.....15 Years and still rolling.....

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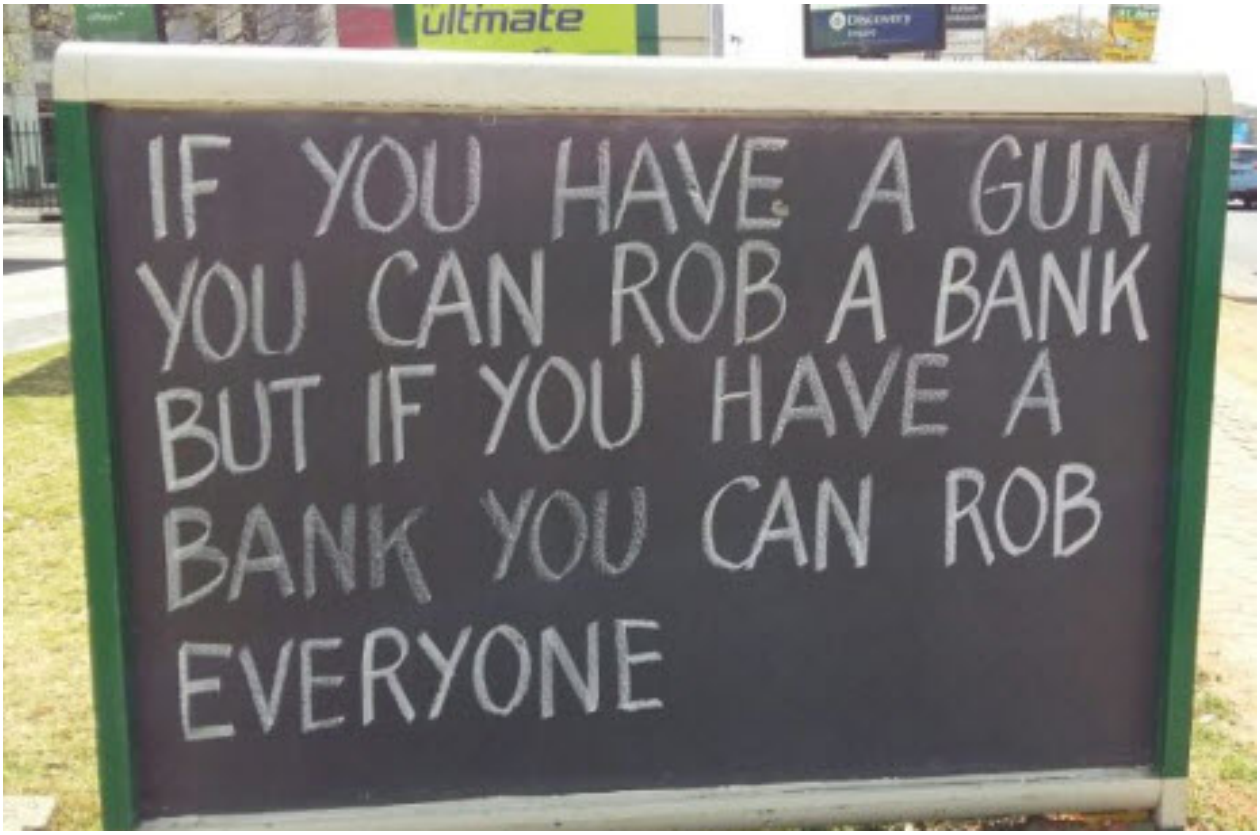
"Fixed Indexed Annuities have a <u>Better</u> than average chance for <u>Better</u> than average returns without exposure to market risk"



Open MIC is free and available to all: <u>Our 26th Year</u>.

Are annuities finally getting some respect?

For years, financial advisers have had a love-hate relationship with annuities. The financial products, which offer a guaranteed stream of income, have long been maligned by some financial advisers and the broader public as being costly, confusing and opaque. Click […]

5 Things 5th Circuit Judges Said About Annuity Sellers

U.S. Circuit Judge Edith Jones has given some thought to the compliance headaches facing insurance agents who sell annuities. Jones was part of the 5th U.S. Circuit Court of Appeals panel that ruled 2-1 last week in favor of financial services […]

Changes are coming, in fact they are already here.

Changes in how people communicate are always in motion. The big "stink" over *Facebook* and their data collection is currently in the news. But did you know that when you had your land lines, even as early as 1955, data collection was already happening because your phone was registered in the **RDD** (land line database) and companies like *Nielson*, obtained and sold your contact info, the area you live in and many other details.

What do you think *LinkedIn* does, are they providing you're a perfect place to interact with other professionals all for free?

It always has been, and it always will be, information is how we market and how we market is targeted.

There is a huge shift currently underway of how the internet is moving it's marketing algorithm. *Facebook* figured it out, built its business platform on it, and others such as Google are fighting to defend their search product.

The change is called ***"Outbound Marketing"*** and next week I will share it with you and show you how you can join in, obtain leads for nearly free and become part of the movement away from search marketing.

And.....I will answer the one question I get asked the most:

"I have been told by many internet marketers that I should use Facebook for lead generation, should I?"

See you next week.

BB

In its 26-year history of Open MIC, I cannot recall any Open MIC that has had so much comment, so many requests for information and frankly, never has a topic been so powerful.

