REWIRE to RETIRE

Opportunities in Retirement Income Planning

Over the next two decades, more than 76 million Americans born between 1946 and 1964 – the so-called baby boomer generation – will begin converting $8.4 trillion in assets to retirement income.[1] Even though the economy begins to recover from the Great Recession, many clients continue to have concerns regarding their retirement future. And who can blame them? From multi-year market lows to historically low interest rates, many boomers may have seen their retirement savings dwindle. Others may have experienced reduced wages or layoffs.

[1] Munnell, Alicia H., Webb, Andrew, Karamcheva, Zhenya and Eschtruth, Andrew D. "How Important Are Intergenerational Transfers for Baby Boomers?" Center for Retirement Research at Boston College, January 2011, http://crr.bc.edu/wp-content/uploads/2011/01/wp_2011-1_508.pdf

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Any way you look at it, the last six years seem like a rollercoaster ride. And despite their concerns, your boomer clients are still keeping an eye on retirement and counting the days to when they can transition away from full-time employment.

As they consider their options, your clients will be looking to you, their insurance agent, for answers to the following:

- Have they saved enough money to retire?
- Will they be able to live the way they want in their golden years?

Switching Gears: From Accumulation to Income

Many of your clients may be working hard to save for retirement by following a disciplined accumulation strategy consisting of asset allocation, dollar-cost averaging and diversification. There's not a better time to do it: during the period from five to 15 years before retirement most Americans have achieved their peak earning potential.

That said, asset accumulation strategies differ from income strategies. It's one thing to build assets, but it's another to receive income from a retirement nest egg. How many clients have a "de-accumulation" plan or income strategy to help them transition to retirement? Creating a formal retirement income strategy – one that shows how assets are drawn-down over time - can help give your clients a more realistic snapshot of their overall financial situation. It can also better assist them in determining what kind of adjustments they need to make in order to maintain the retirement lifestyle they desire.

Addressing Retirement Risks

There are several obstacles your boomer clients must address as they prepare to retire. In developing a retirement income strategy, it's important to understand the risks, which include:

1. **Longevity risk.** Americans are living longer. Your clients need a strategy to help ensure they don't outlive their retirement dollars. Going from drawing a paycheck to managing retirement asset withdrawals puts a strain on most retirees. Although some of your clients may live as many as 20 to 30 years in retirement, they may not have a strategy that can help them prudently manage their income over time. Let's face it, no one wants to run out of money during retirement.

2. **Withdrawal rate risk.** In the past, many financial experts embraced the 4% withdrawal rule-of-thumb as a way for clients to safely distribute money annually from their nest egg without the risk of running out of money. However, a 2013 study by David Blanchett, Michael Finke and Wade Pfau shows that the widely accepted 4% rule may not be safe for different economic environments. In other words, your clients' withdrawal rates may vary, depending on unique factors, including when they want to retire, how much they have saved, and how they want to live in their golden years. Every client's situation is as individual as they are.

3. **Sequence of returns (or market risk).** An unfavorable market environment can have a big impact on your clients' retirement assets. For example, let's say you have two clients who have similar retirement savings strategies in place, but one retires this year when the market is up. The other client retires next year and the market is down. The client who retired this year may be more likely to achieve his retirement goals compared to the client who transitioned from full-time employment on a down market year. Some clients have more luck than others, but they may be looking to you for effective solutions to address this risk.

4. **Inflation risk.** Inflation can have a damaging affect on your clients' future purchasing power. While recent increases in the U.S. government's measure of inflation – the Consumer Price Index – may seem minimal, it's important to keep in mind that CPI numbers may not reflect what your clients are paying at the grocery store or the gas pump. The Bureau of Labor Statistics excludes food and energy prices in its monthly core inflation report.[3]

[2] Finke, Michael S., Pfau, Wade D. and Blanchett, David. "The 4 Percent Rule is Not Safe in a Low-Yield World." January 15, 2013. Social Science Research Network, http://dx.doi.org/10.2139/ssrn.2201323

[3] American Institute for Economic Research, "The EPI Reflects Basic Economic Change," March 1, 2012, https://www.aier.org/article/7557-epi-reflects-basic-economic-change

An Opportunity to Assist Your Clients & Connect with Prospects

Clients who occupy senior-level positions may count on two or more advisors to help them accumulate their retirement funds. When they get older, however, these same clients are more likely to have just one: someone who can guide them through retirement and assist them in generating lifetime income. As *Paychecks and Play Checks* author and financial adviser Tom Hegna points out, "At 60, people have one (advisor). The one who stays is the one who understands de-accumulation."[4]

With approximately 10,000 boomers turning 65 every day (which will continue until 2030)[5], it's more important than ever for you to arm yourself with effective retirement income information and potential solutions. Prospects and clients will need different strategies to effectively navigate the de-accumulation stage of their financial lives.

Fixed Index Annuities from Athene Annuity & Life Assurance Company, Wilmington, DE

When you assist your clients in identifying their retirement needs and objectives, you may discover income gaps that need to be addressed. While Social Security and pension benefits may help cover necessities, such as food and housing, your clients may need other reliable sources to supplement their income. Fixed index annuities offered by Athene Annuity & Life Assurance Company, Wilmington, DE, can provide guaranteed lifetime income to help your clients meet their lifestyle needs and objectives.

Being well-versed in retirement income-generating insurance products, including fixed index annuities, may help you expand your business. Gain new clients and retain existing ones by implementing retirement income planning as a core component of your practice.

THE NUMBERS

55%

Percentage of pre-retirees in only "fair" or "poor" shape to fully cover their essential retirement expenses, such as food, housing and health care^

$33,848

Median household income for those 65 and over^^

3.36%

Average annual inflation rate in the U.S. from 1914 to January 2014*

A $100.00 item in 1994 would cost $157.84 in 2014. That's a difference of $57.84 in just 20 years**

^Fidelity Investments, "Retirement Savings Assessment: Retirement Preparedness Measure," December 2013, https://www.fidelity.com/viewpoints/retirement/americas-retirement-readiness

^^U.S. Census Bureau, CPS 2013 Annual Social and Economic Supplement, 2013, http://www.census.gov/cps/data/

*In Trading Economics, U.S. Bureau of Labor Statistics, March 6, 2014 ,http://www.tradingeconomics.com/united-states/inflation-cpi

** U.S. Bureau of Labor Statistics, CPI Inflation Calculator based on report published February 20, 2014, http://www.bls.gov/data/inflation_calculator.htm

Contact your IMO today to learn how fixed index annuities can help your clients supplement their income.

Guarantees provided by annuities are subject to the financial strength of the issuing insurance company; not guaranteed by any bank or the FDIC. Guaranteed lifetime income available through annuitization or the purchase of an optional rider, a benefit for which an annual premium is charged.

[4] Touhy, Cyril, "Last Advisor Standing: The One Who Understands De-Accumulation," InsuranceNewsNet.com, February 7, 2014, http://insurancenewsnet.com/innarticle/2014/02/07/last-advisor-standing-the-one-who-understands-de-accumulation-a-457606.html#.UxosChZ21UQ

[5] Desilver, Drew, "Live blog: Generations in the Next America," Pew Research Center, March 7, 2014, http://www.pewresearch.org/fact-tank/2014/03/07/live-blog-generations-in-the-next-america/

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