

Guaranteed Alternatives to the "4% Systematic Withdrawal" Strategy

The Client: John, Divorced, Age 65

The Situation

- John is planning on retiring in a few months.
- John has a nest egg of \$400,000, of which he wants to use no more than \$250,000 for income purposes to supplement Social Security and a small pension.
- He's concerned about inflation and whether his retirement income can keep pace.
- His agent calculates that a "safe" systematic withdrawal amount from his portfolio, adjusted annually for inflation is \$10,000 (4% of his \$250,000 retirement income nest egg). John is alarmed that the recommended withdrawal amount is so little.

All guarantees are based on the claims paying ability of the issuing insurance company.

The Strategy

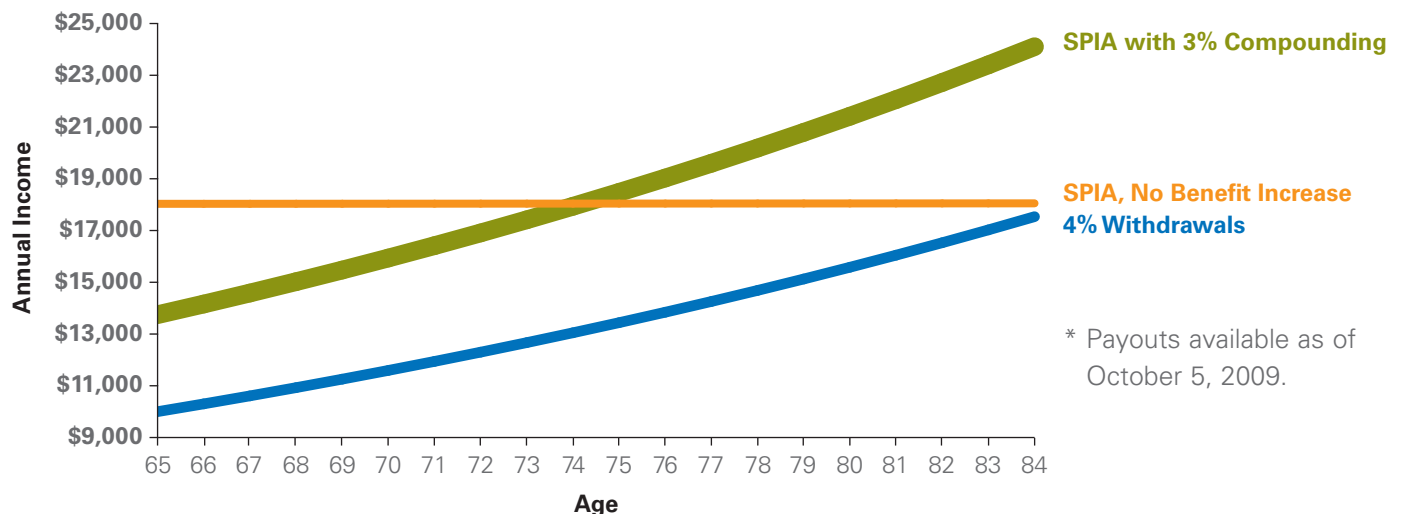
John's agent suggests they look into an immediate annuity from the Genworth Financial companies. He quotes the following:

- **Premium:** \$250,000
- **Payout Option:** Life with Installment Refund
- **Cost of Living Increase:** 3% Compounded or No Cost of Living Increase

John is presented with the two guaranteed income alternatives to systematic withdrawals:

- **\$13,747 Per Year*** (paid monthly) Guaranteed to Compound at 3% Each Year for Life
- **\$18,032 Per Year*** (paid monthly) With No Annual Increase

Assuming inflation continues to be approximately 3% annually, the graph below shows systematic withdrawals and annuity payouts over John's life expectancy.



49751 10/14/09

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The Solution

- Seeing the difference in payouts versus a systematic withdrawal strategy, John decides to split his premium and purchase two immediate annuities, one with a 3% COLA and one without to ensure he has the right mix of income now and guaranteed growth of his future income, based on his expectations for inflation.
- Critical to John's decision to move forward was that, with the Installment Refund payout option, he or his beneficiaries are guaranteed to receive back no less than his original premium, helping protect his hard-earned nest egg if he were to die earlier than expected.
- John also felt reassured knowing that his annuities have the flexibility of the Income Advance feature, allowing him to receive up to 12 months' of income before it is due to be paid if the need arises in the future.

Questions to Begin the Conversation

- Have you reviewed your retirement income options?
- Are you concerned about inflation in the future?
- Would you be interested in guaranteed income which would increase each year for life?

Contact Your General Agent For More Information

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