

# FIXED INDEXED ANNUITIES: TODAY'S GO-TO RETIREMENT TOOL FOR SECURING LIFETIME INCOME

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The number of Baby Boomers who are confident in their efforts to prepare financially for retirement has dropped nine percentage points, from 44 percent in 2011 to 35 percent in 2014, and those with little-to-no confidence in their retirement preparations jumped to 31 percent in 2014 from 22 percent in 2013. These figures are reported in the Insurance Retirement Institute 2013 "Boomer Expectations for Retirement 2014."

Baby boomers are streaming into retirement at a rate of 10,000 per day, largely without a pension to provide a lifetime income stream throughout their golden years. The first generation of retirees in modern times to face an absence of the employer-funded pensions their parents and grandparents may have enjoyed is now grappling with the challenges of having to save and plan for their own retirement income.

Luckily, there are a growing number of guaranteed income products available today, and annuities are fast becoming a go-to retirement tool for securing lifetime income that will provide enough cash to support each individual's lifestyle, for life.

At one time, those looking for a guaranteed retirement income stream waited until they actually retired and then purchased a single premium immediate annuity. Now, however, fixed income annuities or FIAs, allow people to lock in a stream of guaranteed income for the future before leaving the workplace.

According to Olathe, Kansas retirement specialist Alan Becker, the advantage of an FIA, first and foremost, is the greater financial confidence it may provide, making retirement a more enjoyable experience, as it should be for seniors.

"A fixed indexed annuity can protect retirees from market risk while producing an income stream guaranteed to last for life," Becker says. "No other financial product available today can provide all the benefits of a fixed indexed annuity."

In addition to protecting a buyer's growth potential and creating a guaranteed lifetime income stream that locks in gains already earned, a suitable indexed annuity can also:

- Protect the individual's purchasing power, while offering greater growth potential.
- Protect income without exposure to interest rate or stock market volatility.
- Provide dependable, supplemental retirement income for as many years as retirement lasts.
- In the event that long-term health care is needed, some annuity products offer an income "doubler" option, which can up to double income payments for a period of time if a qualifying event occurs. This option is typically available with the purchase of a rider, for an additional premium or annual fee.

Becker says that a primary goal of fixed indexed annuities is to protect retirement assets. They are designed to guarantee income, increase financial confidence during retirement, and to provide life-long asset protection. They grow tax-deferred until withdrawals begin. If purchased with qualified, pre-tax money those withdrawals are also subject to regular income tax. In a world of unknowns, knowing there will be a paycheck coming in each and every month no matter what, for as long as the retiree lives, can provide that kind of confidence for both the retiree and his or her family.

“In the past, many American seniors were provided a monthly income from an employer-sponsored defined benefit retirement plan or pension, and fixed indexed annuities were not offered because there was not a market for them,” he says. “Today, annuities are beginning to gain a lot more popularity due to the fact that baby boomers are retiring in masses and looking for guaranteed income sources to turn their defined contribution plans such as 401(k)s and IRAs into the lifetime supplemental income they’re missing.”

FIA's have become a product that pre-retirees and retirees want and need, because they do provide this sought-after guaranteed income stream. Premium money is entrusted to the insurance carrier, with low or no fees, except early-surrender penalties and costs of riders. When using qualified funds or IRAs and 401(k)s, the smooth transition for required minimum distributions, or RMDs, may make it a good choice when considering what to do with retirement dollars.

Fixed indexed annuities offer a fixed interest rate, plus the potential for increased credited interest by linking to a specified stock market index. Credited interest and principal is locked in with no losses due to stock market volatility. Additionally, by offering a lifetime income option, they help eliminate the risk of outliving assets.

A fixed indexed annuity may also work well in a multi-generational approach to asset protection. Many retirees count the assets from their qualified retirement plan as one of their greatest assets, which is why financial decisions made for a client's distribution period, might be even more crucial than the accumulation period. A multi-generational approach used for retirement strategy can allow for a much longer time period of tax deferral and compounding of earnings. Depending on the ages of the retirees' beneficiaries, a multi-generational approach may even allow the assets to grow to many times the balance that was originally inherited.

When a fixed indexed annuity is utilized with this view, retirees may be better able to create greater financial confidence for their children, grandchildren, and other loved ones.