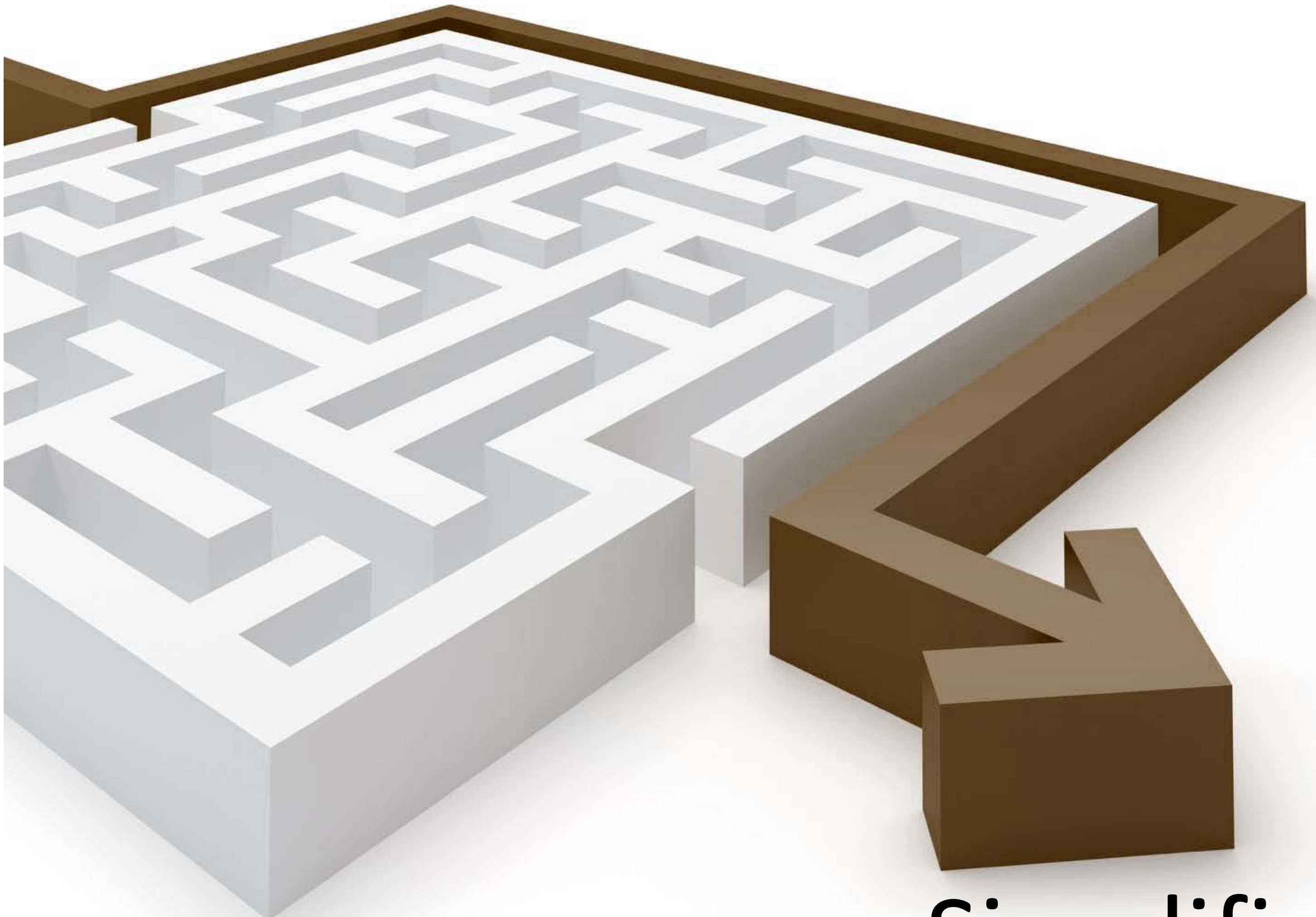
SPIA



Simplified

Table of Contents

What is a SPIA?

