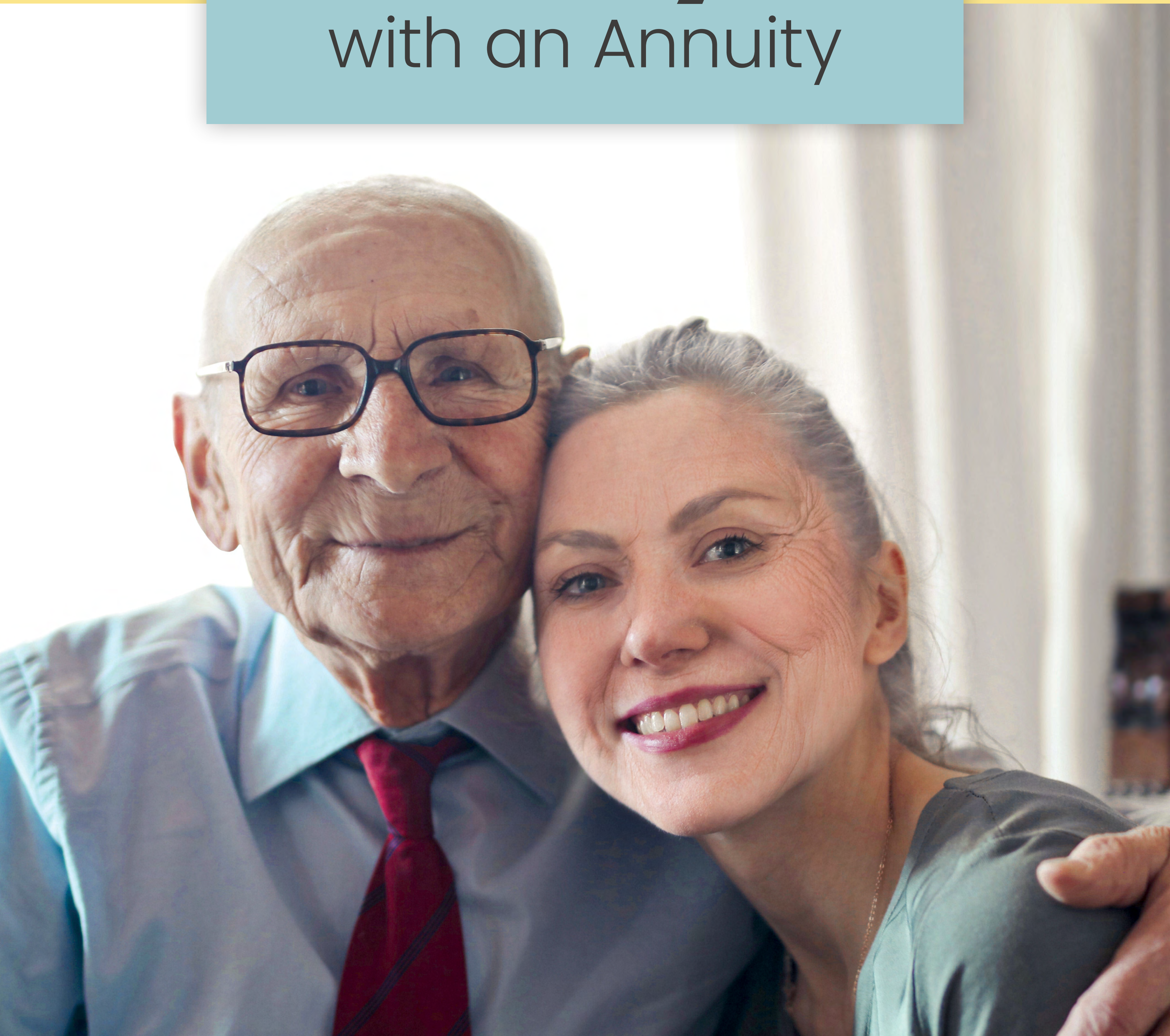
CREATING YOUR PENSION

Make Retirement **Easy** with an Annuity



Life is certainly full of its ups and downs. We cherish precious moments — wedding celebrations, hard-earned vacations, the birth of a grandchild. We dread the worst of moments.

While some say it's variety that makes life exciting, there is also something to be said about the sure thing: the morning newspaper, a monthly lunch with an old friend, that evening cup of tea.

Few of us anticipated that after a decade-long bull run in the stock market, the current decade would start with such volatility. Yet the unprecedented events of 2020 have made many people value their security and stability like never before.

This has especially been the case for people nearing or in the early stages of retirement. Many of these folks may be thinking about stepping off the bumpy roller coaster in favor of the serene lazy river ride on the other side of the park.

A calm stream of guaranteed income may sound pretty good if you're thinking about your financial well-being in retirement. If only there was a way to receive regular, periodic income payments and still be able to enjoy the thrill of the stock market...

Read on to learn about the types of annuities available, some common critiques, and what the numbers say about retiree satisfaction with their annuity strategy (spoiler alert: they're happy!).

