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The Annuity Product for You Webinar

Ashley Thomas: Hello to everyone just joining us. My name is Ashley Thomas, and I would like to welcome you to today's webinar, which is being presented by CAPTRUST. We are the independent financial advisory firm that works on your employer sponsored retirement plan, and I like to let you know that you have access to not only these types of webinars, but you also have access to financial advisors who are here to give you custom investment advice now twice a year.

We host the Ask CAPTRUST webinar, which is your opportunity to go ahead and submit specific questions around the topic that we're discussing. And so this conversation today is being driven by your questions that you submitted during registration, and for that reason, we will not be addressing any questions today because we're again addressing the questions that you have submitted during the registration process.

Now, before we hop into the actual presentation, I do just have to let you know that this is broad educational information. There is no one solution that works for everyone. Now at CAPTRUST, while we offer comprehensive investment advice, we do not provide legal, accounting or tax advice. Your financial journey is as unique as you are, and we're here to support and guide you every step of the way.

And today I am excited to welcome John Lockwood. He's an advisor here at CAPTRUST with 20 plus years of industry experience. He's married with three children. He's an outdoor enthusiast, and he builds and races bicycles. And you'll learn more about John and his bio below. But John, welcome today.

John Lockwood: Hi Ashley.

Thanks so much for having me. And hello everyone. It's a pleasure to be here with you all today. Discussing a topic that is near and dear to my heart and that is annuity. So looking forward to diving in with you all today.

Ashley Thomas: Yes. Thank you so much, John, for letting the cat out of the bag. So we are going to be discussing annuities today, really looking at are annuities, the products for you.

And we are going to go ahead and start things off. And so we received a ton of comments from you all saying that you didn't know. What annuities are asking us to start with the basics or you want to know how they work, if they're suitable for your retirement plan. And I'm so excited that we're having this conversation today.

When John and I were preparing for the webinar, I let him know that my mom and I were discussing annuities as an option for her overall retirement plan. So John, if you could, I'd love for you to break down annuities for everyone.

John Lockwood: Yeah, Ashley, thanks so much. Really in the world of finance, we think of an annuity as an income stream.

Typically, that's an income stream that is ongoing that you can rely on, for lack of better words. Let's take a step further and actually look at the definition of what is an annuity. An annuity is a contract, very important term there. This is a contract with an insurance company designed to provide you with a stream of income typically during retirement.

And it's important to note that these income streams are very helpful. To accumulate funds on a tax deferred basis, that means you're not paying taxes along the way, you're just deferring the taxation until later. And typically folks are converting savings for a pile of money, like the money bags you see here into predictable payouts.

That is the income that we're talking about here. And typically there's various sorts of annuities that can be customized to individual's situations. And if we see here at the very end of this third bullet point, it says, including lifetime income. Alright? So that is one of the key features that we want to provide some education around today.

So just to recap. In, in my mind and the way I like to educate folks is an annuity is simply an exchange of capital for a stream of income that will last for the remainder of your life.

Ashley Thomas: Yeah. Thank you so much for that definition John, and for that breakdown there, making sure that we're hitting those key points, that it's the contract, that lifetime income.

One of the questions we received was how long do they last? Depending on the option that they select, it will be your lifetime. If you could give us some information around how to. Fund that annuity because we had a question that came in, wanted to know if you have to pay into that annuity on a yearly basis.

John Lockwood: Yeah, it's a fantastic question because there are several ways that you can quote, unquote, fund an annuity. And as we just mentioned, an annuity as you see in that definition. It is an insurance product, right? We see the definition says contract, but that product can be funded either with a lump sum, right?

So that's that second bullet point where you've got a chunk of change that you've saved, maybe inherited. And you exchange that for the income stream, on the other hand, actually mentioned just a bit ago. How do you accumulate? Another way. That you can fund The annuity is you can take money in any duration, in any amount, just as if you are going to transfer, let's say, from your checking account into your savings account or investment account, or 401k or various types of instrument, you can fund it on a daily, weekly, monthly, annual basis.

And that's what, we talk about the customization. Really customize the product to align with what your goals and objectives are. And then also just reverse engineering that saying what are my cash flow objectives? In other words, what is the right way to do this? Do I fund this with a lump sum?