A SPIA (Single Premium Immediate Annuity) is designed to simplify income needs. It is a contract with an insurance company whereby you pay them a lump sum of money up front, known as a premium, and they in turn guarantee to pay you a certain amount of money, generally monthly, for as long as you live. You cannot make it any simpler than that.

Takeaway: If you don't want income starting now and continuing for the rest of your life… guaranteed, don't read any further as a SPIA is not what you are looking for.

Why Would You Consider a SPIA?

- Security - #1 fear is outliving your money. SPIA takes that worry away.
- Simple (KISS) – Set the amount, set date to start, and deposit your check each month.
- Preferential tax treatment for non-qualified money.
- Guaranteed Principle.
- No Fees… Ever.
- Customize your income benefit.

Takeaway: Look at owning a SPIA if you want guaranteed income you cannot outlive. No fees, no worries, just simple income guaranteed.

What is the Process for Buying a SPIA?

The most common method of determining how much to contribute to a SPIA contract is to reverse engineer or start with the end in mind. How much income do want? Then, calculate based on today's numbers how much you would need to deposit to provide that income amount.

The other method would be to determine how much you wish to put into the SPIA contract and then calculate how much income it would provide based on today's numbers. This would be forward engineering.

Either method offers you the ability to customize what you want now and then make the necessary adjustments to obtain the precise income you are looking to obtain. Simple and direct is the focus of a SPIA.

Takeaway: It is important to know what your income objective is prior to starting the search process. You can ladder SPIA contracts with different start dates to address inflation or higher income needs going forward. Simple and easy tool to use.

What Risks are Inherent to SPIA Contracts?

- No Liquidity
- Premature Death
- Credit Rating of the Insurance Company
- Inflation
- Opportunity Cost (Grass is always greener syndrome)
- Interest rate risk

Takeaway: These risks can all be addressed by doing your homework! In other words, time invested now will save you grief, headaches and vomiting later. Invest the time to make sure the SPIA fits your needs.

What are SPIA's Guarantees?

1) Lifetime income starting now. No matter how long you live the insurance company is on the hook to pay you. You will not out-live the lump sum of money in your SPIA contract. It is guaranteed by the insurance company.

2) A SPIA transfers investment risk to the insurance company. You do not take on the risk of managing your own money in a down market with the possibility of losing your assets. The insurance company guarantees your payment no matter what the markets are doing.

Takeaway: This is not an investment! This is not retirement planning! A SPIA is income planning. Retirement is defined as a transition from working for an income to not working with no income. Thus, the need to replace your income is an important part of your financial future. Focus on this topic as you continue to read about how a SPIA can help meet your income needs and give you peace of mind relative to your income needs now.

Will I Outlive a SPIA?

With the SPIA strategy, you are transferring the risk to the annuity carrier to provide a lifetime income stream that you will never outlive. Regardless of how long you live, the annuity carrier is on the hook to pay. With that in mind, make sure you understand the importance of dealing with a quality insurance company that will outlive you financially. The guarantee is only as good as the company standing behind the promise. There are many highly rated companies you can choose from when you are ready to purchase a SPIA.

Takeaway: SPIAs are a transfer of risk product, plain and simple. If you want to accept the risk of managing your money… a SPIA not what you are looking for.

What Happens if I die?

With a SPIA you receive payments for as long as you live, but you can choose to have another person, such as a spouse, receive payments for as long as either of you live. You can also choose a guaranteed period of time to receive your money which will guarantee that you get back all the money you put in, but if you die before the end of that period the payments will continue to be paid to your beneficiary (until the end of the period you chose).

Takeaway: Advance planning always answers these and other questions.

Is There an Annual Fee?

A SPIA has no annual fee for the life of the policy. It is a net transaction to you. There are no annual fees, but remember there is no liquidity in a SPIA contract. The insurance company is writing you an income check and you are not using your SPIA for any other purpose. Since a SPIA is a simple transaction between you and the carrier there is no need to charge a fee. The insurance company will pay you a lifetime income stream while they hold onto your money for as long as you live, or the period of time you contracted with them.

