

What Spits Out Money For Its Owner Every Month For Life?



It's Called A SPIA & Look What It Can Do For Income!

By: Jeff Affronti

Here is an insurance product to consider for guaranteed income needs.

Individuals who would like to draw lifetime income immediately can receive a high payout percentage when they use a single premium immediate annuity (SPIA). This under discussed insurance product offers a safe and guaranteed income for the risk adverse. Here is how it works. The owner provides the insurance carrier with a premium deposit. In return, the insurance carrier pays back a guaranteed and set percentage each month for as long as the owner is alive which can never run out.

Below are 3 categories I have created to address some possible needs or concerns when looking for immediate lifetime income. I have also included some sample payout percentages based on current rates.

3 Ways To Look At Income For Life SPIA's:

The "Fully Loaded & Liquid" SPIA

Every client has their own set of circumstances. This specific immediate annuity has a bunch of built-in features like a cash refund and commutation. Clients who have concerns regarding the future,

their health or a changing economic environment may be drawn to these features. The client can add additional riders like nursing home confinement which offers a 50% increase in payments, for up to 5 years.

Contact me for a quote and more information on how the product works. Keep in mind that due to the features on this SPIA the income is lower than basic SPIA products.

Here is a quick list of some the product features or riders:

- Cancellation/Commutation liquidity available
- Return of premium for terminal illness or death
- Nursing Facility Confinement Rider (after year 2)
- Common carrier accidental death benefit
- 5 year cancellation return % 95, 96, 97, 98, 99, 100 / no MVA
- A+ rated carrier / no fees
- Guaranteed minimum death benefit rider

Below quotes on this "fully loaded SPIA" include the nursing rider: \$100,000 of premium, monthly income, starting in 1 month.

Gender /Age	Lifetime Income	Nursing Confinement
Male age 65	5.46%	8.19% Enhanced
Male age 67	5.63%	8.45% Enhanced
Female age 65	5.24%	7.86% Enhanced
Female age 67	5.37%	8.09% Enhanced
N/Q Tax Exclusion	78% - 83%	

In all the above cases over 50% of the premium has been returned by the 10th year and the client is still getting the same income. If the owner was confined to a nursing home the enhanced payment would be made up to 5 years. For instance, an income \$1,000 per month it would increase to \$1,500 for up to 5 years, then return to the \$1,000 after 5 years. The rider has a wait period for the first 2 years and 90 days in a nursing facility. So, in review this SPIA has, liquidity, guaranteed cash refund, nursing home enhancement and a steady income for life. Lots of options packed into this SPIA!

This next category is about maximum income.

The "Higher Payment" SPIA

A 67 year old with \$1,000,000 today can get over \$71,000 annually for life. In 10 years that is \$710,000 in 20 years \$1,420,000 returned in payments.

The highest payout is almost always from a Life Only SPIA. This SPIA ends at death with no refund of premium. This is used for the best payment, and is a true longevity play. The life only is also used when funding life insurance premiums to get the maximum benefit.

Below are two sets of quotes, a life with cash refund option and a life only for maximum income.

Gender / Age	Life Only	Life + Cash Refund
Male age 65	6.69%	6.11%
Male age 67	7.06%	6.35%
Female age 65	6.15%	5.79%
Female age 67	6.46%	6.02%
N/Q Tax Exclusion	70% - 81%	70% - 85%

Looking at the male age 67, the cash refund payment is \$710 less per year per \$100,000 premium. In 14.5 years, the cash refund has paid out \$92,000 and is basically prepaid insurance that has no future value. I call that the break point.

Will the client make it to age 82? Could they do something better with the \$710? Answering those questions will help show which option fits the client.

Breakdown of the example above:

Life only on 67 year old male = 70% of his premium in 10 years!

(\$588.63 x 120 payments = **\$70,635.60 back in 10 years**)

In 14.5 years \$100,000+ has been paid out and is still paying \$7,060 per year.

This next category is about superior financial security.

The "Top Rated" SPIA

This SPIA is offered from (superior) rated carriers; in this case an A++ rated carrier. Payments are usually a bit lower on these top rated carriers but not always. It is always a good idea to shop multiple carriers. Features vary as does pricing. I am very comfortable with all the SPIA carriers we quote, but for the client who wants that added sense of security look at the top rated carriers.

Gender / Age	Life Only	Life + Cash Refund
Male age 65	6.35%	5.81%
Male age 67	6.70%	6.03%
Female age 65	6.09%	5.70%
Female age 67	6.39%	5.93%

This SPIA still pays out well over 60% in 10 years plus the financial security of the best rated carrier. Excellent for the discerning client and larger premiums.

Quotes in states with premium tax will be lower in most cases.

The higher the age the higher the payment on SPIA's. The longer the owner lives, the better the return on premium.

Becoming familiar with the following features and terms is the first step in reviewing an immediate annuity:

- Cash or installment refunds
- Joint and survivor lifetime income options
- Period certain guarantees added to life and joint lifetime incomes
- COLA for annual income increases
- Commutable options (liquidity)
- Non-Commutable, Non-Exchangeable, Non Assignable language
- Longevity annuity income with a deferred start date
- Temporary life annuity
- Exclusion ratio
- Age rated or underwritten
- Minimum death benefit
- Period certain only

SPIA Sales

When you absolutely want guaranteed income with credibility and safety.

Immediate annuities are being used more often and in more ways. Below are just a few ways I have seen the SPIA used.

- Individuals use them for guaranteed income, monthly bills, pay alimony or to fund an insurance premium. The guarantees and simplicity of setting up one contract will avoid having to re-evaluate a financial situation as to make sure the payments last for the time needed.
- Business buy outs
- States pay out lottery winnings using annuity payments.

- Casinos use them to pay out some jackpots.
- Sweepstakes use them a prize.
- Charities use them for charitable gift annuities.
- Trusts, for beneficiaries that may not be good with finances



To offset liability, re-insure, or just for piece of mind an immediate annuity is an excellent choice. These are insurance products, not investments, and are guaranteed by the claims paying ability of the issuing carrier. Look it up, an impressive industry history of strength.

Jeff Affronti

Marketing, illustrating, building, studying and selling SPIA's since 1995. Listening to my father "Mr SPIA" talk about them since before I can remember.

Rate as of 01/28/2015

Thinking about a SPIA?

Get an immediate annuity quote.

Call 800-373-9697 or [click for on-line request form.](#)



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