



Annuities:
How to Choose & When to Use

BY
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CHAPTER 1

DO YOU HAVE THE RIGHT TEAM?

“Golf is the closest game to the game we call life. You get bad breaks from good shots; you get good breaks from bad shots – but you have to play the ball as it lies.”

- Bobby Jones, American amateur golfer and co-founder of the Masters Tournament

As I've pointed out, annuities can be an effective financial tool when it comes to designing a retirement strategy. However, because there are different types of annuities and annuities can have different options, choosing the right annuity to help achieve your retirement goals can seem overwhelming. Since I'm now working with the Golf Cart Generation, I like to compare the process of choosing the right annuity to golf.

Some people will say, “Choosing annuities? But aren't all annuities the same?”

THE TOOLS

Theoretically an annuity is an annuity, just as a golf club is a golf club. But the most successful golfers use clubs that have been customized to their game and their way of playing. Don't believe me? Try using someone else's golf clubs in your next round, then let me know how well you score. Chances are, you will recognize if the club feels right to you immediately.

The key is customization. Your retirement strategy using annuities (or any other financial instrument) needs to be tailored to fit your needs and customized to fit the way you live. Too often I see people in my office who were “sold” a single annuity or several annuities, and after just a few minutes of talking about their goals, their lifestyle, their family and their money, I realize they weren't “fitted” with the right instruments. They were sold something generic right off the shelf. Unless your annuity fits your financial needs, it could be like trying to play golf with someone else's clubs.

However, as any golfer will tell you, the right clubs alone won't make you the next Tiger Woods or Rory McIlroy. You also need to know how to use them. There's a big difference between hitting a golf ball into a net at the local sporting goods store, or off a plastic mat on the practice range, and learning how to properly use your clubs on the fairways.

Our customized strategies use multiple annuities that are offered by top rated insurance companies, which have long track records of financial strength. We do not create or design our own annuities; we help you select features, riders, and appropriate contracts to fit your stated goals.

THE BASICS

Understanding the basics of golf is the foundation for building a successful game. There are many considerations: your grip, your stance, proper alignment, and keeping your head down. These are all important in learning how to consistently swing a club successfully.

Understanding the basics of annuities is just as important. Today's annuities offer a wide selection of features and benefits to choose from. So how do you determine which products and features would work well for you?

Like a good golf instructor, we like to start with the basics. We call it Annuities 101. This is the foundation for building your understanding of annuities, including optional riders, and how they can be used effectively in a retirement income strategy and planning.

In golf, there are also a lot of rules – in fact, there is a whole book of them. Knowing how to apply those rules before you go out on the course can give you a strong advantage. Again, annuities are no different. Annuities have rules, and understanding them before you buy them will help you to determine if an annuity meets your needs, and which benefits will work best for you.

Once you have the appropriate clubs for you and understand the rules of the game, you're ready to head out on the course and play, right?

Not quite.

THE CADDY

If you have ever played golf you know all too well that selecting clubs and avoiding hazards are useful, and in some cases, necessary, to having an enjoyable and successful round. A great caddy will offer the best guidance they can that complements you and your game to give you the best chance to win. And again, retirement is not much different. Just as a golf caddy may suggest a wedge, 5-iron or driver, a "retirement caddy" can help you select the most appropriate annuities to accomplish your short-range, mid-range, and long-range retirement income goals.



My company, Parady Financial, gets the majority of our business from referrals and client endorsements. We feel that when our clients succeed, we do too. If we can help you avoid the retirement “hazards,” then maybe we’ll get a chance to “caddy” for your friends and family in the future.

THE SWING COACH

The greatest golfers in the world never, ever go it alone. They still take lessons in between tournaments, and they rarely play in a major tournament without their swing coach by their side.

A highly-trained and experienced swing coach can guide a golfer through any challenges that might pop up during play. They coach their golfers through the tough times, and this advice and support can be invaluable.

A personal swing coach not only has an in-depth understanding of their client's golfing mechanics and tendencies, he or she will also have a detailed knowledge of the golfer's psyche. The coach is there at the most crucial moments in a player's career– because those are the times when small adjustments can make the difference between winning and losing.

In retirement, we believe that having a “coach” who knows you and your tendencies, your family, your assets and your core values can provide the best advice and guidance when you need it the most. This is why you have trained and experienced financial professionals – for the tough times. Nobody needs help when they always hit the fairways and greens and make all the putts. We need professionals when conditions change, and we are faced with challenging situations.

ONGOING TRAINING – THE LEARNING LOUNGE

Most recreational golfers don't have access to all the professional assistance I've described above – which is probably at least part of the reason why average golfers admire how well the pros play.

But when it comes to your retirement, you do have access to a team of financial professionals with specific areas of focused training. Those professionals can be crucial to helping you navigate your way through the entire process, from choosing your annuity, to helping you learn how to use those instruments, to dealing with the ups and downs of life and adjustments as your needs and goals change.

At Parady Financial, we've created a space we call the Parady Learning Lounge. It is dedicated to providing information about our services, products we offer and other retirement issues. Our Learning Lounge is located in our Clubhouse where our clients and friends can learn about different facets of the “game” of retirement in a relaxing social and group environment.

