



# KREPPTEL TAX ADVISORY GROUP, INC.

TAXES, INSURANCE AND ADVISORY SERVICES

Newsletter February 2022

[www.kreppeltaxadvisorygroup.com](http://www.kreppeltaxadvisorygroup.com)

## A Message from Elliott Kreppel

Why is the stock market falling? The answer to this question can be very tricky. First, with inflation rearing its ugly head into our economy at a fast pace, the Federal Reserve has mentioned numerous times that they will take an aggressive stance and raise interest rates to head off any runaway inflation. This will leave investors running for the stock market exits to seek more safer and secure investments. Second, it has been a tremendous run in the stock market over the last 14 years since we had our last stock market debacle back in 2008. Investors have seen their assets easily double if not triple over that time frame. I guess the old saying is true, "What goes up must eventually come down".



## Annuities Explained: 5 Myths Debunked

Most people have heard annuities explained, but would be hard-pressed to distinguish fact from fiction. But annuities can be financial tools that may be worth exploring. To give you a deeper understanding of their potential benefits, here are five common myths about annuities.

### Myth 1: If I Have an IRA, I Don't Need an Annuity.

Annuities can provide tax-deferred growth, but traditional retirement accounts like IRAs are also tax-deferred, so there's a myth that there's no additional benefit to using annuities for tax qualified retirement assets.

However, annuities have features that standard retirement accounts sometimes lack. For example, if you want to help grow your money at a certain rate, receive lifetime income payments or lock in a death benefit, you may be able to do so with an annuity. However, you should keep in mind that annuities are subject to potential surrender charges, fees and tax consequences on early withdrawals.

### Myth 2: When I Die, the Insurance Company Keeps My Money.

Annuities come in several varieties, but with deferred annuities, you can generally withdraw money whenever you want. There may be a delay in receiving the funds and you may need to pay surrender fees, ordinary income tax and a 10 percent tax penalty if you're withdrawing before 59 1/2. You can also name beneficiaries who will receive the assets when you die.

With that said, when you "annuitize" a contract and create a guaranteed income stream, you typically lose the ability to take non-systematic withdrawals or leave your remaining account value to a beneficiary. If that concerns you, you could choose a "period certain" payout. This is one of a few ways to ensure payments continue to your beneficiary if you pass away before your annuity has ended.

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### Hours of Operation:

Monday - Friday  
9:00 a.m. - 5:00 p.m.  
Saturday  
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**Myth 3: My Money Is Locked Away With Surrender Charges.**

Annuities are for the long term but that doesn't mean your funds are unavailable — or even subject to surrender charges.

With annuities, there are several ways funds can be available to you:

- Typically, annuities offer a free withdrawal amount that is generally a stated percentage of your contract value. This amount is typically free from surrender charges, but you'll want to refer to your specific contract for details.
- Other aspects could also help provide access to the funds. For example, withdrawals are commonly free from surrender charges if you have nursing home expenses, are diagnosed with a terminal illness or need to satisfy IRS-imposed required minimum distributions (RMDs).
- Surrender charges generally don't last forever. This varies by contract, but charges typically decrease over the years until they no longer apply.

**Myth 4: Annuities Are Expensive.**

Some annuities have earned a reputation for being expensive, but there are several options that have different fee structures. It's helpful to understand what you could gain in exchange for what you give up.

Some of the potentially valuable features that may be available from annuities include:

- Guaranteed lifetime income for individuals and couples.
- Exposure to market gains — although returns are not always guaranteed.
- Potential growth of a benefit base that can generate income later in life.
- Death benefits, including stepped-up benefit amounts, period certain payouts and more.
- Tax-deferral on assets that would otherwise be taxable if you buy a qualified annuity.

Fortunately, you get to choose the type of annuity you purchase and what features are included, and you may be able to opt out of the ones you don't need. Insurers are required to provide clear disclosures describing fees, and your financial representative can help explain the pros and cons of each option to you.

**Myth 5: Annuities Are Just for Retirees.**

Annuities may be popular with retirees, but they could be useful for all generations. Although immediate annuities tend to be the more common choice among retirees, deferred annuities are more common when saving before retirement.

Pension plans are no longer a standard offering for employees, so workers are likely on their own to create an income stream that lasts a lifetime. Annuities could help fill that gap.

