



ANAHEIM  
2009

The Annual Conference of the Financial Planning Community

<b>TRACK:</b>	<b><i>SUPER SESSION</i></b>
<b>SESSION: 979075</b>	<b>RETIREMENT INCOME PLANNING: DOES YOUR RETIREMENT INCOME STRATEGY HAVE WHAT IT TAKES?</b>
	SUNDAY, OCTOBER 11, 2009
	2:00 PM - 3:00 PM
<b>PRESENTER:</b>	Brian Doherty
	New York Life
	Room 804
	51 Madison Avenue
	New York, NY 10010

Throughout his career Mr. Doherty has held various management positions with different bank investment programs including President and CEO of Key Bank's program, Key Investments. Mr. Doherty Also worked with banks when he served as a regional manager for several third party marketing companies. Currently he is responsible for the nationwide distribution of New York Life's Income Annuity products through the bank channel.



## Retirement Income Planning: Does Your Retirement Income Strategy Have What It Takes?

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## Seminar Objectives

- Understand the need for retirement income and potential risks of not planning
- Get focused on retirement income planning
- Discover a potential retirement income solution
- Learn sales strategies to succeed in the retirement income marketplace

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## Retirement Income – Understanding the Marketplace

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## U.S. Retirement Income Situation

**Working Years**    **Accumulate Savings for Retirement**

**Retirement Years**    **Spend Accumulated Savings for Retirement Income**

**Individual Responsibility**

**Loss of Traditional Retirement Income**  
Shrinking pensions and long-term solvency of Social Security

**Retirement Income Planning**  
New discipline

**Retirement Income Challenges**  
Life Expectancy    Health Care Costs    Inflation  
Market Uncertainty    Withdrawal Rate

**Consequences**  
Continue to work or reduce standard of living

**Your Opportunity**    **Marketplace is Present and Growing**  
35 million people already over age 65  
76 Million Baby Boomers approaching retirement

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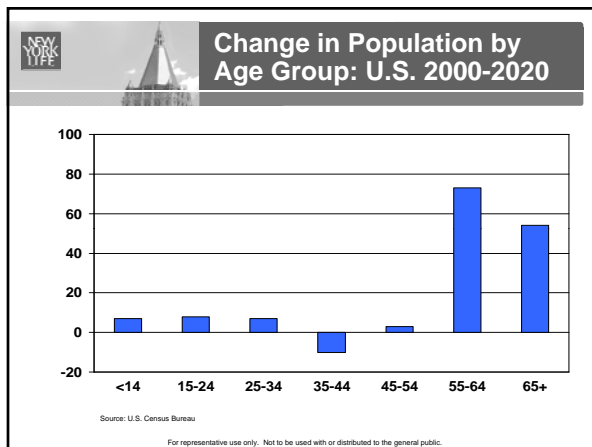
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## Retirement Income Challenges

- Life Expectancy
- Market Uncertainty
- Withdrawal Rate
- Health Care Costs
- Inflation

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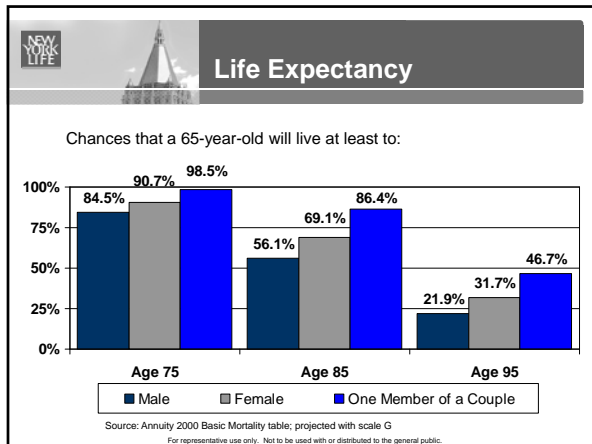
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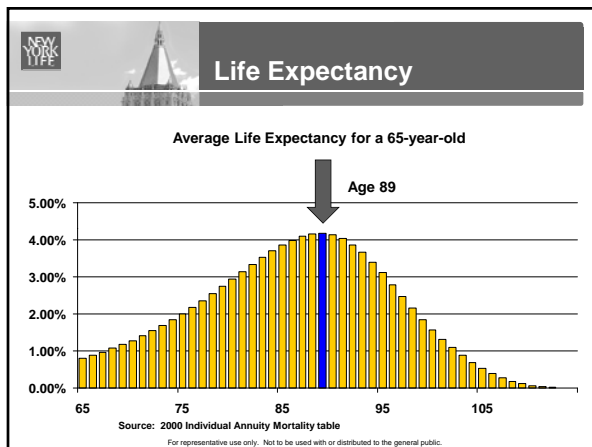
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**A Potential Retirement Income Solution – Immediate Income Annuities**

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## Immediate Annuities – Guaranteed Income for Life

- Lump sum premium
- Income payments begin immediately
- Income payments continue for remainder of client's lifetime, no matter how long the client lives

All guarantees are based on the claims-paying ability of the issuer.

