

Episode #328 – Building and Protecting Retirement Income

Hi and thanks for tuning in to this week's episode of Money Script Monday. As pre-retirees strive towards financial freedom and independence, few goals are as important as securing a stable and sustainable income in retirement. Today we're going to explore one key strategy and tool to help you construct a robust plan that not only builds wealth, but also shields against unforeseen risks. Let's dive into building and protecting a retirement income strategy.

I'll start off by saying all retirement plans are not created equal. Each retirement is going to be a little bit different, but any sound plan has the fundamentals that protect your hard earned dollars and provide the income that you need to live the lifestyle that you want in retirement. LIMRA research shows that overall, just six out of ten Americans surveyed are confident that their savings and investments will last until age 90. Of those, consumers with \$2 million or more of investable assets, only 51% say that they're confident that their savings and investments won't run out if they live to age 90. Compare that to 12% of investors with \$100,000 to \$250,000 in assets, their confidence level went down even further.

What are those top income sources? If we look over here, 64% of the respondents are relying solely on Social Security, 61% on their 401K, 43% on their personal savings, and that goes all the way down to 27% for their pensions. The lack of confidence in retirement for pre-retirees is troublesome, but it doesn't have to be scary if you know and understand what retirement vehicles are out there. How people fund their retirement has changed a lot over the years, but let's face it, today many retirees are faced with the responsibility of funding their own retirement. As a result, people are looking beyond the traditional retirement income sources to supplement the lifestyle they work so hard to earn.

This is where a fixed index annuity offers a unique way to help build and protect the retirement assets and generate the guaranteed lifetime income that you need. On its most basic level, an annuity is simply an insurance product that you purchase from the insurance company, and annuities are designed specifically to help protect your retirement income from risks like market exposure or outliving your money. As an insurance product, the fixed index annuity guarantees your principal protection from market loss while offering growth potential based on increase in a market index like an S&P 500.

There's really two phases to every index annuity. There's the accumulation phase and the income phase. The accumulation phase allows your annuity to earn interest based on a fixed interest rate and an index linked crediting strategy. Any interest credited to your accumulation phase is tax deferred until you decide to draw out income. The second is going to be the income phase. You can draw down either in a lump sum, a series of installments, or a stream of lifetime payment distributions. When you want to access your money, it is important to note that fixed index annuities are designed for long term retirement, but there is liquidity baked into the product. Typically annuity owners can withdraw up to 10% of their contract value annually.

As you review your specific retirement scenario, you may want to identify some retirement income gaps by asking yourself these four questions. How much do you need to maintain your current lifestyle? We found that typically you need about 75% to 85% of your current gross monthly income to maintain your current lifestyle.

Second question is, how much guaranteed income are you able to generate from these protected income sources such as Social Security pensions? Perhaps you already have an annuity.

Third question is, how much income will you be receiving from your retirement portfolio each year? Look at what that estimated monthly

number is and of that number, how much of it's coming from a guaranteed income source?

Lastly, the question that everybody wants to know is, will your retirement portfolio last your lifetime? You've got to estimate what that monthly income number is and look specifically each month. Now, if you've ever done a retirement portfolio analysis, then great job. If not, we recommend working with a financial professional to test whether or not you're on track for retirement. We found that by allocating a portion of your portfolio to a fixed index annuity, it can help fill or bridge that monthly income gap that you may have in your current plan.

Let's take a look at an example of a 63 year old considering to purchase a fixed index annuity starting joint income at age 70. Now you can see depending on the amount that they initially deposit, what monthly income is generated for the rest of their life. Now that's pretty powerful. This couple knows what their monthly income options will be and how much that's going to go on for after the second of the two passes away.

A successful retirement doesn't mean just paying the bills. A successful retirement equals financial freedom. By maintaining a diversified retirement portfolio, it's crucial for long term financial security. An annuity serves as a valuable component within the strategy, providing stable income streams and mitigating risks. By incorporating an annuity into your overall plan, you can enhance your retirement readiness and enjoy peace of mind for the years ahead. Thank you for watching and we'll see you next time.