



By **STEVEN PODNOS, MD, CFP**

Are variable annuities an investment or insurance?

Variable annuities have been sold by insurance companies to physicians and others for many years. These high-commission products were marketed on the basis of capturing gains in the stock market in a tax-deferred envelope.

In the past, investment advisers generally considered variable annuities an expensive way to own mutual funds and did not use them for clients. With the addition of “guaranteed living benefits,” however, these vehicles deserve a second look due to their performance in flat or down markets, and as a way of ensuring that doctors and others have enough money to see them through retirement.

These investments involve giving an insurance company a lump sum of after-tax cash. You then may allocate the cash into different mutual funds investing in stocks, bonds, and other common asset classes. At a predetermined point in the future, you are allowed to make certain withdrawals, based on the earnings on the accounts after subtracting expenses.

WITHDRAWAL RIGHTS

In recent years, the insurance companies have added riders that allow guaranteed withdrawal rights of a certain percentage of the account regardless of the actual performance of the underlying investments. These companies also will guarantee a mini-

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mal investment return as a “floor,” regardless of actual performance. The insurance companies do this by establishing two accounts: a “real” account that invests in securities and is used to pay expenses, and a “phantom” account that grows according to an agreed-on schedule and pays you your distributions. The distributions are usually a fixed percentage of whichever account is higher.

When you die, your family gets the balance of the real account. If that account performs poorly and/or has high expenses, little or nothing may be left for them to inherit. But if your account has good underlying performance and you happen to die early, there may be some assets to leave. Death benefit riders guaranteeing an inheritance also are available.

If the investments do much better than expected, the value of the account from which withdrawal percentages can be drawn increases. For example, one current annuity offers to double your original investment amount if the account is left untouched for 10 years, and then offers

a 5% withdrawal rate for life on the doubled investment beginning at age 65. So \$100,000 deposited at age 55 would translate into a guaranteed offer of \$10,000 a year return for life beginning at age 65.

INSURED INCOME

The addition of guaranteed living benefits enables insurance companies to sell these annuities as an investment and a type of insured income. The underlying expenses, however, usually are too high to realistically allow a decent return on investments. Therefore, these annuities should be evaluated only as sources of guaranteed income, including the assumption that the principal of the investments will not be touched beyond what is mutually agreed to when making the investments. Excess withdrawals of any type usually are penalized severely in terms of guarantee reductions and ultimate benefits. Look for the term “guaranteed withdrawal benefit for life” because this characteristic is vital.

In sum, variable annuities are now an option to consider as long as you think of them only as a guaranteed lifetime income stream. If a high return is your goal, you’re probably better off looking elsewhere.

POWER POINTS

Variable annuities are generally sold through insurance companies.

Variable annuities provide a guaranteed income stream for the duration of retirement.

Depending on the performance of the underlying investments, they may not leave any assets to inherit.

The author is a financial adviser and the principal of Wealth Care LLC based in Merritt Island, Florida. The ideas expressed in this column are his alone and do not represent the views of *Medical Economics*. If you have a comment or a topic you would like to see covered here, please e-mail medec@advanstar.com.

HEART DISEASE

Cognitive behavioral therapy may reduce cardiovascular disease

Arch Intern Med. 2011;171:134-140. [January 24, 2011]

Cognitive behavioral therapy (CBT) may decrease the risk of recurrent acute myocardial infarction (AMI) and cardiovascular disease. Researchers from the Uppsala University Hospital in Sweden examined 362 patients aged 75 years or younger who were discharged from the hospital after having a coronary heart disease event. Patients were randomly assigned to receive traditional care alone (170 patients) or in combination with a CBT intervention program (192 patients). Intervention consisted of 20 2-hour sessions during the course of 1 year, focusing on stress management. Patients were followed up for an average of 94 months. The investigators found that patients in the CBT intervention group had a 41% lower rate of fatal and nonfatal first recurrent cardiovascular disease events, as well as 45% fewer recurrent AMIs compared with patients receiving traditional care. Patients who participated in CBT intervention also had a small but insignificant reduction in all-cause mortality compared with patients who received traditional care. There was a strong dose-response effect between attendance at the CBT intervention program and outcome.

Exercise helps patients with heart failure fight depression

Am J Cardiol. 2011;107:64-68. [January 2011]

Researchers at the Ochsner Clinical School—The University of Queensland School of Medicine in New Orleans, Louisiana, studied the effects of structured exercise training (ET) on patients with heart failure due to coronary heart disease, including 151 patients who completed the ET program and 38 who dropped out of rehabilitation without ET. Participants completed questionnaires about their depressive symptoms at baseline and after the structured ET program was completed. The patients' overall rates of depressive symptoms decreased by 40% after ET, from 22% to 13%. Patients who were still depressed after ET had mortality rates that were four times higher than those whose depressive symptoms resolved after exercise. Depressed patients who remained in the ET group had a 59% lower mortality rate than those who dropped out.

Colonoscopy offers strong protection against CRC

Ann Intern Med. 2011;154:22-30. [January 4, 2011]

Colonoscopy may be associated with a strongly reduced risk for colorectal cancer (CRC), with risk reduction observed for both left-sided and right-sided CRC. German researchers collected data on 1,688 patients with CRC and 1,932 controls to assess the association between prior

colonoscopy and risk for CRC. Colonoscopy within the last 10 years was related to a 77% reduction in CRC risk. The adjusted odds ratios for right- and left-sided CRC were 0.44 and 0.16, respectively. The reduction in risk was strong for all ages and cancer stages aside from right-sided cancers in people aged 50 to 59 years. Risk reduction in both sides increased over the years.

Air filters may reduce cardiovascular disease risk

Am J Respir Crit Care Med. Online before print. ajrccm.atsjournals.org/cgi/content/abstract/201010-1572OCv1 [January 21, 2011]

The use of high efficiency particle air (HEPA) filters may help to reduce the risk of cardiovascular disease associated with air pollution exposure. Researchers at Simon Fraser University in Burnaby, Canada, used portable HEPA filters in a randomized crossover intervention study of 45 healthy adult participants from 25 homes in a woodsmoke-impacted community exposed to consecutive 7-day periods of filtered and unfiltered air to assess the impact on particle exposures and endothelial function. The portable HEPA filters reduced the average concentrations of fine particulates inside homes by 60% and woodsmoke by 75%. These reductions were associated with improved endothelial function, with a 9.4% increase in reactive hyperemia index, as well as decreased inflammation, with a 32.6% decrease in C-reactive protein.

Familial alcoholism risk may be linked to obesity

Arch Gen Psychiatry. 2010;67:1301-1308. [December 2010]

Familial alcoholism risk may be associated with obesity, especially among women. Researchers at the Washington University School of Medicine in St. Louis, Missouri, conducted analyses of the repeated cross-sectional National Longitudinal Alcohol Epidemiologic Survey (1991 to 1992) and National Epidemiologic Survey on Alcohol and Related Conditions (2001 to 2002) to determine whether familial risk of alcohol dependence predicts obesity and whether any such association grew stronger between the early 1990s and early 2000s. Compared with women without a family history of alcoholism in 2001 to 2002, the women with a family history had 49% higher odds of obesity, a highly significant increase from 1991 to 1992. Although the association was significant for men in 2001 to 2002, it was not as strong as for women. The association for women remained robust after adjustment for covariates; however, the association for men did not meet statistical significance criteria after adjustment for covariates.

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