Remembering the **Good Old Days**

Retirement used to be simple. Your parents worked for the same company for years. They probably had a company-sponsored pension with a defined benefit. This guaranteed them a certain amount of money in retirement depending on their tenure with the company. They may even have been able to contribute to their pension to further boost their savings.

Once they reached retirement, they'd draw from their pension along with their Social Security and other savings to live a comfortable, relaxing life.

In recent years, that path to retirement has changed — dramatically. Private-sector companies have moved away from pension plans to save money. Most have opted for 401(k) plans. This has put the onus on you the employee to save and invest.

Talk about pressure! Your retirement security suddenly rests on your ability to choose the right investments — and then hope the markets cooperate.

Company-sponsored 401(k) plans — as well as personal IRAs — can prove to be beneficial when the markets are doing well. But they can be disastrous when they're not.

Retirement plans that are dependent on the performance of the stock market are a risky proposition, especially as you approach your retirement age. You could work for 40 years to build your retirement nest egg, only to see a large portion of it evaporate in the fluctuating stock market.

Fortunately, you have other choices beyond a 401(k) or IRA when it comes to choosing a retirement vehicle.

Retirement can be made easy again with a personal pension. Who knew there was such a thing?

Only 21% of American workers participated in a pension plan in 2019.[i]

The Annuity:
A Modern-Day Pension

Although pensions are becoming a thing of the past, there is good news. You can create your very own personal pension without depending on an employer.

An annuity can act as a customized pension because it provides guaranteed income for the rest of your life. It is a simple contract made between you and an insurance company that stipulates you'll receive a set amount of money on a monthly basis in retirement.

TYPES OF ANNUITIES

Similar to life insurance, you can choose between a fixed period annuity that has an end date or a lifetime annuity. The latter option ensures you never outlive your retirement savings, which is one potential risk of a 401(k) or IRA.

You can also choose fixed rate and variable rate annuities. A fixed rate annuity protects you from loss and typically pays you a fixed interest rate on your account contributions.

A variable annuity provides a guaranteed level of monthly income, often referred to as an income floor. Your income can, however, increase based on the performance of your selected investment portfolio. Market-related gains have the potential to increase your monthly payment beyond the floor level. Therefore, the variable annuity can be a great way for you to have a stable monthly income along with some exposure to market growth.

ELIMINATE LONGEVITY RISK

Longevity risk, the chance that you outlive your assets, is a very real concern for retirees — especially single retirees. You have other things to worry about in retirement, like your health, your family, and, most importantly, enjoying life!

Stressing over whether your money will last shouldn't be one of them (and the stress can be bad for your health). Annuities eliminate longevity risk. They lock you into a steady flow of funds for as long as you live — even if you long outlive your peers.

A smart annuity strategy also removes the uncertainty that swirls around the capital markets. It can be a welcome pillar of consistency by providing you reliable income in retirement.

There are different types of annuities, but all accomplish one simple goal: provide consistent monthly retirement income.

Annuity
Naysayers Nay...

Annuities have their share of critics. Many of them are proponents of investment-based retirement products such as IRAs. This is largely because portfolio managers have done an effective job of convincing people that the strong potential returns of playing the stock market far outweigh the risks.

Let's say your neighbors Doubting Thomas and Ida Parker have made some negative comments about the annuity approach to retirement. They too want some level of safety but think portfolio diversification is the way to go.

Spreading your wealth into different "buckets" can be a prudent strategy. When one type of investment goes down, losses can be offset through gains in another area. But sometimes asset classes, like stocks and bonds, move in the same direction.

Tom and Ida tell you that diversifying almost always works because it allows you to control how you allocate your investments.

But *almost* doesn't cut it in chess, checkers, or retirement planning.

Asset allocation involves market timing — and trying to time the market can be dangerous. It's difficult to do, and if you get it wrong, it can have long-term consequences for your financial health.

If you're looking for stability in your monthly income rather than stress, consider an annuity instead.

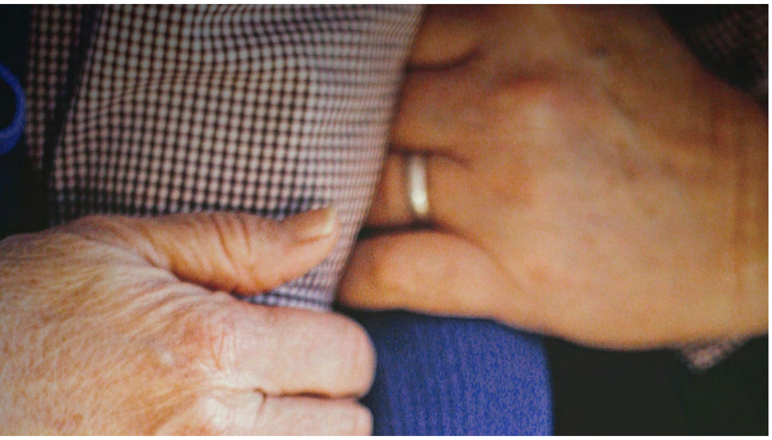
What a traditional retirement account such as an IRA can't provide, however, is an insurer's guarantee.

