

Merrymaking with a Gift of Confidence for Families

Celebrating and giving at the holidays is how we show love for family. And what better gift can adult children receive than the confidence of knowing their parents have planned for retirement income they can't outlive?

With the holidays upon us, your clients are likely thinking about shopping for gifts. A designer bag for a daughter who is a working mom? Practical items for a son's new home? Gifts like these are generally appreciated, but as a financial professional, you can bring longer-term "gift" ideas to your clients: a self-sufficient financial future and creating financial security for family members.

Clients May Worry About Being a Burden to Their Children

Clients who have raised families are likely to take pride in their children's accomplishments, enjoy their grandkids, and want to help however they can. What they are unlikely to want is the need for financial support from their children because they outlive their income. The children may be concerned about this, too: Among adults with parents aged 65 or older who support their own children, 66% say that are stressed about affording their family's financial obligations.¹ If your clients don't want to be a burden to their families, what can they do about it?

Protected Lifetime Income from an Annuity May Help Ease Worries

When clients can ensure they have a source of income for life, there is a reduced risk that they will need help from their children. Annuities are built for providing lifetime income. And today's annuities often go beyond traditional annuitization (converting the contract to annuity income payments), which provides income but no additional access to funds. Optional benefits, often available for an

additional cost with an annuity, were developed to allow clients to:

- Retain control of the annuity's funds, maintaining potential for greater growth.
- Guarantee a certain level of income regardless of the impact of market volatility on the annuity's value.

One caveat: Optional benefits may have restrictions on the investment options available. For financial professionals who fully manage investments to their clients' respective risk tolerance levels, this might be a deterrent. The good news is that there are a few annuity companies that allow access to all the investments in the variable annuity, some with up to 100% equity exposure, even when an optional benefit is elected. This creates the potential for greater growth and greater future income.

Another way to maximize lifetime income is to consider an income annuity such as a single-premium immediate annuity (SPIA). One strategic use of a SPIA is to fill an income gap while the client waits until Social Security retirement benefits are maximized before taking them, potentially providing greater overall income.

Even with optional benefit and SPIA strategies available, annuitization of qualified annuities might be an option and has been given new luster. The Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0 Section 204 has provided clients who are receiving annuity income payments from qualified annuities more **flexibility with planning**. The provision now allows these payments to be aggregated toward the client's required minimum distributions

¹Source: Ma, Myles CPFC. "29% of the sandwich generation is 'very stressed' about financially supporting their kids and aging parents." Policygenius .com. January 4, 2023

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(RMDs). This change provides the opportunity for retirees to keep non-annuitized assets invested longer for growth or legacy strategies when the annuitization payments satisfy most, if not all, of the RMDs.

An Additional Strategy for Giving the Gift of Confidence

When the plan goes well or market growth reduces the need for annuity income, another strategy for the future well-being of family members is available. Annuities can be used for legacy planning to help ensure the future needs of loved ones are met.

- Some annuity companies offer enhanced beneficiary benefits for an additional cost, which can increase the size of the legacy.
- You also may consider recommending a stretch option for nonqualified annuities, where the SECURE Act still allows beneficiaries to spread the tax liability of earnings accumulated over their life expectancies, rather than that liability all hitting in one tax year.

Make Holidays—and Life—Merrier with Strategies for Financial Security

As a financial professional, you can support clients' financial goals with strategies that create the gift of confidence in the future with lifetime income for them and legacy options for their families.

ACTIONS YOU CAN TAKE RIGHT NOW

- **Identify clients nearing retirement who have children and discuss the importance of ensuring protected lifetime income.**
- **Discuss how annuities can offer lifetime income and/or be used to help maximize Social Security retirement benefits.**
- **Look for your clients who have annuitized qualified or IRA contracts and share the good news the SECURE Act 2.0 has brought for those taking RMDs.**

Additional Resources and Links

[More About Pacific Life Annuities](#)

[Retirement Income Strategies](#)

[Using Retirement Funds to “Mind the Gap” for Social Security Benefits](#)

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