Episode #201: Two Ways to Qualify for Double Income Withdrawals

Video Transcription

Hello, and welcome to another edition of "Money Script Monday." My name is Sean Brady and today's topic is, "Two ways to qualify for double income withdrawals." Fixed indexed annuities offer your traditional benefits, things like principal credit protection due to market downturns, tax deferral, and index interests that can be credit to your policy based on external market changes on external index. All those things are great benefits, and some fixed indexed annuities, or FIAs for short, go the extra mile. They take it further, and they offer lifetime withdrawals that you can't outlive, so they guarantee income. In addition to that, they also offer the opportunity to double your income in cases where you may need it the most.

Let's take a closer look at what some companies and some carriers either call their income multiplier benefits or income doubler. When you're ready to start your lifetime income withdrawals from your fixed indexed annuity, you basically can do that in the form of taking it in an annual maximum. So, the annual maximum amount will be paid out to you guaranteed. In addition to that, some fixed indexed annuities have the opportunity to increase that lifetime withdrawal or that guaranteed income with the index allocation option that you choose. You select an index allocation, and if you get a positive index credit applied to your policy, then that guaranteed income increases as well, guaranteed to never go down. In addition to that increase, you also have the opportunity to double your annual maximum should you need it to pay for care. Basically, there's two qualifying factors in which you could double your annual maximum payments.

That first qualifying factor would be confinements. If you have to stay in an assisted living facility, qualified hospital nursing facility, and you're there for at least 90 days in a consecutive 120-day period, then basically you could turn on that income doubler from your policy. The second qualifying factor would be activities of daily living, and more specifically, the inability to perform at least two of the six activities of daily living (or ADLs for short). Those six activities would be bathing, continence, toileting, dressing, transferring, and eating. If you want to qualify for that income multiplier, that income doubler, there's certain factors that will prohibit you from qualifying from that. If you had lived in an assisted living facility, qualified hospital nursing facility, you can't have lived in those places prior to the purchase of the annuity. If you want to qualify via the activities of daily living, then you must have a physician certify that you can't perform two of the six activities of daily living. That diagnosis must occur after at least the first contract year of that policy that you purchased, that annuity you purchased.

These two qualifying factors are really going to differ from company to company, annuity to annuity. So, to get the real specifics, you'd have to go and speak with that particular annuity company. Generally speaking, these are the two qualifying factors. I don't want to take away from the importance of long-term care insurance. This income multiplier benefit is not a substitute and there's still real importance for long-term care insurance. Let's take a closer look at how this all works, let's just come up with a hypothetical here. Meet this guy, Matt. He's one of our clients, and basically, he's on this fixed indexed annuity for 10 years now. He's about to retire and he says, "Hey, I want to turn on my lifetime withdrawals from this particular annuity." So, he meets with his financial professional, financial professional says, "Yeah, that's a great idea. Let's turn on your lifetime withdrawals guaranteed income for life."

His financial professional reminds them that this particular annuity that he purchased 10 years ago also has the ability to increase his guaranteed income with every positive index interest that gets credited to his policy. Matt says, "Great, let's start that income." So, he's taken withdrawals for five years now. On the fifth year, unfortunately, he falls ill, and at the time of his illness, his max annual payment is $20,000. He goes to his physician, gets certified that he can't perform two of the six ADLs, and notifies the annuity company. Annuity company doubles his payment, $20,000 to $40,000, and that could go to help pay for the care that he might need while he's at home. Throughout that time, as the years go on, he still has the opportunity to earn index interests.

The following year, he gets index credit. Payment goes up to $41,000. Following year, another index credit payment. Payment goes up to $43,000. Following year, he recovers, he gets much better. When that happens, when he recovers, the payment's just going to drop to half of whatever it had grown to. The $43,000 cut that in half equals $21,500. An alternative to this would be, say, Matt doesn't recover and he's still ill. Then these higher payments will continue on and it'll continue on until the accumulation value of the annuity is completely depleted. This would continue, and then once the accumulation value is depleted, then it drops back down to half of whatever it grew.

This graph really just illustrates a really important point about the importance of adding a fixed indexed annuity to your overall retirement portfolio. In addition to everything I just talked about, I mean, the tax deferral, the principal and credit protection, guaranteed lifetime income, all really important things. Then finding a fixed indexed annuity that offers an income doubler, it can really offer that peace of mind to you should the unexpected occur. Now, I hope you found today's presentation of value, and we'll see you again next time on "Money Script Monday." Thank you.