Or perhaps I don't have a lump sum, but I do want guaranteed income. So you can. Save or invest and contribute to an annuity at virtually any interval that works for your cash flow. The insurance companies happy to take your money,

any

John Lockwood: way in which you want to give that to them. Important to make sure that it is in your best interest and aligns with your objective.

Ashley Thomas: Yeah, that's great that there's that level of flexibility because I think as we're having this conversation around, maybe someone incorporating this in their retirement plan, depending on where they are in that journey, it might give them that flexibility that they need to go ahead and establish that income stream.

So I think this is a great time for us to go ahead and start talking about the different types of annuities. John, can you go into that, because we only had one question asking us about the types. So it'd be really great because maybe some people don't even know that there are various types of annuities out there.

John Lockwood: Absolutely. Yeah. That's a great question and I appreciate you opening up that a little bit further. There's generally three types of annuities and you're looking at these broad categories here up on this presentation. A fixed annuity that word fixed is typically indicative that your.

Rate of return is fixed and guaranteed. And it also can mean that your income payment can be fixed and guaranteed. Okay. So in a typical fixed annuity, I'm just gonna throw out a general number here.

Ashley Thomas: Okay, great.

John Lockwood: In today's world if fixed annuity can pay something like. Four to maybe 5%.

Okay? So in other words, if you said, Hey, I've got this lump sum of capital, or, Hey, I want to, again, monthly, put some of my cash into this product the fixed annuity is predictable because they state right up front, here's your fixed rate. And again, we'll just split the difference.

Say it's 4.5%, so you know. I'm putting money here, I'm gonna earn 4.5% until I turn on that annuity. Turn on means start generating income, right? And that's that second piece guaranteed payment. Alright? Now that guaranteed payment is not the four point a half percent right? The four and a half percent that's predictable and fixed would be during an accumulation period, meaning prior to you taking payment.

But when you turn on the payment component, the calculation for how much income you're getting is gonna vary. We'll go into that a little bit deeper, perhaps later on down the road here today. But the second type is a variable annuity. So what differs here is that during that accumulation period, again, this is the.

Period of time where you're putting money in or you're deferring that capital, you're not yet taking income. The return, instead of being fixed at again, four and a half percent would be variable, meaning now you choose as the owner of this contract, as the annuitant or participant, you get to choose. How that money is invested to an extent, meaning similar to a 401k plan, you've got a menu of options to choose from in a variable annuity.

The insurance company will provide you a menu of different investments in which you can choose from. So you can select an a very aggressive stock mutual fund, or you can select a no risk. Guaranteed cash account inside of the variable annuity. So that variable means you are taking the risk of investing that capital with the hopes of earning higher rate of return than let's say the fixed rate of four point half percent.

However, it's tied to market performance and we all know markets don't always go up.

So you

John Lockwood: have to. Really understand what are my objectives? How long do I have until I'm gonna turn this into income? And how much risk can I take? 'Cause you're subject to whatever that investment that you chose, how it performs will dictate your income.

Okay. And now the third I liken this to a hybrid approach and I say that because the index option. Is neither a fixed rate or a variable rate.

It's something in the middle, and what you're effectively doing is you're choosing an underlying index like the s and p 500, which is a stock market index.

The largest 500 companies here in the us. That's what makes up the s and p 500, or you can choose an index like the Barclays Aggregate Bond Index, okay? And that is an index of the corporate bonds that are in the marketplace, right? So stocks being higher, volatility, higher potential for return, but also carry more risk and have the potential for losses.

Bonds, on the other hand, have a different type of risk profile, right? The volatility factors are different, right? In a bond environment, you are buying a, the venture, right? That's a type of security to where you're actually buying a fixed payment, right? That payment provides you income, right? And the value of the bond fluctuates based on the interest rate environment, but it's typically, it operates separately and the risk profile is lower than the stock index. Okay, so you, again, you get to choose, I can put all my money into the s and p 500 index. I can put it all into Barclays aggregate or a combination thereof. But here's the key difference. In an index annuity, typically you have what's called downside protection.

Alright? So what this means is that the insurance company will say, Hey, Ashley. If you put your money into this index product, you will have a floor of zero.

What does that mean?

John Lockwood: That floor means that

if

John Lockwood: the s and p 500 index goes negative, let's just say for the contract year, we'll just refer to a calendar year to try to keep it simple.

You bought the contract January one. At the end of the calendar, December 31st, they measure what did the s and p 500 do, and let's say the s and p 500 lost 10%. If you have a floor of zero, you lost 0%.

