PENSION VS. NO PENSION:

8.2019

Pension funds offer fewer options for control, and fewer employers offer pension plans these days. See how an annuity can benefit your clients in retirement, whether they have pensions or not.

ANNUITIES CAN MAKE THE RETIREMENT JOURNEY SMOOTHER—EVEN FOR THOSE WITH A PENSION.

Your clients are all reaching for financial security in retirement. They might be relying on a traditional pension and Social Security to provide regular lifetime income. And they might believe this will be enough to carry them through their retirement years.

But even if they're fortunate enough to have a traditional pension plan (only about 9 percent of companies still offer one, according to insurance brokerage and advisory firm Willis Towers Watson), they may benefit by adding an annuity to their retirement portfolio. Here are a few of the benefits clients can expect:

- They have control: With a traditional pension, much of how it works is out of your client's control. The terms of the pension plan determine the monthly payout based on years of service, age and annual compensation. With an annuity, your client gets to make decisions that make sense for them.
- Annuities can add diversity to their portfolio: With the variety of annuities offered, clients have a range of choices from a fixed rate of return to annuities that let them benefit from some of the performance of the market, with income protection against the downside — and many options in between.
- An annuity can provide an additional protected income stream: Supplementing Social Security and their pension with an annuity can help clients lock down additional monthly income, making it easier to meet their retirement goals.

Even if your clients expect to have a traditional pension and have been diligently contributing to an employer-sponsored retirement plan or IRA, adding an annuity layer to their retirement funding can diversify their retirement income streams, which can increase their financial security.

Pension funds offer fewer options for control, and fewer employers offer pension plans these days. See how an annuity can benefit your clients in retirement, whether they have pensions or not.

That could be important, especially if there are issues down the line with their pension. Many employees aren't keenly aware of the health of their company's defined-benefit plan. But if a company declares bankruptcy or is acquired, the pension plan can change.

There have been cases where pension payments were lowered in order to keep the fund solvent — a situation that could have a dramatic impact on their retirement lifestyle.

For example, when Delphi filed bankruptcy in 2009 and turned over its pension obligations to the Pension Benefit Guaranty Corp. (PBGC), pensioners saw reductions of up to 40 percent in their pension benefits.

The situation is even more precarious for pensioners of multiemployer pension funds. The PBGC reports that its Multiemployer Program will soon be spending more in payments than it receives in income, due to the number of insolvent funds it now oversees.

For example, the Road Carriers Local 707 Pension Fund became insolvent in 2017 and lowered payments to less than 50 percent for about half of the 5,000 workers it covers.

And, the New York State Teamsters Conference Pension and Retirement Fund — hit hard by the financial crisis — cut benefits by 29 percent after a recent report found that it might run out of money as soon as 2026.

So, even if your clients are some of the lucky few who still have a pension, there are good reasons to consider adding an annuity to their portfolios. In the end, it's about helping your clients feel financially secure, and that's key to them achieving the retirement they imagined.