

Defusing Your Top 4 Retirement RISKS



You may be among the group of consumers seeking ways to protect and further grow your accumulating retirement savings. Traditionally, this has included putting money in the stock market, into real estate, or in bank CDs and money market accounts. However, sometimes these strategies are not suited for every person's goals and are unable to create the comprehensive approach that addresses all your needs. Add on the decreasing reliability of government and employer programs to provide sufficient income when a person retires, the retirement income gap continues to grow.

Creating a successful retirement plan involves income planning preparation, needs analysis and risk management. Being armed with a strategy that considers all factors can help you leverage more of your hard-earned dollars and create a "retirement paycheck" you can count on. A fixed indexed annuity can be a great supplement to your retirement plan, allowing you to know your annual income, without the guess work. It also provides a strategy that addresses the retirement income challenge head on and neutralizes retirement risks.

What is a fixed indexed annuity?

A fixed indexed 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. Your fixed indexed annuity can earn interest, allowing the money in your contract to grow, but is also protected from market index risk.

Fixed indexed annuities offer a range of features and benefits that may help you accumulate assets for retirement, preserve what you've accumulated, turn those assets into a guaranteed stream of income, and help you pass on a financial legacy to your loved ones.

#1 Mitigating Inflation Risk

Many of us have probably realized that things just don't cost what they use to. From every day products to cars and houses, price tags have risen across the board. Inflation can be a serious risk to your retirement as well. The longer you are in retirement, the greater the impact of inflation.

The current rate of 2.1% impacts the cost of goods and services you buy. For example, \$20.00 in 1980 has the same buying power in 2018 as \$61.86.¹

As you progress through your retirement years, the cost of housing, medical costs, food and travel will likely increase, so it's important to keep this in mind when creating a retirement plan. You may try to delay retirement and continue to work, but research shows almost 48% of retirees retired sooner than planned due to health problems, disability, company changes, or needing to care for a family member.²

If you are looking for a way to keep pace with inflation, have better growth potential and protect your purchasing power, a fixed indexed annuity can be a beneficial solution. The product design of fixed indexed annuities protects your contract value and credited interest from market declines, while allowing it to grow. Adding this solution to your overall retirement strategy not only keeps up with inflation, but can continue to generate income to help you create a more stable and predictable future.

#2 Managing Market Risk

Anyone who has had money in the stock market during the past fourteen years has probably experienced a pretty rocky ride. Since 2000, we have witnessed the S&P 500® Index dropping approximately 50% two times.³ However, despite these drops, over this same time period, it was grown 21% as well. The point being, no one can predict what the market will do or how the financial landscape will change.

Although past performance is not an indicator of future results, you may be ready to take a portion of your retirement portfolio away from market volatility risk. You may like the appeal of capturing the growth, but avoiding the losses. A fixed indexed annuity can protect your recent gains against future market declines, while preserving the opportunity for growth.

A fixed indexed annuity also offers growth potential by being tied to the performance of a market index, but not being directly invested in it. When the index is up, you will benefit from interest credits and when the index is down, the contract value remains protected and no principal will be lost, taking downside risk out of the picture. Additionally, when you reach retirement and need income, you can rest assured you will have a predictable stream of income.

Whether your long-term objective is to build a source of guaranteed lifetime income, save for a specific retirement goal, or leave a legacy for loved ones, **fixed indexed annuities are designed to meet your retirement needs.**

#3 Overcoming Interest Rate Risk

Lower interest rates reduce retirement income by lowering growth rates for retirement savings accounts and assets, as well as causing purchasing power to erode more quickly. As a result, you may need to save more in order to accumulate adequate retirement funds. In low interest rate environments, more conservative strategies may not provide adequate investment growth; as a result, assets can be exhausted earlier than expected.

A beneficial approach can be to reposition a retirement strategy to include protection and address lower interest rate risk. Moving a portion of your portfolio to a fixed indexed annuity can help generate potential for interest income and reduce volatility. You can also count on guaranteed principal protection from market losses and lower interest rate environments.

#4 Outlasting Longevity Risk

It is no secret that people are living longer in retirement today than at any point in history. Advances in medicine and technology have had an impact on aging within our society. On average, one out of four 65-year olds is expected to live into their nineties.⁴ Many people underestimate how long they will live, putting strain on personal savings and increasing the likelihood of outliving their assets.

You probably agree you would like to maintain your standard of living when you reach retirement and have the confidence that you will not run out of money. A fixed indexed annuity with an optional lifetime income rider can address the longevity risk directly by providing a “retirement paycheck” each month for the rest of your life. The income value grows at a guaranteed rate and then at the time of your choosing, you can activate an income stream for the rest of your life, even if the account value drops to zero.

Additionally, if you pass away, any leftover money can go to your beneficiaries. You can feel comfortable knowing the income gap is filled and some predictability has been added to an often unpredictable future. Whether you live until 80 or 120, you will know you can count on guaranteed lifetime income and can live a quality life in retirement.

In today’s ever-changing times, creating sustainable retirement income strategies is more important than ever. Including a fixed indexed annuity as part of your overall portfolio can provide opportunities for more predictable growth, protection of principal from index declines and the impact of interest rate risk, as well as creating guaranteed income for the rest of your life.

To learn more about annuities contact:



¹ Bureau of Labor Statistics. <https://www.bls.gov/>. Accessed June 4, 2018.

² 2018 Retirement Confidence Survey. https://www.ebri.org/pdf/surveys/rcs/2018/2018RCS_Report_V5MGAchecked.pdf. April 24, 2018.

³ S&P 500®. <https://finance.yahoo.com/>. Accessed June 4, 2018. Time periods 03/20/2000 - 09/30/2002 (48% drop) and 10/08/2007 - 03/02/2009 (56% drop).

⁴ Social Security Website. Calculators: Life Expectancy. <https://www.ssa.gov/planners/lifeexpectancy.html>. Accessed June 4, 2018.

*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.