So, we shall revisit it.

Last week I shared with you Roger Ibbotson's research on FIA, stocks and bonds. I also share his "white paper." I thought it might be a good idea to start Open MIC with the conclusions from his research.

BB

Conclusions

• We began with conventional wisdom. Stocks beat bonds by a wide margin. Stocks are **riskier** than bonds. As we approach retirement, it is prudent to **de-risk** portfolios and shift a greater allocation toward **bond-like investments.** Although we believe this wisdom to still be true, we caution individuals preparing for or in retirement not to become complacent, particularly in this low interest rate environment. Each person's goals and risk tolerances are different and there are other options to consider.

• Annuities have for a long time **deserved** a place in retirement portfolios, and the evolution of the industry has made these vehicles more flexible and attractive. As with any investment, working with a trusted advisor/provider and doing your own due diligence is key.

• FIAs have many attractive features as both an accumulation investment and as a potential source of income in retirement. In simulation, the FIA performed better net of assumed fees than long term government bonds. We showed the FIA had **comparable volatility** to bonds but with better downside protection.

In our study, when bonds underperformed, the **FIA performed quite** well. It is our view, considering today's low interest rate environment and our modest expectations for bond returns in the coming future, **FIAs are an alternative to consider.**

Because of the enormous response I had from Open MIC last week, I have decided to repeat it but adding some additional points.

I well remember a confrontation at the parking lot in front of my office in Olympia with a *Merrill Lynch* broker. He was very angry at me for convincing one of his clients that a fixed annuity made more sense. I remember what he said:

"You and your stupid annuities will never be anything except a dog lying in the street."

I became committed. (and a raider)

I made my living for years showing prospects what inappropriate fees and expenses associated with brokerage firms cost them over a period of time. How a safety and security philosophy could be associated with retirement funds and decrease stress levels.

I knew I was right, I showed other agents how to believe and guess what?

We were right!

Over the years as our products evolved, so did the benefits our clients enjoyed until finally a source with impeccable references conducted the third-party research to show in black and white what we had been saying all alone.

Roger Ibbotson PhD.

https://som.yale.edu/faculty/roger-g-ibbotson

Roger G. Ibbotson is Professor in the Practice Emeritus of Finance at Yale School of Management. He is also chairman and CIO of Zebra Capital Management, LLC, an equity investment and hedge fund manager. He is founder, advisor and former chairman of Ibbotson Associates, now a Morningstar Company. He has written numerous books and articles including *Stocks Bonds Bills and Inflation* with Rex Sinquefield (updated annually) which serves as a **standard reference** for information and capital market returns.

He received his bachelor's degree in mathematics from Purdue University, his MBA from Indiana University, and his PhD from the University of Chicago where he taught for more than ten years and served as executive director of the *Center for Research in Security Prices*.

When Roger Ibbotson speaks, people pay attention.

Here are several links for you to conduct your more in-depth research, the top link is his (will be famous) white paper:

https://dta0yqvfnusiq.cloudfront.net/commo93759149/2018/02/Ibbotson-White-Paper-5a78d2dea0f40.pdf

http://www.wealthmanagement.com/insurance/ibbotson-fixed-indexed-annuities-beat-out-bonds

What Dr. Ibbotson wrote in his research will change the annuity business, forever. It will cause a shift in planning that will affect not only insurance agents but also financial planners for years and years to come.

Why would anyone EVER place their important money at risk when history shows that RISK is unnecessary. Risk is not needed when people have access to one little product, a product that has guarantees, a product that is free form market risk.....

Our product: Fixed Indexed Annuities.

The race was won by a "*dog laying in the street*" <u>except,</u> this dog could run.

Dear Agents:

I have paraphrased Dr. Ibbotson's white paper, I urge you to come to your own conclusions, for me, this is the biggest gift our industry has ever obtained. The status of Roger Ibbotson is mercurial, beyond reproach. If you decide to use his information, do so with full disclosure. The REAL reason this is so powerful is that with this "white paper" we have gained status with the mainstream.

Dr. Ibbotson's research has done what we have always wanted, we are now considered a real product, a product that will be accepted by advisors, CPAs, CFOs and corporate American, all of this opens the door to our target

market. Now, when we suggest a FIA, the stock market guys, the CPAs cannot argue against us, their core source (Ibbotson) is on board with us. Ask yourself why?
The answer is simple, **FIA** make sense, common sense.

Use the power of this "*white paper*" to gain credibility, to become acceptable, to shove it down their (ML guys) throat.

Do the right thing, use full disclosure when quoting this "*white paper,*" use it ethically and above board, use it to gain your client's respect, once and for all.

One more important point about the "*white paper,*" it refers to bonds. Remember bonds fall into 2 categories, bonds without risk (Us Treasuries) and bonds that do carry a level of risk (corporate.)

There are many issues that can affect a bond and its performance, interest rates, credit risk etc. Make sure you understand how bonds work.

What Dr. Ibbotson is referring to are bonds without risk, **US Treasuries.** What is the market risk on our wonderful products? Keep that in mind.

BB

Ibbotson: *"Fixed Indexed Annuities Beat Out Bonds"*

In his latest research, economist Roger Ibbotson argues that **fixed indexed annuities** have the potential to outperform bonds in the near future and smooth the return pattern of a portfolio.

