Life, Health, & Wealth

Retire From Work - Not From Life

Retirement goals are as individual as the people who set them. For most of us, the prospect of more leisure time is attractive. Some of us want to travel more, achieve another academic degree, or assist a favorite charity. The "bucket list" is filled with life-long dreams that have been waiting for the end of the 9 to 5 constraints.

It's easy to set goals for the things we want to do. It's much more difficult to set financial goals to achieve those things. Without our salary earnings, how will we meet our day-to-day expenses, much less earn a pilot's license or visit the Taj Mahal? According to retirement planning experts, we'll need 70% of our annual pre-retirement income to live comfortably. And that's if we've paid off our mortgage and have no major medical issues.

Saving for those retirement years, which with luck can be 20 years or more, takes planning and discipline. With today's uncertain economy, it's important to choose savings and investment plans that will grow and protect our money. It's equally important to commit to a regular savings schedule and resist temptation to withdraw funds from the retirement account.

Insurance companies provide a unique investment vehicle called an annuity which many people use to help build wealth and guarantee future income. An annuity is a cash contract with an insurance company with two distinct periods involved: a) the accumulation period when funds are paid into the annuity by the policy owner, and b) the payout period when the policy owner receives a regular stream of payments for a specific period or for his/her lifetime.

Insurance companies offer a variety of annuity plans to suit the specific needs and objectives of their policy owners:

a) Younger people are likely to choose a **Flexible Premium Deferred Annuity (FPDA)** to facilitate savings over a period of time. Typically an initial minimum deposit/premium (e.g. $100) is required and subsequent premiums, usually a minimum of $25, are deposited as frequently as the policy owner chooses. At a later (deferred) date (e.g. 15-20 years down the road) the policy owner begins to receive a regular stream of income in the amount and for the length of time agreed when the contract was written. An FPDA is frequently used to enhance a retirement savings programme. Long-term goals can be easier to achieve with the flexibility, affordability, and attractive yields of FPDAs.

b) A **Single Premium Deferred Annuity (SPDA)** also provides a guaranteed stream of income at a future date. A single minimum deposit (e.g. $10,000) earns attractive interest rates and grows over the years to provide future income that can be used for retirement or other financial goals. An SPDA is often chosen by people who want to maximize and manage a pension payout, inheritance, or other large endowment.

c) A **Single Premium Immediate Annuity (SPIA)** serves a similar function as an SPDA but provides scheduled payments beginning a set period after a minimum one-time deposit (e.g. $10,000) has been made. While the set period can be as short as one month, additional time periods are often available. Interest is typically guaranteed at the date of issue based on current economic conditions. An SPIA is an excellent option for persons wanting to manage retirement income.

Because annuity plans are structured for long-term investment objectives, they are likely to offer superior yields, often with a guaranteed minimum interest rate. As long-term savings instruments, annuity plans charge penalty fees for early withdrawals.

Most of us can no longer rely solely on our company's pension plan, national insurance, or personal savings to finance our retirement. We will have to plan, invest, and save in order to live the lifestyle we want in our golden years. Talk with your financial advisor or insurance agent about savings and investment opportunities to help you build a retirement fund that will allow you to retire from work – but not from life.

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