Welcome to the 21st Century YOYO Retirement Plan

A working agent looks at what his Boomer and GenX clients are up against.

By **Tim Todd** | October 25, 2018 at 01:57 PM

A recent **ThinkAdvisor article** covered a new white paper study on the effects of wellness on income planning. The reporter addressed the impact of improved health on retirement income needs, and ways younger workers can plan for a healthier retirement.

But the **white paper referenced** — which came from HealthyCapital and the Insured Retirement Institute (IRI) — highlights much more significant and urgent matters: The study shows that more than three of every 10 current retirees would like to change their financial situation, and that the number of retirees declaring bankruptcy has increased by 250% in the last 25 years!

Since the early 1980s, the landscape has shifted, from employers offering workers a defined pension plan to employers providing defined contribution retirement plans. Workers have had to learn how to save for their retirement on the fly.

In addition, according to a **2017 Pew Charitable Trust study** based on Census Bureau survey data, about 35% of private companies offer neither a pension nor a contribution plan. A report on the Bureau of Labor Statistics 2015 National Compensation Survey shows that about half of the private companies offering a 401(k) plan have a match of 0%.

Take a moment and let that sink in.

For every 100 companies in the private sector, 35 offer no defined retirement plan and about 14 offer a defined pension. That leaves 51 companies. Twenty five of those 51 companies do not contribute *1 cent* to their employees' retirement.

Welcome to the 21st Century YOYO Retirement Plan — also known as,
"YOU'RE ON YOUR OWN!"

The Annuity Solution

All of this means that working Boomers and Gen Xers need to get a handle on their retirement by taking steps ***now***. Of course, it makes sense for 30-year-old workers to develop long-term retirement plans, but the imminent and drastic need for action is for those in their 50s and above.

The ThinkAdvisor article spoke of the need for a hypothetical client, Susan, to buy a couple of annuities 30 years down the road. While that makes sense, the purchase of annuities for soon-to-be retirees makes even more sense, never mind the ads placed by some so-called experts.

If you Google the term “Swiss army knife of retirement,” you’ll get results showing Roth IRAs, reverse mortgages, whole life insurance and indexed universal life insurance. But, if your client is looking for a private, self-funded pension with the most flexibility, certainty and guarantees, the **fixed index annuity** with a guaranteed lifetime income rider is the product to put in the portfolio.

There are FIAs out there that can, with certainty down to the dollar, show your client exactly the amount the client will be able to withdraw as income for life if the client waits 10, 15 or even 20 years from now.

Just like with the pension options of old, your client can have income that will last a lifetime. Or, if two clients are married to each other, they can choose an income stream that will last as long as one of the clients is alive. However, there is one important way a fixed index annuity is different from a pension: Should a client pass prematurely, any remaining assets in the account will go to the client’s beneficiaries. Is the client concerned about inflation? If so, the client can purchase an annuity that will increase the lifetime income amounts.

Retirees’ Biggest Risk

Finally, the ThinkAdvisor article and the white paper never really address the need for long-term care planning. In my 20-plus years as an insurance planning specialist, the one area that the thinking has usually been upside down about has been LTC planning.

The single greatest risk retirees face — above longevity, and above market losses — is the risk that they will need care as the result of having a chronic condition. That's another area where the fixed index annuity can benefit those in retirement. A benefit that will double the amount of income from the guaranteed living withdrawal benefit (GLWB) rider may enable some annuity holders to stay in the comfort of their homes and delay, or even avoid, nursing home use, without exhausting their remaining assets.

It makes sense to adopt a wellness-based lifestyle, to be pro-active as opposed to reactive. ***That applies to your health as well as your wealth***!

The HealthyCapital/IRI white paper shows how living with wellness is less expensive than living with illness, and can add years to your client's life. Proper planning with annuities can provide the optimal utilization of your client's retirement assets, no matter how long your client lives.

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