In his latest research, Roger Ibbotson, the economist known for his *Stock, Bonds, Bills and Inflation* chart, argues that fixed indexed annuities have the potential to outperform bonds in the near future and smooth the return pattern of a portfolio, **given their downside protection**.

Ibbotson's seminal work was around the idea that as you take on more risk in a portfolio, you get a higher return. But that risk is volatility, and as one approaches retirement, they can't afford that lack of stability.

BB: *Lack of stability means exposure to RISK.*

"I've always recognized you have to de-risk, and we see that bonds are not necessarily the way to go today because the yields are so low."

When added to a portfolio, fixed indexed annuities can **smooth out the return pattern.**

Quote: *In good years, you can make a lot of money because of the equity exposure. When the stock market is very risky, however, participation rates go down. But your return will never fall below 0 percent.*

BB: *This is a massive quote by a third party and qualified and respected source: Ibbotson.*

In the white paper, *Fixed Indexed Annuities: Consider the Alternative*, Ibbotson and his team at Zebra Capital Management ran hypothetical return simulations from **1927 to 2016**, and found that net of fees, fixed indexed annuities had an **annualized return of 5.81 percent**, compared to **5.32 percent for long-term government bonds.**

BB: Calculating increases and decreases. The NO-Exposure to RISK is very powerful.

FIA Hypothetical Net Return (1927-2016)

	Large Cap Stocks	Long Term Gov't Bonds	FIA
Annualized Return	9.92%	5.32%	5.81%
Standard Deviation	19.99%	9.97%	10.01%
Minimum Annualized 3-Year Return	-27.00%	-2.32%	0.00%
Maximum Annualized 3-Year Return	30.76%	23.30%	27.56%

Source: 2017 SBBI Yearbook, Roger G. Ibbotson, Duff & Phelps; Zebra Capital; AnnGen Development, LLC

Ibbotson During below median bond return environments from 1927 to 2016, a 60/40 (stocks and bonds) portfolio returned 7.6 percent, on average. That compares to 8.12 percent for a 60/20/20 (stocks, bonds, and fixed indexed annuities) portfolio and **8.63** percent for a **60/40 (stocks and fixed indexed annuities) portfolio.**

Below Median and Above Median Bond Return Environments (1927–2016)

	Below Median Bond Return Environments Average Return	Above Median Bond Return Environments Average Return	Overall Period Average Return
Long Term Gov't Bonds	1.87%	9.00%	5.43%
Large Cap Stocks	11.43%	9.84%	10.63%
FIA	4.42%	7.55%	5.98%
60/40 (Stocks & Bonds)	7.60%	9.50%	8.55%
60/20/20 (Stocks, Bonds & FIA)	8.12%	9.21%	8.66%
60/40 (Stocks & FIA)	8.63%	8.92%	8.77%

Source: 2017 SBBI Yearbook, Roger G. Ibbotson, Duff & Phelps; Zebra Capital; AnnGen Development, LLC

"I'm not necessarily advocating you go all in," on fixed indexed annuities, Ibbotson says. ***"I think combinations of stocks and bonds and fixed indexed annuities are good."***

"The stock market—generally it's gone up and does much better than bonds over the long term," Ibbotson said. "And people don't want to be out of it, but then of course there's all kinds of talk that maybe the stock market is high priced right now. ***So, there's a danger of being in it."***

https://insurancenewsnet.com/innarticle/ibbotson-why-advisors-should-consider-fias

FIAs have a big advantage in retirement planning, they have no market risk downside.

Do they have a downside? Yes, they are not short-term vehicles. Their first and best use is in a longer-term commitment, such as retirement planning.

Everyone runs to safety at some time in their lives, safety can be many things, Treasuries, FDIC guaranteed products and FIA. It appears that interest rates are on the up swing as shown by recent Federal Reserve interest rate increases, do FIA compete in that market?

Returns must be included when a client begins de-risking their important retirement accounts.

Ibbotson looked at that scenario 4 ways.

1. One rate environment remained unchanged
2. Another saw rates rise by 1 percent
3. One allowed rates to rise by 2 percent
4. A 4th allowed rates to rise by 3 percent,

His time factor was a three-year period.

He then added the affect increased interest rates would play with stocks. Remember, as interest rates increase many propel accept them for their yield and begin rebalancing their portfolio towards safety.

Ibbotson looked at 4 different scenarios of the stock market in his modeling.

1. Equities falling by 10 percent
2. Remaining level
3. Rising by 10 percent
4. Rising by 20 percent.

In almost every listed scenario, the **60/40 stock and FIA combination** performed better than the 60/40 stock and bond combination. (see chart above)

This allows us to help our prospects look at asset allocation from a broader stroke. By laying the groundwork with our prospects we can use these percentages to begin moving them towards safety and over time change to full asset allocation to a FIA.

Does this make us financial planners? Does it require us to become security licensed? No, it allows us to become educators, providers of information and to show a clearer path to de-risking of important retirement portfolios.

Then there is this, we have one huge advantage over a stock (or bond) portfolio, we have guaranteed income, income that can be guaranteed for life.

We have income riders.

Here is my personal language and how I would begin this concept.

