

FINANCIAL CONFIDENCE HELPS LEAD YOU TO A

# HAPPY RETIREMENT

When many of us picture retirement, we envision laid back days of enjoying hobbies, spending time with family and friends, and perhaps traveling to beautiful destinations. Unfortunately without proper planning, many people may not be able to achieve this vision. A common thread among those who are happiest in retirement is related to confidence in finances. Defined income goals, accumulating wealth, and having a guaranteed retirement paycheck all help to boost satisfaction and create assurance in those golden years.

As more companies move away from providing pension plans, the responsibility of having enough income for retirement is shifting largely to you. Many people are not prepared, where 46% of all American workers have less than \$10,000 saved for retirement and 29% have less than \$1,000 reserved.<sup>1</sup> You have many options when trying to build a more stable financial future. In looking specifically at annuities, 9 out of 10 annuity owners had a positive outlook about the lifestyle they will enjoy during their retirement years.<sup>2</sup> The top reason people purchased an annuity was to bridge the gap between money received from social security and pensions and money needed to meet living expenses in retirement. Other important reasons were to accumulate wealth for retirement and to have guaranteed lifetime income.

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## What is an annuity?

An annuity is a contract between you and an insurance company. In exchange for your premium payment, the insurance company provides you income, either immediately or at some time in the future.

## Fixed Annuities & Fixed Indexed Annuities – What’s the Difference?

When you buy a fixed annuity, the insurance company will guarantee a certain interest rate for a set period, often five years or longer. Once the guaranteed rate expires, the insurance company will continue to pay interest on the annuity based on their current interest rates.

A fixed indexed annuity is different than a fixed annuity in the way that earnings are credited. A fixed indexed annuity can earn interest based on the movement of a stock market index, like the S&P 500®, up until a cap rate, allowing the money in your contract to grow. It also protects your contract value from market index risk, so you will never lose money from your annuity when there is a downturn.

## Most Annuity Buyers are Satisfied Customers

Of those who purchased traditional fixed annuities, 99.99991% of annuity customers are satisfied with their purchase.<sup>3</sup> This high rate of satisfaction is likely due, at least in part, to greater transparency and ethics in the annuity business. You will know exactly what you are getting in regards to interest, fees, and guaranteed income payments. Purchasers of all annuity types found the financial strength of the issuing insurance company to be a very important factor when purchasing such a product.

This feedback raises a couple simple questions. Why the continued growth in the fixed indexed annuity arena? Why are consumers choosing this solution to meet their retirement needs and help reach their long-term goals? There is no universal answer, but it is most likely due to the many product features that provide useful benefits and offer protection against the various risks that can potentially deplete future savings. Fixed indexed annuities bring a great deal to the table, including guaranteed\* lifetime income, the opportunity for tax-deferred growth, protection of premium from potential market downturns, as well as built-in flexibility; allowing access to remaining contract values in case needs change.

## Counteracting Retirement Risks

Even if you have been diligent about saving for the future, many times those assets can quickly be depleted by risks such as longevity, inflation, market uncertainty or unplanned medical expenses – definitely not the happy retirement you may have imagined for yourself. Thankfully, products like fixed indexed annuities can help to counteract these retirement risks and protect your hard earning savings from potential loss.

When looking at longevity and the aging population, a male who reaches age 65 is expected to live an additional 19.3 years and a woman of the same age will live another 21.6 years. Overall, 25% of 65 year olds are expected to live into their 90's.<sup>4</sup> Since you have the potential to live longer, you will need to plan for an extended period of time without an income and this could put more strain on your savings by trying to make those dollars last as long as possible. A fixed indexed annuity addresses the longevity risk directly by offering a guaranteed\* retirement paycheck no matter how long you live. When you add an optional rider, you will know from day one exactly the amount you will receive every year, for the rest of your life. Adding a bit of certainty and guarantee to an unpredictable future can unarguably help you feel more at ease about the years ahead.

