

## **The Two Biggest Risks in Any Retirement Plan**

**Paradigm Insurance Marketing**

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**Woodland Hills Country Club**

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# Agenda

## Addressing the Two Biggest Risks in Any Retirement Plan

1. **Running Out of Money**
2. **Unknown Health-Related Events**

## Sales Growth Strategies to Address These Risks

- **SPIAs with Guaranteed Return of Premium vs. 4% Withdrawals**
- **Blending a SPIA and FIA with GLWB**
- **The Pension Protection Act & New Annuity Opportunities**

# Running Out of Money

## Market Volatility

- What if I Retire at the “Wrong Time” (i.e. in a Down Market)?
- What if My Investments Perform Poorly (or I Withdraw Too Much)?

## Longevity

- What if I Outlive My Money?
- Will Inflation Impact My Lifestyle?
- How Could Healthcare Related Issues Affect My Portfolio and Lifestyle?

## 4% Systematic Withdrawals... What is it?

The Amount Many Financial Professionals Believe Will Reduce The Risk Of Depleting Your Portfolio Too Early Should Your Assets Perform Poorly Or Fail To Keep Up With Inflation.

Amount Of Assets  
Allocated For  
Retirement Income

x 0.04 =

The "Safe" Annual  
Withdrawal Amount For  
Retirement Income

The Withdrawal Amount Is Recalculated Each Year Based On The Inflation Rate

### Down Side to Systematic Withdrawals (SWiPs):

- May Not Be Enough Income To Last Your Lifetime, And
- May Not Provide You With Opportunities To Do Everything You Want To Do In Retirement

Poor Investment Results May Cause Long-Term Concerns  
About Retirement Income & Lifestyle

# Case Study – John, Divorced, Age 65



**Situation:** Retiring In A Few Months

**Concerns:**

- Lifetime Income
- Keeping up with Inflation

**Assets:** \$400,000 Nest Egg

- \$250,000 Allocated For Supplemental Income To Social Security And A Pension

**Action Plan:** John Meets With His Agent To Discuss His Options

**John's Agent Presents 3 Options For Using His \$250,000 To Generate Additional Income.**

*The following case studies are hypothetical examples used for illustrative purposes only.*

## Case Study – John's Options

### Option 1: 4% Systematic Withdrawal Strategy

$\$250,000 \times 0.04 = \$10,000$  annually, adjusted for inflation

### Option 2: Single Premium Immediate Annuity (SPIA) with No Benefit Increase

- Life with Installment Refund

$\$18,032$  per year (paid monthly)

