

Watch Those Comparisons



Make sure your comparisons are apples to apples

By Stephen Dybwad

Which is better, a hammer or a screwdriver? It depends on what you are trying to accomplish, doesn't it? Both of them can be wonderful, or both of them can be useless. And even though you are comparing similar things (tools), it all depends on the task at hand, doesn't it?

Now, which is better, a hammer or a banana? What? How do you compare a hammer and a banana? Well, you really can't, can you? They are completely dissimilar. Although, even with their dissimilarities, which of these is best would still be determined by current needs, like, am I hungry? or do I need to connect some 2 x 4's?

So, which is better, stocks or annuities? Is this a comparison of similar things or dissimilar things? The answer is, both. Stocks and annuities are similar because they are both financial vehicles, but they are wildly dissimilar because one doesn't guarantee ANY of your money, and the other guarantees ALL your money. Stocks compare better to mutual funds, commodities, and other equities.

Annuities compare better to CD's, money markets, and other guaranteed investments.

Whether or not the comparison of stocks to annuities is valid, the comparisons will always be made, and you have to know how to make that determination. It's relatively simple, and always comes down to this: What am I trying to accomplish? If you need to accumulate substantial sums of money in a relatively short time period and don't mind the risk of losing your investments, then stocks might be appropriate for you. If you need to protect your money and guarantee it will

last for the rest of your life, annuities may be suitable for you.

The truth is this: every financial product is pretty good if it is used for what it was designed to do. That very same product is horrible if it is used to try to accomplish something it was never designed to do. Beware of the advisor who cannot acknowledge the benefits of every financial product – even the ones he or she doesn't sell. Also, beware of the advisor who is more interested in telling you how great his or her investment is than in finding out what you are trying to accomplish.

Asking the right questions, and making the proper comparisons, is often the first step in making sure you get the best information for your situation. I will show you how to stop asking common questions and start asking great questions in my upcoming articles.

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