

# Episode #203: No Pension, No Problem How an Annuity Can Be Used as Your Pension

## Video Transcription

Hello, and welcome to another episode of "Money Script Monday." My name is Marcus Kiel. Today we'll be covering the topic "No Pension, No Problem: How An Annuity Can Be Used As Your Pension." First, I'd like to talk about a story that I have a personal story that talks about this subject. My uncle worked for a large corporation. After years and years of service, 20 to 30 years of service, he was ready to retire and he was lucky enough and more mature enough to receive a pension. Years later, after he started receiving the pension, he received a letter in the mail stating that the pension amount of dollars would be lessened due to financial solvency of the company. You can imagine his surprise and a little worry that, you know, something that he's counted on for his retirement years is going to be reduced. So, I tell that story to talk about adding stability to your finances. Okay? So, the traditional financial model, three-legged stool here, pensions, personal savings, and social security. Now, as we will know, large corporations have gone away with the pensions in lieu of kind of a 401(k). And so, that leg is broken. And even if you are lucky enough and have pensions from a large corporation, that money can be reduced. I mean, they still pay, but it can be reduced due to financial solvency. And so, if it's not broken, it's a little wobbly. Okay?

The second leg is personal savings and that can include investments, life insurance, checking accounts, savings account, bonds, so on and so forth. And the third leg is social security. So, we wanna add stability to that, that traditional three-legged stool. And how do we do that? How can we rebuild that first leg of pensions? Well, we can use an annuity like your personal pension. So annuity 101, you purchased the annuity from a life insurance company. It can either be a lump sum or multiple payments. Your money can grow tax-deferred until withdrawal, 59.5. The other benefits are protected lifetime income, protection from market loss, and we'll talk about that a little bit later. Death benefit, if you pass away prematurely, and then access to your money. Lastly, you can convert your annuity into guaranteed income at retirement. Payments can be continued for a specified period of time or last your entire life. Okay? And so, you know, most people have already signed up for an annuity from the government and it's called social security. So you've worked all your life, and then when you're ready to turn on the social security depending on, you know, your age and if it's still feasible and by how much, you can turn it on and

that's going to last you for the rest of your life. Well, annuity works kind of the same way.

And so, today I wanna kind of change your thinking, change the psychology behind how you look at an annuity, and consider it more like a personal pension. So like a personal pension, the annuity, I want you to see it more like a personal pension and not a financial product. We wanna shore up that third leg and think of it as, you know, something that's more like a personal pension and not a financial product, not a financial transaction. Okay? Secondly, focused on the guaranteed income part of the annuity and not a return on your investment. Remember, this is to go for your entire life. Okay? To cover your essential expenses.

So, I'll take a break there and talk about another story. I have two clients, client one and client two. Client one and two both have personal savings invested into the stock market. So, the stock market takes a huge dip and client one is on the phone, they're panicking, they're calling their advisor. "Hey, what's going on?" They're watching the news. You know, they're sweating because their nest egg is in the investments. Okay? Client two, same thing, he's got his nest egg in the investments as well, but there's a difference. He's not panicking, he's not worried. He's not checking the news and calling his advisor every five seconds. Why? Because unlike client one, he has his funds in not a pension, okay, but an annuity. Acts like a personal pension and he's already receiving income. So, his essential needs are covered by that annuity that he gets every month. Or, you know, if he turns on yearly, he can get it every year. But, you know, the peace of mind knowing that that check is coming, that is not subject to stock market volatility, and know that every month or yearly, he can get that check from the insurance company and he cannot outlive it. Number one fear of baby boomers is outliving their money.

So, the tale of two clients, type one, client one, had all his nest egg in just one stool, the personal savings and so panicked. Client two had multiple strings, multiple legs and, you know, they had the peace of mind. So, focus more on the guaranteed income and not the return on the investment. And then lastly, designate a portion of your retirement savings for an annuity. So, if it's a tough pill to swallow to have a lump sum, to write that check to an insurance company for your annuity, 500,000 or a million, start early. Start earmarking a portion of your savings for that annuity. Preconditioning your mind, okay? Changing the psychology and earmarking a portion of those savings for the annuity so that when the time comes to purchase it, it's more of a peace of mind and you're happy to do it because you know that it's not a financial product, it's more of like a personal pension and you cannot outlive it. It's guaranteed.

So to review, traditional model, three-legged stool, the first leg is broken pensions, let's shore that up with an annuity that acts like a personal pension. Annuity 101, a lump sum, can grow tax-deferred. And then when you turn on income, it can last for your lifetime. And then changing the psychology, it's a personal pension, okay? Not a financial product, guaranteed income, not focused on the return of investment, and then designating a portion early to purchase the annuity. Once again, my name is Marcus Kiel. Thank you for watching. Find a local financial advisor and see if you're ready for a personal pension acting like an annuity. Okay. Thank you.