

# Retirement Ready?

## What TSP Holders 59½+ Must Know Before Buying an Annuity



THE SOCIETY FOR FINANCIAL AWARENESS

DC Metropolitan Chapter [www.dcsdfa.org](http://www.dcsdfa.org)

Presentations are intended for educational purposes only and do not replace independent professional judgment. The information discussed is basic and general in nature and is intended for educational purposes only. No specific product or companies are being solicited. It is recommended that you consult the advice of certified professionals regarding your specific situation. Please understand that laws and regulations are subject to local variations and may have different interpretations. Therefore, should legal advice be required, it is recommended that you seek the advice of a qualified attorney in your state of residence. No specific investment advice is ever intended. Financial products can vary, therefore, always examine the detail of the product structure, provisions and features. Any discussions regarding interest rates, rates of return, and tax rates are purely hypothetical and not intended to represent assurances or guarantees. The presenters of this information are not related to, endorsed by, nor connected with and not approved by any Government Agency or organization. Before investing or using any strategy, individuals should consult with their tax, legal, or financial advisor. All information contained in this presentation has been derived from sources deemed to be reliable but cannot be guaranteed.

# Three Types of Annuities

## Fixed

The insurance company promises you a minimum rate of interest and a fixed amount of periodic payments.

## Indexed



This annuity combines features of securities and insurance products. The insurance company credits you with a return that is based on a stock market index, such as the S&P's 500 Index.

## Variable

The insurance company allows you to direct your annuity payments to different investment options, usually mutual funds. Your payout will vary depending on how much you put in, the rate of return on your investments, and expenses.

# 2 Main Purposes of Annuities



## Principle

### Protection/Accumulation

Deferred income annuities allow you to prepare for your retirement, helping you to create a future stream of income, while helping protect savings from loss.

