

Helping You Pursue a Secure Financial Future by Planning for Retirement

The longevity challenge - The annuity strategy

dm Dwight Moldenhauer



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First, the good news: Retirement is now longer than ever. It is good news because it gives us more time for all the things we've always dreamed about but never had time to do. Now, the bad news: Retirement is now longer than ever. It is bad news because we have to worry more about how we're going to pay for it all. A 65-year old male in good health has a 25% chance of living to age 92 and beyond. For a healthy 65 year old couple, there is a 50% chance that one spouse will live beyond age 92 and a 25% chance that one will live beyond 97.*

Retirement is not just an event. It is a phase of life, one that is becoming longer and longer and presenting greater challenges than ever before.

So preparing for retirement is not only about building assets for a special day. It is also about making sure you'll be able to enjoy the benefit of those assets for many years after that day arrives.

An annuity is a financial tool that is over 2000 years old. In ancient Rome, annuities were used as compensation

in the form of lifetime annual income for the widows of slain soldiers. These payments were called by their Latin name "annua." In most recent years, annuities have been issued by insurance companies. By offering annuities, insurance companies were able to protect their customers against longevity risk – the risk that they'll outlive their financial assets. Conceptually, It is the opposite of life insurance, where policyholders insure against the risk of dying too soon.

Consider these two distinct areas planning we all must consider:

1. Retirement Accumulation
2. Retirement Distribution

Each subject has its own consideration when it comes to amounts to save, build, manage, spend or pass on, pay taxes now or pay them later?

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As anyone approaches retirement regardless of the degree they have been successful at accumulating assets, liquidating and spending money, it is almost never easy.

No one wants to sell or redeem an asset that is growing almost as much as we wouldn't want to liquidate an asset that is down in value. Conventional approaches to retirement alone leave many of us open to potential areas of risk and exposure. It is easy to ignore potential risks when the markets are producing earnings and positive returns.

It is often not until after a correction happens that we realize we had more risk exposure than we fully understood.

A very successful member of an entrepreneurial family owned business said to me that his uncle, who has since retired told him his only regret was that he never build an "annuity" for himself when he was running the business. We must see this as an example of a successful investor not wanting to let go of and liquidate valuable estate they succeeded in building.

Because no two individuals have the exact same financial needs, Annuities can offer a great many benefit options and features. The advantages Annuities provide is as a long-term financial vehicle designed for retirement purposes as well as death benefit protection. Annuity payment options are many and the opportunity for tax deferral on investment earnings is a significant benefit.

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