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## **How Fixed Indexed Annuities Can Help Provide Certainty for Retirees** *Helping health brokers offer new solutions*

Market volatility, inflation and an evolving interest rate environment could send many consumers to their financial professionals to reevaluate their retirement strategies. Those seeking greater security may be interested in learning about fixed indexed annuities (FIAs), which have a unique combination of features that are beneficial to retirees. FIAs help many individuals approach retirement with equanimity, less concerned with volatile markets or outliving their assets and more willing to pursue growth opportunities.

### **Protection from market volatility**

"Some clients on the accumulation side want to have no downside risk, plus interest earning potential — there are not a lot of products offering that combination of benefits," states Chris Grady, executive vice president and head of retail sales at Athene USA. "Financial professionals can do a needs and benefits analysis to see whether FIAs fit into the retirement portfolio."

A big part of the appeal is the security offered by a zero-return floor. This is a contractual guarantee that provides protection from loss due to stock market downturns. FIAs also offer the opportunity to earn interest credits based in part on any positive change in a market index without direct exposure to equities. "FIAs allow clients to balance growth in expanding markets with protection in contracting ones. In addition, gains are locked in and cannot be lost to any future downturn," adds Grady.

### **Income stream**

For some clients, the goal is to create an income stream to supplement Social Security income, pensions or other retirement income sources. An individual can purchase a fixed indexed annuity, let it accumulate for seven or 10 years, then turn on the income stream

to start receiving a monthly check for life. FIAs also include a death benefit that can be bequeathed to beneficiaries.

### **When is a solution like this appropriate?**

Financial professionals are the best guide for any individual situation, but as a rule of thumb, candidates for fixed indexed annuities are often individuals or couples whose family and career-building years are behind them. "In my view, the ideal buyer is someone transitioning from raising a family to thinking about 'real' retirement planning — including long-term care planning, legacy planning and charity planning," says Grady. FIAs should be used with the advice of a financial professional, in the context of a well-diversified portfolio, and in alignment with the individual's goals.

### **Flexible solutions**

Fixed indexed annuities can provide flexible solutions for married couples who want to provide security for a surviving spouse. "As the sole primary beneficiary, a spouse may elect to continue the contract by becoming the sole owner and sole annuitant. If it's non-qualified money and they don't need the income, they have the option to let it compound, with all the growth in the annuity tax-deferred. If it turns out they need it, they can turn on the income stream," states Grady. He notes that required minimum distributions must be taken from tax-qualified contracts beginning at age 72.\*

### **Diverse financial planning tool**

He also adds that contrary to what some might think, FIAs aren't only appropriate for the risk-averse. They can also have a place within the portfolios of more aggressive investors. High-net-worth individuals have utilized FIAs to limit their exposure to volatility in the conservative portion of their portfolios.

Grady himself believes that annuities provide him with the freedom to take more investment risk elsewhere. "My advisors recognize that I have a higher risk propensity than some others. I'm a sophisticated investor with the personality to take more risk than the average investor. I have a portfolio in global markets — yet I also own annuities." He says that the annuities provide certainty that bolsters his ability to make more aggressive investments with the rest of his portfolio.

Fixed indexed annuities can solve for a diversity of financial planning needs, whether the client is a corporate careerist, small business owner or municipal employee. "Municipal employees tend to be very familiar with their pension benefits, and their needs will be very different from those of business owners, who typically have a lot of liabilities, or the individual who has a corporate job," shares Grady. Annuity carriers can supply financial professionals with the resources they need to identify the appropriate product for each

client. They can also provide consumer-facing educational materials and illustrations to help make the case that an FIA might fit their needs.

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