

# Episode #267: Is an Annuity Right for You?

Hello, everybody. Welcome to another episode of Money Script Monday. My name's Michael Clementi, and first, I want to thank you for joining us. And today, I'm gonna ask you the question, is an annuity right for you? And we get a lot of questions here about why are annuities good, you see mixed reviews about them, but is it right for that specific client? We're gonna break this down into three different sections. What an annuity will not do, what an annuity will do, and then, we'll focus on really the "why." Why we like to focus on annuities.

Let's break down what an annuity is not first, let's disqualify that. Well, it's not gonna give your clients early access to the cash. Annuities, usually, about either a 3, 5, or 10 year deferral process, you want to let the money cook in there and earn on the index it's tied to, so that way, you have access to the cash value within that 10 year deferral period.

The next, it's not that 20% or 30% return. It's not that big, big money maker for you. It's more of a security account, a safety account for cash or income stream that you can never outlive.

Lastly, it's not a get-rich-quick scheme. This isn't that new investment, that stock pick, or that cryptocurrency pick. Again, it's that more conservative rate, that income stream that's gonna de-stress your portfolio.

Let's focus on really what is an annuity going to do for you. It's going to protect your principal. It's indexed to your market, not fully invested. So, the money that goes directly into this annuity contract has 0% floor. When you see those negative returns on your asset management accounts, this money is completely protected.

The money is gonna grow on a tax-deferred basis, just like your IRA or 401K. The money you put in there from your paycheck right now, not

paying taxes on that. It grows over time, and then, you pay taxes down the road when you need the money. You do get access to free withdrawals. When you do need that money, you have usually about 10% to access that cash value if you ever need it, and then, lastly, it provides guaranteed lifetime income.

Meaning, the money you put in there from a large rollover or transfer, we're gonna pay you back the money as quick as possible to you, but then, at some point, that money's gonna run out. But the promise from an A-rated insurance company is that this money, this income stream, will never outlive. It's never gonna go dry. For you or your spouse, it will go all the way to life expectancy, and that's a contractual guarantee.

Focus on the "why." Why do we use annuities? I call it retirement income insurance. You have insurance on your house, your car, and probably your life with a life insurance policy. What about your income? Why don't we put insurance on that? And just like I said before, it's the income stream that's insured from the insurance carrier that is the guarantee it'll last all the way into life expectancy.

This income stream, well, it's going to de-stress your retirement. So if you have all money managed accounts that need to earn a certain percentage each year to reach your retirement goals. You have your social security account that's going to be coming in from the government, and you have to make this difference each year. If we added another income stream that's gonna add to that, now you don't have to earn as much money on these asset accounts. So, we're gonna de-stress your portfolio and also de-stress your life, knowing you have that money coming into your mailbox each month or each year.

Lastly, it's going to protect you from inflation, which I call really that hidden tax. If you keep your money just really in cash right now, it's getting eaten at by high inflation costs. So the money that you access can account for increasing each year to account for inflation.

Lastly, you're never outliving your money. I can't stress this enough, that this is an income stream that you could live till all the way to 120. It's a contractual guarantee from an A-rated insurance carrier that this money will last for you, your spouse, and your family.

If you're worried about stock market volatility, outliving your money, or just fear of not knowing what to do with your money and making sure you have access to an income stream that will be there no matter what the market does. I urge you to call your financial advisor up and ask him if an annuity's right for you.