Yeah.

John Lockwood: Downside protection. Okay. On the other hand, there is always a cost of insurance, and this is something we cannot forget.

If we have downside protection, that means I'm not gonna get the full upswing, alright? The example would be December 31st, we measure the tape and we say, Hey, the s and p 500 was up 10% during that year. The insurance company's gonna say your cap rate is at X. Let's say it's 7%. Okay? Because again.

If they're limiting your loss, they're also gonna cap your gain. Alright? Yeah. So your returns are going to vary in this range between zero and seven. Alright? So this is just a broad example and it's very important to remember that every contract is different. Yeah. It's really critical that you understand the details in each one of these types.

But this is a broad overview of fixed where I have predictable and guaranteed payments variable where I can have market performance up or down, and I'm writing that decision, right? Or I can be somewhat in the middle of an index to where I'm gonna have a cap and I'm gonna have a floor, and my returns are gonna range right in between that cap and floor.

Ashley Thomas: Yeah that's really great information. As I was listening to you, the thing that came to mind with me and what we emphasize in all of our webinars is that how everyone feels about risk is individual to who they are and what's going on in their lives. And so this is a really great opportunity to have a risk assessment, find out how you feel, because all of these different types of annuities link to a different type of level of risk.

That maybe you're comfortable with, and you can absolutely take that risk assessment with CAPTRUST so that you have an understanding of maybe what annuity might be suitable for you. But John, this is probably the first time that some people are hearing about the types of annuities. Can you give us maybe one or two pros and cons for each one as someone is maybe listening and thinking that, Hey, maybe all three of these might be suitable for me, but I don't know what are the pros and cons?

What are the things to consider?

John Lockwood: Yeah, great. Great question because again, there, there's so much to consider here. If I can just maybe throw out and we'll start with fixed a benefit of that fixed annuity, if you will. We see here predictable guarantee, guaranteed. So I would say that the biggest benefit here is reliability.

I know if I buy a fixed annuity, exactly what I'm getting, and there's a lot of value to that of just having the peace of mind. Sometimes I had a client refer to this recently as pillow profit, right? I can sleep at night knowing what my return is. And it may not be as profitable.

John Lockwood: let's say the variable annuity if you're investing over time.

Typically, the investment in those stock market types of products, historically anyhow, have, averaged higher returns.

But you just don't know. Exactly. And we've all experienced it as of, this calendar year, tremendous volatility. 20% downturn on the s and p 500, to then correct in the next couple of weeks and go to a new all time high.

It's just right. There's a lot of variability, so the downside to the fixed in my mind is that your returns are lower.

And the

John Lockwood: biggest thing we need to be aware of is what is our real rate of return? Okay? Now that's the nominal rate of return, and we'll refer back to that four point half percent, right?

Okay. That's the

stated

John Lockwood: predictable return. But if inflation is that 3% as an example, then your real return is only 1.5,

Ashley Thomas: right? And that's a big

John Lockwood: difference. Yeah, that's exactly right. So your downside is that the fixed annuities provide predictability, which also is going to mean lower real return.

And therefore you could have some inflation risk, right? Because again, if it's stated at 4.5% and we go through another shock to the system like COVID, right? And inflation shoots up to nine. Then during those years of high inflation, you're technically losing purchasing power.

Yeah.

John Lockwood: There is, and I'm so glad you asked this, because actually we experienced it, right?

And most folks on this call yeah. Inflation's a real thing. Okay, so on the variable side a pro would be flexibility. Because I can choose. Do I want that all stock market IT performing fund? But also if I'm in a variable contract, I can rebalance, right? I can say, you know what?

I'm not gonna go all stock. I'm gonna go 50 50. I'm gonna choose a stock and a bond fund. Or, Hey, you know what? I'm gonna go to an all fixed income, right? 'cause I just don't want to take the risk. I wanna have the option. To be more aggressive, but I wanna also have that flexibility to change as perhaps my risk tolerance changes over time.

Ashley Thomas: So

John Lockwood: one of the benefits of the variable is flexibility, right? I get to choose, and I'm not tied to one type of investment, if you will, throughout the course of that contract. But now we know there's always a cost,

Ashley Thomas: always.

John Lockwood: So the downside to the variable is the cost of that flexibility.

