

For My Wife, With Love

By Mark Chamberlain, Co-Founder, Annuity Research & Consulting LLC

I recently took a chunk of my savings and invested it in a fixed rate Single Premium Immediate Annuity.

I didn't do it for modern portfolio theory reasons -- I did it for my family.

My wife is expected to outlive me, as most women live longer than men. Plus, she has good longevity genes (her grandmother lived to over 102 years old), she goes to the gym almost every day, eats a vegan diet, rarely drinks, and has never smoked.

We have two adult children (hers), who live in Texas. They've been very kind and welcoming to me as a stepfather. When I pre-decease their mom they will worry about her finances as she ages.

The annuity is for all of them. It's not meant to give the kids an asset to inherit, but to instead give all of us peace of mind.

My wife is 63 and dreams of spending retirement aging in place in our cozy one-story home. We bought it together in 2015 after realizing condo life wasn't for us (or for our dogs who missed a yard with a doggie door). She's smart as a whip, and one of the best mammography technicians anywhere. But she has no interest in mastering the risks of financial markets. My 40-year career in the investment business will be no good to her after I'm gone.

Our single biggest retirement expense is our annual shelter cost. Property taxes and insurance are currently about \$900.00 a month and are certain to slowly increase over time. Unlike health insurance and food, that amount will not be reduced for her when I die. The state of California makes no such dispensation for widows who long to remain in their homes. The taxes can continue to go up by 2% a year.

As I see it, the best gift I can give her – and to her kids who will worry about her financial security more than their inheritance – is an asset guaranteed to generate about \$900.00 a month today and increase by 2% every year, for as long as she lives. When she's 93, the income will have grown to \$1,441.00 a month.

There are no ongoing fees or expenses. We can opt to cash in part of the principal in the early years, and if we both die in the first 20 years a beneficiary will inherit any remaining capital from the original investment.

It wasn't the highest yielding immediate annuity we could have purchased, but it has higher peace of mind because the insurance company we chose has a long history as one of the most conservatively managed in the industry.

I know well that there are no perfect retirement income solutions to be found, only tradeoffs. For providing long-term cash flow security for my family, I have done the best I know how to do.

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