We offer full complimentary access to all Learning Lounge topics and sessions that we conduct. We bring in guest speakers to discuss topics outside our areas of specific knowledge, and encourage our clients to attend as many presentations as they like even before they make a commitment.

Ultimately, this is your retirement lifestyle at stake, so we think it's important to get you fitted with the appropriate tools. We can help you learn the basics on how to use life insurance and annuities, and we provide that all-important "retirement caddy" to help you along the way.

Keep in mind, over time your game and life goals may change. The golf clubs you carried 30 years ago probably are not the same clubs you use today. (By the way, if your 3-wood is still made out of actual wood, we should talk immediately!) Our process of sharing information allows our clients to learn about the latest products and strategies as they become available, so they can always be on top of their game.

Of course, no one becomes a championship golfer after just a few lessons. Our model is designed to allow you to go at your own pace and get information through a process of osmosis. We believe gradual absorption of complicated retirement issues and insurance-related strategies is a much better approach – and more effective – than a single sales pitch.

Now, consider this: Imagine that every time you play a round of golf, your game improves. You hit more fairways, more greens, and you have fewer putts per round. And this continues for months or even years. Each time you are out on the course is better than the last. But every time you walk off the 18th green, there is a golf club sales representative waiting, trying to sell you a set of the latest and greatest clubs, trying to replace the ones you already have.

Since you are playing well, you probably have no interest in changing anything. Then one day, you fall into a slump. Everything stops going your way. Your drives fly out of bounds and you can't make a putt to save your life. Frustrated, confused, and emotional about your game, you finish your round and there's that sales rep again.

What kind of decision do you think you'll make when you're feeling emotional and frustrated? It is almost never a good idea to make big decisions under stress or when you're emotionally charged. Decisions about your retirement shouldn't be made quickly or when under duress either. One of the mistakes a retiree can make is a snap or emotional decision when life is not going your way. No matter how noble the intentions, a decision made from a place of frustration, anger, or fear almost never turns out to be smart in the long run.

It's also valuable to note that changing clubs isn't always the right answer. Maybe it isn't always the club? Sometimes all you need is a lesson, a meeting with your swing coach to steer you in the right direction.

CHAPTER 2

MORE INCOME? NO THANKS...?

Everybody loves income, right?

But “deferred income”? That may be different story.

One type of annuity that people own today are “deferred annuities,” which means during the accumulation phase, interest is growing tax-deferred. Then during the distribution phase, the interest that is paid to you is taxed. It's not uncommon for people to own annuities and keep them in the deferral phase in to their mid-to-late 70s. Not because this is the way they want it, or that it still makes sense to defer the payout, but they often don't know how to make their annuities work for them.

I think it's important to understand that at the core, annuities are intended to provide income. This can be income now or income later.

But, why do so many people continue deferring income with their annuities? They would never have done that with a raise from their boss.

It comes down to knowing and understanding how to use your annuities to your best advantage. Let's think about what this means for you.

If you had an option today – right this minute – to begin receiving income for the rest of your life, how many more days, weeks, or years would you want to wait before you began to collect?

Let me rephrase the question: How many people chose to take social security at age 62? How about age 66? How about the maximum monthly payout offered at age 70?

A few of my clients waited until age 70 to begin collecting Social Security benefits. It's true that the later you wait, the bigger the monthly benefit. But it's also true that you will receive that benefit for a shorter period of time.

In this respect, annuity payouts work in a similar way. Annuities will generally pay-out a higher amount per month the later you begin your income payments, but the trade-off is that you will receive the income for a shorter period of time.

Annuities don't just sit there like Aunt Irene's furniture with the plastic on it. Annuity payments can be used as a tool to help supplement your lifestyle and goals, or to purchase other financial or insurance instruments.

When you have an annuity that will provide a stream of income for life,** you're in control of how to use those funds. You can decide if you need a smaller amount of income for a longer period of time or a larger amount of income for a shorter period of time. As financial professionals, we can help you determine which annuity strategies may suit your needs for the first half, second half and overtime in your retirement.

I meet a lot of people that already own annuities and aren't taking the income from them. It is a source of great frustration for me because if you're in retirement and you own an annuity contract that guarantees income and you're not taking the income yet, why did you buy it? Of course, annuities must be suitable for each individual's needs, but remember, annuities can pay you income for the rest of your life. When you own something that will pay you forever, how many more years do you want to wait before you start collecting those payments?



About Us

Founded in 2001 in The Villages, Florida, Parady Life & Annuity is a financial services firm that has helped thousands of retirees, and people nearing retirement age, achieve peace of mind by designing personalized retirement planning strategies for careful investors. Our philosophy is based on our goal to empower you to live “your life, your way” via an information-rich culture. We are dedicated to maximizing the living benefits of life insurance and annuities to establish guaranteed income for life and create a tax efficient retirement.

We choose to work with retirees who prefer the safety of working with instruments, which provide steady and predictable results in unpredictable times. Specifically, we maximize the living benefits of annuities and life insurance contracts – instruments that are often misunderstood and underutilized in retirement strategies. Continue to read book 5 in our Retirement Insight Series, *Decoding Taxes: Keeping What's Yours*, to continue to learn proper strategies with life insurance and annuities that can provide attractive living-tax benefits, cash accumulation benefits, and income distribution benefits that can be protected from the fluctuations of the stock market.