And what that typically means is that when you enter into a variable type of product, there's going to be, and again, this is most of the time, and in my experience a lot of the time. The expenses are higher, right inside of the barrier, because again, I get to choose. I can change my mind.

Ashley Thomas: Yeah. So you just

John Lockwood: have to be aware for

Ashley Thomas: that flexibility.

John Lockwood: That's right. And it could really pay off.

Ashley Thomas: It could.

John Lockwood: So you just have to evaluate. Okay. So hitting the last one here, the index.

Yes.

John Lockwood: The benefit that I see that clients get out of these index products. Is that typically their returns are slightly higher than a fixed,

Ashley Thomas: right?

John Lockwood: Because you get to participate in an index that has upside potential.

But remember the cost, there's always a cost, and that's what we always have to be aware of. The cost is if there's downside protection. That's the cost of insurance,

right?

John Lockwood: Insurance, there's a cost. Every type of insurance you have, there's a cost.

So the benefit in my mind to the fix is, okay I could perhaps achieve a slightly higher rate of return than the fixed product, right? Knowing I have downside protection,

Ashley Thomas: right?

John Lockwood: But on the opposite side of that, there are challenges to how you can pivot,

right?

John Lockwood: So what I mean here is I'm gonna introduce a a concept.

And this concept is that if I want my cake and eat it too, I want downside protection.

Yep. I want

John Lockwood: upside potential. This is the bee's knees. It's everything I want. Guess what? There's gonna be a cost for that. So typically what we see for cost is something that's introduced called a market value adjustment.

Alright? Okay. And that's just insurance. Speak for exit cost. Yeah. That's another way to say, yeah, you can operate in this, downside upside, a little bit more of a hybrid approach.

But you

John Lockwood: really have to be committed to that. 'cause if you decide to switch gears and you say, Hey, you know what?

I just don't want to do this anymore. I'm gonna take my money out and I'm gonna go do something different with it. There's gonna be some costs associated. Okay.

Yeah. You can

John Lockwood: be assessed a surrender charge. You could be assessed a market value adjustment fee, right? So you just have to make sure that, you understand what you're getting into.

But from a broad perspective, you can think about the journey of what I want this money to do,

right? And

John Lockwood: you could think is fixed right for me. Is bearable right for me or is index right for me? And you could at least narrow it down to these types, and I think that's the first step.

Ashley Thomas: Absolutely. I think that's really great information. When I think about that fixed annuity, I'm thinking about that person who maybe wants that predictable stream of income, really, part of that definition. But they want to know that there is a certain amount coming into that they can maintain their lifestyle or maybe fund those leisure activities that they want to do.

You know that this money is going to come in and really, as we've talked about, again, there's no one approach that works for everyone. So you really have to assess and be honest, and as John was talking about, there could be fees. So make sure when you're looking at these things that you're paying attention to those fees.

What is it going to cost you for some of the features that you like? I think this is a great part of the conversation, but I think that brings us to the point of when someone is ready to annuitize, what are their options?

John Lockwood: Yes. This is this is good because this is another decision point that you'll really need to consider prior.

Yeah. To determining what type of product you want.

And

John Lockwood: you'll see here there's really two classifications. Okay? One is an immediate annuity. So what that means is that I'm exchanging this capital today for income payment tomorrow. It's right away. Now, you can defer it a couple months if you'd like, but for the most part, an immediate annuity is saying, okay.

Ashley, your mom has accumulated some money for retirement.

Ashley Thomas: Okay.

John Lockwood: She wants some predictable income

To cover some of her non-discretionary expenses.

Think about, property taxes, gotta pay them.

Ashley Thomas: These things that are going to come up.

John Lockwood: Gotta pay it. Yeah. Some folks just say, Hey, for those expenses that I know I'm gonna have to pay, I just want to have some guaranteed income to cover.

Okay. And in that case, one option would be I'm gonna invest and when it's, when I'm ready to turn on that income, I'm gonna buy an immediate annuity. And that just means I'm gonna immediately transfer my capital and I'm gonna receive that income payment right away.

Ashley Thomas: Yeah.

John Lockwood: The other type deferred is saying, I, I really like this concept of having predictable income in retirement.

I like that I'm gonna need some income and again, for my fixed expenses,

Ashley Thomas: right?

