

The Missing Piece to Retirement Confidence Podcast Series:
The Essential Role of Annuities for Today's Retirees

Episode 3

Why Old Strategies Won't Cut It and the Healthcare X Factor

In this episode, we examine why old strategies alone won't work in a modern retirement and why healthcare is the X factor in terms of how it may impact a retirement strategy. Podcast host and Brighthouse Financial® Advanced Markets Consultant Kevin Russ and Regional Sales Vice President Mallory Pazder present a compelling story to use with clients who may benefit from adding the guaranteed income of annuities to their retirement.

Old strategies

Many financial professionals rely on the 4% rule as a retirement income withdrawal strategy. Because of today's changing retirement and investment conditions, strategies for a decreased annual withdrawal of 3% or 3.5% are being discussed with clients. While this is effective at slowing down the withdrawal rate, it also means that less income is generated.

What might be the impact to income using a lower withdrawal rate?

Assuming 3% withdrawals, 33% more savings is required to generate the same income, meaning a retiree would need to go back to work or drastically change their lifestyle to ensure that their savings lasts. Savings must grow to meet future needs.¹

\$1M portfolio needs to be \$1.33M

\$1,000,000 → **\$1,330,000**

How can they keep pace with inflation?

\$50,000/year at age 65 → **\$90,000/year at age 85**



Let clients know that adding guaranteed income from an annuity can help bridge any income shortages while hedging against market and longevity risks.

Healthcare is the X factor

You can't predict it, but you can guarantee it – healthcare costs will impact retirement.

Average healthcare costs per couple after age 65:

\$280,000²

60% of those who retire earlier than expected have done so due to:

Health problems or a disability³

Impress upon clients that even with Medicare coverage, healthcare costs can mean annual out-of-pocket expenses of:

More than \$10,000 for a married couple

Explore more insights in “The Role of Annuities in Retirement” at brighthousefinancialpro.com and talk to your wholesaler about continuing education opportunities from our Advanced Sales team.

¹ Assumes a 3% average annual inflation rate with an income value of \$50,000 at age 65 and the equivalent value that has been accounted for inflation over a 20-year period.

² 2018 Fidelity Retiree Health Care Cost Estimate. Fidelity Investments®, 2019. www.fidelity.com

³ 2016 Retirement Confidence Survey. Employee Benefits Research Institute, 2016.

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