### Option 3: SPIA with Cost of Living Benefit

- 3% Compounded Growth

- Life with Installment Refund

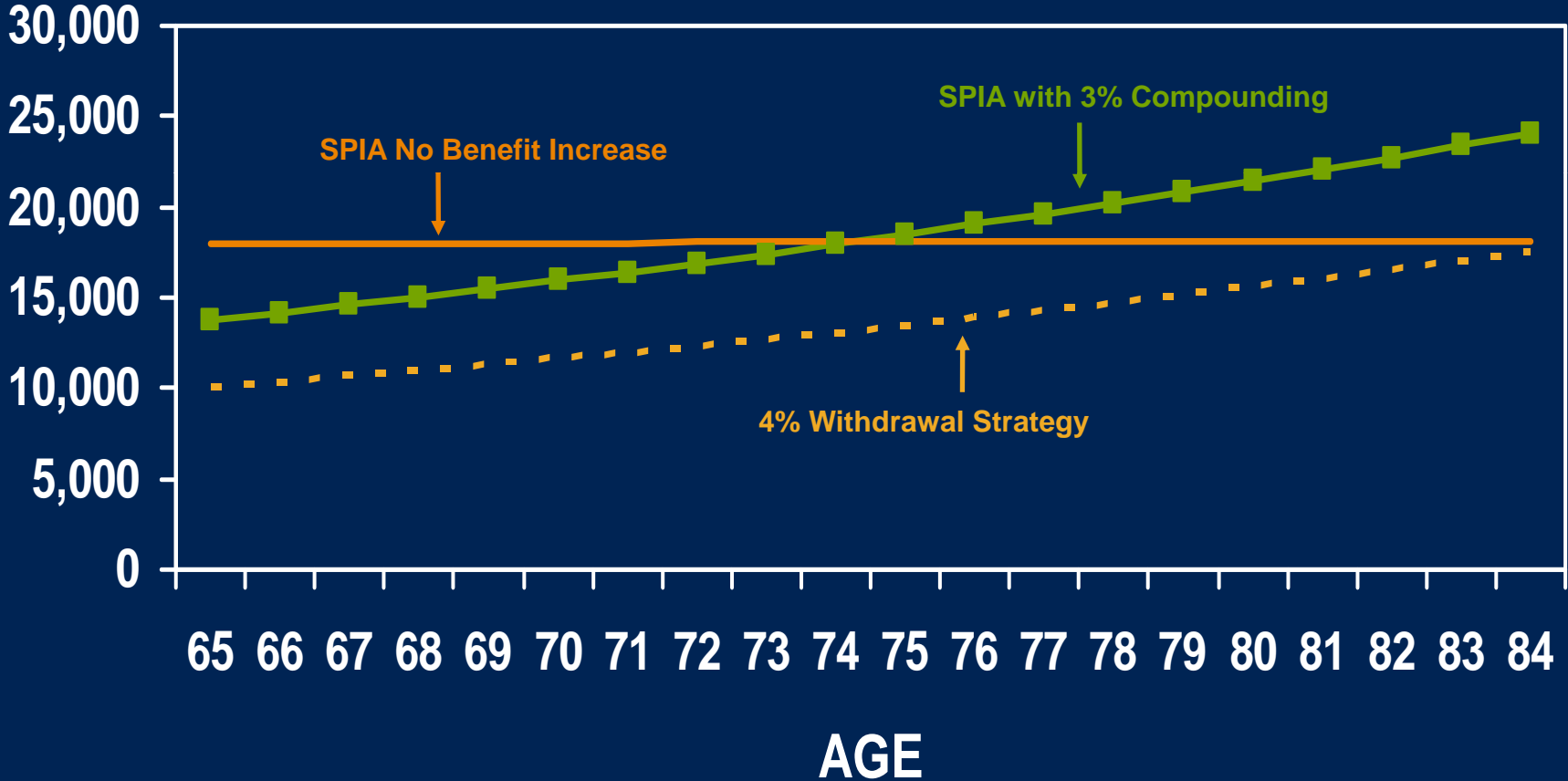
$\$13,747$  per year (paid monthly)

All guarantees are based on the claims paying ability of the issuing insurance company.

SPIA quotes as of 10/5/09

# Case Study – John’s Income Options

Assuming inflation continues at 3% annually, John’s income options would look like this:



# John's Solution: Purchase Two SPIA Contracts

## SPIA #1

Life with  
Installment  
Refund

No Cost of Living  
Adjustment

+

## SPIA #2

Life with  
Installment  
Refund

Cost of Living  
Adjustment:  
3% Compounded  
for Life

=

Guaranteed Lifetime Income

Added Flexibility with  
Income Advance

Automatically Included On Most  
SPIA Contracts from the  
Genworth Financial Insurance  
Companies (Genworth)

Receive Up To 12 Months' Income  
Before Due To Be Paid

Added Security with  
Installment Refund

Ensures Payments Continue Until  
All Original Premium Is Paid Out

Consistent Income for  
Stable Expenses:

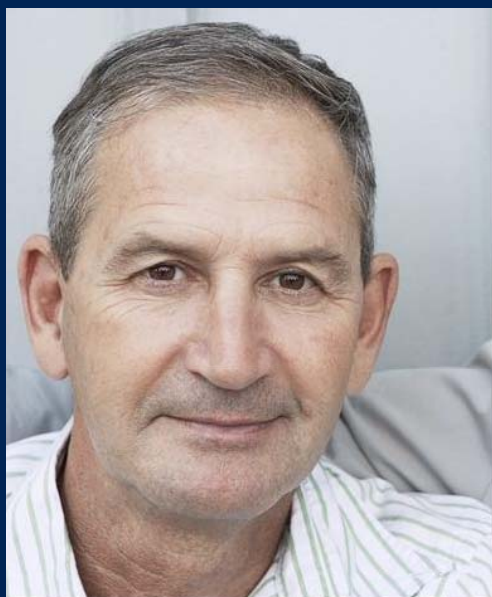
- Mortgage
- Auto Loan

Growing Income for  
Expenses Expected to Grow:

- Food
- Utilities
- Insurance & Healthcare
- Credit Card Bills

**A Guaranteed Income Plan Designed for John's Specific Needs**

## Case Study – Frank, Age 62



**Note:**

Genworth does not currently offer any indexed annuities or withdrawal benefits for fixed annuities. Withdrawal benefit features discussed are intended only to provide examples of riders which may currently exist.

