



How to Create A Personal Portable Pension That Provides A Guaranteed Income That You Can Never Outlive!

When thinking about their retirement, one of the biggest fears people today is running out of money. Essentially, there are 3 ways to mitigate this issue. I describe them as:

1. **The Sad Way**
2. **The Bad Way**
3. **The Smart Way**

This newsletter will describe all 3 strategies and tell you how you can fix the fear of running out of money and obtain a **guaranteed income for life** that cannot be outlived.

1. **The Sad Way** – There is no way to explain this gently, but the sad way to ensure that you do not run out of money during your retirement is to die sooner than expected. It is a terrible thought, right? That said, the reality is that people are living longer than ever and, in general, this trend will continue. Just one or two generations ago, the average life expectancy was around 65-70 years of age. Unfortunately, many people who retired never had the time they hoped for to travel and be with their loved ones because they succumbed to this strategy.
2. **The Bad Way** – Certainly, dying sooner than expected would not be the choice for most everyone. So, another set of alternatives is to work longer, spend less or earn more on your savings and investments. Working longer could be a viable alternative. If you like what you do for a living and are mentally and physically capable, working longer may be a great way to mitigate the problem of running out of money. Unfortunately, many people dislike or even hate their work. Or, their work may be too physically demanding, or their employer may simply want younger employees doing the job. The point is, sometimes (maybe often) working longer may not be an option. You could spend less now and save more. Then, continue to spend less during your retirement to make your money last longer. While this is another viable option, it may also be undesirable or not possible. Most people spend too much and save too little. That said, if you experience a serious health issue, you may find yourself spending a significant amount of money over which you have little or no control. Finally, there is the “earn more” option, also known as “The Lotto Solution”. People do win at sweepstakes/lotto of course. That said, people get hit by lightning far more frequently. Most people will seek to make up for lost time and insufficient savings by chasing higher returns on their investments. With those higher returns come higher risk of loss, which if you experience, could derail your retirement savings significantly, sometimes completely.
3. **The Smart Way** – Create a Personal Portable Pension That Provides You A Guaranteed Income That You Can Never Outlive.

Depending on your age, you may remember a time when employers offered “**pension plans**”. A pension is a source of income, generally guaranteed for a lifetime of the recipient and often their spouse as well. Pensions, as described here, have been steadily declining since 1974, when Congress passed a law that allowed employees to assume the responsibility for their retirement savings, thus creating the 401(k) and its sisters and brothers; IRA’s, SEP’s, SIMPLE’s, etc. All of these plans are referred to as “Defined Contribution” (DC) plans.



Pensions, also known as Defined Benefit (DB) Plans are not only funded solely by the employer, they are “guaranteed” by the employer. When I say “guaranteed,” I am talking about the retirement income benefit that an employee receives upon retirement is guaranteed. Today most DB plans are provided to government employees, and private companies have largely moved to the DC retirement plan model instead. This pension benefit from an employer or a government is typically paid out monthly for life.

The 401(k) plans that most people are familiar with today are mainly funded when employees voluntarily defer their earning as a payroll deduction. When employees fund a 401(k) plan with their own money, there is NO guarantee as to what the retirement income will be from this asset. Employees are usually allowed to choose from a variety of mutual funds that are made available in these quasi-self-directed plans. This often leads to heartburn when the stock market crashes like it did in 2000, 2007, and again in 2020. Imagine saving in a 401(k) plan for 10+ years only to have 30%, 40%, or even 50% of it lost during a stock market crash.

Creating Your Own Pension

Did you know that there are products out there that will guarantee you a lifetime income? What type of product offers a guaranteed income for life? The answer is it is a special type of annuity.

Often, when some people think of annuities, they think high fees and surrender charges. They also think of giving up control of their money to an insurance company and, if they were to die before they received all the income from your annuity, that money would be given to the insurance company and their survivors would get nothing.

If you’ve ever heard Ken Fisher (the “*I hate annuities*” guy), you’d think annuities were evil. Not only are these annuities not evil, but they can also be a terrific tool to help people create their own lifetime pension. There are a few different products that do this, but my preferred product has the following characteristics:

- 1) Gains are locked in annually/periodically
- 2) Gains can never be lost due to stock market downturns
- 3) Provide a guaranteed income for life

How does the guaranteed income for life rider work for most products?

1) The insurance company guarantees that your money will grow at a certain rate of return (say 6% for example).

2) After 12 months, you can turn on your guaranteed income stream (the pension benefit) based on a set payment schedule which has been guaranteed the day you buy the annuity. This guaranteed return is ONLY used for calculation purposes of the income, the “Pension” like benefit these annuities will provide.

For example, if a 55-year old deposited a \$250,000 premium into one of these annuities and it has a 6% guarantee roll-up rate. At age 65, it is guaranteed to payout 5% of that increased amount. In this example, the client knows that when he/she turns on the income at age 65, the annual payment will be \$22,368 every year no matter how long this person lives. In addition, because the annuity is not tied to an employer sponsor retirement plan, like the 401(k), they can take this guaranteed income benefit with them even if they change employers, even if they retire.



Do You Want to Create Your Own Personal Portable Pension That Provides A Guaranteed Income That You Can Never Outlive?

If you are worried about running out of money in retirement and don't want to roll the dice, then this is a product that might be for you. Want more information? Reach out to me to schedule a time to talk about the specifics of your situation and discuss the variety of solutions we would have to help you.