Takeaway: No fees, simply income now… what could be simpler?

Can I Add a Cost of Living Adjustment?

Yes, a COLA (Cost of Living Adjustment) rider can be added to the policy in order to increase the lifetime income on an annual basis by a contractual percentage. However, please note here that attaching a COLA to your SPIA will lower your initial payment compared to a SPIA without a cost of living adjustment rider.

Takeaway: You can address your inflation needs with the use of a COLA rider on the contract. An option to consider is laddering SPIA contracts to increase your income as needed.

Can I Ladder SPIAs?

Yes, since SPIAs are pretty much a direct reflection of the 10-year Treasury Note it might make sense to ladder your SPIA strategy over time if you don't need all of the income right now. By laddering your SPIAs you may be able to contract with the insurance company when the 10-year Treasury has a higher interest rate. In a low interest rate environment this may be prudent. Laddering simply means buying several contracts at different purchase dates over time in order to hopefully catch rising rates.

Takeaway: Laddering SPIA contracts allows you to control how the income increases over time, and addresses the issue of interest rates going forward.

What Is My Return of Principal and Interest?

To make this simple for you to understand, let's look at this example. But first, let me state that SPIA's are not investments. If you had $1,000,000. and gave this lump sum to an insurance company for a SPIA contract, the insurance company would in turn send you a check each month for $5,000 for the rest of your life. Again, this is just an example of how much you would receive. So, as you can see you are exchanging a lump sum of money for a guaranteed income for the remainder of your life. Actuaries have determined how long they think you will live and the insurance companies make all calculations on this information. Since a SPIA is a combination of return of principal and interest, the primary pricing mechanism is your life or joint life expectancy at the time your payments start. Don't try to calculate the Return on Investment… You will only be able to answer that at death. The longer you live the better the return.

Takeaway: If you are looking for more than this you probably like complexity and would like to build your income from investing in bonds, stocks, REITs, MLPs, or other dividend producing assets. In other words, spending your LIFE managing your money! Life after work is about living, not worrying! That is the reason for income planning. Learn to plan your income, guarantee your income, and live life.

Can I Customize a SPIA to Fit My Goals?

Yes, there are many choices and combinations available, but before you decide which is best for you start at the finish line by deciding exactly what your income goal is and how you want the payout structured.

- Single Life: payout is based on your life expectancy and is the highest contractual payout.
- Joint Life: payout is based on two lives' expectancies and the contractual payout is lower than Single Life.
- Period Certain: you guarantee a contractual payout for a certain period of time and if you pass away your beneficiary(s) receive the remaining payments.
- Combo: you can have a Single Life and a Period Certain combined which means your payment is guaranteed for life, but if you have a 20 year Period Certain and die in year 15 there will be 5 more years of payments to your beneficiary(s). Remember, the more you build into your SPIA the lower the monthly payment.
- Life with Installment Refund: when you pass your beneficiary(s) will receive payments of the remaining initial installment balance.
- Life with Cash Refund: when you pass your beneficiary(s) will receive a lump sum of any unused money.

Takeaway: A little bit of planning goes a long way to getting what you want from a SPIA.

Will a SPIA Cover My RMD?

Yes, if used within your Traditional IRA your Required Minimum Distribution beginning at age 70 ½ will be covered by your SPIA income. For example, if you have $300,000 in your Traditional IRA and purchase a $150,000 lifetime income SPIA, the RMDs from the $150,000 are covered from the income you receive. But, you will still be responsible for the RMDs on the non-SPIA $150,000.

Takeaway: Each December you can calculate if you have met your RMD requirements… if not, simply make an additional withdrawal from your non-SPIA accounts to meet the minimum distribution required. Again, it is about planning.