**Situation:** Retiring In A Few Months

**Concerns:**

- Has \$240,000 to Fund Additional Retirement Income
- Wants as Much Guaranteed Income As Possible, But At Least \$1,000 Per Month

**Action Plan:** Frank Meets With His Agent To Discuss His Options

**Frank's Agent Offers Two Scenarios**

- Fund an Indexed Annuity (FIA) with Guaranteed Lifetime Withdrawal Benefit (GLWB) and Begin Income Immediately
- Pair a SPIA with an Indexed Annuity for Income Growth Potential Over Time

**Note That 4% Withdrawals Are Not an Option:  $\$240K \times 0.04 = \$800/Mo$**

# Frank's Income Potential Over Time

Scenario 1		Scenario 2		
Age	\$240,000 in FIA w/GLWB @ 5%	\$193,634 in SPIA w/ Cash Refund	\$46,366 in FIA w/GLWB*	Annual Income Potential
62	\$12,000	\$12,000 +	\$2,318 (5%) =	\$14,318 (or)
65	\$12,000	\$12,000 +	\$3,124 (5.5%) =	\$15,124 (or)
72	\$12,000	\$12,000 +	\$5,473 (6%) =	\$17,473

**At Life Expectancy (Age 85), 23 Years of Income From Each Option:**  
 FIA w/GLWB @5% withdrawals (W/Ds):

$$\$12,000 \times 23 = \mathbf{\$276,000}$$

SPIA + FIA w/GLWB After 10 Years of 7% Compounding & 6% W/Ds:

$$10 \times \$12,000 + 13 \times \$17,473 = \mathbf{\$347,143}$$

By Using Advantages of Each Product, Frank's Agent Can Offer More Flexibility and More Future Income

\* Assumes Benefit Base of FIA compounds at 7% per year, and once income is turned on the withdrawal percentage is locked.

# Unknown Health-Related Events

## The Need for Long Term Care

- **70%** of Individuals Over Age 65 Will Need Long Term Care at Some Point in Their Lives <sup>1</sup>
- **2.8 Years x \$74,208 = \$207,782:** Median Cost of a LTC Event <sup>2</sup>
- **83%** of LTCI Purchasers Had to Initiate the Conversation w/ the Agent<sup>3</sup>
- **73%** of Genworth LTCI Claimants Receive Their Care at Home <sup>4</sup>

## Ask Clients Without LTC Protection This Question:

- If You Had a Long Term Care Need, Which Asset Would You Sell First?

## Geographic Separation Can Make Relying on Care by Family Members More Difficult

<sup>1</sup> [www.longtermcare.gov](http://www.longtermcare.gov) (Web site accessed 01/26/10)

<sup>2</sup> Genworth Financial claims history, 2009 Genworth Cost of Care Survey, conducted by CareScout®, April 2009, Private Room in a Nursing Home

