INSURING INVESTMENTS IN A TIME OF CRISIS

Retirement and the market may generate a lot of "what-ifs" for some, and recent global events may increase these uncertainties. How can one protect themselves against market downturns with a variable annuity insurance feature?

Volatility is an ever-present investment possibility. Current global events along with the continuation of COVID-19 are creating even more uncertainty for investors. Those saving for retirement may wonder how they can avoid emotional decision making and mitigate investment risk while staying in the market to reach their goals. Some financial professionals may advise maintaining an overall conservative portfolio to minimize losses, while others choose to recommend an asset-allocation approach with diversification and rebalancing. There are many ways to help mitigate market-based risks.

When approaching and during retirement, people face a lot of "what-ifs," such as increasing healthcare costs, potentially living longer than their retirement savings, and rebuilding those savings if a drastic loss occurs. Just as we insure other aspects of life—through car, property and casualty, and other forms of insurance—we also can "insure" retirement savings and investments with a simple strategy.

A variable annuity with a guaranteed minimum accumulation benefit (GMAB) is a strategy that can help protect and insure retirement savings as the market moves up and down. While annuities and benefits are not all the same, most GMABs share common attributes such as being an optional benefit available for an additional cost and guaranteeing a minimum value to the annuitant after a specified accumulation period. The accumulation period commonly ranges from five to 10 years and can offer different levels of protection.

With a variable annuity and GMAB, the portion of a portfolio invested in the market can be partially or fully protected from market downturns, while benefiting from unlimited growth potential. This strategy acts as insurance against the unpredictableness of the market, at the end of the specified accumulation period. Withdrawals will reduce the amount protected typically on a proportionate basis. It is important to remember that a contract value will continue to fluctuate with the market and a full surrender of the contract, during the optional benefit accumulation period, would be equal to the contract value, which may be more or less than the amount protected.

As mentioned earlier, an unpredictable trait of life is how long we will live followed by whether we will outlive our retirement savings. When asked what are the most important questions about your retirement, the top question asked by non-retirees was: "Will my savings and investments be enough?"[1] Nearly half of those who are not yet retired describe themselves as moderately or extremely anxious about their savings not providing enough to live on in retirement.[1]

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This material is educational and intended for an audience with financial services knowledge.

A long life is something to be celebrated, and we are living longer! Men who are currently age 65 are now expected to live to age 84, and women are expected to live close to age 87.[2] Compared to 50 years ago, this is an additional life expectancy of almost 17 years for men and nearly 12 years for women.[3] And many individuals could live even longer; one out of four of today's 65-year-olds can expect to live past age 90, and one out of 10 can expect to live past age 95.[4]

It's clear the need exists to have enough money to last throughout life. Data suggests the total market need for annuities is roughly 118 million U.S. consumers.[5] Of those who do not own an annuity, more than 60% cited the reasons why as "uncertainty over which type or amount" and "lack of product knowledge."[5] It's evident that educating clients and communicating options can be key factors in addressing the retirement crisis.

Annuities and additional benefits come in many different varieties, and no one annuity with or without an additional benefit is right for every person. Annuities and optional benefits represent just one of the many potential strategies that may fit someone's needs. By providing people with educational material and discussing their needs and wants, you may be able to help ease concerns about retirement with a strategy that best fits their needs.

For more information about retirement planning,
please contact the Retirement Strategies Group at:
RSG@PacificLife.com or (800) 722-2333, ext. 3939.
PacificLife.com

[1]Alliance for Lifetime Income. *2020 Protected Lifetime Income Study and Segmentation Report*.

[2]Social Security Administration. *Life Expectancy Calculator*.

[3]Centers for Disease Control and Prevention. (2020). *National Vital Statistics Reports, Table 13*.

[4]American Psychological Association. (2017). *Older Adults' Health and Age-Related Changes: Reality Versus Myth*.

[5]LIMRA. *2020 Insurance Barometer Study*.

All guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company and do not protect the value of the variable investment options, which are subject to market risk. Optional benefits are available for an additional cost.

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