SPIA Benefits and SPIA Limitations

Benefits:

- Easy to understand and explain
- Single or Joint contracts
- Contractually guaranteed income stream
- Customizable structuring choices
- No Annual Fees
- Highest actuarial and contractual payout of all annuity types
- COLA & CPI-U Riders can be attached
- No market attachments (pure non-correlated asset)

Limitations:

- No liquidity
- No market upside opportunity
- Rigid contract
- Irrevocable
- Static payments with no COLA attached

Tips:

- Consult with your spouse on benefits.
- Don’t put all your eggs in one basket.
- Laddering diversifies risks.
- Price wins – income is determined by the company – shop for the best.
- Don’t believe everything you hear.
- Read YOUR CONTRACT before you sign.
- Know the rating of the companies before you sign.
- You don’t need an agent to buy a SPIA. (SPIA.direct)
- Get a current quote… remember it is only good for 7 days.
- Quotes online aren’t the real quote… they must be current and customized to you.
- Compare it to the 4% rule.

Questions to answer before you request a SPIA quote:

How you structure the contract will determine the amount of monthly income you receive. Thus, it is important to know which questions to ask to properly structure the policy to meet your desired income goals. The following questions will fill in the blanks, literally, for the type of contract that best fits your needs. It is important that you focus on the phrase “you choose” when determining what benefits work best for you relative to a SPIA.

Do You Want the Payout to be Single-Life or Joint-Life?

Lifetime income payments from annuities are primarily based on your life expectancy at the time you take the payment. In the annuity world of make believe definitions this payment is referred to as mortality credits, or mortality yield.

Even though a single person owns an IRA account, you can choose to structure the lifetime income to pay for the lives of both the IRA owner and the owner’s spouse. Common sense dictates that the guaranteed payments for two lives will be less than one life, but many like the option of taking care of their spouse with a SPIA guaranteed income stream. You choose.

Should I Add a Return-of-Premium Guarantee?

A common fallacy about annuities is that the annuity company always keeps the money if the owner passes away early in the contract. That is only one of many ways to structure the payout, and it’s referred to as “life only.” Some SPIAs allow you to choose life only, which does provide the highest guaranteed payout.

However, you can also add a return of premium, or ROP, guarantee to your SPIA contract. For example, if you pass away during the income-stream phase, your listed beneficiaries would receive any unused amount and the annuity company won’t keep a penny.
Choosing this benefit comes down to the objective at the time of setting up the contract structure. You, as the contract owner, have total control of how the money is distributed during your lifetime, and should you die early, you can control the distribution after your death. You choose.

Does a COLA Rider Make Sense?

Cost of living adjustment (COLA) riders are attachments to a policy that will annually increase your income by the percentage you choose at the time of application. This feature might sound too good to be true, but annuity companies have the big buildings for a reason — they don’t give anything away and they know how to calculate everything.

If you add a COLA rider to your SPIA policy, the initial income payment will be lower than if you didn’t add the COLA. That doesn’t mean you should not consider a COLA, but you should ask your agent to show you both quotes (with and without) to compare the payout differential.

Choosing the COLA rider is a matter of deciding to have less now and the income to increase each year by the rate you choose at the time of starting the SPIA contract. It boils down to life expectancy and longevity. Unfortunately, those are areas insurance companies are the masters of the universe in performing calculations. Despite all that, you choose.

When Do I Want the Lifetime Income to Start?

Starting your income stream is entirely up to you. If you no longer work and need a monthly income you can start immediately upon contracting with the insurance company of your choice. . As you know by now SPIA stands for Single Premium Immediate Annuity. So, if you don't want the worries of depending on the stock market to produce your income a SPIA may be right for you. You don't have to be a certain age to buy a SPIA. You just need to have a lump sum of money, pay that money in one premium to the insurance company, and in turn they will begin sending you payments. If you prefer to manage your own money and deal with the day to day frustrations of the markets then that is a decision only you can make. You choose.

5 RULES for Deciding if a SPIA is Right for You

RULE ONE – You have enough money saved to purchase a SPIA which will in turn generate a guaranteed income to you for your life or a certain period of time. If you have no savings, you don't qualify.

