LOOKING AT THE CRYSTAL BALL: SAVE QUICKLY BUT SAVE SAFELY WITH MULTI-YEAR GUARANTEED ANNUITIES

FINANCIAL INDEPENDENCE GROUP, INC®

The biggest generational voting group in the upcoming election will be baby boomers, a group that's just starting to draw its first Medicare and Social Security benefits. As 2020 continues to pound the world with catastrophic uncertainty, retirement is looking much different than this group planned and the election results will absolutely affect their nest egg.

Baby boomers and Generation X (Gen Xers) that are now in the 50 – 65 age range grew up with an economy that afforded a life of living well, spending frivolously, and saving prudently. However, given the transformation in economy from the 1970s to now as a result of events like Watergate, Black Monday, Welfare Reform, and September 11; it can be said that they didn't save enough.

Thanks to COVID-19, this generation is now experiencing the worst pandemic of their lifetime and the impact is potentially wreaking havoc on their retirement funds. With less than 15 years until hitting full retirement age, a large portion of this group is wondering what their options are for saving quickly but safely to make up the shortage.

Your expectation and vision of your retirement has left you a victim, to some extent, of the current retirement crisis.[1]

Social Security: Average payout is only $14,000 per year

Pension: Only 23-38% of baby boomers expect to receive anything from this pot

Personal Savings: 45% are nowhere close to having what they need and some have no savings at all

WE DON'T NEED A CRYSTAL BALL TO GUESS THAT AT LEAST ONE OF THESE MAY BE IMPACTING YOUR NEST EGG

1. The disproportionate income to lifestyle and medical expenses

With aging comes the need for increased medical care and a change in living style. Most haven't factored in the cost of long term care (LTC) or rising medical costs into their savings plan, but rather assume that Medicare will cover both. Medicare doesn't cover LTC and only 8% of boomers have purchased a LTC insurance policy. The median national LTC cost in 2019 for a private room in a nursing home was $102,200 per year[1] and $52,624 per year for a home health aide and on average those rates increase annually by 1.71% - 3.07%.

Even if a change in their housing situation isn't necessary, many are underestimating the cost of maintaining their existing lifestyle or even what it'll take to accommodate minimal wishes. The average American aged 65 – 74 spends about $55,000 per year but 60% of baby boomers believe they can survive on less. The backup plan for those that can't meet their minimum expectations is to downsize and then rely on Social Security, return to work, or ask for family assistance. The median guess by Gen Xers on money needed for their retirement years is $500,000, but a 4% annual withdrawal (balance across 25 years) only gets you $20,000. Add in the $14,000 from Social Security and you're still well short of the minimum amount needed for the expected retirement lifestyle and we haven't even factored in rising medical costs.

NOTE: IN ABOUT HALF OF ALL MARRIED COUPLES OVER AGE 65, ONE PARTNER WILL SURVIVE TO AT LEAST 95.[2]

2. The long-term effects of a global pandemic

COVID-19 is causing tragic loss of life; and the measures needed to fight are turning our world upside down—affecting billions of people and stopping economies in their tracks. With 22 million Americans filing for unemployment, schools moving to virtual learning, and shoppers transitioning to online only, the fallout on the economy rivals the worst history has shown us. The International Monetary Fund (IMF) said they anticipate the worst economic downturn since the *Great Depression*.[4]

COVID-19 is disproportionately severe for older adults, compared to the Spanish Flu of 1918 which affected those in their 20s and 30s. And while the Dow Jones Industrial Average had actually declined 21.7% in 1917, 1919 stands as the ninth best year for the Dow from 1915 to 2019.[5] This quick recovery can be attributed to WWII and the need for continued production of war-related products which kept businesses open and running.

