

# Stability to Security with Index Crediting

## Financial Freedom: Without Washington & Wall Street!

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There are a few rules of investing that most people have heard of and can relate to in some way. One of them is **“Don’t Lose Money”**. This rule is so well-known that many have come to believe that it’s not always the rate of return on my money, more importantly it’s the **“Return of My Money”!**

Another commonly known rule of investing is the concept of **“Buy Low, Sell High.”** And while these are very good rules for investors to consider, conceptually, it is extremely difficult to implement them.

The Insurance and Financial Services Industry is now offering **Indexed Crediting Vehicles** which allow individual investors the benefits associated with products that automatically follows the rules of investing mentioned above. INDEX CREDITING can offer investors products that provide the **Peace Of Mind**, you **“Won’t Lose Your Money”**.

The vehicles that we offer, have Two Features that allow clients to lock in the various indexes at the low points and lock in the higher index values on an annual basis. Instead of trying to do this based on timing or emotion, this is done automatically “every twelve months”. The Two Features that make this possible are Annual **Lock-In and Annual Reset** (both of which are built into most of the fixed index products available). **I consider these two features the most significant benefits, but the least emphasized advantage of the power of Indexed Crediting.**

### Annual lock-in

Every contract year in where there is a positive interest credited, due to an increase in the associated index, that positive credit (or dollar amount of gain) is locked into the contract value. At that point, regardless of the future performance of the index that is linked to the product, **that gain can never be lost due to future declines of the index value. This has a similar effect to “selling high.”**

### Annual reset

Every contract year in where there would have been a negative result credited, due to a decrease in the associated index, that negative amount (or dollar amount of loss) is Not Applied to the contract value. At that point, the starting point of the index for the following contract year is set at the new, lower index value, regardless of how much lower the initial index value was at that time. This has a similar effect as **“buying low.”**

Since most fixed index products offer principal protection, they inherently conform to the first rule of investing. **“Don’t Lose Money.”** With the benefits of the annual lock-in and annual reset, investors are able to own a product that has the added value of the **“Buy Low; Sell High”** rule built into the product’s structure.

Investors should be aware that there are some disadvantages of these index strategies and should consider those issues when deciding where to use these instruments in their overall portfolio. Some disadvantages include, but are not limited to, index caps, index participation rates, index spreads, contract fees, contract surrender penalties and so forth.

**Indexed Strategies are not perfect or “too good to be true” in any way nor are they a fit for all investors. They can offer a significant risk-adjusted, rate of return for a portion of investors’ portfolios.**

Stability & Security Index Crediting/MMD

\* Tax Free Distribution or Income are based on the use of partial surrenders and zero or low cost loans and policy structured within the MEC guidelines with the policy remaining in force! Kelm Financial Services Inc. does not provide legal advice nor tax calculations, preparation or advice. Consult with a licensed professional in that field for additional information.



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