BUILD A PLAN TO HELP SENIORS THRIVE

Each year, we recognize our elders and the richness they bring to our lives on National Senior Citizens Day. It's also the perfect time for financial professionals to ask senior clients, "How would you live differently if you knew your basic expenses would always be covered?"

In 1988, President Ronald Reagan signed Proclamation 5847, which marked August 21 as an official day of recognition for seniors' contributions to their families and communities. This day also marks a great opportunity for you to show appreciation for older clients by reviewing and adjusting their plans to help them best enjoy their retirement years.

Here are several questions you can ask to help start the income-planning conversation.

How would you live differently if your predictable income covered all or most of your basic expenses?

Retirement should be a time for seniors to reap the benefits of their lifelong efforts. Because National Senior Citizens Day is meant to honor our older people, it serves as an excellent time to remind them that they deserve to enjoy their golden years—and that strategies exist to help them do just that. Review your clients' income plans to determine whether they provide enough predictable income to cover basic expenses. If those clients know their basic expenses are covered, they may be more comfortable spending savings on enjoyable activities, such as travel—or spoiling their grandchildren!

An easy way to start the review process is to determine the monthly income available from Social Security retirement benefits, pensions, and any lifetime-payment annuities. If the number is close to a client's essential monthly expenses, then he or she can be confident that the cost of necessities will not drain their retirement savings. If additional lifetime income is needed, you can discuss whether a lifetime-payout annuity might be a good strategy.

Do you have a "just-in-case" income plan for later in life?

Even if your senior client has the basic expenses covered today, he or she may need a contingency plan for future needs or unforeseen circumstances. Inflation and changes in expenses can slowly erode clients' abilities to cover the costs of their basic needs. A just-in-case plan for income later in life can allow a senior client to spend confidently today knowing there is a backup plan in place. Here are two possible just-in-case strategies:

- **Deferred income annuity (DIA).** A DIA can be a capital-efficient method for creating future income. A DIA allows the client to purchase a known amount of future income that begins at a specific time. As an example, a 65-year-old senior client might purchase a DIA that begins monthly payments of $1,000 10 years from the purchase date. In many cases, the annuity contract will allow the payments to begin up to five years earlier or later. This flexibility can help manage the need for an income raise in later years.

- **Variable annuity with an income benefit.** For senior clients who are more confident that they have enough savings, a variable annuity (VA) with an optional income benefit might offer more flexibility. A VA can be invested for some growth potential and provide a guaranteed stream of future income, and some also provide a credit toward the income benefit. For senior clients who might need an income boost but are concerned about market opportunity, this can be a good strategy.

Does your plan include provisions that will help if you need assistance in managing your assets?

Many senior clients will manage their lives and funds until they pass away—but some will need additional support and guidance. While this is a challenging topic, it is critical for senior clients to plan before the need for more intensive support arises. Even if senior clients have the appropriate documents in place, they may not know how a "self-completing income plan" can help.

A self-completing income plan is structured to provide enough in guaranteed lifetime income payments to cover basic expenses. These payments may be from Social Security retirement benefits, pensions, and lifetime-payout annuities, and they qualify as self-completing if there is an easy way for additional lifetime income to be accessed. This might be through a pool of invested assets that can be used to purchase a lifetime-payout annuity or a VA with a credit applied toward income.

The most prominent benefit of this plan is for the individual, often a child of the contract owner, who acts as a durable power of attorney (DPOA). This can address concerns the individual might have about making investment and related decisions while providing a solid income base to cover expenses.

National Senior Citizens Day offers financial professionals an opportunity to review ways they might improve retirement for some of their senior clients. Be sure to reach out and help them seize the (Senior Citizens) Day!

Actions You Can Take Right Now

- Identify senior clients who are taking, or soon will take, income.
- Compare lifetime income and basic expenses to determine additional needs.
- Determine whether a just-in-case strategy might be a good addition to existing plans.

Additional Resources and Links

[A Strategy to Consider When Clients Are Underspending in Retirement]

[Insuring Investments in a Time of Crisis]

[Retirement Income Translator]

For more information about retirement planning, please contact our Retirement Strategies Group at RSG@PacificLife.com or (800) 722-2333, ext. 3939.

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