# Episode #243: Return of the Split Annuity

**Video Transcription**

Hello. My name is Sal Mendoza and welcome back to "Money Script Monday." Today, we're going to be talking about the return of the split annuity.

Now, I've been working here for LifePro for 20 years, 20 years in July to be exact. And in the first 10 years of working LifePro, we sold a lot of single premium immediate annuities.

Also, kind of a better than a savings tank, was a multi-year guaranteed annuity, uses like a three or five-year chassis, a surrender schedule. I sold a lot of those, especially for your ultra-conservative clients.

I did that a lot for the first 10 years for specific clients, but then all of a sudden, something happened. We all know what happened was that interest rates started to go down, and down, and down, and down. And all of a sudden, it made no sense for a client to put money into a multi-year guaranteed annuity or a SPIA. It just didn't make any mathematical sense.

Basically, for the last 10 years, we have basically shelved those products. I get requests here and there over the last past, especially like seven years. But from a mathematical standpoint, it never made any sense.

So, I haven't taken an app for a MYGA or for a SPIA for at least seven years. But all of a sudden, the economy, as you know, has been hot. The Feds decided that they would increase interest rates to slow it down. We're in that process now where things are happening. There's a positive and there's a negative.

The positive, of course, is for your savers. All of a sudden now those annuities, the MYGAs and the SPIAs, those make sense again.

What's negative, of course, is if you're trying to buy a car or you're trying to buy a mortgage, it's just going to cost you more money to do that today. Because as you know, it's been very inexpensive to purchase those over the last 10 years, but that's different in 2022.

So, fast forward here is we have a client and he's what I consider your ultra-conservative client. And everyone has a percentage of those in their book of business where they don't want to see anything hypothetical.

They want to give you a dollar and they want to know exactly what they're getting in return, and they want to know exactly to the last penny of what they're getting back in return.

Mow we have a great option again because we're able to pull off the MYGAs and the SPIAs. And in this particular case, we have a 60-year-old man who retired and he needs around $2,500 a month. What we're going to do is that $500, we're going to split that up.

We're going to split that into a SPIA and we're going to split the rest of it, the balance into a fixed index annuity. The first chunk of money which is almost $260,000, we're able to put into a SPIA and then that is going to give them $2,500 a month, month in, month out for the next 10 years. Simple. Easy concept.

The rest of the money, which is around $240,000, we're going to put into a fixed index annuity. Much more upside because of the different allocations.

Also, one of the things about this ultra-conservative client is he didn't want any fees. He's like one of those kinds of guys. He counts every little penny and where it's going. And rightfully so, he's worked hard for his money.

So, we want to be able to satisfy what he wants. So, this fixed index annuity has no fee. The catch is, of course, that he can't touch income, I should say, for the next 10 years.

But in Year 11, all of a sudden now you're able to start the income and we projected it will be around $36,000. We ran it literally as conservative as you can. When we chose the allegation, we chose a simple point to point.

Pretty much not guaranteed, but pretty much it's going to happen the way we think it's going to happen. We know that he needs at least $30,000 a year. So, we're able to actually satisfy that income amount in Year 11.

What's nice about this too, is this fixed indexed annuity complements that SPIA. That SPIA is going to be guaranteed for 10 years and that FIA also has another incredible feature, which is your increasing income.

You can see here that it's $36,000 in the first year, all of a sudden he got an index return. So, the next year, he's got $39,000 and onward and forward. And then Year 14,15, he was flat.

He's not penalized. He'll stay at that same amount the following year, but it continues to grow. You can see here by year 20 of the policy after he starts income, then he has around $64,000 of literally income per year. And that is what's going to keep him ahead of inflation.

We pulled off the MYGA, we pulled the SPIA off the shelf, and we're now able to offer that again to your ultra-conservative clients. Probably of those, they have probably been on the sidelines for a little while because they wanted their money guaranteed.

Wo, now we have a great partnership between a SPIA and FIA, combining them together to create that necessary guaranteed income.

My name is Sal. Thank you very much.