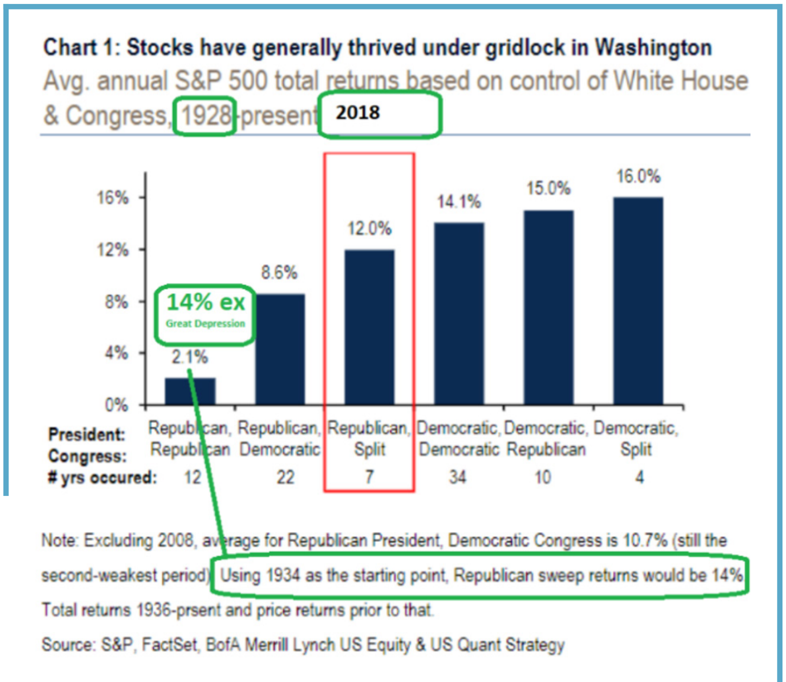
Conversely, the COVID-19 pandemic is focused on social distancing and keeping businesses closed as a means to flatten the curve and slow the spread of the virus. So, with the market down and slow to recover, the time needed for boomers and Gen Xers to recoup their losses is just not there.

3. The 2020 election results and the resulting economic impact

The national political conventions are underway, and the political ads are in full swing, so there is no avoiding this year's election and the resulting effects on your retirement portfolio's bottom line. Further, this election year could have the most profound consequences on retirement plans ever felt by baby boomers and Gen Xers.

Historically, a Democrat in the White House with a split Congress has delivered the best financial returns. A Republican sweep has shown the worst returns. In the seven times we've had a Republican president and a split Congress, the average annual S&P 500 returns have been at 12% whereas during the four times we've had a Democratic president and a split Congress the returns have averaged 16%.[3]

If the crystal ball speaks correctly, any rate increase directed at the corporate tax levels will have a negative impact on everyone's retirement accounts. In short, regardless if a Democrat or a Republican wins, split control is still the best scenario to minimize the shot to your retirement savings.



Making smart choices to preserve your wealth is advisable

1. stay the course with your existing investments
2. cut expenses and build up your emergency fund
3. work on your resume in case your company has to downsize

Taking actions with a safe money investment option can go a long way in softening the economic impact of this pandemic on your retirement savings.

THE CRYSTAL BALL AND YOUR FINANCIAL PROFESSIONAL SUGGEST IT'S TIME TO LOOK AT MULTI-YEAR GUARANTEED ANNUITIES

In times of uncertainty, anything guaranteeing you a return on your investment is worth looking into and a multi-year guaranteed annuity (MYGA) comes with just such a promise. A MYGA, is a type of fixed annuity that offers a predetermined and contractually guaranteed interest rate for a fixed period of time, very much like a certificate of deposit (CD) offered through a bank. The key difference between MYGAs and traditional fixed annuities is the length of time that rate is guaranteed. The difference from a CD lies in whether taxes on interest are paid annually or at the time of withdrawal.

With a traditional fixed annuity, the guarantee may only last for part of your contracted term. For example, you might purchase an annuity contract with a ten-year term, but your rate may only be guaranteed for the first five years. A MYGA, on the other hand, would guarantee your rate for the entire contracted term, regardless of the length of the contract.

When it comes to paying taxes, the MYGA comes with tax deferral so you won't owe on the growth until you begin taking distributions. A CD, on the other hand, doesn't tax the principal, even when you cash it in, but it does require paying taxes annually on the interest earned.

NOTE: MYGAS ARE BACKED-UP AND INSURED BY STATE GUARANTY FUNDS, BECAUSE THE PRODUCT IS APPROVED AND REGULATED AT THE STATE LEVEL. CDS ARE BACKED-UP AND INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC).

THE RATE OF RETURN ON A MYGA CAN HELP WHEN YOU'RE SHORT ON TIME

Average rate of return on a MYGA:

