Episode #168: How to Turn your Qualified Accounts into an Income Stream

Video Transcription

Hello, everyone, and welcome to another episode of "Money Script Monday." My name is Michael Clementi, and first of all, I want to thank you for attending. Today, we're going to be going over how to turn your qualified retirement accounts into an income stream. Before we get started, though, I want to start with a story. There were four best friends from the Northeast of the United States. They wanted to travel to California and drive through Death Valley, one of the marbles we have in California. And let's fast forward to when they get to the trip, they're having a great time, they got the music cranking, they're laughing and joking, and they realize that they see a sign. And the sign is warning them that there are only 100 miles to the next gas station. Well, the friends look down at their gas meter, and they have less than a 1/4 tank to get to that gas station.

So, as you can imagine, those good times turned to fear very, very quickly. They started panicking, started thinking of ways that they can get to this gas station, the least risk possible. Started rolling the windows down, trying to tap the gas pedal and cruise. But one friend argued and said, "Hey, hit the gas pedal as hard as you can, and let that get us there." And the reason I want to say the story is that these friends had a destination. They had a goal. They had a certain amount of gas to get them there, and they knew they were going to run out of gas, but they did not know when this was going to happen. Now, we think about the story a lot when we're talking about planning for retirement, mostly retirement income. It would be great if these friends had maybe a roadmap, a roadmap that lets them know how much they'll need exactly for each amount of time to get them to their destination safely. We want to treat your retirement like a roadmap to take as many risks off the table as possible. And when we look at retirement average lengths, a single male, his average length of retirement is 18 years. A single female is 20 years. And then a male and female couple at age 65, that is a 24-year average retirement length. These are averages, though. Some of you may be going a lot longer, 20, 30, heck, maybe even 40 years into retirement.

So, we want to take some time today and show you how you can create your roadmap and turn some of these accounts, some of your assets into an income stream to take that risk off the table, give you enough gas to get to your destination safely. But before we go over how we're going to turn your qualified accounts into assets, we have to see how we've been planning for retirement traditionally. So, there are two models I have behind me. The one on top is what our parents have been going based on the majority of their lives. As you see, most of it relies on a pension and social security, and a little bit is on their savings. The pension coming from their jobs is the promise from your career that they're going to pay you up for the rest of your life into life expectancy. Social security, payments directly from the government. If you're already paying in your taxes, you're paying your social security plan. And the rest we have up here is saving. You've done things independently to create income for yourself using 401(k)s, IRAs, money in the market. And this model was great for a while. It was great for a long time. Our parents had this guaranteed income in place, and the rest of their savings, they could use in the market, play a little more risk. It wouldn't affect them as much if they had some downturns to deal with if they needed or if they had to take a loss because they had so much guaranteed income already in place.

The way we look at retirement now, this model is completely flipped. Pensions, we've noticed, are all but gone. I would say you're lucky if you have a pension. It's a promise from your career, mostly government-mandated careers, police officers, firefighters, teachers, nurses. That's going to be giving you a pension. Social security's still in place, but it's not enough to keep you afloat to rely solely on your social security. So, now, the risk is directly on the consumer, and it's on your assets and savings. It's going to be up to you now to take time and effort to make sure that you have enough money going all the way to retirement. I want to show you how you can take your assets and turn them into an income stream and take that risk off the table.

And we've already talked about two of the three sources of guaranteed income. One being a pension, direct payments from your job. The second being social security, direct payments directly from the government. We're already funding into it; you're already doing your due diligence on that. So, now, what's left for us? That's an annuity. Everyone has access through an annuity through financial suitability. And what we would like to congratulate you on your accumulation phase, getting up the mountain, trying to get to your destination. Now, the back end is making sure you have that income stream guaranteed in place. We recommend peeling off some of that accumulation, some of your assets, and using it to guarantee a portion of your income. And what is great about annuities is the accessibility. Is that you can use pre-tax dollars, money from IRAs, 401ks, depending on your age, but you can directly rollover or do a transfer into an annuity, and it's going to take off the risk from your portfolio.

Principal protection, no matter what happens, if you run into another coronavirus downturn, another 2008 crisis, any negative downturns in the stock market, you'll be completely protected. Lifetime income, we are using this product to guarantee a portion of your retirement income, and we're not using it from your job or the government. It's backed by a financial institution and the insurance carriers; some of the best institutions are insurance carriers in the United States of America. Next, it accounts for inflation too. You're not going to be getting level payouts based on your index returns from the market. You're going to be increasing income each year to account for inflation because we know today's dollars are not going to be the same as tomorrow's dollars. And lastly, my favorite part is we call mailbox money. It gives you that peace of mind, knowing that you can walk out to your mailbox every month, pull out that envelope, and see that you have your annuity money in place to take care of your essential and discretionary expenses.

Now, before I end this presentation, I want to talk about Mount Everest. Over 4,000 people have scaled Mount Everest. Three hundred people have passed away scaling Mount Everest. Eighty percent of the people pass away on the way down. They hit the peak, and they didn't have a plan to get all the way down. So, if any of this is relating to you and you want to make sure that you take some risk off the table, give yourself more of a safety plan to get to your destination safely into retirement. Please contact your financial advisor and talk about some of these concepts. Again, my name is Michael Clementi. I want to thank you for your time today, and we'll see you next time.