Episode #304 – Refinance Your Annuity Income

Hey there. My name is Kevin Nuber. Thank you so much for watching today's Money Script Monday video, where I'm going to be talking about how you can refinance your income to get more guaranteed income in retirement. Think back three years ago all the way back to 2020. Over the last three years, over a very short period of time, we've experienced an incredible amount of volatility. Whether it's the pandemic, or stock market volatility going up, going down. We've had inflation. We've had financial chaos. We've had political instability. This amount of volatility over such a short period of time has been truly unprecedented.

During this period of time, we've been able to actually capitalize on some of these fluctuations. One of those things that has changed quite a bit over the last three years in the financial markets is interest rates. Now, if you think back to three years ago in 2020, everybody watching this video who had a mortgage was knocking on their broker's door, or chasing down their banker, doing everything that they could to refinance their mortgage in order to save an incredible amount of money on the mortgage.

Well, today the opposite is true. Interest rates are really high. Nobody's rushing out there to get a new mortgage. But what everybody watching this video should be doing is chasing down their advisor, their broker, their insurance agent, anybody who can help you with your retirement income, because with today's high-interest rates, you have a very unique opportunity to refinance your income so that you can get substantially more in retirement.

What I want to talk about today is exactly how much interest rates have changed over this short period of time because it's truly amazing. And second, why everybody was chasing down their mortgage broker to refinance their mortgage because they're going to save a lot of money?

And how rates have gone up and why everybody should be doing the same thing with their retirement portfolio.

First off, this right here is a very short history of the 10-year Treasury. The crazy thing about this is this is only over a three-year period. The 10-year Treasury is considered the risk-free rate. Supposedly, the US government is the safest thing to invest in, so a 10-year treasury is a measurement of the risk-free rate. Back in 2020, this was a period of time in which we had crazy stock market volatility. The stock market was going down, people needed somewhere safe to put their money, and the Federal Reserve and the government wanted to have an incentive for borrowing and investing. So interest rates went down to .5%.

Think about. This is great for mortgages because you can refinance your home and save a lot of money, but this is bad for investors. Back in this period of time, people were investing and purchasing fixed-interest rate investments in order to guarantee their retirement and income. And today, if we fast forward, only three years, the 10-year Treasury is now 4.795%. We've never seen this amount of increase in such a short period of time. Nobody's out there trying to refinance their home or buy a new home because interest rates are high, but everybody watching this video should be trying to refinance their income to capitalize on these higher rates.

Let's look at the 30-year mortgage. Why was everybody chasing down their banker to get a new loan at a lower interest rate? Well, let’s look at if you had a $500,000, 30-year mortgage. In 2020, I was able to refinance and get a mortgage at 2.65%, which is crazy. It's never been that low before. It will never be that low again in the future. I'm never going to be able to move because of this, and now my principal and interest rate payment is $2,015 for a $500,000 dollar mortgage. It's insane.

Today, if you're to go buy a mortgage or buy a home, you'd have to pay a 7.5% interest rate on a 30-year mortgage. Now, that seems relatively high, but historically it's not really that high. But what this actually means is that your payment is essentially $3,500 for the exact same mortgage. This is why everybody was refinancing their mortgage. They saved this amount of money on their mortgage, but today this is a disincentive for people to purchase new mortgages.

Well, what if back in this period of time you bought an investment or some sort of fixed-income instrument to guarantee your income in retirement? Well, it was looking good then because you were playing it safe, but it's looking bad today because interest rates have gone up. Back then, many people purchased annuities in order to make sure that they had a guaranteed income in retirement in 2020. If you were to purchase a $100,000 annuity, that would pay you $4,430 guaranteed for the rest of your life. It was a great deal back then, but today it's not looking very good because interest rates have gone up by quite a bit.

What I'm here to say is that anybody watching this video who purchased an annuity in 2020, or even prior to 2020 because interest rates were less, all of you have an opportunity to refinance your income because today, if this exact same person who purchased the annuity back then were to purchase it today, in 2023, they can get $8,200 of income guaranteed in retirement. That is an 85% increase in the amount of retirement income that they get for the rest of their life. Think of what kind of impact it would have in your retirement to get a pay raise of 85% just by moving the money from here, and putting in the money over there and costing you absolutely nothing. The exact same scenario in reverse is 2020 with the mortgage happening today with your income and retirement.

I implore anybody watching this video to call your advisor, call your broker, call your insurance agent, and ask them what can I do to refinance my income. Thank you so much for watching today. Until next time.