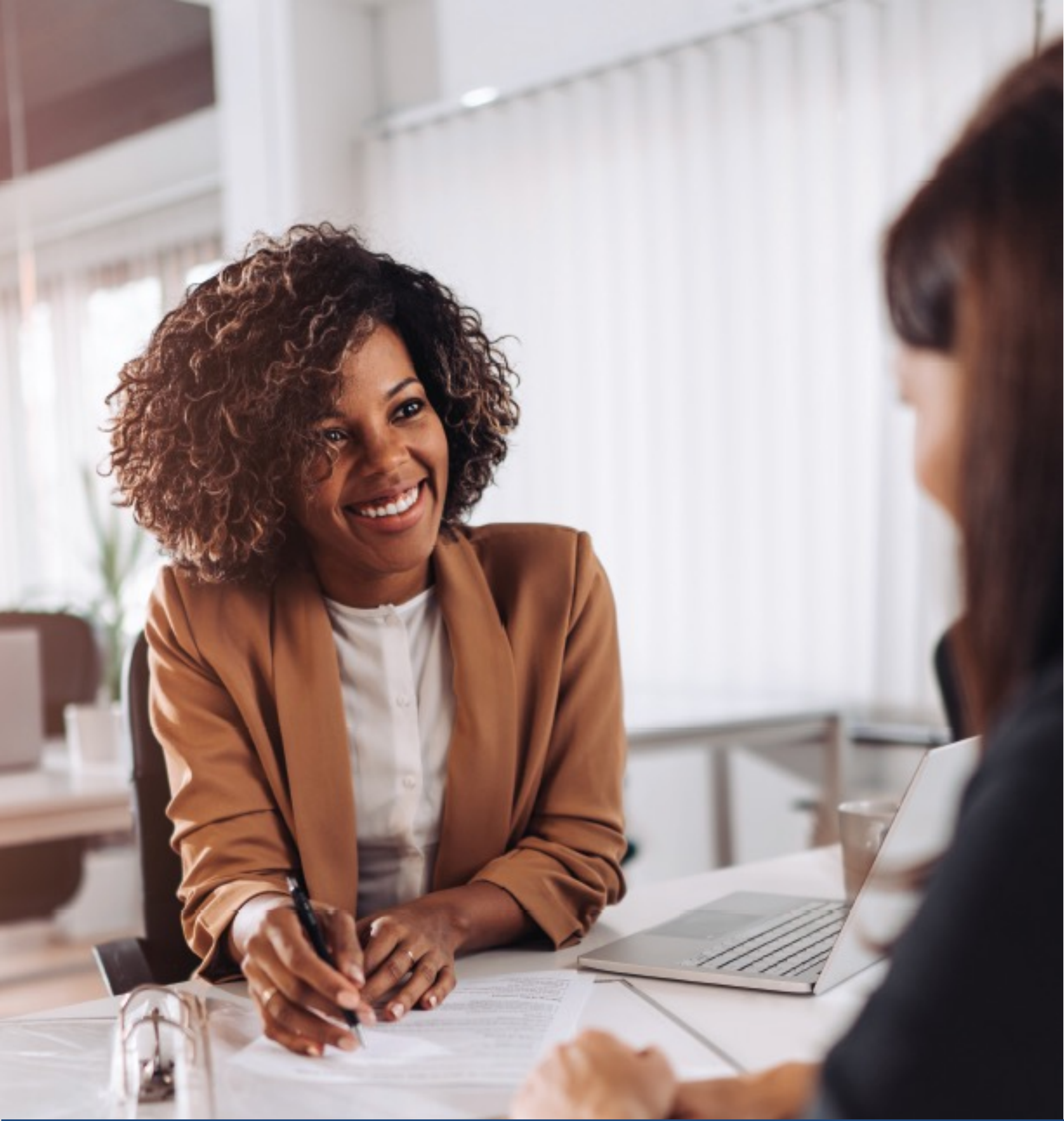


Why You Should Consider

REPLACING YOUR BONDS WITH A FIXED INDEXED ANNUITY

REPLACE YOUR BONDS WITH A FIXED INDEXED ANNUITY

You might have heard a financial advisor talk about replacing your bonds with annuities to protect your wealth and grow your retirement funds. At Jarvis Financial, we believe this is a smart way to protect your future. Many people have learned that bonds are a safe way to invest your money, but there are some downsides to bonds that should make you think twice. We'll talk about some reasons why you should consider replacing your bonds with annuities. First, here's some information on the history of bonds in the U.S.