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## Immediate Annuities Basic

- Lump-sum of money is paid to an insurance company in return for guaranteed periodic income payments for the remainder of annuitant's life (both lives for Joint policies)
- Income payments typically must begin within one year
- Amount of each income payment is based on:
  - Premium amount
  - Age and gender of annuitant(s)
  - Interest rate environment at time of issue
  - Payout options chosen
  - Date of first income payment

All guarantees are based on the claims-paying ability of the issuer.

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## Payout Rates: The older the client, the greater the payout

Rates effective as of 9/1/2009

Issue Age	Current Annual Payout Rates
65	6.7%
75	8.2%
85	11.2%

Rates are subject to change at any time. Based on the annuity with the cash refund option purchased by a male annuitant with \$100,000. Payout rates for female applicants, who have longer life expectancies, are lower. Payouts are subject to change and exclude premium state taxes. Income is payable for the life of the annuitant. If the annuitant dies before receiving payouts that total the premium amount, the beneficiary receives in a lump sum the difference between the premium paid for the policy and the total payments to the annuitant. Payout rates will vary for the other income plans and for premiums less than \$100,000. These payout rates are not applicable in Montana.

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## A Variety of Payment Options

**Maximum Lifetime Income**

- Life Only

**Guaranteed Legacy Options**

- Life with Period Certain
- Life with Cash Refund
- Life with Percent of Premium Death Benefit

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## Payout Options and Hypothetical Examples – Single Life

**Male, age 75, \$100,000 premium**

Option	Monthly Income	Payout Rate*
Life	\$809.75	9.7%
Life with 10-Year Certain	\$750.16	9.0%
Life with 20-Year Certain	\$568.95	6.8%
Life with Cash Refund	\$694.66	8.3%
Life with 25% of Premium Death Benefit	\$687.45	8.2%
Life with 50% of Premium Death Benefit	\$561.22	6.7%

Hypothetical example for illustrative purposes only, based on illustrative calculation rates as of 9/17/09. Income amounts and payout rates are not applicable in Montana.  
\*Payout rate includes both interest and principal.

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## Payout Options and Hypothetical Examples – Joint Life

**Male and Female, both age 75, \$100,000 premium**

Option	Monthly Income	Payout Rate*
Life	\$668.01	8.0%
Life with 10-Year Certain	\$632.64	7.6%
Life with 20-Year Certain	\$554.91	6.7%
Life with Cash Refund	\$606.39	7.3%
Life with 25% of Premium Death Benefit	\$584.84	7.0%
Life with 50% of Premium Death Benefit	\$496.61	6.0%

Hypothetical example for illustrative purposes only, based on illustrative calculation rates as of 9/17/09. Income amounts and payout rates are not applicable in Montana.  
\*Payout rate includes both interest and principal.

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## Life with Cash Refund

### aka "The Get Your Money Back" Option

- Income payable for life
- At the Annuitant's death, Beneficiary receives the difference between the premium paid & the total payments made while the Annuitant was living
- Available on Joint Life plans where the survivor benefit is 100%

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## Life with Cash Refund

### Example of Life with Cash Refund

- Assumptions
  - Male Age 75, Premium \$100,000
  - Monthly Lifetime Income: **\$777.08**
- If he dies unexpectedly after 6 months, total payment collected is:
  - $6 \times \$777.08 = \mathbf{\$4,662.48}$
- Lump sum payment to beneficiary is:
  - $\$100,000 - \$4,662.48 = \mathbf{\$95,337.52}$

Hypothetical example for illustrative purposes only.

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## Special Immediate Annuity Features That Can Build Flexibility

- Annual Increase Option (*Inflation Protection*)
- Reduction of Income (*Flexibility*)
- Changing Needs Option (*Flexibility*)
- Income Enhancement Option (*Flexibility*)
- 6-Month Payment Acceleration (*Liquidity*)
- Cash Withdrawal – 30% or up to 100% (*Liquidity*)

Products and features available in jurisdictions where approved.