John Lockwood: But, I'm five years away from that. I am 10 years away from that. I'm 15 years away from actually wanting this income, right? Because. Everyone's retirement plan is different, right? Absolutely. What I mean is that just because you're retiring let's say, you were a good saver, diligent investor you're gonna retire at the age of 60.

That's an early retirement, right? Your financial plan may not call for immediate income,

Ashley Thomas: right?

John Lockwood: You might have some assets. That you're gonna use to cover you until a certain period of time, let's say, until social security kicks in.

So you might say, I've got a period of time where I either do need income or I don't need income.

But I know based on my financial plan at this time, I'm gonna want some guaranteed income. This is where that deferred annuity comes in, right? Because I can buy my insurance. Today, right? That is my predictable income stream or my variable income stream based on what's right for you.

But I don't want the income today. I want to have the right to turn that income on at any point. And that's the key, a deferred annuity. You don't have to define that deferral period. You just say, I don't, I just don't need the money today. Okay. Wow. Then we know we're talking about deferred.

But I could turn a deferred annuity into immediate income at any time.

Ashley Thomas: Yeah that's some really great flexibility there. I didn't even know that flexibility was to just turn it on when you need to. So it, it sounds like maybe for a deferred annuity, someone doesn't have to be entirely clear on their retirement plan.

Maybe it's what I like to call wet cement. They have an idea. It hasn't really solidified, but really it gives them so much flexibility.

John Lockwood: Yeah, absolutely. I like that analogy because it's typically in that final stage of planning

To where you're actually smoothing out the concrete right.

Before it dries. You're curing it and you're making changes. And sometimes it's oh, actually, I'm gonna do a little design over here.

I'm gonna stamp the concrete.

Ashley Thomas: Yes.

John Lockwood: It's a beautiful analogy because you, you have you know what the footprint is, right? You know what the the concrete. I know it needs to be poured. I know what it's gonna, I know exactly the shape I want it. I just, I'm not fully cemented. Yep. In exactly how it's gonna shape up, so that that's where those deferred annuities come into play.

Ashley Thomas: Yeah. And I would like to get some clarity.

So for these payout options, does that apply to all three of the annuity types that we looked at?

John Lockwood: Good question. Lemme think about that. I, it, yeah. Yeah, it does. Yeah. Because if you're thinking about a fixed annuity

You can say and you're hearing some hesitation here because I'm just reading contract language in my mind.

All right? And the contract language, would say this, Ashley, you are buying a single premium immediate annuity. Okay? So what that means, single premium, one lump sum,

Immediate annuity, right? I'm turning on the income right now, right? Here's my exchange.

Ashley Thomas: Yeah.

John Lockwood: Yep. But you could also buy a fixed deferred annuity, so you can still say, you know what?

I don't know exactly when. But in that case,

yeah,

John Lockwood: The fixed deferred would have a timeframe.

Okay. Because as the investor, you're gonna say what's my fixed rate? And the insurance company has to then go price it based on the bond market. So they're gonna say, alright, if you're gonna give us your capital for one year and then you can have it back, we're gonna pay you 3% as an

example.

Yeah.

John Lockwood: If you're gonna keep, if you're gonna commit the capital for three years, Ashley, then we're gonna give you 5%.

Ashley Thomas: Okay.

John Lockwood: And if you're gonna commit the capital for five years, we'll give you five and a half percent.

Ashley Thomas: Yeah.

John Lockwood: So it's fixed, right? It's deferred, but again, you've got some, some flexibility.

Ashley Thomas: Yeah, it sounds like it.

John Lockwood: On the other hand, you're making a commitment, right? One year, three year, five year. So again, they get very nuanced, but, going back to can you do a meat or deferred in a roundabout way, the answer is yes.

Yeah that's good. Or

John Lockwood: no, most annuities, yeah, most are deferred.

Okay. But remember with the deferred, it could be turned into immediate income right away. So most of the time, as we're educating folks. If it, again we're talking about annuities, we would just think of, okay, this is a deferred annuity and when it's appropriate, when it's most beneficial in your financial plan.

'cause that's how we think about it. This is a tool. We're gonna use it for your plan.

Ashley Thomas: I,

John Lockwood: this is the time you're gonna turn it on. But hey, if life changes like it typically does, then we can turn it on anytime.

Ashley Thomas: Yeah that's really great that those options are out there and it doesn't sound like they have to immediately know some of these things.