The naysayers can also be quick to point to high fees as a drawback to annuities. Fees associated with annuities can vary widely depending on the issuing company as well as the type and features of the annuity.

With an IRA, a portfolio manager receives a percentage of your account's market value. You pay them on an ongoing basis to grow your portfolio and protect your principal. Some people are comfortable with this arrangement.

The portfolio manager can only make their best efforts to accomplish your growth and income goals. An annuity backed by a qualified insurance company can provide you a guarantee: consistent income for the rest of your life.

Knock, knock. Who's there? It's Tom and Ida at your front door again. Tom says that he and Ida wish to leave a sizable inheritance to their children — and therefore, they want their money in the market to see it grow as much as possible. They are well-to-do and can take more risk than most on the block.



You think, okay, not a bad argument. But aren't they doing so at the risk of their own retirement needs? Maybe there's a middle ground here.

Indeed there is. Wealthier individuals can still benefit from an annuity by making it a component of their overall portfolio. Annuities behave like bonds but are not quite the same. Although bonds are a conservative investment, their value can also move up and down with the market cycles.

An annuity can serve as a stable, low-risk base that won't be affected by market movements. You can devote a portion of your bond investments to an annuity. This guarantees that the income you need in retirement will be generated regardless of how the markets behave. It would also still allow you to maintain exposure to the markets so you can leave a nice chunk of change to your heirs.

...But Annuity Customers **Say Hurray!**

Despite some of the negative literature out there regarding annuities, they also have widespread client satisfaction. That makes intuitive sense. When it comes to annuities, people know what they want and get exactly what they expect.

Even more telling is that an Allianz survey found 80% of people would prefer a retirement product with a guaranteed 4% return that wouldn't lose value over a product that had an 8% return but was vulnerable to downturns in the market.

Although we sometimes hear that annuities aren't preferred, an overwhelming majority of people would rather have the benefits of an annuity over a 401(k) or IRA plan.

Investment-based products also carry sequence of returns risk. This is the risk that an investor's withdrawal timing could hurt their portfolio returns. If an investment account suffers losses early, making withdrawals can further weaken its ability to survive your retirement years. The portfolio value would be down, and you'd be trying to grow off a low base.

This is a big part of why annuity clients are so satisfied. The value of their annuity is guaranteed. It doesn't go up or down — and in the case of a fixed rate annuity, nor do their monthly payments.

The predetermined income stream produced by an annuity helps you plan your monthly finances. Figuring out your budget, savings, and even how much to draw from your retirement accounts becomes simple. Instead of having a ballpark estimate, you know exactly what's coming each month.

A survey conducted by Allianz found that 61% of people were more afraid of outliving their assets[ii] than they were of death. Moreover, 69% of those surveyed said they'd prefer a retirement product that was "guaranteed not to lose value." Only 31% preferred a product that had a goal of "providing a high return."

The 3 S's of an Annuity:

Safety, Stability & Simplicity

It's natural for people to worry about not having enough money to last their retirement. It can be a scary thing for your investments to be at the mercy of the capital markets. This is why many opt for the certainty of an annuity.

Many of us wish to spend our retirement years doing a lot of rest and relaxation. The annuity helps make the R&R possible by providing S&S&S — that is, safety, stability, and simplicity.

Safety
Protection against market downside

Stability
A predictable income and standard of living

Simplicity
An easy solution for guaranteed lifetime income

So, it's important to ask yourself what matters most to you in retirement. If you're the type of person who values consistency and a good night's sleep, an annuity strategy may be your best bet. If you are comfortable with market volatility, it may not be.

Keep in mind that not all annuities are the same. An annuity with the highest payout isn't always your best choice. You need to consider other factors such as the credit-worthiness of the insurer and other annuity features as they pertain to your financial goals.

An annuity can work like pensions of the past, if you employ the right strategies and have the right consultants. That's why it's important to team up with a reputable insurance company that has a good track record. They can offer the guidance you need to find an annuity solution that best fits your needs.

Someday you may bump into Tom and Ida walking along the amusement park boardwalk. Fresh off the lazy river with an ice cream cone in hand, you are feeling refreshed and confident about your retirement. They look a tad dizzy having endured a wild week in the markets and just gotten off the roller coaster. You smile and say hello, reflecting on how glad you are to have your annuity.

CREATING YOUR PENSION

Want to learn more?

Visit [Creating Your Pension] online or call us at 844-22-PENSION for a consultation to see how annuities can give you what you want in retirement.

[i]*Sources for workplace retirement participation statistics, Pension Rights Center* *http://www.pensionrights.org/publications/statistic/sources-workplace-retirement-participation-statistics*

[ii]*Reclaiming the Future White Papter, Allianz Life Insurance Company* *https://www.allianzlife.com/-/media/files/allianz/documents/ent_991_n.pdf*