<sup>3</sup> Genworth blind study of LTCI Consumers, October, 2009

<sup>4</sup> Genworth Claims Data 12/74 – 6/09

# Unknown Health-Related Events

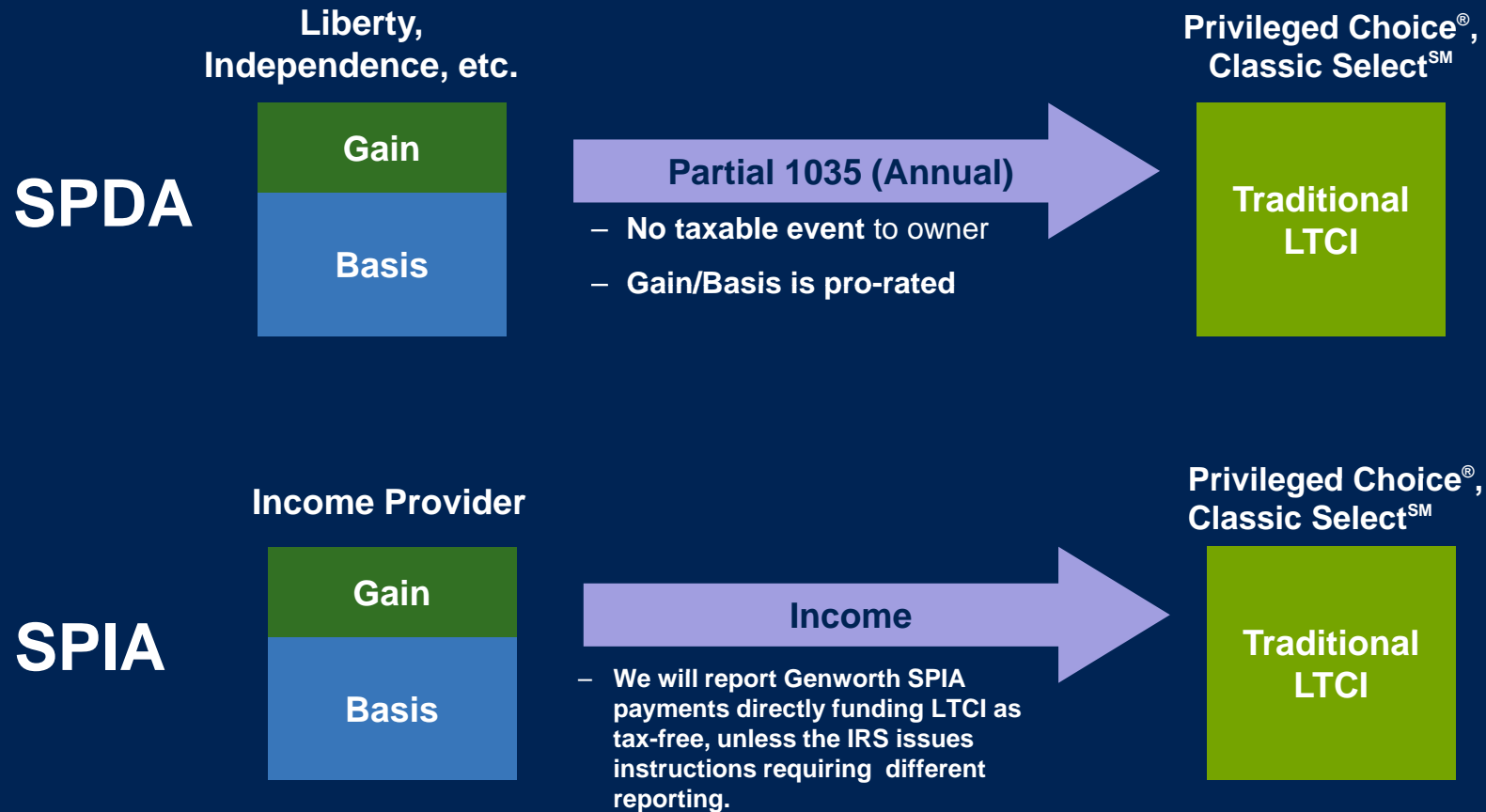
## Market Opportunity

- LTCI Currently Has Only 7% Market Penetration <sup>1</sup>
- 93% of the Addressable Market Is Not Covered by LTC Insurance