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## Annual Increase Option

- Inflation protection
- Owner elects increase at issue
- Payment Amount increases annually at a stated percentage
  - Payments increase for life of contract

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## Annual Increase Option Hypothetical Example

**Single Life Policy – Life Only**  
**Male Age- 75, \$100,000 premium, monthly payment**

	Without Inflation Option	With 3% Inflation Option
Year 1	\$809.75	\$652.27
Year 5	\$809.75	\$734.14
Year 10	\$809.75	\$851.07
Year 15	\$809.75	\$986.63
Year 20	\$809.75	\$1,143.77

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## Reduction of Income Option

- Earn higher joint income while both annuitants are alive, and following the death of one annuitant, lower income for the surviving annuitant.
- The survivor's income can be from 40% to 99% of the payment received while both annuitants are alive.
- Available on Qualified and Non-Qualified Joint Life policies only
- For Life with Period Certain policies, if the first annuitant's death occurs during the guaranteed period, the reduction will not occur until after the end of the guaranteed period.
- Not available with the Cash Refund payout option, the Income Enhancement Option, or the Changing Needs Option.

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## Reduction of Income Option Hypothetical Example

Male Age 75, Female Age 75, \$100,000 Premium, Life Only Option

% of the Original Payment	Monthly Income (Before Death of First Annuitant)	Monthly Income to Survivor
100%	\$728.58	\$728.58
75%	\$809.09	\$606.82
50%	\$909.62	\$454.81

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## Changing Needs Option

- Gives clients a one-time option to increase or decrease their monthly payment amount
  - Increase: 1% - 400%
  - Decrease: 1% - 50%
- The date of the increase/decrease is determined at the time of application and
- The date of the increase/decrease can occur on or after a stated anniversary of the income start date

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## Changing Needs Option Hypothetical Example

	Immediate Income Annuity	Immediate Income Annuity with Changing Needs Option	Difference
Annual income age 65 thru 84	\$10,000	\$10,000	
Annual income at age 85 & beyond	\$10,000	\$40,000	\$30,000
Premium	\$130,399	\$167,652	\$37,253

**For an extra \$37,253 now, the client could receive an additional \$30,000 per year beginning at age 85 and continuing for the rest of his life.**

Hypothetical example for illustrative purposes only, based on illustrative calculation rates as of September 17, 2009.

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### Special Features – 6-Month Payment Acceleration

- For clients who may need short-term cash
- Client can receive a total of six monthly payments in one lump sum
- Generally available on Non-Qualified plans only
- Can generally only be a stated number of times, say twice
- Accelerated payments are fully taxable

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### Cash Withdrawal

- Cash Withdrawal provides a one-time opportunity to receive the discounted value of future payments
- Depending on the policy, clients will have access to cash through one of two Cash Withdrawal features
- Up to 100% Cash Withdrawal
  - Non-Qualified policies with Life with Cash Refund or Life with Period Certain payout options
- 30% Cash Withdrawal
  - Qualified policies with Life Only, Life with Cash Refund or Life with Period Certain payout options
  - Non-Qualified policies with Life Only or Life With Percent of Premium Death Benefit payout option

Cash Withdrawal feature available in jurisdictions where approved.

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### Tax Advantages of Qualified Immediate Annuities

- May satisfy IRS Required Minimum Distribution rules
- Can begin income payments prior to age 59 ½ without IRS 10% early withdrawal penalty
- Fully taxable as ordinary income in the year they are received

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### Tax Advantages of Non-Qualified Immediate Annuities

- Each annuity income payment consists of a return of premium portion, **which is not taxable**. This non-taxable, return of premium portion is called the "exclusion ratio"
- Once the tax-free payments received equal the policy's cost basis, all future payments received are 100% taxable as ordinary income

Note: Non-Qualified annuities are purchased using after-tax dollars accumulated in other savings vehicles. The New York Life Lifetime Income Annuity may allow your clients to take advantage of a number of tax benefits. However, the tax treatment of annuity income payments is a complex subject that your clients should discuss carefully with their professional tax advisors, so they will understand how purchasing a lifetime income annuity will impact their personal tax situations.

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### Tax Advantages of Non-Qualified Immediate Annuities

**Male, age 75, \$100,000 premium**

Option	Monthly Income	Tax-Free Portion
Life	\$809.75	\$700.43
Life with 10-Year Certain	\$750.16	\$580.62
Life with 20-Year Certain	\$568.95	\$399.40
Life with Cash Refund	\$694.66	\$532.11
Life with 25% of Premium Death Benefit	\$687.45	\$525.21
Life with 50% of Premium Death Benefit	\$561.22	\$350.20

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### Tax Advantages of Joint Life Non-Qualified Immediate Annuities

**Male and Female, both age 75, \$100,000 premium**

Option	Monthly Income	Tax-Free Portion
Life	\$668.01	\$517.71
Life with 10-Year Certain	\$632.64	\$497.89
Life with 20-Year Certain	\$554.91	\$388.44
Life with Cash Refund	\$606.39	\$460.86
Life with 25% of Premium Death Benefit	\$584.84	\$388.33
Life with 50% of Premium Death Benefit	\$496.61	\$258.73