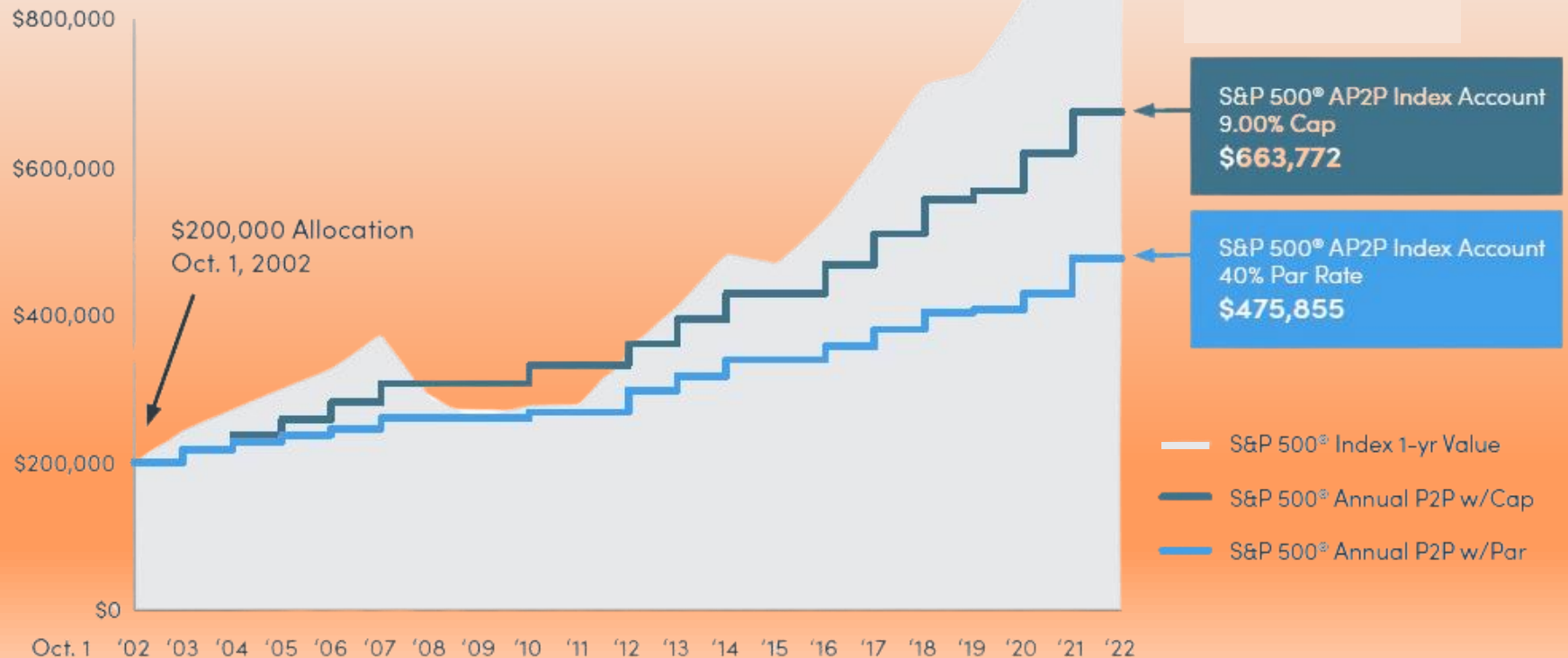
### Guaranteed Income

Immediate income annuities can offer peace of mind knowing that you have a source of guaranteed income that will last as long as you want, or as long as you live.

# Cap and Par Rates

		Cap	Participation Rate (Par Rate)
		A Cap is the maximum interest percentage you may receive based on the positive percent change in an index.	A Participation Rate (Par Rate) is a set percentage amount multiplied by the positive percent change in an index to calculate the interest credit you may receive. A Par Rate may exceed 100% but will never be negative.
As of 10/01	S&P 500® Index Return	Cap: 9.00%	Par Rate: 40% Index Return x Par Rate = Credit
		Credit to Account	Credit to Account
2003	22.16%	9.00% (Account Credit Max. is 9.00%)	8.86% (22.16% x 40%)
2004	11.91%	9.00%	4.76%
2005	10.25%	9.00%	4.10%
2006	8.71%	8.71%	3.48%
2007	14.29%	9.00%	5.72%
2008	-23.61%	0.00% (Account safe from market loss)	0.00% (Account safe from market loss)
2009	-9.37%	0.00%	0.00%
2010	7.96%	7.96%	3.18%
2011	-0.86%	0.00%	0.00%
2012	27.67%	9.00%	11.07%
2013	17.34%	9.00%	6.94%
2014	14.82%	9.00%	5.93%
2015	-1.15%	0.00%	0.00%
2016	12.71%	9.00%	5.08%
2017	16.19%	9.00%	6.48%
2018	16.08%	9.00%	6.43%
2019	0.54%	0.54%	0.22%
2020	14.98%	9.00%	5.99%
2021	28.88%	9.00%	11.55%
2022	-17.71%	0.00%	0.00%

# 20 Year Growth



# Median Bond Return Environments (1927-2016)

	Below Median Bond Return Environments Average Return	Above Median Bond Return Environments Average Return	Overall Period Average Return
Long Term Gov't Bonds	1.87%	9.00%	5.43%
Large Cap Stocks	11.43%	9.84%	10.63%
FIA	4.42%	7.55%	5.98%
60/40 (Stocks and Bonds)	7.60%	9.50%	8.55%
60/20/20 (Stocks, Bonds, FIA)	8.12%	9.21%	8.66%
60/40 (Stocks and FIA)	8.63%	8.92%	8.77%

# Summary of Elections and Benefits

Crediting Strategy	Allocation	Current Rate	Guaranteed Rate
S&P 500 Index 1 Year Point-To-Point With Cap Rate	100%	6.00%	1.00%

Rates are established when you purchase your contract and are applicable for the initial Term. On each subsequent Contract Anniversary, following the end of a Term, we can change these rates. Subsequent rates will never be less than the Guaranteed Rates shown above. Illustrated rates are assigned based on initial premium only and will remain constant for illustration purposes.