## What Opportunities Exist for the Annuity Producer to Help Clients Plan?

<sup>1</sup> SRI Macro Monitor 2006 - 2007

# Pension Protection Act: NQ Fixed Annuities to Fund LTCI



**“Once and Done” 1035 Set-Up When Genworth to Genworth**

# SPIA Funding LTCI



**Mary & Joe, 56 & 58**

**Assets > \$500K**

**Concerned About Potential Impact of Long Term Care Expenses on Their Retirement Plan**

**No Current Long Term Care Plan**

## **Plan Design:**

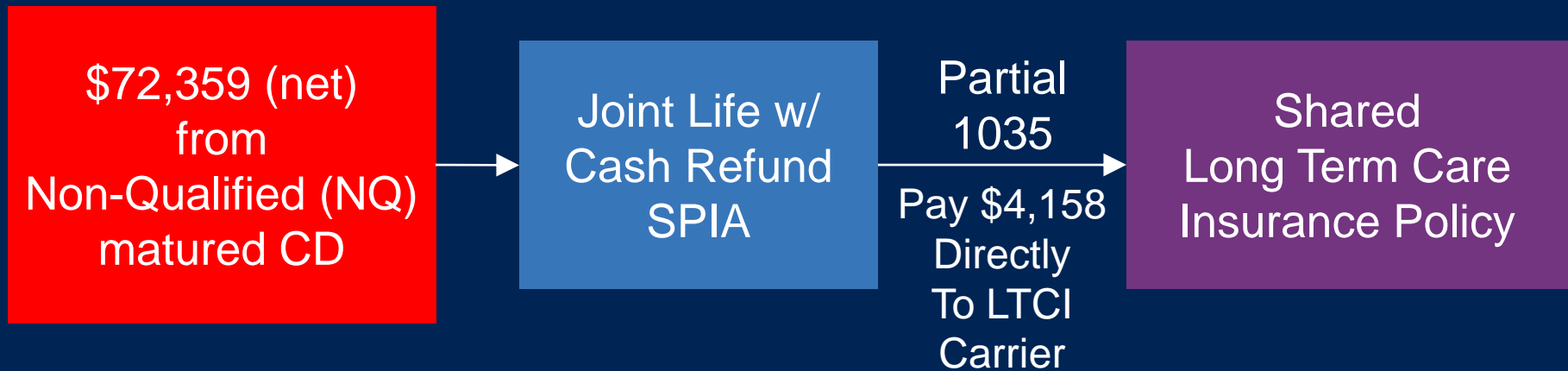
- 6-Year Privileged Choice<sup>®</sup> Shared Plan
- Preferred Health Discount
- \$6,000 Monthly Benefit Maximum
- 90-Day Elimination Period (0 Days HHC)
- 5% Compound Inflation
- Policy Form Series 7044

**\$4,158 Annual Premium\***

\*Assumes level premiums which is not guaranteed, no claims incurred, and policy remains in force over the period illustrated.

**How Does the Pension Protection Act Make LTCI More Attractive?**

# SPIA Funding LTCL



## Joint owned SPIA Needed to Fund Shared LTCL Policy

### Assume Couple Pays to Life Expectancy Of 34.9 Years

- 34.9 Years x \$4,158 / Year = \$145,114
- Compare **\$72,359** Paid Today vs. **\$145,114 AFTER TAX**

