

Beware!! Be VERY Ware!!!!

Between what others are trying to do to us and what we do to ourselves, we really do have to beware. In fact, we have to be very “ware.” Here are three danger zones that I hope you will watch out for.

Annuities

It seems like everybody is selling annuities these days, and the ads make it seem like they’re the answer to your investing prayers. The reality, unfortunately, is usually quite different.

There are two types of annuity – tax-deferred and immediate. With an immediate annuity, you make a lump sum payment and immediately start getting a monthly benefit, usually guaranteed for life. It’s pretty easy for you to understand and decide whether or not it makes sense, even if it has some special features like death benefits. If you’re retired or about to be, it makes sense to look into immediate annuities.

But that’s not where the action is – it’s in tax-deferred annuities. These things are very profitable and pay juicy commissions. Yes, they can have attractive features like tax benefits, guaranteed rates of return, the option to choose how the money is invested, even promises that you’ll never have less than you put in even if you choose to invest in the stock market and it goes down. These things sound fantastic, especially when you look at the projections the broker will give you!

Unfortunately, tax-deferred annuities are so complicated that it’s really hard for the average person to evaluate them. (I’m an actuary, and they make my eyes cross!) In addition to the big commission you’ll pay, these annuities have all kinds of gotchas such as withdrawal penalties, investment fees, contract charges, interest rate restrictions and more. Frankly, the negatives outweigh the positives for all but a very few.

If you’ve already bought a tax-deferred annuity, take a good hard look at it and see if you still think it’s really going to do the job for you. At a minimum, you may be able to exchange it for one that fits you better. And if you’re thinking

about buying a tax-deferred annuity? Beware, be very ware! Keep in mind that...

If it sounds too good to be true...

...it probably is. “Probably?” That’s just plain wrong! If something sounds too good to be true, it IS too good to be true!

But hope springs eternal and so we say “probably” and invest in things we don’t really understand (like tax-deferred annuities) because they sound soooo good and after all, he’s such a nice young man (or woman). Or maybe it’s something that your brother-in-law (co-worker, friend at church, etc.) is in and raves about. It sounds too good to be true, but it’s working for them...

Do your homework. Can you understand the potential risks? Are they commensurate with the potential gains? Does it really fit with your financial goals or are you just excited about the potential returns? If the deal starts making sense, it will stop sounding like it’s too good to be true and start looking like the real deal. Until then, it *is* too good to be true. And until then, beware, be very ware. Especially if you...

Get a phone call and...

...the friendly voice on the other end of the line asks you about an old debt you haven’t paid. You don’t remember it, but that’s okay; they want to make it easy for you. In fact, they’ll give you a big break if you’ll just agree to some easy payment terms right now.

Or maybe the voice on the other end is mean and abusive, calling you a liar and a deadbeat. Threatening you if you don’t agree right now to the payment terms they’re offering.

Nice or not, beware, be very ware if you ever get a call from a debt collector. It may be legitimate, but there’s a strong possibility that it’s not.

Over the past few years, unscrupulous bill collectors have sprung up like weeds. They buy up old unpaid debts for pennies on the dollar – in some cases for even a

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fraction of a cent. These debts may be so old that they're no longer legally collectable. Doesn't matter. These scumbags still try to see how much they can get, and they don't care who they get it from.

That's right – they'll take the money from anyone and everyone. If the debt belongs to John Doe, they'll contact all the John Does they can find and if five of them pay, so much the better! They may even try to collect from John's father and mother, brothers and sisters, coworkers, friends at church...

It's not even necessarily over if John convinces the collector that the debt isn't his, or even if John (or someone else – even several someone elses) pays up. Unethical collectors often resell debt, settled or not, to other collectors. So a couple of years from now, John may get more calls about the same debt.

Yes, there are ethical bill collectors, and they serve a legitimate purpose. If you have debt, you have an obligation to repay it. But when the phone rings and it's a bill collector calling, beware, be *very* ware. DON'T agree to anything over the phone. Ask for the collector to put it in writing. And while you're waiting for the letter, learn what your rights are and don't hesitate to get some help.

Part of my job at SHPC is to help people get out of debt and manage their finances better. It's free and it's confidential. Just call the Budget Guy, Allen Gunter, at 292-4035 or send an email to BudgetGuy@shpc.org. And for a great Bible study, check out the Crown Financial Ministries Small Study Groups – see the article on page 11, or call Margaret Fetty at 288-9034 for more info.