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Why You Should Purchase a Fixed Indexed Annuity

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Sometimes, people can be so afraid of being sold something that they strangle their own deductive reasoning. I had a meeting with a handful of our affiliated agents last week. One of the agents said, “Carter, if people actually understood the mechanics of an Equity Indexed Annuity, everyone would purchase one!” I told him he was absolutely correct. If people really took the time with an open mind to think for themselves and analyze the facts, there is no question more people would be preaching the news of Equity Indexed Annuities. Right then, another agent spoke up and said, “The problem is that as insurance agents, people look at us like used car salesmen trying to sell them a car with sawdust in the engine.” The purpose of this article is breakdown some of the misconceptions of annuities, throw a few facts on the chalkboard, and motivate you to think for yourself.

First, let’s begin with your current plan for financial independence and kick the tires of your current nest egg. At this time, I would like you to grab a pen and, either on the back of this article or on a separate piece of paper, answer these questions:

1. What are the current fees you are paying to have your money managed? (And I mean everything, not just the “management fee,” but also the administration fees, fund fees, transaction fees and other expense fees.)
2. What is the average rate of return and the actual rate of return since the inception of your account? (If you do not know the difference, please stop and read page 41 of “The Retirement Miracle” by Patrick Kelly. The book is available for free on my website at www.pacinsgroup.com.)
3. What will your projected Social Security benefit be and what percentage of your nest egg do you plan on spending per year when you retire? (For example, 5%, 10%, 15%?)
4. How much of your nest egg are you willing to lose? What guarantees does your current retirement plan have to protect you from market losses when the next crisis hits?

Now, after you look at your answers, if I show you a product that does not charge you a management fee out of your pocket and will have the same average return and actual return; a product with which you can take up to 10% per year with no surrender penalty and gives you upside potential to the market with no downside exposure, would that be something that might interest you?

I feel there are 4 major benefits when it comes to Equity Indexed Annuities.

1. Protection against principal loss. Meaning: if the index goes down, you don’t lose a penny.
2. The power of the annual reset feature. This allows you to lock in gains every year the index is positive!
3. Low or NO management fees.
4. Guaranteed income for life (with the guarantee income rider).

At this point you may be thinking, “Well, if this is such an amazing place for me to put my money, why haven’t I heard about it?” This is probably my favorite question people ask, because I get to respond back with, “Where would you hear about such a product?” Wall Street? Nope! Your financial advisor who happens to be under the influence of Wall Street? No! Your CPA? I don’t think so! It is too risky for them to step out on this branch from a liability side because they are not insurance or securities licensed. The point I am trying to make is to look at the facts on the chalkboard! It is not about me, Wall Street, the financial advisor, CPA, or anyone else. It is about what is best for you! What product do you feel suits you best? Sometimes, it’s a variety of strategies depending on people’s risk tolerance.

The biggest fear of retirees is outliving their money. In the past, people could live on social security and interest on their savings because the rates of return were in the double digits. With the current 1% or 2% rates of return, there is a strong possibility that you will have to invade the principal of your savings. This could prove to be catastrophic if you live to long. How much of your savings must you deplete each year to maintain a standard of living that is acceptable to you? Yes, there are surrender charges with annuities, but this typically applies if you take more than 10% per year. How many people are going to spend more than 10% per year of their qualified retirement plan?

In conclusion, where can you get the potential for an inflation-beating return and have 100% protection against market risk of not only your principal, but also of all your previous years of gains? For the past 12 years, our clients have enjoyed the guarantees annuities provide, along with the upside potential of market indexes. Call or email me to set up a free consultation, have a cup of coffee and discuss your personal situation. I look forward to it!