RULE TWO – Your primary focus is future income guaranteed. (income Insurance)

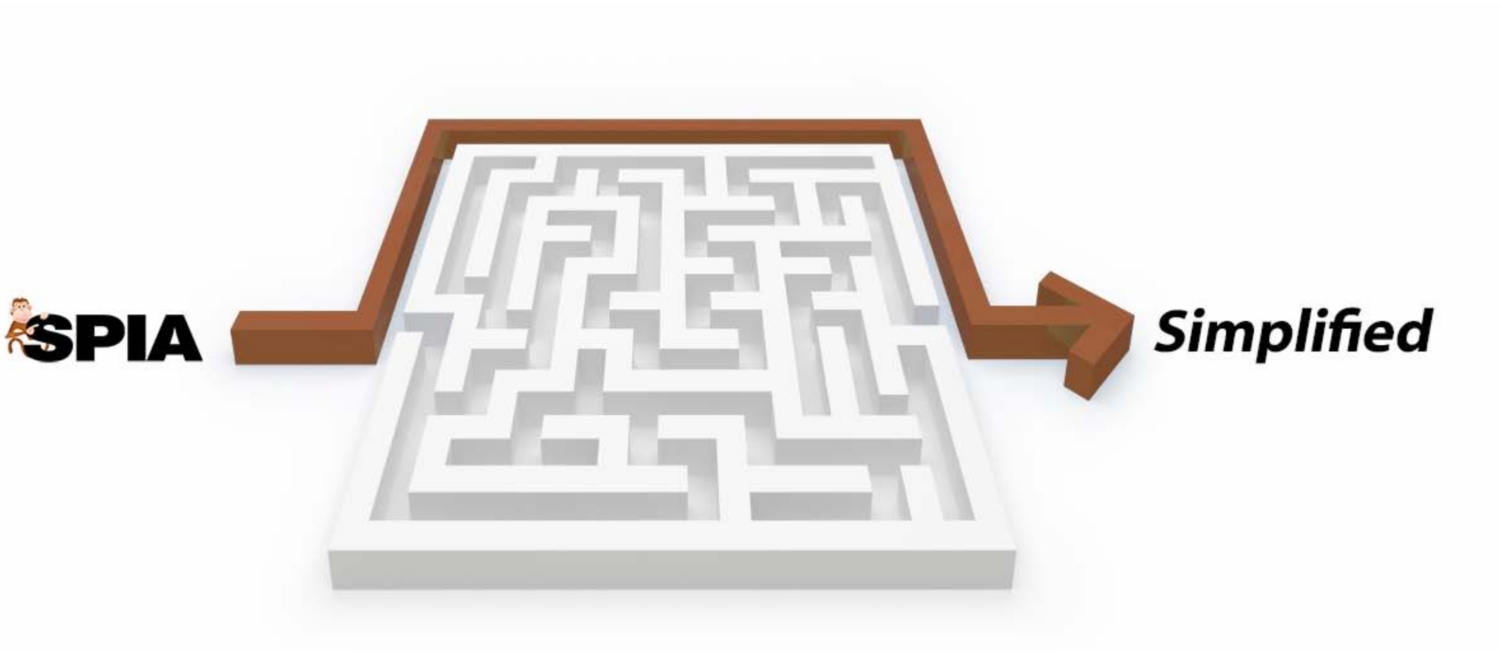
RULE THREE – You want immediate income and have determined if you want a single or joint SPIA. If you're married, you may want to speak with your spouse as you plan for your future income needs.

RULE FOUR – You will learn more about which payout is best for you and your family before you sign any contract. It is important to understand what happens once you pass away.

RULE FIVE – You want your future income to be guaranteed and have a peace of mind knowing that every month a check will be there for you. You will choose a highly ranked insurance company, so you won't outlive it!

If one or more of these rules apply to you… request your quote now.

WANT MORE INFORMATION? Get A Free Quote Now!



Guaranteed Immediate Income
You Can't Outlive
&
Highest Payout of All Annuities