HISTORICAL BOND VOLATILITY

The 1900s saw two secular bear and bull markets in U.S. fixed income.

Inflation peaked at the end of World War I and World War II due to increased government spending.

The first bull market started after World War I and lasted through World War II.

- The U.S. government kept bond yields artificially low until 1951.
- The long-term bond yields were at 1.9 percent in 1951.
- Long-term bond yields climbed to nearly 15 percent in 1981.

In the 1970s, globalization has a huge impact on bond markets.

New asset classes such as inflation-protected securities, asset-backed securities, mortgage-backed securities, high-yield securities and catastrophe bonds were created.

- Early investors in these new asset classes were compensated for taking on the challenge.

The bond market was coming off of its greatest bull market entering into the 21st century.

Long-term bond yields declined from a high of 15 percent to 7 percent by the end of the century.

The bull market in bonds showed continued strength in the early 21st century, but there is no guarantee, with our current market volatility, that this will hold.

WHAT SPECIFIC RISKS COME WITH INVESTING IN BONDS?

The first question you should ask yourself is this: why would you take market risk with your bonds when your bonds can lose their value? If you just look at the history alone, you can see how uncertain the future of bonds is. Inflation and fluctuating interest rates play a big role in bond yields. With our current market hurtling towards a potential second quarter of economic turmoil, it's more important now than ever to protect your money.

Interest Rate Risk

Bonds and interest rates have an inverse relationship. When interest rates fall, bond prices rise. Due to Coronavirus, investors have moved their money to bonds because they believe it is a safer investment option. However, this has caused bond yields to fall to all-time lows. As of May 24, 2020, the 10-year Treasury note was yielding 0.64 percent and the 30-year Treasury bond was at 1.27 percent.

Reinvestment Risk

This is the likelihood that an investment's cash flows will earn less in a new security. For example:

- An investor buys a 10-year $100,000 Treasury note with an interest rate of 6 percent. They expect to earn $6,000 a year.
- At the end of the term, interest rates are 4 percent. If the investor buys another 10-year note, they will earn $4,000 instead of $6,000 annually.

Consider the possibility that interest rates change over time when deciding to invest in bonds.

Systematic Market Risk

This refers to risk that is inherent to the market as a whole. It will affect the overall market, not just a particular stock or industry.

This can unpredictable and it is impossible to avoid. Diversification cannot fix this issue, but the correct asset allocation strategy can make a big difference.

Unsystematic Market Risk

This type of risk is unique to a specific company or industry. Similar to systematic market risk, it is impossible to know when unsystematic risk will occur. For example, if someone is investing in healthcare stocks, they may be aware of some major changes coming to the industry. However, there is no way they can know how those changes will affect the market. There are two factors that contribute to company-specific risk:

- Business Risk: There are two types of risk: internal and external. Internal refers to operational efficiency and external would be similar to the FDA banning a specific drug that the company sells.
- Financial Risk: This relates to the capital structure of a company. A weak capital structure can lead to inconsistent earnings and cash flow that can prevent a company from trading.

Bonds Have Finite Durations

Bonds only provide income for a finite amount of time, unlike an annuity, which provides income for life. You must reinvest your money if you want to continue generating interest. However, reinvesting with a bond can sometimes come at a loss, which we discussed above. Annuities will provide you with an income you can never outlive.

BOND REPLACEMENT

1. A bond replacement is replacing the percentage of bonds within your portfolio by investing in fee-efficient, accumulation-based, fixed indexed annuities. Bonds traditionally provide income and negative market correlation versus stocks, but they also carry significant risk, including interest rate risk, reinvestment risk, and systematic and unsystematic market risk.

