Running Out of Money Is the #1 Retirement Worry — Here's How to *Guarantee* Your Money Lasts as Long as You Do:

What You Need to Know About the Strategy Recommended by Top Retirement Experts

Lee McIntyre: This is Lee McIntyre, Director of Education for Bank On Yourself, and we have a fascinating topic lined up for you. According to a recent study by the Aegon Center for Longevity, fully half of all Americans say that **running out of money is their biggest retirement worry.** People are *deathly afraid* of running out of money in retirement, for good reason.

The average 65-year-old is expected to outlive their savings by *almost a decade*, according to a study by the World Economic Forum. And that study came out *before* the coronavirus pandemic scrambled people's nest eggs.

So, why do many people fall victim to the terrible fate of outliving their savings by so many years? According to many experts, the main reason is a dramatic shift that has taken place over the last 40 years. A shift *away* from company pension plans that promised workers a certain amount of money every month in retirement for as long as they lived, and a shift *toward* do-it-yourself, cross-your-fingers, hope-and-pray retirement planning strategies. And that's unfortunate, because unless something catastrophic happened, those company pension plan benefits were *guaranteed*.

These days, pension plans are as rare as the Northern hairy-nosed wombat. Companies figured out that it's *cheaper* to offer a small matching contribution to employees' 401(k) plans when times are good, than to fund and pay for the management of a company pension plan. So, they transferred the burden of funding employees' retirement *to the employees* themselves. That would be us. Today, if you're an employee, your company very likely offers a 401(k), 403(b), or a similar plan. The funds in that plan are typically invested in the Wall Street casino, and just like any other casino, *Wall Street is something you cannot control or predict*.

Many experts, including the man who *invented* the 401(k), *have now declared that the 401(k) is a 40-year experiment that has failed.*

The Center for Retirement Research at Boston College tells us that one big problem that 401(k) plans and IRAs suffer from is that they don't give you much guidance on how to turn accumulated assets into an income stream that will last as long as you do. And because you really don't know how long you're going to live or how much you can safely withdraw each year, you face the *risk* of either spending your money too quickly and outliving your resources or, just as bad, really, spending too conservatively, which means you *won't* be able to really *enjoy* your retirement years.

It’s also very difficult to figure out how to invest your savings in retirement to ensure a major market crash doesn’t cut the value of your savings in half, and you may not have time to recover from it.

The Financial Strategy the Experts Recommend to Ensure Your Money Lasts as Long as You Do…

The Center for Retirement Research strongly recommends specific financial strategies that will *ensure* you have a higher level of lifetime income and reduce the likelihood that you’ll outlive your money. The financial strategies recommended by the Center for Retirement Research and by other experts, to ensure your money lasts as long as you do—those strategies are called *annuities*, and annuities are the subject of our program today.

Including the **right kind** of annuities in your financial plan takes the *guesswork* out of taking income in retirement, and this can free you from the *fear and worry* that most people live with—the people who use *conventional* retirement planning strategies.

There are a number of different types of annuities available, with many different features. But annuities are **not** all created equal. And if you’re going to incorporate annuities into your financial plan, it’s very important that you use the *right* annuity, with the right features, designed to help you reach your goals, given *your* unique situation.

Today, we’re joined by the President of Bank On Yourself, Pamela Yellen, and by a top expert on annuities and other safe money strategies, Nick Bates. Nick works with the Bank On Yourself Professionals to help them match the perfect annuity to a client’s needs and goals. Nick is going to explain in simple terms two key types of annuities to consider, depending on whether you’re looking primarily for **maximum safe growth** of your retirement savings, or if having **maximum lifetime** income is your top concern.

So, we first welcome the President of Bank On Yourself, Pamela Yellen, who’s a well-known consumer advocate, financial investigator, and the author of two *New York Times* best-selling books on safe wealth-building strategies.

Pamela Yellen: Thanks, Lee. I’m really looking forward to our program today.

Lee: Next, I’d like to introduce Nick Bates, our expert on annuities and creating guaranteed lifetime income streams. Welcome, Nick.

Nick Bates: Thank you, Lee. Thank you, Pamela. I’m thrilled to be discussing one of my favorite topics today, annuities.

Pamela: So, Nick, tell us what inspired you to devote yourself to safe money strategies with a focus on annuities.

Nick: Sure, Pamela. I’ve been in the financial service industry for over 15 years, and one of my first experiences was the market downturn of 2008. And I saw how it *completely destroyed* many families’ financial future. I thought to myself, there must be *a better way* to achieve financial goals without taking unnecessary risk.