Inflation is also a very real risk in today's financial landscape. Many of us have probably realized that things just don't cost what they use to. From every day products, to cars, houses and medical care, price tags have risen across the board. Inflation can be a risk to retirement savings as well and the longer a person is in retirement, the greater the impact of inflation. As a result, there has also been a decline in the purchasing power of a dollar. For example, every dollar you had in 1985, you would need \$2.17 today to purchase the same goods and services.<sup>5</sup> The key factor behind a loss of purchasing power is earning less on savings than the rate of inflation. Products like fixed indexed annuities can offset inflation and protect purchasing power by offering that guaranteed retirement paycheck.

Over the past 14 years we have seen the S&P 500® Index cut in half twice. However, despite these drops, over this same time period the S&P 500® Index grew by 21%.<sup>6</sup> For those of you worried about market volatility, fixed indexed annuities offer a guaranteed minimum return, along with the potential to earn additional tax-deferred interest when the market increases. Plus, when the market experiences negative downturns, your principal is protected and no money will be lost. Having a retirement strategy in place and supplementing

that plan with a fixed indexed annuity can provide a little serenity in a sometimes stressful, unstable environment.

### **Providing Income for Long Term Care**

Just like the unpredictability of the market, one cannot forecast the future or know what unforeseen events or illnesses may occur. Long term care is a growing cost in this country and the cost of care from an extended illness can quickly diminish a person's assets. Several fixed indexed annuities in the marketplace today have optional riders that enhance an income payment in the instance the annuitant requires long term care. These riders often double or triple the normal income payment for a certain period of time, providing you with great value when you need it most. While thinking of a potential illness definitely does not add to your level of happiness, knowing you are covered in the instance it does happen can at least help boost your confidence and peace of mind.

### **Continuing the Pursuit of Happiness**

Retirement should be a joyful time and putting a plan in place can help to make that a reality.

If you are able to maintain your standard of living into retirement, have assets in case you need them, and have the potential to accumulate wealth during favorable market years, you will most likely be a satisfied customer. Of course fixed indexed annuities aren't suited for everyone, but can be a good fit for those who:

- ▶ Seek to compliment other income sources such as Social Security

- ▶ Do not have any type of guaranteed\* lifetime income or defined benefit pension plan in place
- ▶ Are risk-averse and are looking to protect premium, while at the same time seeking market indexed growth
- ▶ Are looking for a way to convert sums of cash from retirement plans into immediate income
- ▶ Want a flexible plan that can adapt to changing needs

It's important to understand all aspects of the product before you make a purchase. Your financial professional can explain all the products in the marketplace today and discuss your options. With their assistance, you can make an informed decision about your future now, that will leave you time to actually enjoy those hard-earned dollars when retirement arrives.

Annuities are insurance products backed by the claims-paying ability of the issuing company; they are not FDIC insured; are not obligations or deposits of, and are not guaranteed or underwritten by any bank, savings and loan or credit union or its affiliates; are unrelated to and not a condition of the provision or term of any banking service or activity. Annuities contain some limitations, including possible withdrawal charges and a market value adjustment that could affect contract values.

<sup>1</sup> More than Three-Quarters of Recent Annuity Buyers Were Satisfied with Their Annuities. LIMRA. August 8, 2012.

<sup>2</sup> LIMRA Secure Retirement Institute. November 6, 2014.

<sup>3</sup> NAFA Highlights Facts about Annuities. Robust Regulation, High Consumer Satisfaction Surround Sales of Fixed Annuities. Accessed May 17, 2016.

<sup>4</sup> Security Website. Calculators: Life Expectancy. Accessed January 22, 2016.

<sup>5</sup> Bureau of Labor Statistics. Accessed February 26, 2015.

<sup>6</sup> S&P 500® Daily Index 01/03/00-12/31/14

\*Guarantees provided by annuities are subject to the financial strength of the issuing insurance company; not guaranteed by any bank of the FDIC.

This information is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Recommendations for financial product or financial strategies must be suitable for the individual based on their circumstances. Please consult your tax or legal advisor regarding your particular situation.

A fixed indexed annuity can provide annuitization as a means to provide retirement income payments. An alternative option to annuitization could be the purchase of an optional lifetime income rider, a benefit for which an annual premium is charged.

Annuities are designed to meet long-term needs for retirement income. They provide guarantees against the loss of principal and credited interest, and the reassurance of a death benefit for beneficiaries.