



From the Desk of Adam Ziff
The Ziff Agency, LLC



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Climbing Interest Rates Mean Good News for Annuity Buyers

Annuity rates are starting to increase. That means buyers, who are generally retirees or those near retirement age, may find payouts better now than they were just a few months ago.

The trend will likely continue if the Federal Reserve continues raising its benchmark interest rate, as it's expected to do to tame high inflation, according to annuity experts.

"If you looked at this three months or a year ago and weren't jazzed about the payout rate, go out and look again," said David Blanchett, head of retirement research at PGIM, the investment management arm of insurer Prudential Financial. "It's more attractive."

Annuities offer a guaranteed stream of monthly income, like Social Security and pensions.

There are many types. At their core is a simple concept: The buyer hands over a pile of cash to an insurer, which pays regular income now or in the future for the rest of the buyer's life.

The average payouts from an immediate annuity increased by more than 11% for men and 13% for women since the beginning of 2022, according to CANNEX Financial Exchanges Limited.

Insurers offered the average man \$616 a month at the end of April versus \$553 a month at the start of the year, for example, according to CANNEX.



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Current News:

Fixed Annuity Sales Boom After Interest Rate Hikes

Total fixed annuity sales were \$35.2 billion, up 14% over first quarter 2021. Double-digit growth for fixed indexed annuities and fixed-rate deferred annuities drove the overall fixed annuity sales to pre-pandemic levels.

Fixed indexed annuity (FIA) sales were \$16.3 billion, 21% higher than prior year. Fixed-rate deferred annuity sales increased 10% in the first quarter, year-over-year to \$16 billion.

“First quarter annuity sales tend to be a bit slower. While sales in the first two months of 2022 were a bit sluggish, annuity sales in March were at record-high levels,” said Todd Giesing, assistant vice president, SRI Annuity Research. “Rising interest rates and increased market volatility shifted the product mix this quarter with fixed annuity products driving the overall growth.”

“Both FIAs and fixed-rate deferred products benefited from the significant interest rate increases in the first quarter,” said Giesing. “Coupled with a nearly 5% equity market decline, investors sought out principal protection and steady growth, which these products offer.”

Total U.S. annuity sales increased 4% to \$63.6 billion, according to preliminary results from the Secure Retirement Institute.

(Source: InsuranceNewsNet)

“I think we’re back where we were prior to Covid,” said Branislav Nikolic, vice president of research at CANNEX. “If interest rates go up, it’s expected annuities will pay out more.”

The trend appears even more pronounced with so-called longevity annuities, a type of deferred annuity that starts paying income later in life.

Payouts have jumped 42% for both men and women since the start of the year, according to an annuity quote supplied by CANNEX. (The data is based on 65-year-old buyer who receives income starting at age 85, based on a \$100,000 lump sum. To get historical quotes, CANNEX used data from one highly rated insurer that’s active in the market and which is representative of the overall industry trend, Nikolic said.)

In dollar terms, a female buyer who bought the longevity annuity on May 1 would get about \$2,925 a month starting at age 85 —nearly \$900 more per month than the \$2,054 income stream on Jan. 1, according to the data.

High Annuity Payouts & Interest Rates:

Annuity payouts are largely based on two key factors: mortality (or life expectancy) and interest rates, experts said.

The Federal Reserve slashed interest rates to rock-bottom levels early in the pandemic to prop up the U.S. economy. But high inflation has led the central bank to raise rates at its two most recent meetings. More hikes are expected this year.

Bonds are the lynchpin of insurers’ annuity portfolios. When interest rates rise, insurers get a higher yield on new bonds — which generally gets passed along to consumers in the form of a larger monthly check, according to Jeremy Alexander, CEO of Beacon Annuity Solutions.

A five-year multiyear guaranteed annuity paid a 2.9% rate, on average, as of mid-May — almost 50% more than the 1.95% average at the end of 2021, according to Beacon data. (That rate is guaranteed in each of the five years.)

“When you’re seeing a 50% increase in rates, that’s significant,” Alexander said.

It’s not guaranteed that annuity rates will continue to rise, since it’s impossible to predict the course of the U.S. economy and whether Fed policy will respond as expected, Blanchett said.

(Source: CNBC)

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

Underwriting Success Stories

Client: A husband (56-year-old male) and his wife (55-year-old female)

Applying for an \$8 million survivorship universal life policy that needed to be placed as soon as possible.

