

#SaveSomeGreen



From the Desk of Adam Ziff  
The Ziff Agency, LLC



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## Annuities Make it Easier for Retirees to Spend, Research Finds

With fewer employer pensions these days, some retirees are hesitant to draw down their nest eggs. However, older Americans may spend more freely with a guaranteed source of income, such as Social Security or a private annuity.

That's according to a new research paper that examines spending in retirement. The report compared retirees with a life-long income stream to those living off an investment portfolio.

The findings suggest retirees with guaranteed income may spend twice as much as those tapping wealth from their retirement savings.

"People don't like the idea of seeing their nest egg get smaller," said report co-author Michael Finke, a certified financial planner and professor of wealth management at The American College of Financial Services.



Moreover, the reluctance to spend is common among those with ample savings, even when there's no desire to pass wealth to heirs, he said.

Some 67% of private industry workers had access to retirement plans in 2020, according to the Bureau of Labor Statistics. However, many retirees struggle with how to spend their money once they leave the workforce.

While retirees with a clear spend-down strategy tend to be happier, 25% don't have a plan, according to a BlackRock report.

## Current News:

### Life Insurance Awareness Month Is Here

Life Happens, a national nonprofit educating consumers about the importance of life, disability and long-term care insurance, today launches its annual Life Insurance Awareness Month (LIAM) campaign with four-time Grammy award-winning singer, songwriter, producer, humanitarian and mother Kelly Rowland.

"For me, having life insurance truly eases my heart and mind. It means that no matter what, my family can keep looking toward the future. It's that feeling that with life insurance, I've got you," said Kelly Rowland. "Life insurance is great, but the greatest thing we can give people is the information on what exactly it is and what it does for a family."

For a lot of people, having life insurance comes down to information, they often don't fully understand all that life insurance can do. Despite this, intent to purchase life insurance is at an all-time high.

According to the 2021 Insurance Barometer, 31% of consumers said they are more likely to buy life insurance because of the wake-up call COVID has given them, and 59% of people without life insurance say they need coverage.

(Source: Yahoo! Finance)

"The whole purpose of the 401(k) system is to encourage people to live better in retirement," said Finke. "But we haven't really developed a system for allowing them to do that once they retire."

Although workers may benefit from in-plan annuities, fewer than 10% of workplace retirement plans offered the option in 2019, according to the Plan Sponsor Council of America.

#### Private annuities

Those worried about outliving savings may consider buying a private annuity offering monthly payments for life.

For example, let's say a 65-year-old woman in Tennessee expects to spend \$50,000 per year. With \$30,000 annually from Social Security, she may want an annuity to cover the remaining \$20,000.

If she wants the income to begin in five years, her premiums may start at roughly \$274,000, covering her for life, with no minimum payout or death benefit for heirs, according to Schwab's Income Annuity Estimator.

However, financial experts say retirees should explore all options before purchasing an annuity.

"They can be extremely confusing for consumers to understand," said Anthony Watson, CFP, founder and president of Thrive Retirement Specialists in Dearborn, Michigan. "They lack standardization and transparency."

Before signing up, retirees need to assess their complete financial situation, he said.

"It's a tough decision and it can't be made in isolation," Watson said. "All of these things fit together."

A retirement spending plan isn't stagnant. Clients can adjust periodically based on the stock market and other life changes, he said.

"Often, you can get clients to feel much more comfortable spending down those assets and feeling more empowered to be able to do that," Watson said.

Another way to boost guaranteed income is by delaying Social Security. Those who wait until full retirement age to collect may receive bigger monthly payments for life, depending on their birth year. Retirees may lock in higher benefits until 70.

(Source: CNBC)

## The Underwriter's Corner: *Underwriting Q & A*

### Artificial Intelligence and Insurance Underwriting

Artificial Intelligence (AI) and natural language processing are rapidly changing the insurance industry. Improved access to data, growing computing power and changing consumer expectations are all contributing to increased carrier adoption of AI. Major life insurance and annuity issuers are using AI to make faster and better-informed decisions, to improve the way they manage risk and work with customers.

Insurers use vast amounts of data to run their operations. Some of the information comes in through well-structured databases or Excel spreadsheets, but much of it arrives in the form of PDFs, audio recordings, images, emails and other types of files. Instead of using human workers to comb through the files, through manual processes that can take hours or even days and often leave room for human error, insurance organizations are using AI to extract the key data.

Once files are processed and key bits of data extracted, insurers can use AI to evaluate how much coverage an applicant should receive and what the price should be. Using AI in these processes can help insurers follow specified underwriting guidelines and policies while increasing personalization and customer satisfaction.

Analyzing bank statements, tax returns, medical history, credit scores, demographic profiles, employment information, and more can all be done instantly. Insurers are also using AI to identify fraudulent information that customers have tried using to qualify for lower premiums or bigger benefits payments.

After extracting key data points from unstructured data, and analyzing the results, insurers can better understand a customer's current and future insurance needs. Agents can, for instance, use AI to speed up the process of providing personalized life insurance recommendations, based on a consumer's medical records, family medical history, bank statements, income and tax returns.

