



# Considering Annuities for Retirement?

What Economists & Finance Experts Have to Say



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# Most People Already Own or Know of an Annuity



Social Security



Pension



Lottery Payouts

# Thinking the Wrong Way About Retirement



“Our approach to saving is all wrong. We need to think about monthly income, not net worth.”

“I’ll give you an example, Social Security around the world. When you retire, what do they give you? Do they tell you that you have a pot of money accumulated? No, they tell you that they will pay you so much per month for the rest of your life.”

- **Robert C. Merton**, *Nobel Prize-Winning Economist, Distinguished Professor of Finance at MIT Sloan School of Management*



# It's About Monthly Income in Retirement

“There is a big difference between income and wealth. Knowing I have one million dollars doesn't tell me the lifestyle that I can enjoy from that one million, and what we care about is the lifestyle.”

“The goal for retirement is a stream of income sufficient to sustain a standard of living. What matters for retirement is income, not the pot of money.”



- **Robert C. Merton**, *Nobel Prize-Winning Economist, Distinguished Professor of Finance at MIT Sloan School of Management*



# Old Rules for Retirement Have Changed

“The probability that the 4% withdrawal rule would work is a lot lower now. It worked in the U.S. historically, but never dealt with low interest rates and high stock valuations at the same time.”

“I did some updates in mid-March (2020); and for an investor taking a moderate amount of risk, I put out 2.4% as my equivalent of the 4% rule.”



- **Wade Pfau**, *Professor of Retirement Income, The American College of Financial Services, Co-Director, New York Life Center for Retirement Income*

# Why Opt for an Annuity for Your Retirement?



“Lifetime income annuities should definitely play a substantial role in the retirement arrangements of most people.”

*[Conclusion based on Dr. Babbel’s analysis of research done by 70 other economists on retirement]*

- **David Babbel**, *Owned 14 Annuities Himself; Professor Emeritus at The Wharton School of Business, Consultant / Creator of Complex Derivative Investments at Goldman Sachs*





# How Can Annuities Help with Retirement Goals?

“When you consider the positive attributes associated with life annuities, i.e., guaranteed payments you cannot outlive, access to investment capital and legacy benefits, the argument for this income solution in retirement is compelling.”



- **David Babbel**, *Owned 14 Annuities Himself; Professor Emeritus at The Wharton School of Business, Consultant / Creator of Complex Derivative Investments at Goldman Sachs*



# Alternatives When Interest Rates Are Low

“The U.S. has experienced a low interest rate environment in recent years, leading to lower returns for fixed income assets. However, there is another option to consider that provides structured returns to better manage downside risks. Fixed-indexed annuities can also function as an asset class within an accumulation portfolio to better manage downside risks, while still allowing for participation in the market upside.”



- **Wade Pfau**, *Leading Retirement Finance Researcher, Professor of Retirement Income, The American College of Financial Services*





# Receive a Paycheck for the Rest of Your Life



“The short answer is that anything that pays you money for the rest of your life is a good thing.”

*[Answer to question about why he is such a proponent of annuities in Reuters interview]*

- **Moshe Milevsky**, *Professor of Finance, Schulich School of Business at York University, Executive Director of the Individual Finance and Insurance Decisions Centre*



# Protection Against Different Risks

“Fixed-indexed annuities provide some protection against interest rate risk and other sources of investment volatility. Unlike a bond fund or individual bonds not held to maturity, fixed-indexed annuities do not experience investment losses if interest rates rise. Principal is protected and secured. Fixed-indexed annuities also offer tax deferral, unlike investment assets held in taxable accounts that face ongoing taxes on their growth.”



- **Wade Pfau**, *Leading Retirement Finance Researcher, Professor of Retirement Income, The American College of Financial Services*



# ‘Overwhelming’ Evidence for Effectiveness



“I have been an annuity believer for over 30 years. The research of leading PhDs, specifically on the power of income annuities in retirement, is overwhelming.”

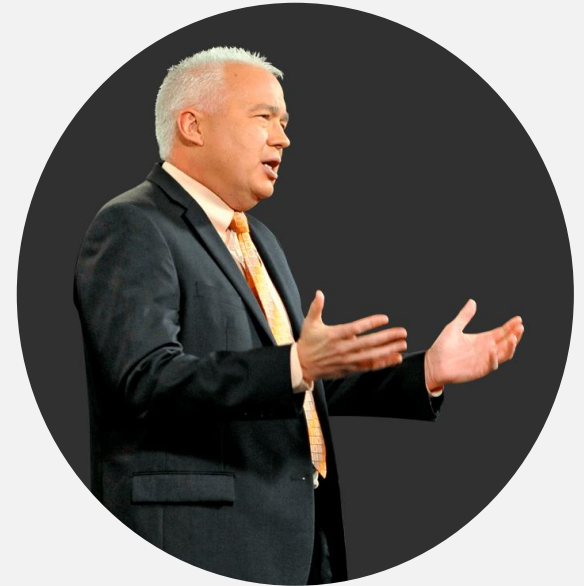
“I have 11 annuities. And yes, I want income in retirement, but you know what I don’t want to do? I don’t want to lose my money!”

- **Tom Hegna**, *Economist, Retirement Planning Writer, Financial Industry Speaker, Former First Vice President at New York Life*



# 'Smooth Out' Volatility in Retirement Assets

"In 2018, Roger Ibbotson, the economist wrote a whitepaper titled *Fixed Index Annuities: Consider the Alternative*. He showed that fixed index annuities had outperformed bonds from 1927–2016 and would likely continue in the future. As one approaches retirement, he says, 'I've always recognized you have to de-risk, and we see that bonds are not necessarily the way to go today.' When added to a portfolio, fixed index annuities can smooth out the returns since they never have a negative return."



- **Tom Hegna**, *Economist, Retirement Planning Writer, Financial Industry Speaker, Former First Vice President at New York Life*



# Good at ‘Supporting a Safe Income in Retirement’



“Finally, retirees who prefer the possibility of growth on annuity savings and some liquidity early in retirement can choose a fixed indexed annuity...”

“While annuities have received some bad press recently, no other investment strategy [an annuity] can do a better job of supporting a safe income in retirement.”

- **Michael Finke**, *Professor of Wealth Management, The American College of Financial Services, Award-Winning Financial Researcher*

# Lots of Agreement on How Annuities Can Help

“There is almost a consensus in the ‘ivory tower’ that annuities make sense for the consumer... There have been 2,000 articles about annuities written by card-carrying professors since the 1960s and 99.9% of them are pro-annuities.”



*[From discussion on income annuities]*

- **Moshe Milevsky**, *Professor of Finance, Schulich School of Business at York University, Executive Director of the Individual Finance and Insurance Decisions Centre*



# A Monopoly on Giving You Lifetime Income

“Annuities are essentially a pension provided by a private company. If you’re the type of retiree who wishes they had a pension, you can buy one through an income annuity that will provide a regular income as long as you live. If the reason you saved for retirement was to provide a secure lifestyle, there’s no more efficient way to create lifetime income than through an annuity.”



- **Michael Finke**, *Professor of Wealth Management, The American College of Financial Services, Award-Winning Financial Researcher*



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