This also hit really close to home for me, in my own family. I grew up in a very small farming community. My mom and my dad lived a modest lifestyle. We never went without anything we wanted, but we weren't living in a 3,000 square foot house, or driving a luxury car around. Both of them were lucky enough to have *pensions* offered to them through their employers. My mom worked for the post office, my dad for General Motors.

When they retired, they both decided to take the **pension option**, and **not** the lump sum payout option that was offered to them. They now do exactly what they want to do in retirement. *They don't worry about market downturns*, or black swan events, like a pandemic. They were able to actually purchase a modest vacation home in Florida now, where they go down and spend their winters. And my family and I and my siblings' families are able to come down and visit them, and they love their retirement.

They are the happiest people. The happiest I've ever seen them is right now. *They're living the life that they want to.*

But I also have another situation in my family, with my aunt and uncle. They lived that exact same lifestyle that my parents lived, grew up in a small farming community, my uncle also worked for the post office and my aunt worked for a local business. When they retired, they had a financial advisor that told them, "Hey, instead of taking the pensions that you're offered, *take the lump sum payout*, and I'll invest the money for you and provide you *way* more income than the pensions ever will be able to."

Even though these pensions that they were being offered would cover their living expenses in retirement, this sounded too good to be true to my aunt and uncle. And looking at all the past returns the advisor showed them, why would they *not* do it? 10%, 12%, 20%, easy returns to get. That's what they were shown. *How could they pass that up?*

Well, the problem was they retired in 2006, and we all know what happened in 2008. And after 2008, my aunt and uncle *stopped* going on vacations, they stopped being able to do the things they *should* be doing in their golden years, and every time something happened in the stock market, *they're not able to sleep at night*. This is the type of things that have happened to create the passion that I have from preventing this from happening to families going forward, Pamela.

Pamela: Yeah, it's a siren call and people fall for it. You saw this in your own family with one couple being able to live the retirement life that they had dreamed of and the other not able to do it, and that's a *shame*.

And so, you have said that there are *four main variations of annuities* that are often used to help people achieve their goals of safe growth and retirement income. Can you tell us about them?

The Four Best Types of Annuities for Safe Growth and/or Retirement Income

Nick: Yeah, Pamela. So, there's far more annuities than just four out there, but I'm going to focus on four here that I'm very passionate about, that I think can help people achieve the retirement goals that they need. We're going to focus on two sets of two. **The *first* two annuities I'm going to talk about are more for safe growth. The *second* two I'm going to talk about are more for if you want income.**

So, the first type of annuity I'd like to discuss is a **straight fixed annuity**. A straight fixed annuity is a lump sum deposit with a *guaranteed rate* over a set period of time.

Pamela: So, can you give us an example of that and who this type of straight fixed annuity might be best suited for?

Nick: Sure, and when I go into this, I don't want everyone to get caught up in the numbers that I'm using here as examples, Pamela. I want them to just think more about the concept. So, you need a lump sum in a straight fixed annuity. You put a lump sum in. The insurance company is going to **guarantee you** a fixed rate over a set period of time. For example, a straight fixed annuity that's paying 3% and is credited each year for five years, so that's a fixed annuity, five-year annuity paying 3% over five years. The way that works is 3% is credited *each year* to that annuity and *it compounds* on itself.

For example, somebody has $100,000 they put into this annuity that's paying 3% for five years. The first year, they're credited $3,000 to that account. Now that account value is worth $103,000. The next year they get another 3% credit on that $103,000, so it's a compound interest and it does that every year for five years. After the five years, the contract is over and the family can walk away with the money or they can decide that, "Hey, I want to keep my money in this annuity." So, who this is most suited for, Pamela, is someone that likes steady, consistent growth each year. And as we all know from your books, Pamela, **consistent compounding growth with no loss is a big factor in wealth building.**

Pamela: So, you've covered what a straight fixed annuity is in a nutshell. What's the second important annuity variation our subscribers should know about?

The Annuity Variation That Gives You Greater Growth Potential, and the Safety of Never Losing Money…

Nick: The second type of annuity is a **fixed index annuity**. This type of annuity is for a person looking for growth with the possibility of more upside than the straight fixed annuity we just spoke about. As we said, it will give the client **more upside growth potential, but it still has that safety of never losing money.** Each year, the growth that the insurance company credits to the account is often tied to an index for tracking purposes such as the S&P 500. Now, it's very important to note that the money is **not** exposed to the S&P 500, it is just a tracking method that the insurance companies use to calculate the interest that will be credited each year to the annuity.