2. Many investors today have chosen to invest in fixed indexed annuities that can generate market-like gains without the traditional market risk. Investors are especially pleased to eliminate portfolio management and advisory fees that are often associated with bonds by investing in fixed indexed annuities.

3. A bond replacement strategy is strongest when investing in an accumulation-based fixed indexed annuity and avoiding income rider fees that are typically associated with income-based annuities. Please note that all guarantees associated with fixed indexed annuities are based on the claims-paying ability of the issuing life insurance or annuity company.

INVESTING IN BONDS VS. INVESTING IN ANNUITIES

Total Client Portfolio **$1,000,000**

BONDS

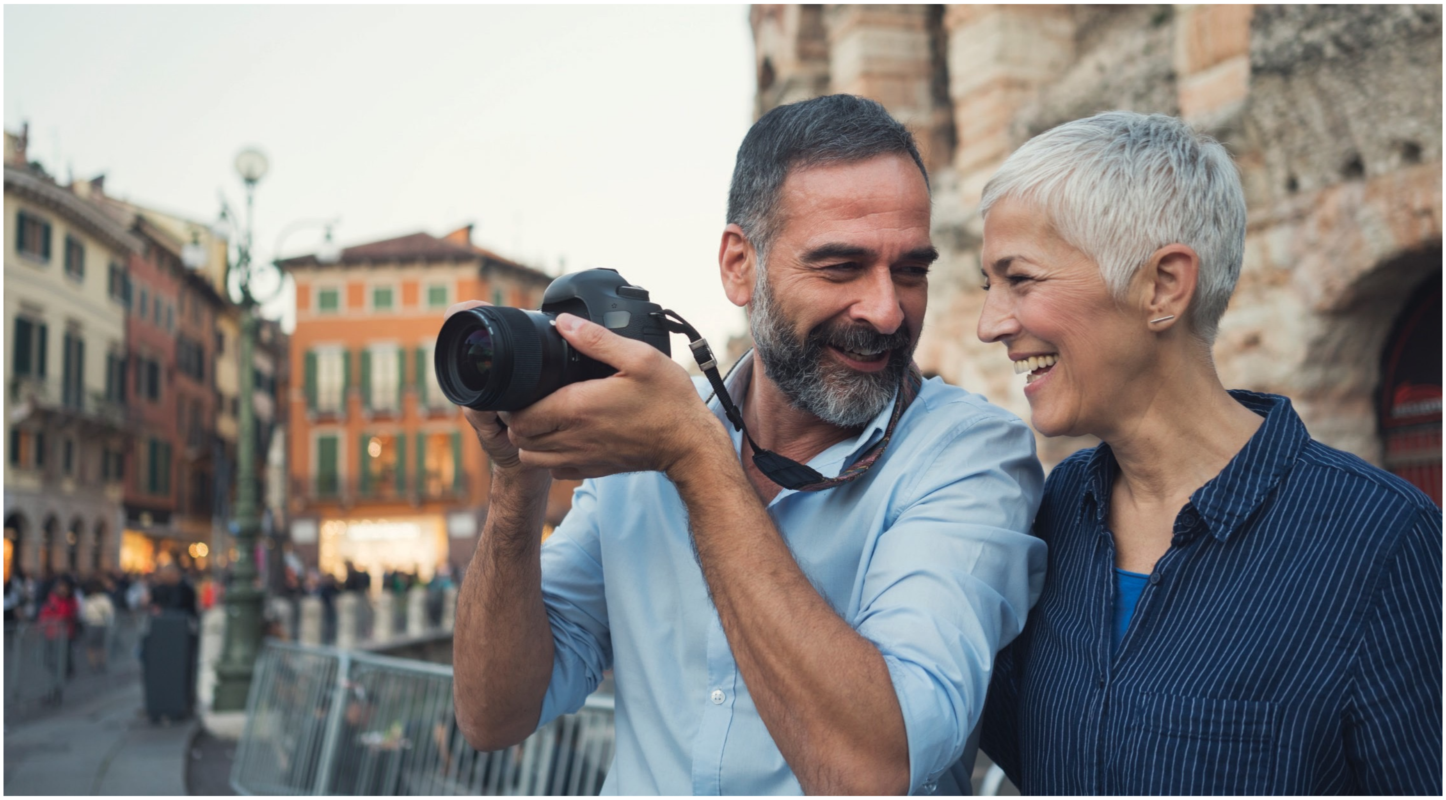
Securities	$600,000
Bonds	$400,000
Yearly Advisory Fee	1.5% - $600,000/Yr
Total Fees Over 35 Years	$210,000
Ave. Rate Of Return	3.5%
Total Value After 35 Yrs	$1,333,436.18

