



How Long Will My Money Last?

If your account grows at this average rate

And you are withdrawing your original capital at this rate . . .

	3%	4	5	6	7	8	9	10
10%								
9								27
8							29	21
7						31	23	18
6					34	24	19	16
5				37	26	21	17	15
4			42	29	22	18	15	14
3		47	31	24	19	16	14	13

Here's how many years your money will last.

If you have clients who need income and you are looking for alternatives to immediate annuities and Guaranteed Income Benefits in fixed or variable annuities, it might make sense to get back to the basics. The above chart illustrates how long one's principal will last based upon earnings and withdrawal rates. For example, a contract earning 5% with withdrawals at 8% would take 21 years before the principal is depleted.

Let's say your client has \$400,000 in assets and desires a 5% income benefit, or \$20,000 per year. Assuming that the contract earns 4%, it would take 42 years before the contract is exhausted!

Another option, put \$200,000 in a deferred annuity, withdraw systematically, \$20,000 per year (or 10%) and the contract will last 14 years. In the meantime, if you invested the remaining \$200,000 in a mutual fund earning 8%, your value at the end of 20 years would be \$587,439.

The main objection to immediate annuities is the lack of liquidity and "locking up your money". Using GWIB's is an alternative to SPIA's, but the costs can be expensive and the underlying growth assumptions cannot be guaranteed.

Given that the minimum guarantee for most fixed annuity contracts is 3% - and knowing that if you withdraw 5% from that contract, there is a high level of confidence and a low level of worry, knowing that those funds will last 31 years!

Sometimes, just getting back to basic's makes sense. If you would like more information, please give us a call. We have companies that allow for systematic withdrawals and we can provide illustrations.

800-496-3572

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