## Guaranteed Lifetime Withdrawal Benefit (GLWB)

**Annual Rider Fee:** 1.20%

**Coverage Type:** Single Lifetime Income

**Covered Person's age on Income Start Date:** 70

**Growth Strategy:** Build (9.75% Roll-Up Bonus Rate)

**Income Strategy:** Level

**Guaranteed Annual Withdrawal Amount:** \$42,404.45

**Non-Guaranteed Annual Withdrawal Amount:** \$42,404.45

## Surrender charge schedule

Contract Year	1	2	3	4	5	6	7	8	9	10
Charge	10%	9%	8%	7%	6%	5%	4%	3%	2%	1%

Premium

\$250,000

Owner

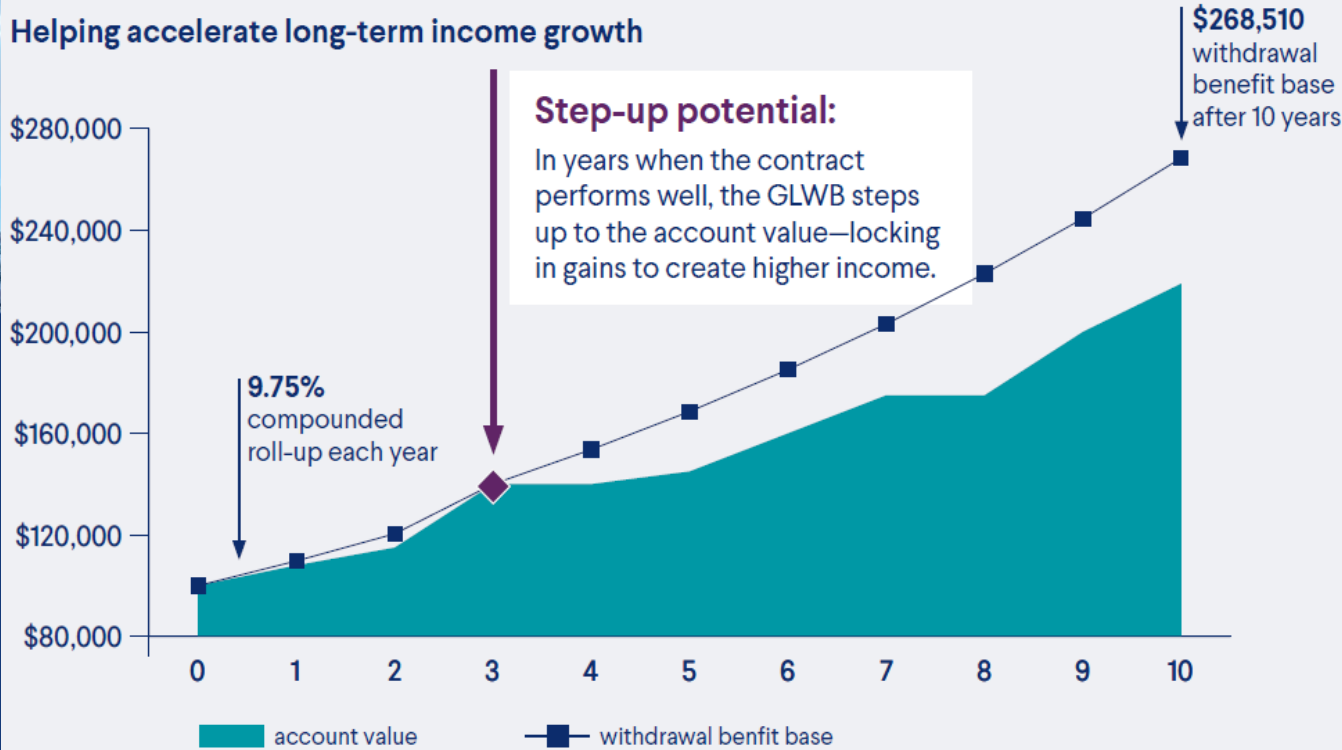
Male – Age 60



# Growing Your Income - Build



Helping accelerate long-term income growth





# Hypothetical Illustration

Year	Covered Age	Aggregate Credited Rate <sup>1</sup>	Interest Credited	Account Value	Withdrawal Benefit Base	Lifetime Withdrawal Percentage	Beginning of Year Withdrawals	Surrender Value <sup>2</sup>	Death Benefit <sup>3</sup>
At Issue	60			250,000	250,000				
1	61	6.00%	15,000	261,708	274,375	5.81%	0	238,037	261,708
2	62	0.00%	0	258,094	301,127	5.94%	0	237,221	258,094
3	63	6.00%	15,486	269,614	330,486	6.06%	0	250,109	269,614
4	64	6.00%	16,177	281,438	362,709	6.18%	0	263,625	281,438
5	65	6.00%	16,886	293,548	398,073	6.27%	0	277,623	293,548
6	66	0.00%	0	288,305	436,885	6.36%	0	275,357	288,305