FIXED INDEXED ANNUITY

Securities	$600,000
Bonds	$400,000
Yearly Advisory Fee	0
Total Fees Over 35 Years	$0
Ave. Rate Of Return	6.94%
Total Value After 35 Yrs	**$4,187,610.53**

Growth Performance Difference **FIA is $2,854,174.35 BETTER** than the Bonds over 35 Years

You will **save $210,000 over 35 Years** by replacing your bond with an FIA



WHAT IS A FIXED INDEXED ANNUITY?

A fixed indexed annuity (FIA) is a type of annuity that pays an interest rate based on the performance of a market index, such as the S&P 500, however your money is not actually invested or exposed to the market. It is kind of a blend of other annuity types and utilizes beneficial elements of each. The fixed indexed annuity gives you the protection of a fixed annuity with the potential for growth like the index annuity. We will talk in depth about Fixed Indexed Annuities in a separate chapter.

How Does it Work?

An FIA gives their owners, or annuitants, the chance to earn higher yields than fixed annuities when the index they are tied to performs well. They typically will also provide some protection against market declines.

Reduced Advisory Fees

Investors who trade individual stocks may know how much commission they are paying their broker, but individuals who buy bonds often have no idea what type of commission they are paying. Bond dealers collect commission on bonds they sell, called “mark-ups,” but they bundle them into the price that is quoted to investors. This means you are unaware of how much commission you are actually paying. Standard & Poor’s estimates of bond mark- ups is 0.85 percent of the value for corporate bonds and 1.21 percent for municipal bonds. However, mark-ups can be as high as 5 percent, up to $50 per bond.

Guaranteed Income Stream

With Americans living longer and spending more time in retirement, many retirees are concerned about outliving their savings. In turn, they are searching for a product that can help ensure a steady income stream. FIAs are designed with guaranteed lifetime income so you can never outlive your earnings.

Diversification of Your Portfolio

A balanced portfolio is essential for managing risk and reward in the financial markets. Designed for the long term, FIAs are a great retirement vehicle to ensure you are not putting all your eggs in one basket. FIAs offer the ability to make some money without the risk of losing it.

Secure Principal

Even with market volatility, investors will not lose value on their fixed indexed annuities. Your savings aren’t exposed to market fluctuations, so even in a negative market return, you will not fall below zero. You can never lose your interest once it’s credited to your principal.

Tax-Deferred Growth

FIAs offer long-term tax-deferred savings. As long as your money stays in the annuity, you will not be taxed on interest earnings. Once you receive a payout, the annuity will be taxes just like ordinary income.

Predictable Earnings

Because FIAs offer predictable income, Americans feel more comfortable when withdrawing funds from these retirement vehicles, as opposed to an IRA or 401(k). Choosing an FIA is an efficient way to plan for your future, as your interest earnings rate always remains somewhere between the interest rate floor and the cap. No matter what happens to the market, you can still count on payments through your golden years.