Get Approved for LTCL...Fund SPIA...Pay LTCL Carrier Directly

# SPDA Funding LTCI



**Cindy & Tom, ages 62 & 65**

**Recently Exchanged An Old Single Premium Deferred Annuity (SPDA) for a Genworth SPDA**

**Hearing Stories About Difficulty in Caring for Aging Parents**

**Concerned About Being a Burden to Their Children**

**No Current Long Term Care Plan**

## **Plan Design:**

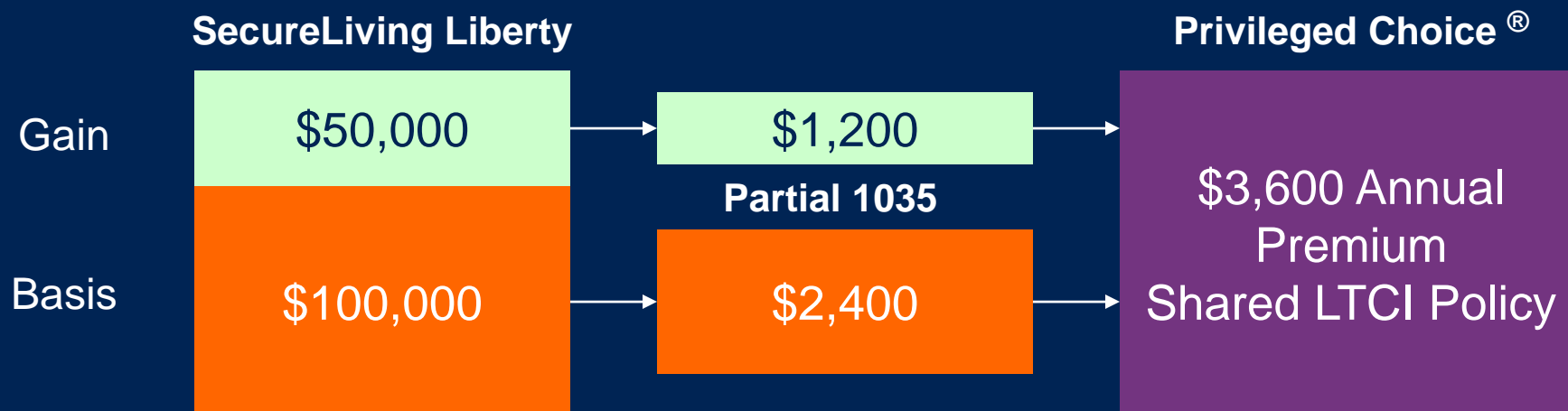
- 4-Year Privileged Choice<sup>®</sup> Shared Plan
- Preferred Health Discount
- \$5,100 Monthly Benefit Maximum
- 90-Day Elimination Period (0 Day HHC)
- 3% Compound Inflation
- Policy Form Series 7044Rev

**~\$3,600 Annual Premium\***

\*Assumes level premiums which is not guaranteed, no claims incurred, and policy remains in force over the period illustrated.

**How Does the Pension Protection Act Make LTCI More Attractive?**

# SPDA Funding LTCL



**Tax Free Exchange...Gain and Basis Transferred Pro Rata**  
**One Form to Set Up Annual Partial 1035s**  
**Any LTCL Benefits Received Tax Free**  
**SPDA Continues to Grow If Interest Credited > LTCL Prem.**

**Get Approved for LTCL...Fill Out One Form...Tax-Free Funding**

# Coming Soon – Linked Benefit Annuity



- Rider charges are not included in gross income, but will reduce basis; not below zero.
- If the annuity is within its surrender charge period and is exchanged for a linked benefit annuity contract, surrender charges may be incurred. It is also important to understand that the linked benefit product will have a new surrender charge period. The client should carefully consider these charges before making any decisions.

**Exchange A Non-Qualified Annuity With Substantial Gain  
For Income Tax-Free LTC Benefits**

# Who Buys Linked Benefit Annuities?

## Client Profile

**Age 55-75, Retired Or Close To Retirement**

**Recognizes The Value Of Planning For Long Term Care**

**Currently Self-insuring For The Risk Of Long Term Care**

**Low To Moderate Risk Tolerance**

## Client Assets

**Assets  $\geq$  \$250,000**

– Excluding Home And Qualified Plan Assets

**May Have A Non-Qualified Annuity With Gain**

**Asset-based LTCI Solution Is Attractive Alternative**

– Covers the need for LTCI benefits

– Leverage for asset protection, grow tax deferred, and client retains control of assets

– Annuity account values grow tax-deferred

**Interested In A More Efficient, Tax Advantaged Way To Plan For LTC**

# New Opportunities

## Addressing the Two Biggest Risks in Any Retirement Plan

### 1. Running Out of Money

Still a Big Deal...Use Product Strengths to Create More Income

### 2. Unknown Health-Related Events

Pension Protection Act Creates Portfolio Review Opportunities

Great Opportunities for More Income, Asset & Lifestyle Protection

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SecureLiving® NY Fixed Immediate Annuities are issued by: Genworth Life Insurance Company of New York, 666 third Avenue, 9th Floor, New York, NY 10017. Subject to policy form series GENY8010 and GENY6012.

Income Advance not available in WA. Refer to SPIA product guide for more details.

SecureLiving® Liberty single premium fixed deferred annuity is Genworth Life Insurance Company's policy form series GEC6008 2/03 et al., Product ID SP16.

SecureLiving® Liberty NY single premium fixed deferred annuity is Genworth Life Insurance Company of New York's policy form series GENY6020 10/05 et al., Product ID SP16.

Total Living Coverage Annuity single premium deferred annuity with long term care benefits is subject to Policy Form No. SPDALTC 806 et al. and Rider Form No. SPDARLTC 806 et al. Product may not be available in all states. Terms and conditions may vary by state.

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