7	67	6.00%	17,298	299,849	479,481	6.44%	0	289,009	299,849
8	68	6.00%	17,991	311,526	526,231	6.52%	0	303,079	311,526
9	69	0.00%	0	304,595	577,538	6.60%	0	299,126	304,595
10	70	6.00%	18,276	315,265	633,848	6.69%	0	312,417	315,265
11	71	6.00%	16,372	281,626	633,848	6.69%	42,404	281,626	281,626
12	72	6.00%	14,353	245,968	633,848	6.69%	42,404	245,968	245,968
13	73	0.00%	0	195,958	633,848	6.69%	42,404	195,958	195,958
14	74	6.00%	9,213	155,160	633,848	6.69%	42,404	155,160	155,160
15	75	6.00%	6,765	111,915	633,848	6.69%	42,404	111,915	111,915
16	76	6.00%	4,171	66,075	633,848	6.69%	42,404	66,075	66,075
17	77	0.00%	0	16,064	633,848	6.69%	42,404	16,064	16,064
18	78	0.00%	0	0	633,848	6.69%	42,404	0	0
19	79	0.00%	0	0	633,848	6.69%	42,404	0	0
20	80	0.00%	0	0	633,848	6.69%	42,404	0	0
21	81	0.00%	0	0	633,848	6.69%	42,404	0	0
22	82	0.00%	0	0	633,848	6.69%	42,404	0	0
23	83	0.00%	0	0	633,848	6.69%	42,404	0	0
24	84	0.00%	0	0	633,848	6.69%	42,404	0	0
25	85	0.00%	0	0	633,848	6.69%	42,404	0	0
26	86	0.00%	0	0	633,848	6.69%	42,404	0	0
27	87	0.00%	0	0	633,848	6.69%	42,404	0	0
28	88	0.00%	0	0	633,848	6.69%	42,404	0	0
29	89	0.00%	0	0	633,848	6.69%	42,404	0	0
30	90	0.00%	0	0	633,848	6.69%	42,404	0	0
40	100	0.00%	0	0	633,848	6.69%	42,404	0	0
		4.24% Average	\$167,988 Total Interest					\$1,272,134 Total Withdrawals	