"Mrs. Jones, you have done a wonderful job of creating your IRA, congratulations. Let me ask you a direct question about your IRA, what is the actual purpose of it and what would you like it to accomplish?"

I know the answer is going to be one of two things. She will say that it is for income **OR** it is for her children.

Either way, I would say; "*Mrs. Jones, everyone at some stage of their life will begin exchanging risk in their portfolio for safety, it is called running to safety. If I could show you a way to begin these steps, using an approach created by the foremost authority in the financial world, would*

you take time to listen?" (this is called, asking permission and it is a key phrase, asking will open the door, once YES is said, many other questions can be asked)

What do you think she would say?

What do I do next? I show her Ibbotson's "white paper" and my short summary explaining the power and the benefits of adding a FIA to her portfolio as a de-risking tool.

When Ibbotson came out with his "white paper" what do you think happened next? EVERY major marketing company in America (think the ML level) immediately began creating and using a FIA as an integral part of their planning. Not just to help the client remain a client but to make SURE they didn't move money to a competitor, us.

Ibbotson changed everything, he made FIA mainstream and the big boys have jumped on board our little train and made it a HUGE locomotive.

Tip: The notes here in **Open MIC** are only a portion of his "white paper," please read his research and get a feel for his findings, do not simply quote what I have written, instead make it in your own words and use the paper as a **3rd part expert**. Make copies and use it as a marketing handout, then write your own summary and use the summary as your selling points.

I have decided to share my "summary" with you, this is the marketing I am using to provide my prospects with an overview of Ibbotson's "white paper." Please make sure when you use a summary that you also give the "white paper."

BTW to answer an agent who asked....Yes, print it in color, here is your chance to make a huge impression and show off our products. *Office Depot* charged me **$243.00 for 50 copies** in color printed on both sides.

https://www.officedepot.com/configurator/pod/#/product/copiesAndFlyers

The internet offers lower prices, and many have free delivery.

Bill's summary points, please make your own. I did show this to a friend and prospect on Saturday, they were stunned. I handed them the full "white paper" also.

Ibbotson: Bonds or Fixed Indexed Annuities (FIA)?

- Fixed Indexed Annuities can be used to de-risk a retirement portfolio because FIA are not exposed to market risk (downside)
- US Treasuries Bonds are risk free, but they are long term commitments from issue date to maturity date. If the Treasury is sold prior to maturity, they can be worth more or less than the original cost based on the relationship with general interest rates. US Treasury Bonds are issued in a term of 30 years.
- FIA are less of a time commitment and FIA are contracts, the term can end with either the death of the annuitant, the term of the annuity (10 years) or if it is converted to retirement income.
- From 1927 through 2016, using a FIA in place of US Treasuries in a portfolio mix, resulted in a higher yield
- FIA can convert to income an annuitant can never outlive, US Treasuries investments do not offer this benefit.

Dr. Ibbotson says it best in his conclusions of his research: (I highlighted in red, just to make a powerful point with you)

• We began with conventional wisdom. Stocks beat bonds by a wide margin. Stocks are **riskier** than bonds. As we approach retirement, it is prudent to **de-risk** portfolios and shift a greater allocation toward **bond-like investments.** Although we believe this wisdom to still be true, we caution individuals preparing for or in retirement not to become complacent, particularly in this low interest rate environment. Each person's goals and risk tolerances are different and there are other options to consider.

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In our study, when bonds underperformed, the **FIA performed quite** well. It is our view, considering today's low interest rate environment and our modest expectations for bond returns in the coming future, **FIAs are an alternative to consider.**

Can you imagine my surprise when a source well respected quoted the following!

(BTW, Open MIC News is available to anyone in our crew, one of the few things we do not give away for free, email me if you would like to be added to the list)

"Industry and Marketing news you can use to make more sales!"

Bill Broich bbroich@msn.com David Townsend david@annuity.com

Agents: Marketers Pay attention to this. it comes from a valid authority.

Here is the link: https://www.cnbc.com/2018/04/06/guggenheim-investment-chief-scott-minerd-sees-a-recession-and-a-40-percent-plunge-in-stocks-ahead.html

Guggenheim investment chief sees a recession and a 40% plunge in stocks ahead

- **Guggenheim chief investment officer** Scott Minerd is warning clients that the market is on a "collision course with disaster."
- He sees a recession, a **40 percent plunge** in the stock market and a wave of corporate debt defaults.
- He expects the Fed to intervene to stem the crisis but says that will only make matters worse.

