

Our Guild This Month

"Dedicated exclusively to the retirement well-being of California dentists and their staff"

September 2006

If you have any questions or comments, please contact:
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Important Dates:

ALL Transactions *must* be received by 10:00 am.

Transfers or Terminations:
Wednesday, September 27, 2006

Contributions:
Friday, September 29, 2006

Annuities: Too Good To Be True?

Annuities are back and they are rearing their ugly heads again as an alternative form of investment. It is important to understand what annuities do and for whom they are best suited.

First, an annuity is an interest paying contract offered through an insurance company or a financial institution. In essence, it is the opposite of life insurance. Life insurance protects your family finances in the case you die sooner than expected while annuities protect your financial future in the case you live longer than expected. With an annuity the financial risk of living too long transfers to the insurance company. Banks, stockbrokers, savings and loan institutions can sell annuities, but

only insurance companies can issue annuities.

Annuities are notorious for a hefty front load sales cost, meaning the sales person benefits from the sale of an annuity with a large immediate commission, sometimes up to 10% of your investment. Another aspect to consider is that you are paying for a product whose main draw is tax deferral – in accounts that are already tax-deferred. Amazingly, the insurance industry has still sold \$679 billion of variable annuities alone into retirement accounts.

There are several types of annuities: Fixed, Variable, Immediate, and Deferred. With a fixed annuity contract, the insurance company puts your funds into conservative fixed income investments such as bonds.

Your principal is guaranteed for a certain period – from a month to several years. The fixed annuity is similar to a CD or a money market fund.

Variable annuities give you the ability to choose how to allocate your money among several different managed funds. Unlike the fixed annuity, there are no guarantees of principal or interest.

Variable annuities have much higher costs than similar investments that are not issued by insurance companies, such as retirement plan mutual funds.

The typical surrender charge for an annuity is 7% for the first-year withdrawals, 6% for the second
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Destination Funds: Part I

*This is the first part in a continuing series about Destination Funds taken from **The Wall Street Journal**.*

"Life cycle" mutual funds (Destination Funds) are supposed to be effortless: You put money in, and

as you age, they automatically adjust your holdings to match your investment goals.

However, many people end up misusing them in ways that can throw their retirement-savings plans out of whack.

The problem: Because they promise diversification in a single fund, they are designed to be the sole investment in a portfolio. But investors rarely use them that way. They tend to still

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CDG

California Dentists' Guild
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year, and so on, with no charges after the seventh year. The surrender charge "clock" starts running the date your contract begins, not with each new investment. There are often charges applied to switching the investments in you annuity portfolio.

For more information, review the recent research by Variable Annuity Research & Data Service (www.varads.com). Many annuity portfolios are tracked by this service.

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scatter their money across other investments.

That is risky in the long term. For instance, relatively young investors who blend a Destination Fund with a handful of bond investments may end up with portfolios overloaded with conservative holdings. Thus, their nest eggs might not grow as fast as they could have.

Next month: Strategies for choosing the right Destination Fund for you.

Northern CA Regional Meeting

CDG will be hosting a Northern California Regional Meeting **September 28th** from 6:30 p.m. to 8:30 p.m. at the Moorpark Hotel in San Jose.

Please RSVP to Layla Shirazi at 800.851.0008 if you would like to attend.

Ferguson Wellman Capital Management Chief Executive Officer and Principal Jim Rudd will be the featured speaker. The topic of the discussion will be **The U.S. economy and the Current Investment Environment**. Jim will talk about interest rates, the equity market, opportunities and risks.

Cocktails and hors d'oeuvres will be served.

Please feel free to share this information with colleagues — anyone interested is encouraged to join us. We hope to see you there!

Major Index Close: August 31, 2006
DJIA = 11,381 SPX = 1304 Nasdaq = 2184

Major Index Close: December 31, 2005
DJIA = 10,718 SPX = 1286 Nasdaq = 2205

QUALIFIED PLAN

As of 08/31/06

Fund	Unit Value	Asset Value
TKF	1.8429	1,831,729
HBF	12.5089	1,610,516
SIF	22.0435	3,618,594
FEF	25.0090	5,628,826
MIF	26.6094	5,866,614
LGF	6.7228	1,389,930
LVF	12.5161	1,248,495
SRF	10.3733	323,893
SPF	9.8941	3,514,115
VEF	411.8520	33,803,736
REF	29.7286	5,034,038
AAF	169.8164	7,281,205
BIF	15.2827	3,726,713
GMF	11.2789	734,827
SAF	1.0000	6,507,082
CDF	1.0000	6,706,764
D15	9.6224	52,190
D25	10.1004	137,491
D35	9.7845	20,208
D45	9.9507	<u>94,376</u>

Total Qualified Retirement: \$89,131,342

IRA

As of 08/31/06

Fund	Unit Value	Asset Value
ITK	1.8372	298,282
IHB	11.0852	258,180
ISV	44.1269	2,454,334
ILG	6.7191	531,905
ISP	17.5597	1,345,527
ILV	14.2556	399,289
IRE	22.8709	1,231,549
IBP	29.2520	1,634,515
IBF	10.4632	285,214
ISA	1.0000	<u>1,644,675</u>

Total IRA: \$10,083,470

Total Guild: \$99,214,812