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Annuities & Seniors – A Perfect Match!

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October 14, 1996

The fastest growing segment of our society by age group are people in their 90s. People are living longer, are more active, and more aware of the world around them.

We've all read articles about agents and insurance companies trying to tap into the senior citizen market. The potential is huge, but to sell annuities in this market, it helps to understand what they want, how they feel, and what they really buy.

What is seen as a problem for some, is seen as an opportunity by others. For example, most companies have a low maximum issue age for annuities, typically 75 or under. This automatically cuts their market potential in half. In 1956 those ages made sense, but in 1996, it just shows an old fashioned, out-of-date, noncreative way of doing business. Modern thinking companies have seen the opportunity and figured out ways to remove all age restrictions.

I often hear clients say, "I'm too old to put my money in annuities." I ask them, "How can you be too old to safely earn more interest than you are earning now, let your money grow tax deferred, have penalties waived at your death, allow your wife or husband to continue the tax deferred growth if he/she desires, and have the option to receive a regular monthly income for the length of time you decide upon?"

When the advantages of annuities are fully explained to clients, particularly senior citizens, they are happy to put their money in deferred annuities.

Many companies tout how they waive surrender penalties if the client goes into a nursing home, after a 30 to 90 day waiting period. It's a cute feature, but normally costs about 20 to 40 basis points in rate. Considering that most people never enter a nursing home, clients are generally better off in an annuity without the waiver and earning a higher rate.

Even if they do go to a nursing home, they don't need all their money at one time. What they need is a regular monthly income.

One of the most overlooked and useful options found in most annuities is the right to annuitize. Generally, the surrender penalty is waived if the owner allows the insurance company to pay the funds out over a five-year period or longer.

This option allows maximum flexibility in income strategies. When someone gets sick and needs help caring for themselves, many will utilize some sort of home health care service. Others go live with their son or daughter, then as a last resort, go to a nursing home. Some move to a retirement center. The pay out options meet all these needs and more. It also fills happy dreams for the person who is still leading an active life and wants to buy a new car, summer home, or help pay for kids or grandkids to go to a private school or college.

The annuitization option provides a steady stream of income as long as the pay out period selected. This feature is unique to annuities. Banks or savings & loans never waive surrender penalties just because the certificate of deposit owner wants their money paid out to them. Mutual funds don't have the option, nor does real estate or stocks or bonds.

A fixed period option only, without a life contingency, is the overwhelming choice of people who understand annuities. They say, "When I die, I want to leave my money to my wife or kids, not the insurance company."

Privacy is another issue. It's amazing how many grandparents cut out some or all of their children as beneficiaries on their annuities. They may name only one child or their grandchildren for various reasons. The children may be in jail or have drug, mental, or physical problems. Because annuities allow for beneficiaries, the policyowner can leave the money directly to whomever they desire without everyone having to know about it.

They also overwhelmingly desire and buy annuities with short surrender penalty periods, such as 5 to 6 years. An annuity with a longer period is a hard sale.

As in any other type sales, the more you know about the advantages and benefits offered in annuities, the more people will buy from you. The more you understand the older market, the more you'll sell, because Seniors have the money!