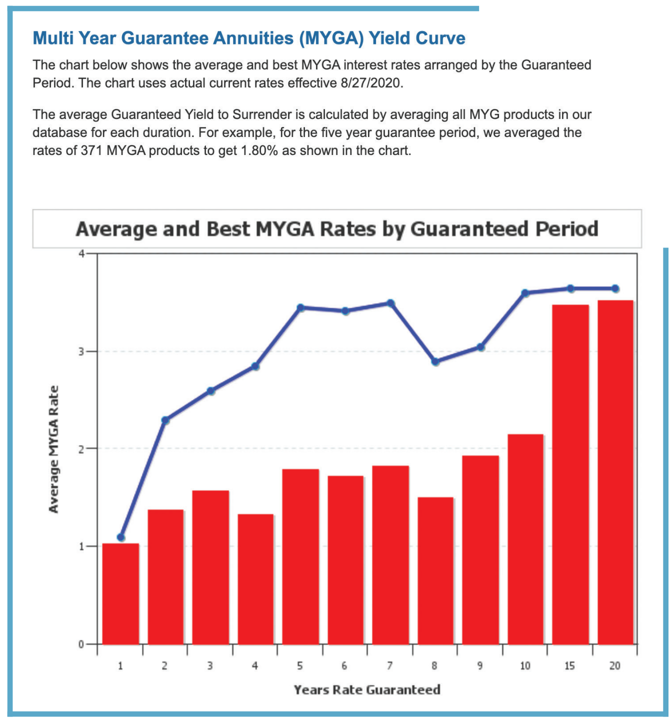
The MYGA guarantees a fixed rate for the entire duration of the contract terms, typically from 1 to 15 years. Current rates range from 3.00%-4.30%, depending on the length of the contract and insurance company.[6]

Average rate of return on a 401(k):

Many retirement planners suggest the typical 401(k) portfolio generates an average annual return of 5% - 8% based on market conditions.[7] But your 401(k) return depends on different factors like your contributions, investment selection and fees, and is always subject to market volatility.

Average rate of return on a CD:

CD's have a set term length so you can't touch your money until the term ends, but this allows your money to grow undisturbed and typically at a high rate of return. Since 2018 rates have reached nearly 3% on a 12-month CD[8] but the COVID-19 pandemic brought interest rates to record lows and they're expected to remain there through 2022. Higher rates of return can be found through online banks who don't have brick-and-mortar costs.



https://www.annuityratewatch.com/rates/myga_yield_curve.cfm

SO MANY ANNUITIES[9], SO LITTLE TIME

Variable Annuities (VAs):

This annuity comes with an investment feature allowing you to decide where to allocate your premiums, depending on how much risk you're willing to take. The caveat here is that all VAs are subject to a "mortality charge" ranging from .20% to greater than 1% annually as well as a "fund management fee" that can go as high as 2%.

Fixed Index Annuities (FIAs):

Comes with a guaranteed payout and the potential to earn interest. FIAs offer a guaranteed payout, principal protection, capitalization on tax-deferred dollar growth, and may offer the option to purchase an income rider for guaranteed income for life. The caveat here is that this annuity isn't FDIC-insured.

Single Premium Immediate Annuities (SPIAs):

Typically paid in one lump sum and the insurance company guarantees you a fixed income for the rest of your life. This is generally purchased by people retiring within the next year or already in retirement. A **caveat** is that you can't do anything with the deposited money again aside from receiving monthly income.

Multi-Year Guarantee Annuities (MYGA):

Also known as a **fixed rate annuity** where you invest a specified amount and the insurer guarantees it'll grow at a defined rate of compound interest over a specified amount of time. At the end of the initial accumulation period, the rate may change. The **caveat** is that withdrawals made before age 59½ are subject to an IRS penalty of 10% and there's also a fee if you withdrawal more than the withdrawal provision allows as set by the policy.

Deferred Income Annuities (DIAs):

Provide lifetime income in exchange for payments made years in advance but as a tradeoff, you typically receive a higher income stream than a SPIA. There's also a qualified longevity annuity contract that can be purchased using a qualified retirement savings but delays the start of income until after age 72. The **caveat** is with a payment period upwards of 40 years in advance, you need to plan ahead if you choose this annuity.

FALLING SHORT OF YOUR GOALS? SAVE QUICKLY & SAVE SAFELY

There are pros and cons to every type of investment, and you should always talk through them with your financial professional. Before you make that call, ask yourself the following to determine if a MYGA is in your future.

YES	NO	
✓		You have money to invest for at least three years but want access to it within ten years
✓		The money you're investing is earmarked for retirement or to be passed on to heirs
✓		You've already maxed out your IRA or 401(k) contributions
✓		You want greater certainty and principal protection
✓		You have other assets in the market exposed to higher expected returns
✓		You want to preserve some liquidity
	✓	You need to access your money within three years or before age 59½
	✓	You aren't making IRA or 401(k) contributions
	✓	You're interested in high risk investments and willing to risk principal to achieve it

Baby boomers and Gen Xers are living long, healthy lives and more active than previous generations. Many who are fit and able to work have no intention of fully retiring any time soon. There are concrete steps you can take to address the financial burdens that may be looming. The thing about investing for retirement is that, thanks to the power of compounding, the longer money is invested the more time it has for potential growth. If you start investing at a younger age, you'll likely be fine saving a lower percentage of your salary — say 10% to 15% — but if you wait, you'll need to be much more diligent.

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