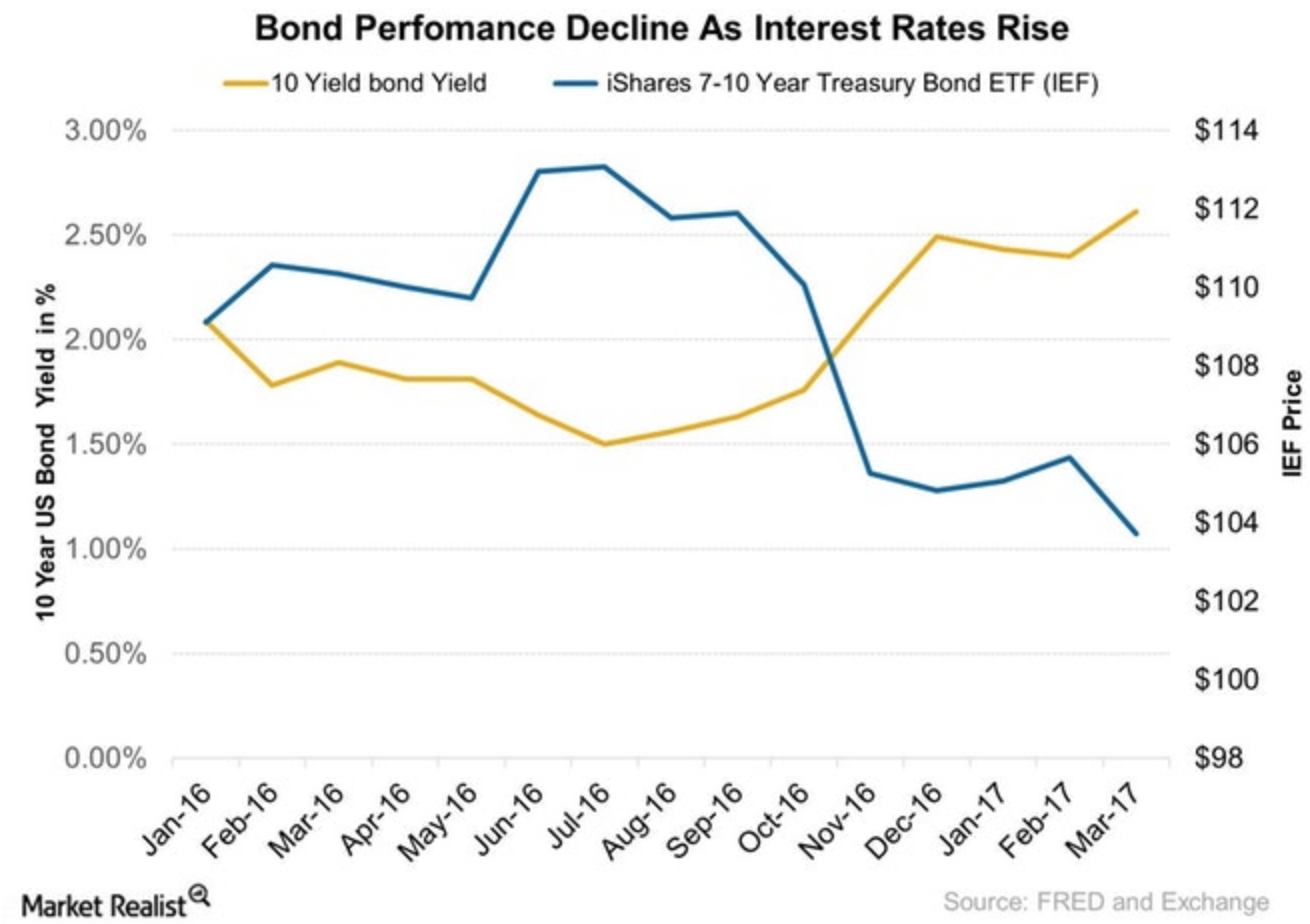
And it just keeps rolling along……

How Would the Fed's Interest Rate Hike Impact the Bond Market?

Bond market performance

The 30-year Treasury yield was close to its month high as of March 10, 2017, at **3.20%** in anticipation of an interest rate hike by the Fed on March 15, 2017. The Treasury yield across the various tenures posted a rise as the central bank is expected to have a hawkish stance in 2017. There's also an expectation of more corporate bond supply in 2017 with the expected increase in the interest rate.

Let's look at the bond performance with the rise in the interest rate in the following chart.



Rising yields in 2017

The bond market performance is expected to be impacted **negatively** by the rising interest in near future. In the above chart, you can see that the iShares 7-10 Year Treasury Bond fell **~6%** in the last six months with more expectations of an increase in the interest rate.

What is the difference between individual bonds and a bond mutual fund?

Individual bonds are different than bond funds because they have stated maturity dates, Investors know what the yield to maturity — or 'yield to worst' if a bond is callable — will be at the time of original purchase. With

bond funds, investors might see share value drop and never rebound simply because bonds sold or reach maturity in a low interest rate environment are **replaced with lower yielding bonds.**

Bond funds that mainly invest in high-quality securities would be more affected because they have lower valuation due to the adverse reaction of higher (general) interest rates.

Plus, bond mutual funds have annual fees, expenses and commissions. Yes, even no-load bond funds have commissions, ***"How do you think the bonds in the mutual fund are acquired?"***

THINK OF THIS: Bond mutual funds drop in value, what do the bond fund shareholders do? Many redeem the shares, what happens?

If bond fund managers are forced to sell various investments to meet growing redemptions, regardless of how strategic they are to the investment portfolio, this could be to the detriment of all shareholders. The investments in the bond mutual fund are replaced with what? More bonds.

Q: What would the yield be on a bond added to the fund? Up or down?

Can you imagine how simple it is for our prospects to avoid all this headache and use a product that has no market risk?

FIA

Attached to the Open MIC motes is a **PDF**, a share from Chad Open .....

Page 4, 2nd full paragraph.....

