



BOB CARLSON'S

Retirement Watch
SPOTLIGHT SERIES

How to Generate Guaranteed Lifetime Income

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The New Retirement Goal

Lifetime income security:

- **Keep principal secure**
- **Guarantee lifetime income**
- **Inflation protection**

Also known as: The Retirement Paycheck

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The Major Obstacles

- **Low yields/returns**
- **Longevity**
- **Inflation**
- **Long-term care**

**Others: medical expenses, taxes,
market volatility, lack of support**

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The Solution to Retirement Income Security

- **low cost**
- **guaranteed**
- **recommended by most economists**
- **cash flow lasts for life**
- **been around for centuries**

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The Solution to Retirement Income Security

Supported by research:

- **makes portfolios last longer**
- **more likely to meet retirement goals**
- **you can take more investment risk**
- **better than bonds**

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The Solution to Retirement Income Security

Annuities, but...

- the right type for you
- that you understand
- purchased the right way

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Problems with Annuities

- **Can be complicated**
- **Can have high fees**
- **Returns can be overstated**
- **Often purchased the wrong way**

**But these problems don't apply to
all annuities**

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Overview of the Annuity World

- **6 basic types of annuities**
- **2 for the accumulation years**
- **2 for the retirement paycheck**
- **1 to almost always avoid**
- **1 to sometimes avoid**

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Fixed Income Annuity

- **Basic deferred annuity for savings**
- **Simple, transparent, low cost**
- **Limited liquidity**
- **Replace bonds or CDs**
- **2 types:**
 - **Traditional fixed**
 - **Multi-year guaranteed annuity (MYGA)**

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Fixed Index Annuity

- **Can be complicated, higher fees**
- **Guaranteed minimum return**
- **Potentially higher return based on index**
- **Many choices available, some good**
- **Replaces bonds or CDs**
- **Knowledgeable, independent agent**

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Variable Annuity

- **High fees, potentially complicated**
- **Mixed tax picture**
- **Taxable account can be better**
- **Expensive, complicated riders**
- **Promises, not guarantees**
- **Beware living benefits**

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Immediate Annuity

- **Single premium immediate annuity (SPIA)**
- **The original annuity**
- **Guaranteed lifetime income**
- **Certainty**
- **Low, built-in fees**
- **Private or personal pension**

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Deferred Income Annuity

- **Also called longevity annuity**
- **Pay me later**
- **Relatively new**
- **Offer the highest income payout**
- **Very flexible, low cost**

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Charitable Gift Annuity

- **Variation of SPIA**
- **Lower income payout, rest is gift**
- **Potential current tax deduction**
- **Good for charitably-inclined**

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Summary:

- **For pre-retirement investing:**
 - **Fixed income annuities**
 - **Fixed index annuities, if selectively purchased**
- **Guarantees and tax advantages**

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Summary:

- **For guaranteed retirement income:**
 - **Single premium immediate annuities (SPIA)**
 - **Deferred income annuities (DIAs), or longevity annuities**
 - **Charitable gift annuities**

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Why Don't More Retirees Own?

- **Bad media**
- **Not pushed: low commissions, not sexy**
- **No legacy**
- **Lack of control**
- **Give up potential return**
- **Not understood**

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Why Retirees Should Own

- **Transfer the two major retirement risks**
- **Reduce stress**
- **Less dependent on markets**
- **Legacy, other issues have solutions**

Key point: Annuities are a contractual transfer of risks

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Good News Is Spreading

- **Annuity sales are increasing**
- **The right types of annuities are selling**

Why now?

- **Baby Boomers**
- **Higher interest rates**
- **Publicity about “fiduciary rule”**

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SPIA vs. DIA

- **Buy a DIA now or wait to buy SPIA?**
 - **DIA will likely pay higher annual income:**
 - **Mortality credits**
 - **Higher earnings**
 - **A rider can keep insurer from big win**
- Plan early, receive quotes for each**

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How to Take Your Income?

- **Your life (single life)**
- **Joint life with 100% to survivor**
- **Joint life with less to survivor**
- **A life option with guaranteed payment**
- **Term of years**
- **Return of premium rider**

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Sample Lifetime Income

- **\$100,000 deposit, age 65, SPIA**
- **Single life:** **\$569.94**
 \$536.34
- **Joint life (100%):** **\$483.38**
 \$480.20

Source: annuities.direct

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Sample Lifetime Income

- **\$100,000 deposit, age 60, DIA income at 65**
- **Single life:** **\$694.80**
\$648.76
- **Joint life (100%):** **\$574.69**
\$570.76

Source: annuities.direct

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Retirement Watch Key Advice

Shop around

Increase lifetime income by ~20%

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Where to Find Today's Best Annuities, Annuity Rates

- **David and Todd Phillips, Phillips Financial Services, Phoenix, AZ 888-892-1102**
- **Stan Haithcock (Stan the Annuity Man) 800-509-6473**
- **Annuities.direct**
- **Annuities.com**

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What Is My Annuity Return?

- **Several methods to calculate cash flow:**
 - **Present value**
 - **Internal rate of return**
 - **Implied longevity yield**
- **Each uses several assumptions**
- **Many calculators available; use several**

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What Is My Annuity Return?

- **Use to compare annuities, not to estimate rate of return**
- **Don't know real return until payments end**
- **Maximizing rate of return isn't main goal**

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How Safe Are Annuities?

- **Among oldest, most secure companies**
- **Use only top-rated insurers**
- **State guaranty associations**
- **No federal guarantee or fund**
- **Few people have lost money in annuities**

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Other Key Questions

- **What is the best age to buy?**
- **Should I wait for higher yields?**
- **What about annuity ladders?**
- **What about those 8% yields?**
- **Can my IRA buy an annuity?**
- **Who are the best annuity providers?**

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Annuities & Long-Term Care

- **LTC Annuities or LTC Rider**
- **Provides 2-3 times more money for LTC**
- **Have full access to annuity**
- **No use-it-or-lose-it feature**
- **Premiums don't change**

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