

Three Tips to Smart Saving – It's All in the GIG!

By Kim O'Brien, CEO of Americans for Asset Protection and AssessBEST, Inc.

June is Annuity Awareness Month. I was recently reminded by a colleague who previously served on the board of an annuity trade association I ran. The board member had uncovered an old agenda dated back to February 2008 when we first proposed the idea of an annuity awareness month. The Board approved and in 2010, we launched the first Annuity Awareness Month. Now almost a decade later, millions more people know the power of protected assets and are filling their GIGs™ with guaranteed insurance solutions.

What's a GIG? A GIG is the **Guaranteed Insurance Gap** between guaranteed and nonguaranteed income, insured savings and/or interest.

Every year, the trustees of the Social Security Trust Funds are required by law to issue a report on the financial condition of the program. This year, the [2017 Report](#) disclosed that the old age and survivor insurance fund (there is also a separate fund for disability) could be expected to run out of money in 2034.

The good news is that the projection doesn't mean social security pension payments will drop to zero, as long as people continue to work and pay taxes, but it does mean that the payments will be lower.

In 2017, the Social Security Trustees reported that the program would be able to provide just 77% of benefit payments overall following the depletion of the trust funds. That was composed of 93% of disability fund benefits and 75% of old age and survivor benefits. The 2018 report saw some improvements, with the system able to pay 96% for disability fund benefits and 77% for old age and survivors benefits. That's a 23% income cut! That's not good news for the younger boomers or the next generation or the generations to follow! And it gets worse...

Over 50 Million Americans Have a Guaranteed Income GAP!

Tip #1 – Determine the Guaranteed Income GAP

Almost 50 million US citizens age 65 and older. According to the 2017 Consumer Expenditure Survey from the U.S. Bureau of Labor Statistics, individuals 65 and older receive \$2,500 a month from pensions and social security. The same group spends on average \$3,800 a month with about \$3,400 spent on essentials like housing, utilities and insurance premiums. That's a \$900 a month guarantee insurance gap that could efficiently and effectively be covered with guaranteed insurance products like fixed annuities.

Out with the Rule of 100 – IN with the Guaranteed Insurance GAP!

Tip #2 – Determine the Guaranteed Protection GAP

A retiree's need to protect a portion of your savings from market loss is strikingly clear in a report called [The Math of Investment Gains](#) which shows the challenges - both in required returns and timing - of recovering from a market loss. During 2017, the stock market soared, but giddy investors got a wake-up call earlier this month when the market underwent a sharp correction. Periodic setbacks are easy to shrug off when you're 30, 40, or even 50. However, as you near retirement, it becomes more important

to protect your money, since you may need to access those investments before they have time to recover.

Most financial advisors, retirement experts and insurance planners use what is called “The Rule of 100.” We say – out with the Rule of 100 and in with the Guaranteed Protection Gap! It’s just EASIER math! In the Rule of 100, you take 100 minus your age and that is the amount you should have in stocks. We say, just take your age and that is the amount you should have protected from market risk. So, someone who is 65 should have 65% of their savings protected.

Save FASTER with Guaranteed Interest

Tip #3 – Determine the Guaranteed Interest Gap

Today 5-year CDs are running around or below 3% or 2.16 after taxes assuming a 28% tax bracket. Money markets and savings accounts are dipping under 2% and don’t even think about the mattress.

So, where to go for safety and guaranteed interest. Annuities – of course. According to CANNEX Annuity Analysis Tool, 5-Year MYGA rates are reaching 3.5% with at least two products promising 3.65%. Assuming a 28% tax bracket, the annuities will earn about 2% more per year than the CD. A deferred indexed annuity is designed to earn between 1.5% and 2% more than fixed-rate annuities and, if realized, can turn \$10,000 into \$12,763 after five years.

The GIG in Action

To show the power of asset protection products like annuities, let’s take a real life case from an AssessBEST GIG Plannerⁱⁱ. The individual is a 65 year old female. She’d like to retire at 70. She has \$108,000 in a variable annuity and \$219,000 in an IRA. Her risk tolerance score is a 34 reflecting defensive risk tolerance. She has a total of \$341,000 in assets with about \$328,000 at risk. Her Guaranteed Insured Protection GAP is \$204,000.00.

She has guaranteed income from Social Security payments of \$3,000 a month and anticipated essential expenses of \$4,000. Her Guaranteed Income GAP is \$1,000.

Given her risk tolerance and planning horizon of 5 years, a deferred income annuity is a potential solution, but which one? Using our CANNEX Annuity Analysis Tool, we looked at the top ten guaranteed minimum income products. The guaranteed minimum income is the guaranteed amount received per year based on a zero (or negative) return market. The top ten delivered between \$11,000 and \$12,000 a year – well within our client’s GIG calculation. Looking at the average level income received per year based on a wide variety of market simulations (i.e., Monte Carlo), the top ten estimated her average income between \$12,000 and \$17,000 a year.

Today more than ever, Americans have questions and concerns as they work to attain and preserve financial security. Today's financial environment is complex and often uncertain. The decisions made regarding work, spending, investment and retirement; both now and in the future, will significantly affect a family’s financial condition over the long term. Using AssessBEST’s GIG calculating software with its built in CANNEXⁱⁱⁱ Annuity Analysis Tool, can help you determine your clients guaranteed insurance gaps and analyze products that will help fill those gaps. Turn a complex and uncertain environment into simple and certain future using asset protection products. Don’t limit annuity awareness to June – spread the insured word every month of the year!

ⁱ The AssessBEST Guaranteed Insurance Gap (GIG)[™] is a trademark of AssessBEST, Inc., a sales and suitability software system for recommending the best insurance solutions you offer.

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