Retirees have little leeway for error, as returning to the labor force might not be a realistic option. ***Volatile assets*** *like stocks are* ***not appropriate*** *when seeking to meet basic retirement living expenses. Just because a strategy did not fail over a historical period does* ***not ensure*** *it will always succeed in the future.*

Chad C. Owen
Eagle Shadow Life and Annuity – Owner / President
www.eslifeandannuity.com

Forbes Retirement APR 26, 2016 @ 09:57 AM 29,387

What Is A Safety-First Retirement Plan?

Wade Pfau , CONTRIBUTOR *Professor @ The American College; Principal @ McLean Asset Management* Opinions expressed by Forbes Contributors are their own.

The safety-first school of thought was originally derived from academic models of how people allocate their resources over a lifetime to maximize lifetime satisfaction. This approach was originated in the 1920s in the research of people like Frank Ramsey and Irving Fisher. Academics have studied these models since then to figure out how rational people make optimal decisions.

In the retirement context, the question to be answered is how to get the most lifetime satisfaction from limited financial resources. It is the basic fundamental question of economics: How do you optimize in the face of scarcity? In more recent history, Nobel Prize winners such as Paul Samuelson, Robert Merton, Franco Modigliani, and William Sharpe have explored these models.

Safety-first comes from a more academic foundation, so it is often described with mathematical equations in academic journals. As a result, it has been slow to enter the public consciousness. The safety-first approach is probably best associated with Professor Zvi Bodie from Boston University, whose popular books such as *Worry Free Investing* and *Risk Less and Prosper* brought these ideas to a wider audience.

How are goals prioritized?

Advocates of the safety-first approach view prioritization of retirement goals as an essential component of developing a good retirement income strategy. The investment strategy aims to match the risk characteristics of assets and goals, so prioritization is a must.

Prioritizing goals has its academic origins in the idea of utility maximization. As people spend more, they experience diminishing marginal value. The spending required to satisfy basic needs provides much more value and satisfaction to someone than the additional spending on luxuries after basic needs are met. Retirees should plan to smooth spending over time to avoid overspending on luxuries in one year and being unable to afford essentials later.

In developing Modern Retirement Theory, financial planner Jason Branning and academic M. Ray Grubbs create a funding priority for retiree liabilities. Essential needs are the top priority, then a contingency fund, funds for discretionary expenses, and a legacy fund. They illustrate these funding priorities with a pyramid. Building a retirement strategy requires working from the bottom to properly fund each goal before moving up to the next.

Their pyramid is recreated in Figure 1. There is no consideration of discretionary expenses or providing a legacy until a secure funding source for essential needs and contingencies is in place.