# Guaranteed Lifetime Withdrawal Benefits Summary

Premium

\$250,000

Coverage  
Type

Single Life

Income  
Start Year

11

Covered  
Age

70

Year	Covered Age	Withdrawal Benefit Base	Lifetime Withdrawal Percentage	Annual Withdrawal Amount (AWA)	AWA if Chronic Illness Income Multiplier is activated <small>*Must meet eligibility requirements</small>
At Issue	60	250,000			
1	61	274,375	5.81%	15,941	0
2	62	301,127	5.94%	17,887	35,774
3	63	330,486	6.06%	20,027	40,055
4	64	362,709	6.18%	22,415	44,831
5	65	398,073	6.27%	24,959	49,918
6	66	436,885	6.36%	27,786	55,572
7	67	479,481	6.44%	30,879	61,757
8	68	526,231	6.52%	34,310	68,620
9	69	577,538	6.60%	38,118	76,235
10	70	633,848	6.69%	42,404	84,809
11	71	633,848	6.69%	42,404	84,809
12	72	633,848	6.69%	42,404	84,809
13	73	633,848	6.69%	42,404	84,809
14	74	633,848	6.69%	42,404	84,809
15	75	633,848	6.69%	42,404	84,809
16	76	633,848	6.69%	42,404	84,809
17	77	633,848	6.69%	42,404	84,809
18	78	633,848	6.69%	42,404	84,809
19	79	633,848	6.69%	42,404	84,809
20	80	633,848	6.69%	42,404	84,809
21	81	633,848	6.69%	42,404	84,809
22	82	633,848	6.69%	42,404	84,809
23	83	633,848	6.69%	42,404	84,809
24	84	633,848	6.69%	42,404	84,809
25	85	633,848	6.69%	42,404	84,809
26	86	633,848	6.69%	42,404	84,809
27	87	633,848	6.69%	42,404	84,809
28	88	633,848	6.69%	42,404	84,809
29	89	633,848	6.69%	42,404	84,809
30	90	633,848	6.69%	42,404	84,809
40	100	633,848	6.69%	42,404	84,809

\$1,272,134

Total

# Summary of Elections and Benefits

Crediting Strategy	Allocation	Current Rate	Guaranteed Rate
S&P 500 Index 1 Year Point-To-Point With Cap Rate	100%	6.00%	1.00%

Rates are established when you purchase your contract and are applicable for the initial Term. On each subsequent Contract Anniversary, following the end of a Term, we can change these rates. Subsequent rates will never be less than the Guaranteed Rates shown above. Illustrated rates are assigned based on initial premium only and will remain constant for illustration purposes.

## Guaranteed Lifetime Withdrawal Benefit (GLWB)

**Annual Rider Fee:** 1.20%

**Coverage Type:** Joint Lifetime Income

**Covered Person's age on Income Start Date:** 70

**Growth Strategy:** Build (9.75% Roll-Up Bonus Rate)

**Income Strategy:** Level

**Guaranteed Annual Withdrawal Amount:** \$39,235.21

**Non-Guaranteed Annual Withdrawal Amount:** \$39,235.21

## Surrender charge schedule

Contract Year	1	2	3	4	5	6	7	8	9	10
Charge	10%	9%	8%	7%	6%	5%	4%	3%	2%	1%

Premium

\$250,000

Owner

Male – Age 60



# Hypothetical Illustration

Year	Covered Age	Aggregate Credited Rate <sup>1</sup>	Interest Credited	Account Value	Withdrawal Benefit Base	Lifetime Withdrawal Percentage	Beginning of Year Withdrawals	Surrender Value <sup>2</sup>	Death Benefit <sup>3</sup>
At Issue	60			250,000	250,000				
1	61	6.00%	15,000	261,708	274,375	5.31%	0	238,037	261,708
2	62	0.00%	0	258,094	301,127	5.44%	0	237,221	258,094
3	63	6.00%	15,486	269,614	330,486	5.56%	0	250,109	269,614
4	64	6.00%	16,177	281,438	362,709	5.68%	0	263,625	281,438
5	65	6.00%	16,886	293,548	398,073	5.77%	0	277,623	293,548
6	66	0.00%	0	288,305	436,885	5.86%	0	275,357	288,305
7	67	6.00%	17,298	299,849	479,481	5.94%	0	289,009	299,849
8	68	6.00%	17,991	311,526	526,231	6.02%	0	303,079	311,526
9	69	0.00%	0	304,595	577,538	6.10%	0	299,126	304,595
10	70	6.00%	18,276	315,265	633,848	6.19%	0	312,417	315,265
11	71	6.00%	16,562	284,985	633,848	6.19%	39,235	284,985	284,985
12	72	6.00%	14,745	252,889	633,848	6.19%	39,235	252,889	252,889
13	73	0.00%	0	206,047	633,848	6.19%	39,235	206,047	206,047
14	74	6.00%	10,009	169,215	633,848	6.19%	39,235	169,215	169,215
15	75	6.00%	7,799	130,172	633,848	6.19%	39,235	130,172	130,172
16	76	6.00%	5,456	88,787	633,848	6.19%	39,235	88,787	88,787
17	77	0.00%	0	41,945	633,848	6.19%	39,235	41,945	41,945
18	78	6.00%	163	0	633,848	6.19%	39,235	0	0
19	79	0.00%	0	0	633,848	6.19%	39,235	0	0
20	80	0.00%	0	0	633,848	6.19%	39,235	0	0
21	81	0.00%	0	0	633,848	6.19%	39,235	0	0
22	82	0.00%	0	0	633,848	6.19%	39,235	0	0
23	83	0.00%	0	0	633,848	6.19%	39,235	0	0
24	84	0.00%	0	0	633,848	6.19%	39,235	0	0
25	85	0.00%	0	0	633,848	6.19%	39,235	0	0
26	86	0.00%	0	0	633,848	6.19%	39,235	0	0
27	87	0.00%	0	0	633,848	6.19%	39,235	0	0
28	88	0.00%	0	0	633,848	6.19%	39,235	0	0
29	89	0.00%	0	0	633,848	6.19%	39,235	0	0
30	90	0.00%	0	0	633,848	6.19%	39,235	0	0
40	100	0.00%	0	0	633,848	6.19%	39,235	0	0
		4.24% Average	\$171,847 Total Interest						
							\$1,177,056 Total Withdrawals		

