

# INTEGRATED INSIGHTS . . .



## Deferred Income Annuities & Qualified Longevity Annuity Contracts

Retirement planning is not an exact science. People don't retire with a pile of money they retire with the expectation of income generated from their pile of money. Some advisors adhere to the "probability" side of income planning. Of course, things don't always go "as planned". Even if you have a high probability, is your client willing to take the chance of running out of money? Even if the chance of running out of money is low, you are still subject to the "sequence of returns" risk. A deferred income annuity might be appropriate for some clients looking for more assurance in the outcome.

### What is a Deferred Income Annuity (DIA)?

A deferred income annuity (aka, deferred immediate annuity or longevity insurance) takes a lump sum payment today with a guarantee to provide an income starting at a specific time or age in the future. Don't confuse these with deferred annuities used to grow tax deferred money. DIA's offer a known income, guaranteed to start at a defined date in the future.

### Why have DIA's recently become more popular?

1. The number one financial concern for many clients is running out of money and thus income when they retire.
2. Market volatility and recent 'big' dips in the equity markets cause more clients to seek income predictability and guarantees.
3. The government has changed the rules for qualified money, where most people's retirement assets reside. They have eliminated the 25% limit, and are allowing up to \$200,000 of qualified funds to be used to purchase a Qualified Longevity Annuity Contract (QLAC). This expands the potential marketplace since the bulk of retirement savings generally consist of qualified money.

### Sample Values purchasing a DIA with QLAC Option:

\$200,000 Deposit, Lifetime Payout, Annual Benefits Starting at Age 85

	Age 55	Age 65	Age 75
<b>Male</b>	\$169,000	\$111,320	\$ 68,000
<b>Female</b>	\$140,000	\$ 97,200	\$ 57,600
<b>Joint</b>	\$100,000	\$ 68,400	\$ 41,000

*\* Rates effective 2/2024*

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### **Frequently Asked Questions:**

#### **What if I don't have qualified money to make the purchase?**

*A DIA can be purchased with non-qualified or qualified money. If you use a QLAC then that amount of your qualified account will not be subject to RMD's. The latest deferral age is 85.*

#### **Can monies in an IRA that has begun distributions due to existing RMD rules be exchanged into the QLAC?**

*Yes, RMD distribution ages start as follows (Eff 1/1/2023):*

*Born in 1950 or earlier (no changes)*

*Born in 1951 – 1958, RMDs start at age 73*

*Born in 1959 or later, RMDs start at age 75*

#### **What payment types can be selected with a QLAC?**

*Payout options are limited to single or joint life only, and single or joint life with cash refund.*

#### **What if I want to design my income to start earlier than age 85?**

*You can do that, generally speaking you can choose between 12 months to 40 years before distributions begin.*

- *Distributions of qualified and IRA funds must begin between the ages of 72 & 75 as listed above.*
- *Distributions of nonqualified and Roth IRA funds must begin by age 91.*
- *Distributions of QLAC funds must begin by the first day of the month following the annuitant's 85<sup>th</sup> birthday.*

#### **What happens if I die before the distribution start date of my DIA?**

*You would lose the deposit if you did not add the ROP option. Adding the ROP option will reduce your guaranteed income stream.*

#### **Can my income be adjusted for inflation?**

*Yes, generally carriers will offer you the ability to have a growing income the longer you live past your income start date. Of course, adding inflation adjustment will require additional premium for the same starting income amount.*

#### **Where can I obtain additional information about these products?**

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