For example, this indexed annuity may have a "cap" of 5%, but it always has a floor of zero. So, in this case, if the index performed well, let's just say 7%, and the annuity has the cap of 5%, it would be credited 5% that year.

If the index performs, let's say 2%, so not as well, the annuity would be credited the full 2%. And if the market actually performed negatively, let's say negative 5%, the annuity would be credited zero, so ***not losing any value*****,** which is a major factor to why these types of annuities are such a valuable tool to grow your wealth safely.

So, the way I look at it, if I can minimize the losses in my accounts, *I don't have to hit a home run every year to achieve the goals I need to. I just need to cut out the losses*.

Pamela: Love it. That just makes so much sense.

Lee: So, let's summarize *the difference* between a fixed annuity and a fixed *index* annuity, to help you see why you might choose one over the other.

With a fixed annuity, the insurance company guarantees that your account will grow each year by a specific percentage, until the annuity reaches maturity—five years in your example.

This growth is similar to the way a certificate of deposit grows, except that an annuity will typically guarantee a *higher rate* than a CD, all else being equal. **And an annuity offers tax advantages and other advantages that a CD doesn't.**

On the other hand, a fixed *index* annuity offers you a *choice* of different growth strategies. You can mix and match strategies and change strategies from one year to the next. All the strategies are tied to various market indexes—except for one strategy, which is a fixed rate, similar to a fixed annuity.

So, if the index your annuity is tied to goes up over a given year, you get a portion—maybe even all—of the growth of the index. If the index goes down, you don't get any growth—but your balance does *not* go down, either.

With a fixed index annuity, you have the potential for growth that matches or nearly matches an index's performance. This is potentially much greater growth than you'd have in a straight fixed annuity. But you also have the potential for no growth at all in years the index performs poorly.

Some people like having the *potential* for *greater growth* that a fixed *index* annuity provides, and they're willing to risk some years of zero growth, because just like with a fixed annuity, the insurance company **guarantees** that your principal and your gains are **locked** in, so you **never** go backwards.

How to Move Money From a 401(k) or IRA to an Annuity – Without Owing Taxes

Pamela: Nick, can the funds for this or for any of these annuities come from a 401(k) or IRA, and how would that work?

Nick: Yes, they can, and it is often how these annuities are funded, with what is called a *qualified rollover*. You're able to essentially *move your 401(k) or IRA into an annuity* using a qualified roll over **without having to pay tax on it.**

Pamela: That's great. Being able to do it without having to pay the taxes is great.

So, now we've covered a *straight fixed annuity* and a *fixed index annuity*. So, what's the *third* variation that you've discovered that could help many people reach the goal of having retirement security?

Nick: So, now Pamela, we're going to get into what I call **income annuities**. So, these are annuities that are going to provide income instead of just safe accumulation. And the first one I want to talk about is a **single premium immediate annuity**. It's a lump sum deposit that provides **guaranteed income** over a certain period of time. It can be any time period the client wants, or they can actually do it over a lifetime or joint lifetime.

Pamela: Who would benefit most from a single premium immediate income annuity, Nick?

Nick: A single premium income annuity is often just called a SPIA. SPIAs are often used for *immediate income* that can either be taken over a set period of time, let's say 10 years, or taken *over a lifetime*.

The lifetime payout can be over a single person's life or the lives of two people, called joint life. These types of annuities are used to either **fill gaps in income** for a person such as somebody retiring at 62 but maybe they're not taking Social Security until 67, they have that five-year gap to fill, a SPIA can do that for you.

You can also use it to fund a permanent life insurance contract, and this has been done with **SPIAs with lifetime payment**. The insurance carrier would calculate based on your current age and the lump sum you deposit into the SPIA, and you could use that payment to fund a permanent life insurance policy. So, it's a really nice way to turn a lump sum into a really nice life insurance policy with cash value and a death benefit that you can leave **income tax free** to your beneficiaries.

Pamela: So, now we've covered three variations of annuity: A straight fixed annuity, a fixed index annuity, and a single premium income annuity or SPIA. What's the fourth and final type of annuity you think is important that our subscribers know about today?

