



ARE YOUR CLIENTS GIVING THANKS FOR ANNUITIES THIS YEAR?

The holidays are quickly approaching. It's a time to be thankful. One of the many things clients can be thankful for is protected lifetime income—and the financial professional who guided them there.

Thanksgiving is my favorite holiday. From eating home-cooked turkey with all the trimmings, to gathering at a favorite restaurant, to sitting around the table declaring what we're thankful for: every family has their own traditions. And with all we have to be thankful for this season, I couldn't help but wonder if financial professionals realize the important role they play in society and how thankful clients must be for their guidance.

What You Do Matters

The work you do every day to help ensure your clients have financial futures they can count on can be life-changing. Those who've been advised to use an annuity to create protected lifetime income have the satisfaction of going to their mailboxes every month and pulling out a lifetime check that can help get their basics covered—and that's a lot to be thankful for.

Protected Lifetime Income Makes People Happier

It's true. Research shows that protected lifetime income can lead to a more enjoyable and happier retirement.¹ And because the main worry of retirees is running out of money, this makes perfect sense.

But often, annuities are an underdog when it comes to vehicles used in retirement planning. The misinformation and myths about them run rampant. And though they're not the right

strategy for every client, more and more, financial professionals recognize the many advantages annuities can provide and how the various types of annuities can be used to mitigate inflation, market risk, longevity risk, and tax risk. Need a refresher? Here's some information about how annuities help mitigate these types of risks.

- **Inflation.** Inflation is an obvious concern in the later years of retirement. Historically, the rate of inflation has been 3%. This risk could be mitigated by a variable annuity. For an additional cost, an income benefit can be added. Some income benefits have a credit enhancement feature as long as distributions are not taken and can range from 5–7%. Plus, the retiree is invested in the market for potential growth that could exceed the credit enhancements provided by the income benefit.
- **Market Risk.** Market risk is the exposure to loss. Closer to retirement, a retiree seeks to minimize market risk and at times places assets on the sidelines or in a fixed instrument to reduce or eliminate loss. But in this current low interest-rate environment, fixed annuities may no longer be a viable option. For an additional cost, a guaranteed minimum accumulation benefit can be purchased to minimize or avoid market corrections. A retiree can invest in the market to reap the benefits of growth with little to no downside. Simply put, clients are guaranteed that in a given time frame, they will receive all or most of their premiums back.

¹The Alliance for Lifetime Income, "Happiness Studies," March 2019.

All guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company and do not protect the value of the variable investment options, which are subject to market risk.

● **Longevity Risk.** With advances in healthcare and increases in life expectancies, it's possible the retiree will outlive his/her assets during retirement. Longevity risk also is considered the hardest to gauge as no one is willing to predict a date of death. To help with this risk, some retirees might purchase an immediate annuity. This strategy can be used a couple of ways.

- To help bridge the gap in income, before claiming Social Security retirement benefits, consider purchasing a period certain immediate annuity. Instead of claiming at age 62, the annuity could provide income for eight years until age 70. This will maximize a retiree's Social Security benefit because of the delayed retirement credit (DRC) from full retirement age (FRA) to age 70.
- With different annuity payout options available, a retiree can help lessen longevity risk by adding a single-premium immediate annuity (SPIA) in a portfolio of assets. One available option guarantees lifetime payments for the retiree to ensure he/she won't outlive the assets in this product.

● **Tax Risk.** This risk can be mitigated through the tax-deferral feature of an annuity, which allows clients to decide when they take withdrawals, therefore controlling when they pay taxes. In addition, earnings compound over time to help increase savings, and it's even possible your client may be in a lower tax bracket when he/she begins to take distributions and pay ordinary income taxes.

Other kinds of annuities such as fixed, indexed, and deferred income annuities were not addressed here, but also are being strategically used in clients' retirement plans. They're worth evaluating as a complement to your clients' portfolios.

[Annuities May Make Clients Thankful for You](#)

So, this Thanksgiving if this fits your clients needs, think about reaching out to clients with an annuity strategy that could help them enjoy this special time in their lives and reduce their worries about running out of income. They likely will be extremely thankful for your wise guidance.

[Additional Resources and Links](#)

[Retirement Income Translator](#)

[Understanding Annuities](#)

[Create Lifetime Income](#)

For more information about retirement planning,
please contact our Retirement Strategies Group at
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