

Adviser's Plan Uses An Annuity 'Ladder'

By Peter McDougall



- A couple's expectations of long life raise concerns
- Adviser sees multiple annuities offering principal protection, guaranteed income
- Riders are added to provide flexibility in payment schedule

— Daniel A. White
Founder and President
Daniel A. White & Associates

The money is still locked away but, he says, proper planning can ensure clients keep enough outside of the ladder to meet their liquidity needs. Besides, it is protecting principal, not liquidity, that is the chief concern for most of his clients.

“Once you hit retirement you can't afford to

lose any money,” White says. “You don't have time to make it back.”

White started by designing an income plan. The couple needed \$5,000 in monthly income. The husband collected \$2,600 in monthly social security benefits, and his wife was scheduled to receive \$865 a month the following year. The husband had a consulting gig that paid \$5,000 a month, but that was scheduled to end within the year.

The plan that emerged involved splitting \$640,000 of their assets into four annuities of roughly the same value. The first two annuities would start delivering income in two years, when the husband turned 70. They would each produce \$12,000 a year in guaranteed income, bringing the couples' total monthly income up to the \$5,000 threshold while also satisfying the husband's required minimum distributions, or RMDs. (Most of their savings was in qualified accounts.)

Four years later, the third annuity would turn on, kicking in an additional \$16,000 per year and helping to satisfy the wife's RMDs. Two years after that, the fourth and final annuity would add an extra \$22,000 in income, upping the

couple's annual income to \$63,000 not including social security. Delaying the final two annuities allowed White to secure guaranteed annual returns of 5%, which resulted in higher annual income than the first two annuities.

White designed the timing of the annuities based on when each client would have to take RMDs and when social security benefits kicked in. That said, the clients aren't locked in to that schedule. They can extend the time between each annuity, or set them to begin payouts more quickly. Each annuity has a guaranteed minimum withdrawal benefit rider and a guaranteed lifetime income rider.

And to give them extra flexibility, White set aside the remaining \$160,000 in an emergency fund, but he explained that the annuity funds were accessible as well. “This plan is really flexible,” says White. “They can always take distributions from the annuities, up to 10% per year, without getting hit with a penalty.”

A family history of longevity is a wonderful thing, but it can raise financial concerns. That was why one couple sought help from Dan White, founder of Daniel A. White & Associates, an advisory firm in Glen Mills, Pa.

The husband was 68, the wife 64, and both came from families where a long life was the rule. They wanted a way to keep their retirement savings of \$800,000 growing, without too much investment risk, so they could maintain their modest lifestyle. If they had something left to pass on to their kids, all the better.

White considered and discarded some of the more typical approaches. A portfolio of dividend-producing stocks didn't have the right principal protection, nor was the income guaranteed. A bond-centric approach carried significant interest rate risks. While an annuity offered steady income, growth and risk protection, a single annuity simply wasn't as flexible as White wanted. His solution: multiple annuities.

An annuity “ladder” provides investors with a measure of flexibility in their income streams while guaranteeing the safety of their principal, White believes.

Founded in 1987, Glen Mills, Pa.-based Daniel A. White & Associates is a financial planning firm specializing in asset protection and transitional and retirement planning. Through a team of knowledgeable experts, Daniel A. White & Associates provides sound counsel and comprehensive financial planning for retirees and pre-retirees in estate planning, asset protection, wealth management, long-term care solutions and wealth transfer strategies.

One of the nation's leading experts in financial and retirement planning and host of “On The Money” radio show on WDEL Sundays at 7 a.m., Daniel A. White is a Chartered Financial Consultant and Chartered Life Underwriter. For more information, please call 1.888.690.8820 or visit www.danwhiteandassociates.com.