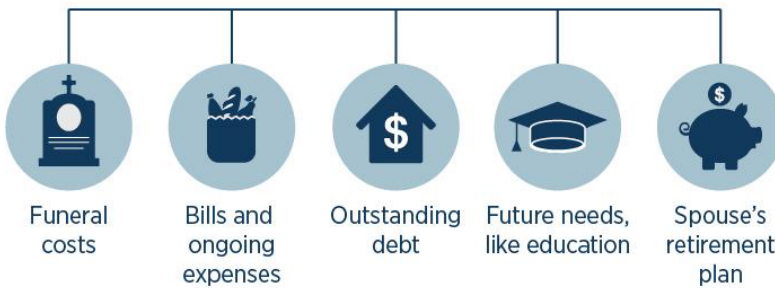
Additionally, we are seeing the creation of simple neural-network-based models using historical data. These models can help find patterns and predict a policyholders' future behavior. These are just a few of the ways we are seeing AI continue to change the way insurance is offered — and help the industry operate more efficiently, offer better service and more effectively manage risk.

(Source: ThinkAdvisor)

# Why do I need life insurance?



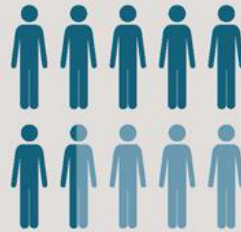
Every life has a value and is worth protecting. If an emergency were to happen, life insurance proceeds can help pay for:



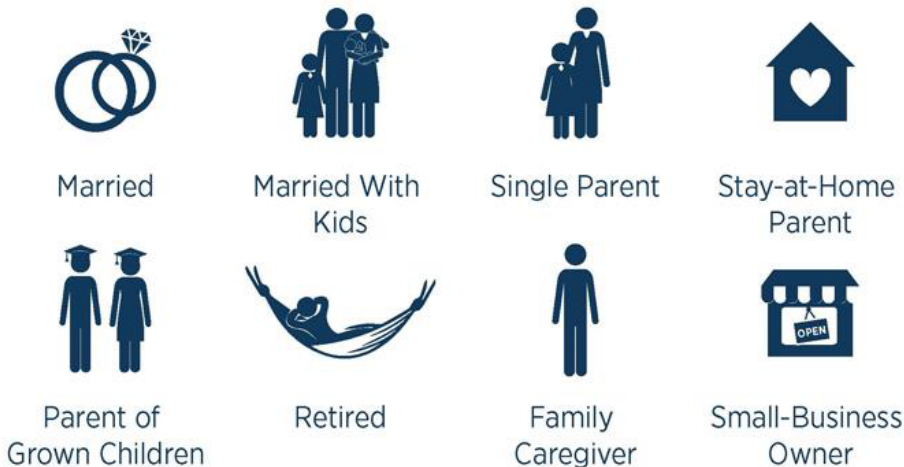
# Who should get life insurance?

**64% of people** say they haven't bought life insurance because it's too expensive, yet they overestimate its true cost by more than double.

Source: 2019 LIMRA Insurance Barometer



The sooner you buy life insurance, the less it may cost over time. Having life insurance may make sense for these individuals:



## INSURANCE 101 Famous Estate Planning Failures



**NAME:** Larry King

**DIED:** January 23, 2021

**AGE:** 87

**CAUSE:** Sepsis

**ESTATE BLUNDER:**  
Handwriting a second will

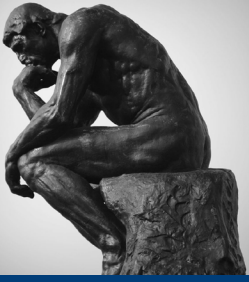
Shawn King, wife of the late, legendary talk-show host, sought to block efforts by his son, Larry King Jr., to administer an estate valued at \$2 million, according to documents filed in Los Angeles Superior Court.

She says Larry King, her husband of 22 years, nominated her to be executor of his estate in a 2015 will and she disputes an October 2019 handwritten will that the younger King contends takes precedence.

In the barely legible handwritten will, King, who died at 87 on Jan. 23, splits his estate equally between his five children. Shawn King, who is not named in that will, has petitioned to be appointed executor.

In another part of her objection, Shawn King says the handwritten will would violate two post-nuptial agreements she and her husband made that limited his ability to make "testamentary gifts" to his children.

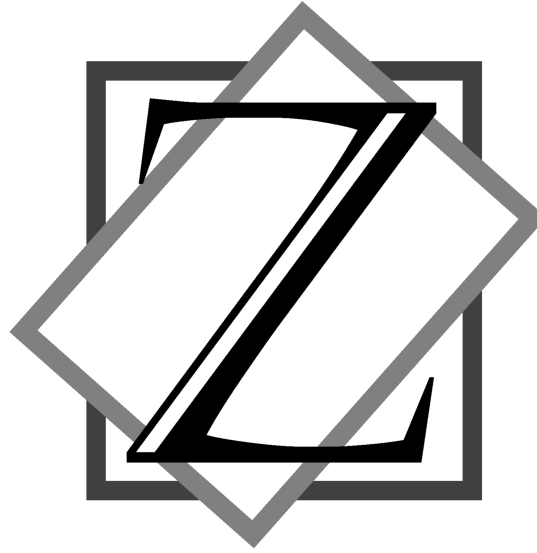
(Source: USA Today)



## HERE'S A THOUGHT...

*"September days are here,  
with Summer's best of  
weather and Autumn's best  
of cheer."*

*– Helen Hunt Jackson*



The Ziff Agency, LLC

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