So this could be a really great strategy. And so as we're talking about these payout options, this is a good time to go ahead and start looking at how the duration options are for those annuities. John, can you touch on. These payout structures and even maybe factors that we need to consider as we're thinking about what option to select for the duration of our payments.

John Lockwood: Yes. Yeah. This is a yet another critical decision.

Okay.

John Lockwood: So the important thing here is what we're talking about when we say duration, right? So duration is gonna be the length of time we want. Income. Alright. Yeah. So it's the second half for most of the folks. Hey, I, here's my deferred rate, it's fixed, it's variable, it's indexed.

But these are payout structures. Alright, so this is why it's so important to consider these factors that we've listed here on the right hand side. What is your life expectancy now?

We can get a general idea. We could look at some mortality tables. In fact, the insurance company with pretty darn good accuracy could tell us

Ashley Thomas: they will.

And that's

John Lockwood: oftentimes, when you are to buy an annuity, they'll, they, there may be some health questions.

But

John Lockwood: most of the time not, it's really more in the. Insurance space of life insurance, right?

Yeah. Where

John Lockwood: you fill out a health questionnaire and they can tell you with pretty darn good accuracy what your life expectancy is, right?

'cause these insurance companies been around 200 plus years. They have the mortality data, right? But the important thing is, you and I don't know when we're gonna be called. We don't know. We don't know when we're going home, from a life expectancy standpoint, we can say hey, I know my dad died at this age, or my dad's still alive and he's this age.

I know my general health factors, right? I know the choices I'm making for my health, and is that contributing to a long life or a shorter life? So you can come to some general expectation,

Ashley Thomas: right?

John Lockwood: Yeah. And if your expectation was, hey, I think I'm probably gonna live a normal, a normal life expectancy, then you may want a lifetime payment. And what that means is that it doesn't matter how long you live, it is guaranteed for your entire life.

Ashley Thomas: Yes.

John Lockwood: So that is what gives people a lot of that. Pillow profit.

Ashley Thomas: Yes. That peace of mind.

John Lockwood: I know I cannot outlive this income stream. And so no matter what happens to the economy, to my spending, I know that cap, that check is coming in every month.

Yep. I know it. That's a lifetime. A period surgeon and I flip those two around and say certain period. That is. A insurance company will say, Hey, here's the annual income for a 10 year period. Certain, and all that means is for 10 years of payments, that's it. Year 11th, check, stop coming in.

Okay. If you were to pass away in year two, they gotta pay someone eight more years. 'cause that was a 10 year certain period of guaranteed income. So it's important to know that period, certain means it's defining a time. Joint in Survivor would mean that I would be receiving the income for my entire life.

Okay. And if I pass away, then that benefit will continue on. For, in this case it says spouse or it could be a beneficiary.

Okay. So joint means two lives, and survivor means it's going to be underwritten on the younger survivor because they have the ability to live longer. On paper.

So joint survivor is saying, I wanna make sure that not only does this money come to me, but if I die, I wanna make sure it continues to go to this person. Typically the spouse.

Ashley Thomas: Yeah.

John Lockwood: Okay. Lump sum is just that one time withdrawal. Boom. Cash. So this would be in a situation where, someone had a deferred annuity, and then at the end of the deferral period they just said, okay, give my cash, which would be a taxable event.

Ashley Thomas: Yeah, that's a pretty big one. Depending on that, people do

John Lockwood: that as most people are buying because they want lifetime income. Exactly. So the important thing, I just wanna touch one more piece on this duration. You can actually combine these. All right, so this makes it a little bit more challenging to just kind wrap your mind around initially.

But think about this, right? I want a lifetime income. Because that's what I'm concerned about, is making sure that I cover my expenses during my entire life. But you know what? I want a minimum of 10 years. Because if it's life only and I die that money's gone.

It could be a hundred thousand dollars, it could be a million dollars.

I turn on the income, I pass away. Poof. Money's gone.

Ashley Thomas: Yeah. Not a

John Lockwood: great outcome.

Ashley Thomas: No, not.

John Lockwood: So oftentimes these are paired life with 10 certain life with 20 certain or joint and survivor with 10 certain or 20 certain, in case both insureds pass away.

Ashley Thomas: Absolutely. Then

John Lockwood: the beneficiaries have at least something, or one thing we don't see on here is a return of premium, which means that if the insured passes, there could be return of premium.

