



Challenge of low returns



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By Jennie L. Phipps

Pennsylvania retirement planner Daniel White points out this startling retirement planning calculation:

He says that in 2000, the average Social Security benefit was \$840 per month. To make an equivalent amount of money outside of Social Security—\$10,080 per year—a saver who put his money in five-year Treasuries earning the going rate of 6.16 percent needed about \$162,500 in savings.

Today, the average Social Security payment is \$1,181. Five-year Treasuries are paying 1 percent. To earn the equivalent of today's Social Security average payment, a saver would need to put a little more than \$1.4 million to work for him.

Staggering.

To make up some of the difference, White advocates index annuities with guaranteed income riders as a partial answer because they are paying between 5 percent and 6 percent. And he urges people to draw Social Security later in life.

"People are more concerned about running out of money than they are about leaving money for heirs," he says. "People are scared to death right now."

To compensate for the likelihood that interest rates will rise in the next decade, White tells his clients to split their savings into several annuity contracts and ladder them. He also suggests keeping some money in more liquid investments so they can invest at higher yields when such a thing becomes available.

What about the suggestion that annuities are a bad deal for savers—an opinion many people hold. White agrees that annuities can be very complicated, and they tie up savings, but the flip side, he says, is "Do you want guaranteed income? Do you love your pension? It's the same concept."

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 comprehensive financial planning for retirees and pre-retirees in estate planning, asset protection, wealth management and wealth transfer strategies. For more information, please call 1.888.690.8820 or visit www.danwhiteandassociates.com.