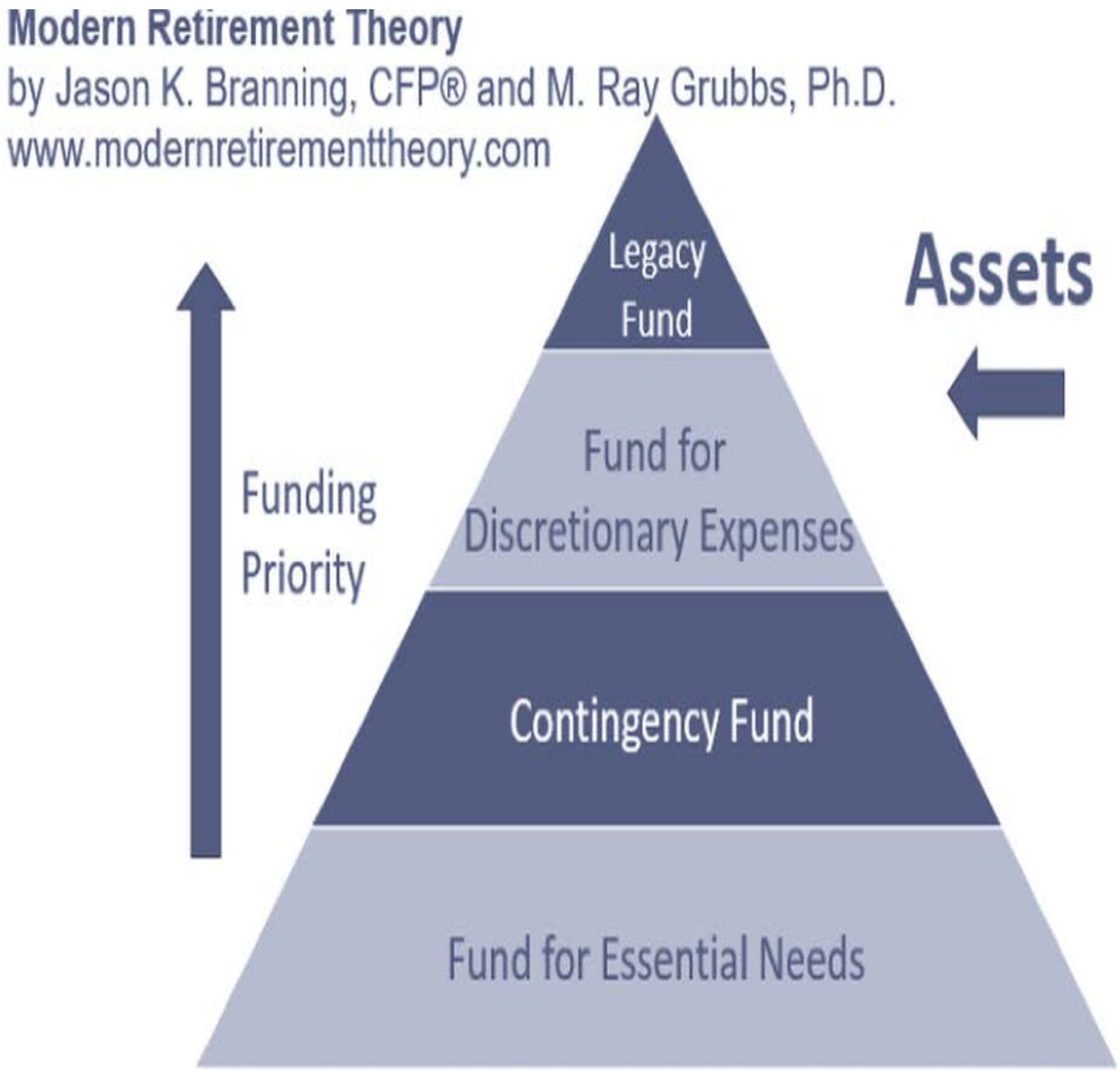


Figure 1: Funding Priority for a Retirement Income Plan

What is the investment approach?

Traditionally, investing in the accumulation phase has built on the tools of Modern Portfolio Theory (MPT) and portfolio diversification to find a suitable balance between investment returns and the volatility of those returns. Investors seek strategies that will support the highest expected wealth, subject to the investor's tolerance and capacity to endure downward fluctuations in the portfolio value. But, this was never the complete story.

In 1991, Nobel laureate and MPT founder Harry Markowitz wrote about how MPT was never meant to apply to the investment problems of a household. Rather, it was for large institutions with

indefinite lifespans and no specific spending objectives for the portfolio. This should have been a eureka moment for the entire retirement income industry, but MPT is still misapplied today.

People have finite lifespans. The purpose of saving and investing is to fund spending during retirement. MPT does not address this more complicated issue. The alternative is asset-liability matching, which focuses more holistically at the household level and also emphasizes hedging and insurance. In simple terms, hedging means holding individual bonds to maturity, and insurance means using income annuities as a solution for longevity and market risk.

With asset-liability matching, investors are not trying to maximize their year-to-year returns on a risk-adjusted basis, nor are they trying to beat an investing benchmark. The goal is to have cash flows available to meet spending needs as required, and investments are chosen in such a way that meets those needs. Assets are matched to goals so that the risk and cash flow characteristics are comparable.

For essential spending, Modern Retirement Theory argues that funding must be with assets meeting the criteria of being "secure, stable, and sustainable." Funding options can include defined-benefit pensions, bond ladders, and income annuities. In this regard, another important aspect of the investment approach for the safety-first school is that investing decisions are made in the context of the entire household balance sheet.

This moves beyond looking only at the financial portfolio to consider also the role of human and social capital. Examples of human and social capital include the ability to work part-time, pensions, the social safety net, and so on.

An important point is that volatile assets are seen as inappropriate for basic needs and the contingency fund. Stated again, the objective of investing in retirement is not to maximize risk-adjusted returns, but first to ensure that basics will be covered in any market environment and then to invest for additional upside. Volatile (and hopefully, but not necessarily, higher returning) assets are suitable for discretionary expenses and legacy, in which there is some flexibility about whether the spending can be achieved.

Asset allocation, therefore, is an output of the analysis, as the entire household balance sheet is used and assets are allocated to match appropriately with the household's liabilities. Asset-liability matching removes the probability-based concept of safe withdrawal rates from the analysis, since it rejects relying on a diversified portfolio for the entire lifestyle goal.

The idea is to first build a floor of very low-risk guaranteed income sources to serve your basic spending needs in retirement (or, as Moshe Milevsky says, "pensionize your nest egg"). The guaranteed income floor is built with Social Security and any other defined-benefit pensions, and through the use of your financial assets to do things such as building a ladder of TIPS or purchasing an income annuity. Not all of these income sources are inflation-adjusted, and you need to make sure the floor is sufficiently protected from inflation, but this is the basic idea.

Once there is a sufficient floor in place, you can focus on upside potential. With any remaining assets, you can invest and spend as you wish. Since this extra spending (such as for nice restaurants, extra vacations, etc.) is discretionary, it won't be the end of the world if you must

reduce spending at some point. You still have your guaranteed income floor in place to meet your basic needs no matter what happens. With this sort of approach, withdrawal rates hardly matter.

What is the safe withdrawal rate from a diversified portfolio of volatile assets?

The general view of safety-first advocates is that there is no such thing as a safe withdrawal rate from a volatile portfolio. A truly safe withdrawal rate is unknown and unknowable. Retirees only receive one opportunity to obtain sustainable cash flows from their savings (one "whack at the cat" as Michael Zwecher has memorably described it) and must develop a strategy that will meet basic needs no matter the length of life or the sequence of post-retirement market returns and inflation.