**Don't Fall Prey to Investor Scams**

According to the Fraud Research Center Americans lose 40-50 billion dollars to fraud each year. Although you may think the typical victim of an investment scam is a poor, easily confused grandma, the center reports that the most duped investor is a wealthy, educated, risk-taking male. It's estimated that 17% of adults will fall victim to financial fraud in the upcoming year. Below are some common scams and how to avoid becoming a victim.

**Cryptocurrency Scams**—This is one of the hottest areas in the investment field and hence scams are also extremely popular. Three of the most common types of cryptocurrency fraud are fake exchanges, fake mining hardware, and wallet phishing. Many of the sites perpetrating these crimes are highly detailed, knowing that the average cryptocurrency investor is tech-savvy. They may feature feeds of real bitcoin price data from other sites for example to lend credibility.

**Advance Fee Fraud**—If you are requested to pay a fee up front to get into a “great” investment your scam radar should activate. Many of these schemes imitate the language and strategies employed by legitimate marketing emails and can be difficult to identify initially.

**Ponzi Scheme**—Using your money to pay high returns to recent investors is the signature move of this type of fraud and Bernie Madoff proved that even smart investors can be fooled when he stole 20 billion dollars from over 16,000 people—many of whom were professional brokers and investors. Be wary of investing in companies that don't have an obvious legit means of generating revenue.



...continued from page 2 **Don't Fall Prey to Investor Scams**

**Prime Bank Scams**—In this scenario investors are invited to buy “prime bank” bonds in an overseas market with the promise of huge profits to be shared between the company and the investors. One warning sign is if you can't find information about the specific products they are offering on the internet. A dead giveaway is if the company claims their financial products are endorsed by the International Monetary fund or the World Bank—neither of which endorse any financial products.

### Fraud Protection Tips

Some red flags for fraud include:

- The offer comes via an email, messaging app or social network, or another source you don't recognize. Don't click on any links! If you're really interested, research the name of the company online to determine if they are legitimate.
- If it sounds too good to be true—it probably is. This old law holds true when it comes to investment offers that come with promises of astronomical returns.
- The email address looks off.
- Misspellings and/or grammatical errors in the offer.

A wise investment may be installing a security software for your computer that can detect phishing and other scams and erecting a firewall that doesn't allow them to go through and access your files.

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## Recipe of the Month

# 30 Minute Shepherd's Pie

A great winter comfort food!

### Ingredients:

- 2 pounds potatoes, such as russet, peeled and cubed
- 2 tablespoons sour cream or softened cream cheese
- 1 large egg yolk
- 1/2 cup cream
- Salt and freshly ground black pepper
- 1 tablespoon extra-virgin olive oil
- 1 3/4 pounds ground beef
- 1 carrot, peeled and chopped
- 1 onion, chopped
- 2 tablespoons butter
- 2 tablespoons all-purpose flour
- 1 cup beef stock or broth
- 2 teaspoons Worcestershire
- 1/2 cup frozen peas
- 1 teaspoon sweet paprika
- 2 tablespoons chopped fresh parsley leaves



### Directions:

Boil potatoes in salted water until tender, about 12 minutes. Drain potatoes and pour them into a bowl. Combine sour cream, egg yolk and cream. Add the cream mixture into potatoes and mash until potatoes are almost smooth.

While potatoes boil, preheat a large skillet over medium high heat. Add oil to hot pan with beef. Season with salt and pepper. Brown and crumble meat for 3 or 4 minutes. Add carrot and onion to the meat. Cook veggies with meat 5 minutes, stirring frequently. In a second small skillet over medium heat cook butter and flour together 2 minutes. Whisk in broth and Worcestershire sauce. Thicken gravy 1 minute. Add gravy to meat and vegetables. Stir in peas.

Preheat broiler to high. Fill a small rectangular flameproof casserole with meat and vegetable mixture. Spoon potatoes over meat evenly. Top potatoes with paprika and broil 6 to 8 inches from the heat until potatoes are evenly browned. Top casserole dish with chopped parsley and serve.

*Recipe and photo courtesy of foodnetwork.com*



## What our clients are saying about us!



**Prem J.** – Finally, I found an accounting firm to do my taxes where I was taken in at my scheduled appointment time without any wait. The CPA I had appointment with was very courteous and knowledgeable. I was amazed that he had answers for all my questions right away. Their fee is lower than most others I know, while the quality of service is excellent.

**Evon I.** – I've been using Kreppel Tax Group for a quite a few years and I have had nothing but positive experiences. I haven't had any negative experiences with any staff member. Highly recommend!



**Elliott L. Kreppel**  
President



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