

FIX ANNUITIES

TEXAS SNAKE'S FINANCIAL WISDOM

Fixed Annuities ~ A Fixed Income You Cannot Outlive

A fixed income annuity provides you, or you and your spouse, with guaranteed income by turning a portion of your savings into a stream of income payments for the rest of your life or a set period of time.

One of the biggest retirement risks is outliving your savings. Fixed income annuities may help you to plan for the lifestyle you've worked hard to achieve, knowing that you will have a source of income that will last throughout retirement.

With this guaranteed stream of income in retirement, you (and your spouse, if you choose a joint annuity) have the assurance of knowing that some of your income is secure. This may help you manage your retirement spending accordingly.

The options at point of sale is to determine with the assistance of the licensed representative who will explain these options more fully to choose a guaranteed minimum distribution period and then your lifetime. The most popular options are a 10 year certain, a 15 year certain, or a 20 year certain and then the annuitants lifetime.

What this means is after selecting one of these options you or your named beneficiary will get a check once a month for that period certain, 10 years 15 years or 20 years should you die the day after funding the contract. However, should you individually not die after said time period the fixed monthly distributions will continue for as long as you live. The one benefit to selecting a period certain is guaranteed income for a surviving spouse.

The key to determining your monthly income is your age at the time of application and if you choose an individual policy or a joint and survivor policy. In the case of joint application both ages, genders, and period certain apply to the initial premium required.

The sales representative has the ability to gather this information along with the monthly income you desire and calculate in a written proposal the amount necessary to fund such a contract. When still selling these policies, I always asked for two monthly amounts, the minimum and the wished for monthly income as well as asking if the consumer price index should be considered in arriving at the monthly income. This to take into account that goods and services will generally cost more into the future and we wish to make some provisions to be assured the income stream would be sufficient to maintain lifestyle.

Now the question of safety enters the equation. If one studies history over 5,000 U S Banks closed their doors beginning in 1929 with depositors not recovering their deposited funds until just before the Start of WWII and then they received pennies on the dollar considering lost opportunities and inflation. Not one life insurance company lost \$1.00 of any insured's cash values during this same period. This does not mean some insurance companies did not fail however the insurance industry has from almost the beginning participated in re-insurance programs. This is where several companies enter into agreements to spread the risk of returns on investments, extra ordinary mortality experience, or a company's failure and disappearance from the scene. First Pyramid Life of Little Rock Arkansas failed and all the existing contracts were taken over by Life Insurance Company of California with not one policyholder suffering any loss of value, death benefit proceeds, or returns projected and then realized on contracts issued.