

Financial Terms

1) Guaranteed Withdrawal Benefit (GWB)

Usually a rider found on variable annuities that guarantees certain withdrawal benefits.

2) Custodian

This is the place where your funds are held. It serves the purpose of holding the funds and preparing tax reporting documents. It is similar to a bank. Some common custodians that John uses are: Pershing, TD Ameritrade, and (TCA) Trust Company of America.

3) Real Estate Investment Trust (REIT)

John uses non-traded REITs which means they are not publicly traded. They are typically a 4-year or longer holding, although they do pay dividends monthly or quarterly.

4) Index Annuity

An annuity that is performance-linked to a certain index that usually credits performance annually or biannually. It also protects against loss: if the index is negative, the annuity will credit 0. It also offers a 10% penalty-free withdrawal annually. John commonly refers to this as a client's "fixed bucket." A common company John uses is (JNL) Jackson National Life.

5) Standard & Poor's 500 Index (S&P 500)

An index of 500 stocks most commonly used to measure market performance.

6) Draw Down

A measurement of an account at its lowest point until it reaches a new high. This is used to determine the risk of a particular investment.

7) 3rd Party Money Manager

Managers that John has researched to manage client accounts with a specific portfolio. They have the ability to make trades within your account according to the model you have chosen. Some common managers John uses are: W.E. Donoghue & Purcell (WED).

8) Semi Standard Deviation

A measurement of loss within a certain account.

9) Tactical Management

A style of management that is opposite to strategic management; a tactical manager goes in and out of the market in order to reduce loss. This style does not usually capture all of the upside of the market, but it tends to not capture all of the downside as well.

10) Strategic Management

A style of management that is similar to the “buy and hold” process. It usually captures all of the upside and all of the downside of the market.

11) Tenants in Common (TIC)

A joint account composed of after tax dollars.

12) Non-qualified (NQ)

A **non-retirement** account that is composed of after-tax dollars; you do not have to take an RMD.

13) Roth IRA (Roth)

A special account that is composed of after tax dollars. It is not subject to RMD and withdrawals are not taxable.

14) Required Minimum Distribution (RMD)

A mandatory distribution required by the IRS from all retirement accounts (IRA and 401k) at age 70½. Failure to take this distribution results in a 50% penalty imposed by the IRS.

15) Individual Retirement Account (IRA)

Composed of funds that have not been taxed and will be taxed as they are withdrawn. You must be 59½ to withdraw from this account type without a penalty. These funds are also subject to Required Minimum Distribution (RMD) at age 70½.