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## Determining Your Clients' Income Needs

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## 4-Box Strategy for Retirement Income

- A simple and powerful approach for offering a retirement income strategy to your clients
- Step-by-step consultative approach to help you understand and implement the strategy
- Lead with process, then offer products as potential solution
- Sales occur as a natural result of process

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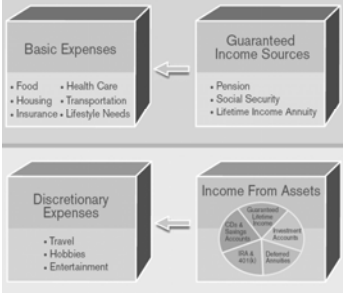
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## 4-Box Strategy for Retirement Income

- **Step 1**  
Pay for basic expenses such as food, housing, health care and lifestyle needs with guaranteed sources of income you cannot outlive
- **Step 2**  
Pay for discretionary expenses with income from assets



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### Step 1 – Pay for Basic Expenses with Guaranteed Lifetime Income

- Many clients have a basic income gap
- The Guaranteed Lifetime Income can fill the income gap using the least amount of your client's assets

This hypothetical example is for illustrative purposes only, based on illustrative calculation rates as of 12/1/08 for a Joint Life Cash Refund policy for a male and female, both age 70, with Cash Refund payout option, \$100,000 premium. Actual amounts are dependent on illustrative calculation rates in effect at time of policy issue. Securities subject to risk.

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### Step 2 – Pay for Discretionary Expenses with Remainder of Portfolio

- Draw income from remaining assets using an asset allocation that includes Guaranteed Lifetime Income as a unique asset class

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### Step 2 – Pay for Discretionary Expenses with Remainder of Portfolio

- \$500,000 remaining assets
- \$2,190 discretionary monthly expenses
- Sample asset allocation model
  - 13% (\$65,000) allocation in Guaranteed Lifetime Income
  - 87% (\$435,000) allocation in traditional asset classes

This hypothetical example is for illustrative purposes only, based on illustrative calculation rates as of 12/1/08 for a Joint Life policy for both male and female, age 70, Life with Cash Refund payout option, \$100,000 premium. Actual amounts are dependent on illustrative calculation rates in effect at time of policy issue.

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### Step 2 – Pay for Discretionary Expenses with Remainder of Portfolio

- Use a combination of Guaranteed Lifetime Income and withdrawals from remaining assets to pay for discretionary expenses

This hypothetical example is for illustrative purposes only, based on illustrative calculation rates as of 12/1/08 for a Joint Life Cash Refund policy for a male and female, both age 70, Life with Cash Refund payout option, \$60,000 premium. Actual amounts are dependent on illustrative calculation rates in effect at time of policy issue. Income amounts are after-tax.

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### Step 2 – Pay for Discretionary Expenses with Remainder of Portfolio

- Without Guaranteed Lifetime Income
  - Withdraw \$2,190 monthly from remaining assets (\$500,000)
    - 5.3% annual withdrawal rate
- With Guaranteed Lifetime Income
  - Receive \$387 monthly from Lifetime Income Annuity (\$65,000)
    - 7.1% annual payout rate
  - Withdraw \$1,803 monthly from remaining assets (\$435,000)
    - 4.97% annual withdrawal rate
  - \$387 + \$1,803 = \$2,190 monthly

This hypothetical example is for illustrative purposes only, based on illustrative calculation rates as of 12/1/08 for a Joint Life policy for both male and female, age 70, Life with Cash Refund payout option, \$100,000 premium. Actual amounts are dependent on illustrative calculation rates in effect at time of policy issue.

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### The 4-Box Strategy for Retirement Income

This hypothetical example is for illustrative purposes only, based on illustrative calculation rates as of 12/1/08 for a Joint Life policy for both male and female, age 70, Life with Cash Refund payout option, \$100,000 premium. Actual amounts are dependent on illustrative calculation rates in effect at time of policy issue.

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## Maximizing RMDs

- Comparison of total income payments from RMDs and New York Life Lifetime Income Annuity

Age	Total Payments from RMDs	Total Payments from Lifetime Income Annuity	Extra Income from Lifetime Income Annuity
70	\$3,649.64	\$9,370.80	\$5,721.16
80	\$48,356.55	\$103,078.80	\$54,713.25
90	\$108,058.37	\$196,786.80	\$88,728.43
100	\$169,492.67	\$290,494.80	\$121,002.13

This hypothetical example is for illustrative purposes only. Actual amounts are dependant on interest rates in effect at time of policy issue. Not available in Montana.

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## Take Action

For more information, sales questions and marketing materials about the New York Life Lifetime Income Annuity, speak to your Wholesaler or call the Sales Desk at **1-888-474-7725**.

**Thank you!**

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