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The New Age Annuities...

By Charisse Rivers | April 2015


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If you are embarking into the annuity world for the first time it is like being lost adrift in the movie "Water World." You are wandering in a sea of never-ending questions. Folks that have been in annuities for years still don't understand them. There are fixed annuities, immediate annuities, variable annuities, and index annuities with caps. All of these are quite complex, especially if you have received your first annual statement and you only made 3 percent. Annuities have changed immensely from the past. With economic times changing, it has forced the development of a new age annuity, which evolved from the traditional annuity and has become a better dynamic for the overall consumer.

The biggest complaint when it comes to annuities is the control of your money. It's frustrating for many that there is a cap of 3 to 5 percent when the market has experienced yields of 20 percent in some areas. Locking up your money for a 10-year period without being able to withdraw the money for at least 12 months is very scary. The majority of people don't think it's worth the wait, especially if returns are low. The positive side is that you don't have to worry about losing your principal due to a market crash or correction.

Let's start looking at the control of your money. What if there was a way to purchase an annuity and guarantee that if you are not happy with the returns, there are options and restrictions that allow you to walk away with, at minimum, the premium that was put into the annuity? The new age annuity allows you to withdrawal within the first year if needed, unlike some typical annuities. If you don't make withdrawals in the first year, then in the second year, you can take a higher withdrawal. If you still don't take any money, then the third year, you can take an even higher withdrawal.

Let's talk about the caps. I run into people all day long that bought an annuity a few years ago, and now, they are trying to get out of them because they are only making 3 percent. The problem is they don't have the liquidity features the new age annuity has, and they are stuck for a very long time, due to the surrender penalty. Potentially, the new age annuity can make a lot more interest without risking money in the market. When the market crashes, you still don't lose any money. There is no cap on the gains, and for this amazing feature, the company might only take 1 percent of the gains, and this is not a fee. For example, if you earn 10 percent, then you actually get to keep 9 percent of those gains.

The comment "If I don't use it, I don't want to lose it" is something that many retirees have conveyed to me for years. The new age annuity has the capacity to have nursing home and home health care protection built alongside the annuity, without having to get a clean bill of health or pay a monthly premium. There are old versions of this built into older annuities, but it is not nearly as good as the new age benefits. Here is an example: If you put $200,000 into an annuity and let it sit for 10 to 20 years, then all of a sudden you need extra funds for care in your home or at a facility, you turn on the benefit built into the annuity. It has a base of approximately $25,000 to $50,000 annually for both you and your spouse's lives. Then, you activate the home health or long-term care option and now you get a $50,000 to $80,000 benefit for either of you for five years in a row, as long as there is a continued need and there are two activities of daily living {ADLs) that can't be performed. After five years, the benefit will go back down to the base, which is between $25,000 to $50,000. This is a great way to make sure that other assets are being preserved for the surviving spouse or as a legacy.

Inflation-fighting, new age annuities are very important for a diversified income plan in retirement if you don't have other funds to tap into. I like this annuity if you decide you want a guaranteed income stream for life that never runs out. The problem with old school annuities is that they guarantee you a certain dollar amount annually, which isn't bad; however, what's bad is they always stay the same and never go up with inflation. Most folks forget to plan for inflation and the people selling annuity products aren't talking about it. Your purchasing power in 10 to 20 years will be, at minimum, 20 to 40 percent less. For example, if you purchase an older annuity and it guarantees you $10,000 annually for life, what good is that 10 to 20 years down the road when your $10,000 is only worth $6,000 to $8,000 annually.

The new age annuity gives you more control of your money, the option to add home health care and long-term care benefits, higher annual withdrawal benefits, the opportunity to make a higher interest because there are no caps, and inflation protection on your income.

About the Author:
Charisse Rivers is the founder and president of the NFIC Group located in Ocala, FL. She has been a recognized radio host for Safe Money and *Retirement Coffee talk*. She has extensive knowledge, experience and expertise in all areas of income planning and asset protection. Her experience and skill set allows her to provide a comprehensive plan that meets each client's individual goals and objectives. She is a well-respected member of the community, wife of a local firefighter/EMT, and mother to a six-year-old daughter and one-year-old son.

Visit **www.nficgroup.com** to learn more about Charisse and her practice.