The Annuity Type Designed to Provide Guaranteed Income *No Matter How Long You Live…*

Nick: That's an **annuity with an income rider**, Pamela. It's also purchased with a lump sum deposit, and income is taken at some point in the future. **It can provide income for life.**

Lee: An income rider adds to the annuity something called an income account value, which is a *separate calculation* from the annuity's basic account value. This income account value is *guaranteed* to grow by a certain percentage every year, for a set period of time. The guaranteed increase in the income account value could be 8%, 9%, or even 10% or more. That's *significantly* more than the guaranteed growth of a fixed annuity.

That annual increase in the income account value is called a "roll-up." And the period of time the income account value is guaranteed to grow, or roll-up, is called the roll-up period. The roll-up period is often 5, 10, maybe even 20 years.

When you own a fixed index annuity with an income rider, *you* decide when you want to turn on your *lifetime income*. When you tell the company to turn on your lifetime income, the company looks at the current value of your income account and calculates your annual income based on that value, factoring in your age at the time. The older you are, the higher your annual income will be because the income only has to last until the end of your life. … Nick?

Nick: For an easy example, let's use an annuity with an income rider that has a 10% simple roll-up. So, it's a 10% simple roll-up, which means every year, your income value will grow by 10% simple. So, if I put my original $100,000 in, every year I *don't* turn on income, that $100,000 is going to get added $10,000 added to it.

So, if I decide that, "Hey, I want to put $100,000 in this income annuity with a 10% simple roll-up and turn on income after five years," the income value will be $150,000 because I've gotten $10,000 added to my account every year. So, they will take—the insurance carrier will take—that $150,000, multiply it by my payout factor based on my age, and **that will be my lifetime income that they will *guarantee* to pay me for the rest of my life**.

Pamela: What kind of situations does an annuity with an income rider make the most sense for someone?

Nick: So, that's for *someone looking to create an income stream they **cannot** outlive*.

We use insurance as a way to make sure our families are covered if we pass away too early. We use annuities to make sure we're covered if we live too long and we don't run out of money.

So, my example before with my family, that is a perfect example of someone that should buy an annuity with an income rider. If you don't have a pension, you can use an annuity *very similar to a pension* with a lump sum, so it'll give you that *peace of mind*. It'll give you that *freedom* to make sure you can do what you want and live the life you want to in retirement, in your golden years that you worked so hard for.

Some Annuities Are Designed to Give You the Advantages that Pensions *Used* to Provide Most People…

Pamela: Well, *having an income stream that you can't outlive is phenomenal!* Like you say, it's what pensions were *designed* to do, but they barely exist today. And Lee mentioned at the start that the most common fear that people have today is that they fear that their money won't last as long as they do. And we've also seen, it's a very, very real fear with the World Economic Forum saying that the typical 65-year-old **is going to outlive their money by 10 years.**

Thanks for covering the four main variations of annuities that are best for folks who want safe growth and retirement income.

Most of our subscribers know me as a proponent of using high cash value, dividend-paying whole life insurance to achieve your financial goals and dreams without taking any unnecessary risks.

But I am also a *big* believer in the *power* of annuities, and my husband and I personally own six of them, and we have three of the four different variations that you mentioned today, Nick. Each one serves a different purpose in our financial plan. They give us phenomenal peace of mind, and when you use dividend paying whole life insurance and annuities *together*, they can truly complement each other beautifully to help ensure you reach **all** of your financial goals and dreams.

Nick, as an expert on annuities, you've created an interesting plan for yourself and your family. Would you be willing to share it with our subscribers?

Nick: Sure, I would love to. So, I'm not a big proponent of taking risks. I don't like to risk my money in the stock market. *I don't like to go gamble.* It's just not what I like to do. So, my plan is when I turn 50, because most of these annuities, the way they work if you want lifetime income, they will roll up for probably a max of 10 years.

And I want to retire as soon as possible. I want to retire when I'm 60. So when I'm 50 I'm going to take a lump sum and put it into an annuity that I know rolls up and can guarantee me an income that I know I will be satisfied with in retirement, *that will cover all my expenses*, will cover everything that I need. And the *great* thing about that is when I'm 50, once I lock that in, **I'm done funding my retirement**. Now the rest of my life can be focused on life insurance, leaving a legacy, doing other things.

I'm done funding my life insurance because I have the peace of mind knowing in 10 years when I'm 60 and I want to turn on that income, *I'm taken care of*, *my wife is taken care of for the rest of her life.* This annuity has *joint income on it*. And I know our basic living expenses are taken care of in our golden years, and *we don't have to sweat it out anymore*, worrying about 401(k)s, worrying about the stock market, worrying about pandemics or *any* black swan event that happens.

Pamela: You know, that sounds like an enviable plan that you set up for yourself and your family, Nick.