The Story: The husband had a diagnosis of coronary artery disease in 2009. An underwriter requested additional cardiology records from the BGA. These records showed a coronary calcium score of only 52, no history of hypertension and an NT pro-BNP level of 24. Additional records were also requested for the wife due to an EKG with poor R-wave progression. But after being reviewed by the medical director, she was determined to have normal R-wave progression. These additional resources resulted in a Non-tobacco Preferred rating. The wife received a better-than-expected Non-tobacco Standard rating due to no history of chest pain, good cholesterol levels and no family history of heart disease. The policy was issued within five days.

Client: 59-year-old male

Request: Interested in lowering his \$14,000 annual premium on an \$800,000 whole-life policy.

The Story: By doing a 1035 exchange and switching the client to a different indexed universal life product, the client was able to:

- ⌚ Stop paying his \$14,000 annual premium
- ⌚ Increase his death benefit from \$800,000 to \$1.2 million
- ⌚ Change the cash value strategy from whole-life dividends to dynamic indexing
- ⌚ Have access to \$1 million as a living benefit for long-term care

Once the client accepted the proposal, the Financial Professional was able to move the client through an Accelerated Underwriting process and approve his application within hours. Eight days later, the client’s 1035 funds were fully transferred — all made possible by direct access to professional underwriters.

(Source: Nationwide)

WHY DO PEOPLE BUY LIFE INSURANCE?

HEALTH EXPENSES AND **SAVINGS** ARE THE MAIN CONCERNS WHEN BUYING LIFE INSURANCE



One in three families might not be able to manage **without the principal income earner for more than one month.**



37% of consumers in the US buy life insurance **to protect their loved ones.**



30% say the reason is to pay their **final expenses.**



To leave an inheritance for the family.



27% say the reason to buy life insurance is to **pay off the mortgage.**

INSURANCE 101 Famous Estate Planning Failures



NAME: Henry Darger

DIED: January 26, 2020

AGE: 81

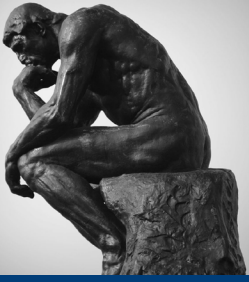
CAUSE: Natural causes

ESTATE BLUNDER: Not leaving behind a will

When the janitor-turned-artist Henry Darger died in Chicago at 81 in 1973, leaving a single room crammed with his colorful illustrations, a 15,000-page book and no immediate surviving relatives, Darger's landlord began sharing and selling his work.

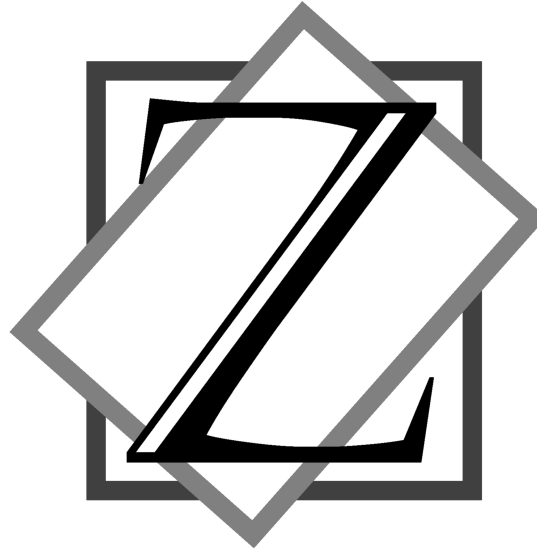
But now distant relatives of Darger are making a legal claim to that legacy, asserting the landlord did not have the right to pluck and profit from Darger's art. They filed a "petition for determination of heirship" in an Illinois probate court in January this year, 2022.

The dispute focuses attention on how legacies and copyrights are handled after the death of artists who lived largely solitary lives. Whether Darger was close to his cousins and his aunts is largely irrelevant, given that "courts have interpreted inheritance statutes with little regard to 'feelings of kinship'" says Elyssa Westby, a writer for the Northwestern Journal of Technology and Intellectual Property.



HERE'S A
THOUGHT...

*"June Suns,
You Cannot Store Them!"*
-A. E. Housman



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Save Some Green

*Share Your Love this Father's Day with
Life Insurance!*

#ProtectYourFamily

#InsureYourLove

*Make sure your family is protected and
have your Life Insurance reviewed today!*