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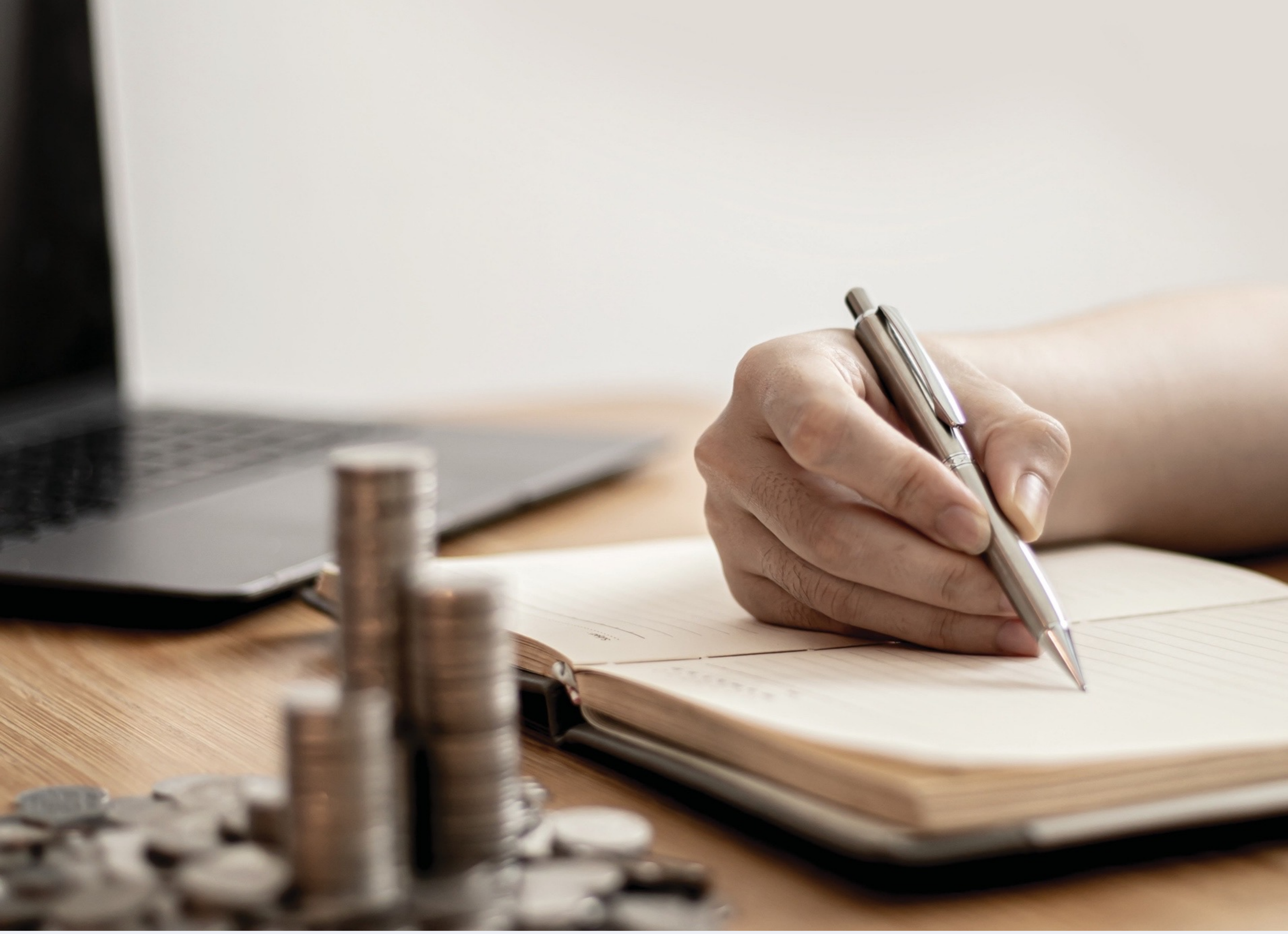
If bond replacement is starting to make a lot more sense to you after reading our report, Active Wealth is here for you! All you have to do is call (386) 677-8158 or visit jarvisfinancialinc.com to set up a FREE consultation. So, what are you waiting for? Visit Jarvis Financial Inc. to get started today!

Resources:

https://www.immediateannuities.com/fixed-index-annuities/beginner-tutorial- fixed-index-annuities.html

https://www.investopedia.com/ask/answers/why-interest-rates-have-inverse- relationship-bond-prices/

https://www.investopedia.com/articles/06/centuryofbonds.asp



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