Retirees have little leeway for error, as returning to the labor force might not be a realistic option. Volatile assets like stocks are not appropriate when seeking to meet basic retirement living expenses. Just because a strategy did not fail over a historical period does not ensure it will always succeed in the future.

The objective for retirement is first to build a safe and secure income floor for the entire retirement planning horizon, and only after that should you include more volatile assets that provide greater upside potential and accompanying risk. In terms of this floor for essentials and contingencies, pensions, bond ladders, and income annuities should take the lead. Failure should not be an option when meeting basic needs. Thus, income annuities serve as a fundamental building block for retirement income.

Income annuities are especially valuable because of their ability to provide longevity protection through the provision of mortality credits. People do not know their age of death in advance. They can learn about their remaining life expectancy, but that is just a projection of the average outcome and there is a surprisingly large distribution of actual lifespans around the average. Individual retirees cannot self-insure to protect from longevity risk, and without annuitization they are obliged to plan for a long lifespan.

The annuity provider, however, can pool longevity risk across a large group of retirees, and those who die earlier than average subsidize payments to those who live longer than average. These are mortality credits. Because the annuity provider can pool the longevity risk, they are able to make payments at a rate much closer to what would be possible when planning for remaining life expectancy.

A retiree seeking to *self-annuitize* must assume a time horizon extending well beyond life expectancy (such as thirty years with the 4% rule), to better hedge against the consequences of living beyond their planning age. A retiree must spend less when on the self-annuitize path.

View in Web Browser

ISSUE DATE:
April 9, 2018

Only One in Four Women Expect Life to be Better in Retirement

Annual Nationwide Retirement Institute® survey reveals how worries about Social Security's viability and the rising cost of health care are putting a damper on the retirement dreams of many women. Social Security provides critical income for many American women. In fact, 62 percent of women say Social Security will be their primary source of retirement income. So it's no wonder women are increasingly concerned about its viability and their happiness in retirement. Read more here.

Unlock New Opportunities for Business Owners

Learn how to take advantage of opportunities created by the tax cuts using Split Dollar. Practical case studies plus a refresher in our latest producer-approved presentation.

Podcast: Informal Caregiving

Shawn Britt from Nationwide Advanced Consulting Group talks about the paid caregiver crisis that is facing America today, and offers insights on what clients should look for when considering purchasing long-term care policy. Listen now.

Using Increased Exemptions to Lower Premium Finance Costs

See how the John Hancock Advanced Markets Team and a producer worked together to present a commercial premium financing solution that allowed a client to use a higher estate tax exemption and provide options which could help minimize interest rate risks. Learn More.

An 8-Year Window for Pass-Through Owners

Sole proprietors and pass-through entity owners can now benefit from a 20% deduction. Use this client-approved flyer to take advantage of this unprecedented gift to help fund retirement.

SERP - Use Tax Reform Savings to Fund Retirement Benefits for Employees

Talk to your business owners today especially since tax reform may have provided savings that can be used to benefit employees. A Supplemental Executive Retirement Plan (SERP) might be an ideal solution to help fund a retirement benefit for the employee and can also be used to retain the employee until retirement. Learn More.

Annuity.com

April 9, 2018

THIS WEEK'S ANNUITY CARRIER NEWS

Guggenheim

For the month of April, Guggenheim has the following changes occurring:

- **Effective April 1, 2018**, they are lowering the Par rate to 35% on the Highlander.
- **Guggenheim will be adding more commission to your bottom line!**
  - **Qualifying Period: Cases must be received between April 2, 2018 and June 30, 2018 and must be issued by July 31, 2018. NO EXCEPTIONS will be made! For complete details on this offer, please see the following attachment!**

American National

Effective April 1, 2018, American National is launching a new fixed annuity called **Century Plus.** It will have an optional lifetime income rider to add only at time of purchase. Please follow this link for more information!

ONGOING ANNUITY CARRIER NEWS

Allianz

GREAT NEWS!
Effective April 3rd, Allianz will be **increasing** caps and rates on several of their top FIA's, including the 222, Accumulation Advantage, 360 and 365i. Please click here for additional details.

American National

ANICO has updated their interest rates, **effective April 1, 2018**. Please see the attached document for more information.

Fidelity & Guaranty

Effective April 1, 2018, F&G has **increased** the rates on their Prosperity Elite and Choice series of products, for more information, please follow this link

National Western

National Western will be removing their allocation Option D and replacing it with Option U. This will go into **effect on May 1, 2018**.Option D is their monthly point to point and Option U is based on a formula linked in part to the S&P 500 Low Volatility Daily Risk Control 5% Excess Return Index. **Please call our office for more details: 888-758-7305.**

We are agents too!

You can get current annuity rates and other information

at: www.annuity.com/agenttools

Like all agents, we also need leads. Our approach has always been building and developing marketing systems. We strive for new and better ways to get in front of "target" marketed prospects.

Our systems are tried and true, they work.

"Time Invested Marketing"

Disclaimer:

David Townsend and I own Annuity.com, but we have many marketing friends, friends that you might be better off if you knew them. Sherilyn Orr at *Retire Village* and *Infofuel*, Chad Owen at *Eagle Shadow*, Anthony Owen at *Annuity Agents Alliance*, Carl, Darin, Tom and all the crew at *First Annuity*....and many more.

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Bill Broich