So a lot of different payout structures. I hope this gives you a general overview of them. Absolutely. Something that's certainly worth taking the time to figure out what's right for your estate plan. That's where we talk about legacy goals in those factors. What's right for your legacy? Is it just life?

Is it joint survivor? Is it period certain or some combination thereof?

Ashley Thomas: Yeah. That was a really great definition, John I appreciate you going into all of that information. These webinars seem to just fly by. We're almost at that 45 minute mark. Oh, wow. So I just want John to go through and maybe talk on maybe these.

Pros and cons, maybe just one or two things that we can touch on just so that we can give them things to consider. You have the benefits here, you have considerations, but I do want John to just touch on this briefly before we go ahead and wrap things up.

John Lockwood: Sure. Yeah. Just an overall review that the benefits associated with the annuity are going to be that guarantee feature.

At some point you're gonna want to turn it into income, and you're gonna want some sort of consistency and reliability, and that's really where the benefit comes in. It's providing that peace of mind, knowing that I'm gonna have a peace of my retirement. Notice I say peace because very rarely. Very rarely.

Yeah.

John Lockwood: Is an annuity the right fit for all of your money? Yeah. You just think back to what we preach, right? Diversification, don't put all your eggs in one basket. Same thing comes with an annuity, right? This is not a one size fits all, right? This is how does this tool that is in the toolbox, when do I take it out and when do I use it to get that job done?

And that job would be providing some income for your non-discretionary expenditures. Tax deferred growth. So if you're investing over a period of 10 to 15, 20, sometimes 30 years, that compounded growth on the tax savings can add up to be a pretty significant benefit that otherwise in a brokerage type of account, like a non-retirement type of account, you're getting 10 99 income every year.

So that is a benefit that along the journey you're not having to report income tax.

Yeah, thank you. Another

John Lockwood: benefit is, hey, this is gonna, protect me from outliving my savings. And again, I can customize. There's so many ways that you can customize these annuities to fit your specific need, but the biggest consideration is the lack of liquidity.

Okay? And I say that because if you most, most of these contracts, again, they have what's called a surrender period. And that might be. Five years, it might be 10 years. I've seen them as long as 15 years. Wow. To where if you buy that product, you have to know that you're committed to it for a long-term period of time.

Exactly right. So it's a very important thing to consider. It's very important to understand that you're being educated on that. What are my options? How do I get out of this if I want to? And that's that bullet point. Fees, surrender charges, give it to me. What is it? What am I facing? And then it's just the complexity.

So what are the benefits, flexibility, what are the downsides? There's so many options.

Where do I start?

John Lockwood: You just have to keep drilling and drilling down because it is, there's very complex and again, if you're choosing a fixed environment, you have the potential for the erosion of the purchasing power.

We call that inflation risk.

Ashley Thomas: Yeah, absolutely. This was such phenomenal information. John. I think that people are going to walk away with so many notes and so much information to consider. I really, again, want to thank you for such an invaluable conversation. These webinars fly by so fast.

Again, we were unable to take questions today because we did already address the questions that you all presented to us during the registration process. So just some quick takeaways here. Annuities can provide that peace of mind by offering income. You can't outlive. There are many types. So based on this conversation, make sure you're doing that research.

Make sure that you're asking questions and that you understand. And again, as we have emphasized, the entire presentations, annuities are not a one size fits all. It's not going to work for everyone's. Part of their retirement plan, but now you know additional information and that's what's most important.

So before we leave, I do want to make sure that everyone has the contact information. So if you would like to speak with a financial counselor, you can do that Monday through Friday. Now if you give us a call, that number is 1-800-967-NINE 9 4 8. We are available 8:30 AM until 5:30 PM That's Eastern Standard time and Fridays until 4:00 PM.

I am biased. I tell everyone to go to CAPTRUST at work.com. In addition to all of the content, resources, everything out there, you do have the ability to schedule an appointment to speak with a financial counselor. And if you do that, you are going to unlock the evening appointments that you see on your screen.

So again, John, I would like to thank you so much. For this conversation. I know that it's going to be valuable for everyone in the information that you've provided. So until we connect with you all again, if you have any questions, please don't hesitate to reach out to CAPTRUST. We would love to have a conversation with you and we're already a part of your benefits package.

So until next time, please take care and stay safe. Thank you everyone.

John Lockwood: Thank you.