# Guaranteed Lifetime Withdrawal Benefits Summary

Premium

\$250,000

Coverage  
Type

Joint

Income  
Start Year

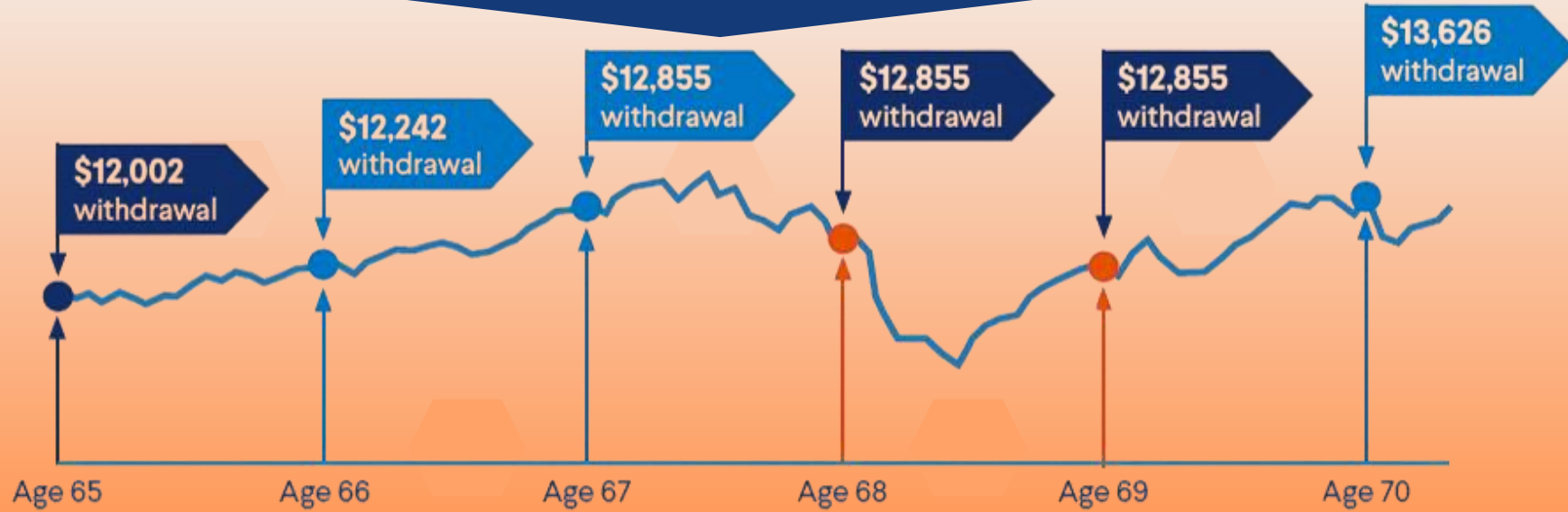
11

Covered  
Age

70

Year	Covered Age	Withdrawal Benefit Base	Lifetime Withdrawal Percentage	Annual Withdrawal Amount (AWA)	AWA if Chronic Illness Income Multiplier is activated *Must meet eligibility requirements
At Issue	60	250,000			
1	61	274,375	5.31%	14,569	0
2	62	301,127	5.44%	16,381	32,763
3	63	330,486	5.56%	18,375	36,750
4	64	362,709	5.68%	20,602	41,204
5	65	398,073	5.77%	22,969	45,938
6	66	436,885	5.86%	25,601	51,203
7	67	479,481	5.94%	28,481	56,962
8	68	526,231	6.02%	31,679	63,358
9	69	577,538	6.10%	35,230	70,460
10	70	633,848	6.19%	39,235	78,470
11	71	633,848	6.19%	39,235	78,470
12	72	633,848	6.19%	39,235	78,470
13	73	633,848	6.19%	39,235	78,470
14	74	633,848	6.19%	39,235	78,470
15	75	633,848	6.19%	39,235	78,470
16	76	633,848	6.19%	39,235	78,470
17	77	633,848	6.19%	39,235	78,470
18	78	633,848	6.19%	39,235	78,470
19	79	633,848	6.19%	39,235	78,470
20	80	633,848	6.19%	39,235	78,470
21	81	633,848	6.19%	39,235	78,470
22	82	633,848	6.19%	39,235	78,470
23	83	633,848	6.19%	39,235	78,470
24	84	633,848	6.19%	39,235	78,470
25	85	633,848	6.19%	39,235	78,470
26	86	633,848	6.19%	39,235	78,470
27	87	633,848	6.19%	39,235	78,470
28	88	633,848	6.19%	39,235	78,470
29	89	633,848	6.19%	39,235	78,470
30	90	633,848	6.19%	39,235	78,470
40	100	633,848	6.19%	39,235	78,470
				\$1,177,056	
				Total	

# How it Works



index return	+2%	+5%	-2%	-3%	+6%
income change	+2%	+5%	No change	No change	+6%
withdrawal benefit base	\$273,880	\$287,574	\$287,574	\$287,574	\$304,829



# Annuities – Guaranteed Income

A	B
Traditional -> \$430,000	\$430,000
<u>TSP (70/30) 2015-2024 10yrs</u>	Annuity \$ 250,000      \$180,000 (TSP 70/30) 15'-24'

# Annuities – Guaranteed Income

A	B
Traditional -> \$983,000	