Nick: Now, the great thing about these, too, is the money that they haven't paid you out in income is left to your—if you pass away—is *left to your beneficiaries* in a lump sum, so it's not a "put your money in, and if you don't live long enough to get it back out, sorry about your luck." You leave it to your beneficiaries as a death benefit.

Pamela: So, it's not a use-it-or-lose-it scenario.

Nick: Correct.

What's the Ideal Age for Someone to Purchase an Annuity?

Pamela: What's the best age range for people to consider adding an annuity to their retirement or financial plan?

Nick: So, Pamela, **any time after the age of 50 is a good time to look at an annuity.**

Pamela: Is there an upper age limit where the companies just say, "No, too late to start an annuity"?

Nick: Every company is a little bit different. Usually the age range is about 80 when you look at an annuity with an income rider. If you want to do just a fixed index annuity or a straight fixed annuity, they often go up to age 90 or 95.

Pamela: Well, that's great to know.

Lee: Can you start a SPIA, a single premium immediate annuity, at any time?

Nick: Yes, correct.

Pamela: Nick, we really appreciate this great and concise overview you've given our subscribers of how annuities can help them reach their goals of safe growth and maximum lifetime income. And with so many types of annuities out there and all the different features and riders available, how does someone determine the best strategy, type of annuity, etc., for their situation?

Every Person's Situation is Different... A Bank On Yourself Professional Can Determine Which Annuity Type and Which Features are Best for *Your* Unique Situation

Nick: Pamela, that's why it's important to work with one of our Bank On Yourself Professionals, because they have over *40* insurance carriers that they can choose from, and each one of these carriers have multiple annuities available. So, we're talking hundreds and hundreds of different types of annuities.

They can look at your unique situation and choose from, and they also have access to people like me and the other people on our team, to be able to bounce information off of, call, say, "Hey, I met with Mr. and Mrs. Smith, here's their situation. Here's what they're looking to do. What do we think we can do?" We can *collaborate*, all put our heads together and **figure out the exact right annuity for that person's plan.**

So, it's very important to work with a Bank On Yourself Professional who knows annuities inside and out, just because the sheer volume of annuities that are out there, you want to make sure you're working with somebody that is up to speed and that has knowledge on this.

Pamela: You mentioned that it's good to work with the Bank On Yourself Professionals, and for anyone listening who's not sure what that is, the Bank On Yourself Professionals are *experts* in safe money strategies, and those strategies include dividend paying whole life insurance and annuities, and the best ways to combine both, where appropriate, to help a client meet their short-term and long-term financial goals and dreams. And there's only approximately 200 financial representatives in the entire US and Canada, who have passed the rigorous training and requirements to be a Bank On Yourself Professional. If someone listening to this is *already* working with one of the Bank On Yourself Professionals, I would encourage you to *contact them with any questions that you might have*.

If you *haven't* yet requested a referral to one of the Bank On Yourself Professionals, I would encourage you to *do that now*, and you can do it by going to:

<u>BankOnYourself.com/request</u>

The Bank On Yourself Professional we refer you to can provide you with the *free* analysis and recommendations for reaching your financial goals without taking any unnecessary risks. And all of the recommendations would be custom-tailored to *your* unique situation, because there is **no** one-size-fits-all plan.

There is **no** high pressure, **no** obligation, and **no** cost for this analysis and recommendations, and you'll be able to see how much your financial picture could improve— *before* you decide whether to move forward. But the sooner you get started, the sooner you can start experiencing less financial stress and worry, and start enjoying more financial predictability and peace of mind.

So, right now, while it's fresh on your mind, why not get your referral to a Bank On Yourself Professional and a free analysis. And *for your safety*, the Bank On Yourself Professional selected for you can meet with you virtually by email, phone and by sharing their computer screen, so *it's safe and it's convenient*. You really have *nothing* to lose and a lifetime of financial peace of mind to gain. Go to:

BankOnYourself.com/request

Thank you, Nick, for joining us.

Nick: Thank you Pamela for having me. I encourage everybody to just think about an annuity, how *it can help your situation*. I know how it has helped my family situation, and I hope it can help yours as well.

Lee: There you have it, annuities in a nutshell, with annuities expert Nick Bates and the president of Bank On Yourself, Pamela Yellen. Remember, if you'd like custom-tailored advice on how to incorporate the strategy the experts recommend for **ensuring you don't outlive your money**, go to bankonyourself.com/request *now*, while you're thinking of it.