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Equity Indexed Annuities

Another handy way to save for retirement has been gaining media attention

Maybe you've recently maxed-out your 401(k) and your IRA, and you're still looking for ways to save for retirement and defer taxes. If so, a relatively new tool on the market may help you meet your financial goals. It's called an Equity Indexed Annuity (EIA) and it's gaining in popularity.

Equity indexed annuities take advantage of the security of annuities and potential market gains. They've gained media attention as an insurance product that can profit from gains in market indexes. According to *USA Today*, currently 41 companies offer a total of 131 equity indexed annuities. The combination of the security of an annuity and the potential growth of the stock market has led to an increase in the amount of annuities purchased and also the amount of scrutiny given EIAs by the media and regulatory groups.

Like a regular fixed annuity, you put money into an annuity in return for interest and a steady stream of income after you've retired. Income guarantees are based on the claims-paying ability of the insurance company. The difference is that with an equity-indexed annuity you have the potential to earn more future savings depending on the performance of the index to which it's tied. Many EIAs are based on the Standard & Poor's 500 index.

One possible downside is that the insurance company with whom you contracted for the annuity can set limits on the amount of market gain you actually receive. While you still have an opportunity for adequate growth, it may not always be at the same level as the index.

Insurance companies can limit your potential gains in several ways. For example, they can put a cap on your growth. If they assign a 10 percent cap, and the market increases 20 percent, you get only 10 percent of the gain. They can also give you only a percentage share of the index performance. For example, if they set the rate at 70 percent of index performance, and a particular index rose 10 percent, you would earn 7 percent. Finally, they can implement margins or spreads. If your margin was set at 4 percent and the market rose 10 percent, your annuity would rise only 6 percent.

How and when interest is credited to your EIA is an essential component as well. Some EIAs calculate interest by comparing your account value at the beginning of the year to its value at yearend. Assuming a gain, the difference is added to your account using the guidelines above. Others take the value of your EIA then add the value gained after the entire term of the EIA which could be many years.

One of the biggest advantages of EIAs lies in taxes. Future income and earnings in an annuity generally offer tax-deferred growth. This is especially helpful if you expect to be in a lower tax-bracket during retirement.

Keep in mind that EIAs are primarily a retirement savings vehicle and usually have a penalty for early withdrawal. There is an additional 10 percent tax penalty if you withdraw before age 59-1/2. However, many annuities have a provision that allows you to withdraw 10 percent of your funds without paying a penalty. Withdrawals will reduce the amount paid to beneficiaries at the time of death.

As with most investments, there is always risk, and you should consult carefully with a financial professional before you choose to invest. As an alternative to traditional retirement savings, EIA's may be a viable option to help you plan for retirement.

[James W. Coleman of Coleman Financial Advisory Group, is a Registered Representative with Securities America, Inc., a Registered Broker/Dealer, member NASD/SIPC. Advisory services offered through Securities America Advisors, Inc., A SEC Registered Investment Advisory firm. He can be reached at 756-7526 or by e-mail at Jim@ColemanAdvisoryGroup.com Visit our website: www.ColemanAdvisoryGroup.com]

Prospect Land Trust News

Somehow the months are flying by. It seems like yesterday that the Prospect Land Trust sent out informational brochures to all the households in Prospect. We want to take this time to thank all of the new individuals and families who decided to join our organization. Thank you all for your support. And many thanks as well, to all our previous members for their continued support. It is nice to know that so many people care about open space in our community.

If you have misplaced your brochure, it is not too late to join. Membership fees, which fund the organization, are just \$10 for individuals and \$15 (or more) for families. Checks may be made out to Prospect Land Trust, Inc. and can be mailed to P. O. Box 7375, Prospect, CT 06712. The public is also invited to learn more about the organization by attending one of our monthly meetings which are held on the fourth Thursday of each month in the Prospect Library Community Room at 7:30 p.m. We look forward to hearing from you.

And speaking of time passing quickly, autumn will soon be upon us and so will Prospect Land Trust's Annual Fall Hike. To date, decisions have not been made as to where it will be held, but an announcement will be printed in the next issue of *The Prospect Pages*. In the meantime, enjoy the remaining days of this wonderful season.

Waterbury Emblem Club News

The Waterbury Emblem Club 552 will next meet on Tuesday, September 19 at the Waterbury Elks Club. Members are reminded that the 1st CSAEC State meeting will be held on Sunday, September 17 in Putnam. A donation of \$11.50 per person will include lunch, dessert and beverage.

On Friday, September 22, the Emblem Club will be hosting a Comedy Night. A \$25 donation for this event will include dinner, as well as the entertainment provided by two New York comedians.

A fundraiser for 3rd Vice President Mary Clifford will be held on Sunday, October 15. A donation of \$10 per person will help defray the costs associated with Mary's Supreme Presidency. The fundraiser will be held from 12 noon to 3 p.m.

The Waterbury Emblem Club will be sponsoring a day trip to New York City on November 4. Buses will be leaving at 7:30 a.m. from the Hamilton Avenue commuter lot in Waterbury. After the full day in New York, the bus will leave the Big Apple at 4 p.m. The total cost of \$30 will save your seat.

The Emblem Club was

recently called upon to assist the Waterbury Elks with their yearly Golf Tournament. Some of our members spent the day at the Southington Golf Course, while other members helped set-up, serve, and clean-up at the dinner banquet.

Our Waterbury Emblem Club is always looking for new members. If you are interested in any of the above events, would like to attend a meeting, or learn more about us, please contact Cindy at (860) 558-0113, Maggie at (860) 283-6019 or Linda at 758-5158.

Dessert Card Party Set for September 15

The Friends of the Prospect Library will be hosting a Dessert Card Party on Friday, September 15 from 7 to 9 p.m. Coffee and dessert will be served at the Prospect Senior Center at a \$3 donation per person. Door prizes and table prizes will be available, as well as a nickel auction. All proceeds will benefit the Prospect Library.