<u>x 4%</u> ↓	<div>\$1,044,000</div> <div>Annuity \$ 633,000      \$411,000</div> <div>↓                                      ↓</div>
\$39,320	<div>\$39,235      Your Choice</div> <div>Inflation * Growth * Long Term Care</div>

# The Purpose of Money



# The Story of Jim



**But  
Theresa...**







# Thank you for your time today. Kindly fill out our feedback survey:

<https://www.surveymonkey.com/r/DCSOFASURVEY2>



THE SOCIETY FOR FINANCIAL AWARENESS

DC Metropolitan Chapter [www.dcsdfa.org](http://www.dcsdfa.org)

Presentations are intended for educational purposes only and do not replace independent professional judgment. The information discussed is basic and general in nature and is intended for educational purposes only. No specific product or companies are being solicited. It is recommended that you consult the advice of certified professionals regarding your specific situation. Please understand that laws and regulations are subject to local variations and may have different interpretations. Therefore, should legal advice be required, it is recommended that you seek the advice of a qualified attorney in your state of residence. No specific investment advice is ever intended. Financial products can vary, therefore, always examine the detail of the product structure, provisions and features. Any discussions regarding interest rates, rates of return, and tax rates are purely hypothetical and not intended to represent assurances or guarantees. The presenters of this information are not related to, endorsed by, nor connected with and not approved by any Government Agency or organization. Before investing or using any strategy, individuals should consult with their tax, legal, or financial advisor. All information contained in this presentation has been derived from sources deemed to be reliable but cannot be guaranteed.