



By: Jeff Affronti—September 9, 2015

Huge Advantage For Women Using Fixed Indexed Annuity Lifetime Income Riders

Live Longer & You Get More!

The types of insurance used to guarantee lifetime income is expanding rapidly. The Single Premium Immediate Annuity is no longer the only game in town. The rise of the fee based income rider has convincingly shown this. Bells, whistles, a ton of sizzle and when we look closely we find gender based advantages too. Since these income benefit riders are marketed and promoted primarily based on the roll ups and bonuses we can safely conclude income should be the main objective. The income pay out percentages are based on age and if single or joint lives will be insured. Looking at the product and how it works and understanding longevity insurance and mortality one cannot help but see a tremendous advantage for a female over a male when it comes to the ultimate conclusion of pulling the trigger and starting income.

It is not uncommon to have an agent reach out to us on a competitive immediate annuity case. A case where they just cannot seem to beat/match a quote. Well, sometimes it is a older pension that we just can't beat with today's rates. Sometimes it is a DOB issue and sometimes the quote will use the wrong gender. Quoting a male age 75 and a female 75 on a SPIA will give two very different numbers. The male will have the higher income every time. Why? Historically and actuarially WOMEN LIVE LONGER!

However, there is no income difference when using the lifetime income rider. Longevity protection is guaranteed for both the male and the female owner. The owners will have the same guarantees, growth potential and fees. A \$500,000 premium fixed indexed annuity (FIA) with a 7% compounding roll-up rate will grow to \$983,576 in 10 years. Assuming the owner is age 75, the single life payout percentage would be 6.00%. That would kick off an annual income of \$59,015 for a male or female age 75.

Based on current rates and using an immediate annuity with life & cash refund for a mortality pricing comparison, the same \$59,015 income would cost \$814,839 for a male and \$854,373 for a female*. A difference of \$39,534 or 4.9% between male and female. The difference is 7.9% of initial FIA premium. What does that all really mean? Clearly the carriers are expecting the females to live longer and want additional premium for that on the SPIA.

Joint life options are available on the fee based riders. Adding a joint life reduces the payment by 0.50% for life. That is 8% less after 16 year. A reasonable reduction for the extra life, especially if two females. This matches the SPIA pricing spread.

Don't worry guys there is a hidden potential in all these numbers for you. An FIA account value of 17% to 20% less than an income benefit base value can produce more lifetime income than the rider would. We are in a very low rate environment and rates will likely rise in the future. The males will have a better shot at increasing their lifetime pay out percent-

age by shopping the SPIA market before pulling that income trigger. For the ladies the account balance could only be 13% to 15% lower for the SPIA to work. As rates increase we would expect the amount of accumulation value needed will be even less!

Advantage goes to the females at time of issue while the males hold on to the long term potential for greater income. Either way when looking to maximize income it is worth exploring an immediate annuity before pulling the income trigger on the fee based rider. This is just another way fixed indexed annuities allow potential while offering guarantees!

*SPIA assumes annual income starting 1 month after premium received.

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