



From the Desk of Adam Ziff
The Ziff Agency, LLC



More Advisors are Boosting Fixed Income with Life Insurance and Annuity Products

Economic and demographic shifts are making life insurance and annuities more attractive options for fixed income, financial advisors say.

“In a typical 60/40 portfolio, because bond returns are at a 50-year low, I’m seeing people moving funds from bonds to either life insurance or income annuities as a substitute,” said an insurance industry consultant in Arizona.

As baby boomers enter retirement, Hegna is also observing a shift toward income annuities vs. traditional deferred annuities. In terms of product innovation, he noted:

- Deferred annuities are now adding withdrawal riders, which provide some liquidity flexibility.

- Some life insurance policies and annuities have begun adding long-term care coverage riders, which may allow income to double or triple to pay for certain types of care.

Annuities: Deferred vs. Fixed Income

Another recent development is the deferred income/longevity annuity, for which a client pays an upfront lump sum in exchange for monthly lifetime income at a future date, said actuary Scott Witt.

“These products are in the infant stage still,” said Witt. “There are some out there, but the market is not deep.”



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Current News:

Choosing a Life Insurance Beneficiary

One of the world's most influential fashion moguls, Karl Lagerfeld, just passed away and may have dedicated a large part of a \$300 million fortune to his pet cat. This has a lot of people undoubtedly thinking, "Who would I leave everything to if I died unexpectedly?"

While there are many ways to ensure the loved ones you leave behind are taken care of, financial security is a top priority in estate planning. One of the core avenues of providing this coverage is through a life insurance policy. Not only can this coverage be used to cover major expenses such as funeral costs or outstanding debt, but it can also provide longer-term support like supplementing income lost with the passing of a breadwinner. Regardless of life stage or family structure, if you have people who depend on you, purchasing a life insurance policy guarantees them financial support should something happen to you.

Then there's the task of determining who in your circle needs this coverage, how much of it and for how long. Do you have a spouse or partner who depends on you? Do you have children that need to be taken care of? Will your parents be covered? Choosing a beneficiary isn't always a clear-cut decision, but a financial advisor can help you answer these questions.

(Source: Forbes)

"This product is quite effective at addressing the risk of living too long," he said. "It can help change the financial-planning exercise from one with an uncertain endpoint to one with a goal of making it to age 85, or whenever the longevity annuity kicks in."

In contrast are immediate fixed-income annuities, such as SPIA, single-premium immediate annuities, which provide fixed income to an individual or couple for their lifetimes or for a certain period of time. These can be used as supplemental income in times of shortfall or as a "bridge" for those who decide to retire before they claim Social Security or other retirement funds.

"This income bridge allows them to withdraw less from their investments early on and to maximize their future income," she said. "It is also possible to add features to the SPIA to ensure there is return of unused principle to a beneficiary or provide a cost-of-living adjustment annually."

Life insurance: Not tied to markets

Cash value insurance, which is permanent life insurance, can also be used for fixed

income. Whole life, variable life and universal life insurance are examples of cash value life insurance. The two basic types of whole-life cash value insurance are described as:

- Premiums paid on a continuous basis: The cash value and death benefit grow at a certain percentage or higher as long as premiums are paid (versus term life where, when one stops paying, there is no accumulated cash.)
- "Limited pay": The insured pays premiums for a limited number of years, but the cash value and death benefit continue to grow after payments stop.

Within the context of a financial plan, life insurance is an asset that's not tied to the market," one financial planner said. "So when the market is doing well, draw income from there.

When the market's not doing well, draw income from a guaranteed bucket of money which is the cash value of the policy," he added. "This allows your market assets to grow."

He also said this income can be taken every month or when the policy holder needs to draw from it and in many cases is tax-free as long as the insurance policy is in force. The cash balance could eventually be used up.

(Source: CNBC)

The Underwriter's Corner: Underwriting Q & A

Life Insurers Can Use Your Social Media Data in Underwriting

The New York State Department of Financial Services recently issued guidelines for life insurance companies that plan to use social media, and other available online data resources, when underwriting new policies and establishing premiums. While it's never been illegal to do so, new advances in technology and the proliferation of third-party data vendors have made checking the social feeds of prospective customers simpler and faster. Up until now in the industry, monitoring social media accounts has usually come into play only when fraud is suspected. For insurance companies looking to make well-informed choices social media data may eventually become as useful and easy to come by as credit scores and criminal records.

(Source: ThinkAdvisor)

HOW AN FIA GENERATES RETIREMENT INCOME

PRINCIPAL PROTECTION

- Carrier insures principal protection on premiums paid



INDEX CREDITING OPTIONS

- Interest is credited based on selected interest crediting strategies and/or a fixed rate.
- Returns guaranteed never to be less than zero even if index decreases



LOCKED-IN INTEREST

- Annual reset design ensures interest increases are credited to the contract value
- Interest credited cannot be lost due to index volatility



TAX-DEFERRED GROWTH

- Earn interest on money without paying taxes on until a withdrawal or distribution begins



GUARANTEED INCOME

- Income payment can be taken as a lump-sum, or regularly scheduled payments
- Optional income riders allow for guaranteed lifetime income source



(Source: American Equity)

INSURANCE 101 Famous Estate Planning Failures



NAME: Nate Dogg

DIED: March 15, 2011

AGE: 41

CAUSE: Stroke

ESTATE BLUNDER:

Not leaving a will

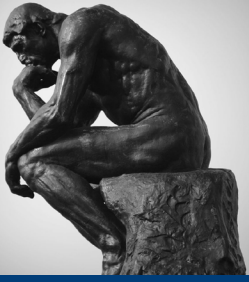
Rapper Nate Dogg had 6 kids, no will, and \$200,000 in real estate to his name when he died. A court lawyer had to be named to divvy up his assets.

In probate documents filed in L.A. County Superior Court, Nate's home in Pomona, CA was valued at \$350,000 -- however he still owed \$150,000.

When Nate's mother and wife were named the executors, all of Nate's children weren't happy, griping "the women were only in it for selfish, money-grubbing reasons and had no intention of dividing the goods fairly."

But after a bit of a fight, the ladies both withdrew their titles to avoid conflict with the children. However, this conflict could have been avoided entirely if Nate had done some estate planning or worked on a will prior to his passing.

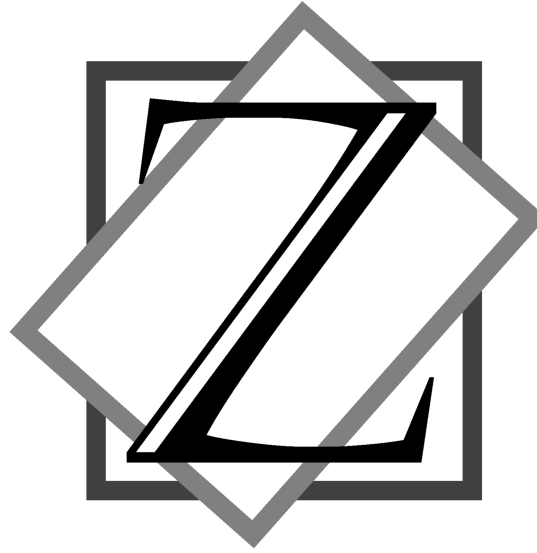
(Source: TMZ)



HERE'S A THOUGHT...

*"To plant a garden is to
believe in tomorrow."*

-Audrey Hepburn



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*Time for Spring Cleaning!
Get your finances in order
with Life Insurance!*