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#SaveSomeGreen

From the Desk of Adam Ziff
The Ziff Agency, LLC

Ph: 212.796.5433
Ph: 949.393.5433
Ph: 941.922.9433
Ph: 305.363.5433
adam@theziffagency.com
www.theziffagency.com

Dated Thinking May Be Holding Back Annuities

Rising interest rates and increased market volatility could drive plan sponsors to take a fresh look at incorporating annuities.

Annuities deserve a fresh look from plan sponsors, according to retirement industry veterans with years of experience in retirement income strategies.

Despite product innovations and improvements, the perception of annuities among many plan sponsors is stuck in the past, says Rona Guymon, senior vice president of annuity distribution, at Nationwide Financial. The persistence of myths and misunderstandings about annuities are likely holding back greater adoption, she adds.

“Some annuities would lock in your income, or even lock in your beneficiaries’ choices at the time of asset transfer. You were limited in anything you could do,” she says. “You couldn’t change anything, you had to stay with the contract for a very long period of time. There was no way to get out of it. Those were the old versions.”

Annuities may be an especially attractive offering at this time due to market volatility,

Current News:

Inflation, Increased Rates Boost Annuities Industry to New Heights

Inflation and volatile equity markets have bedeviled Wall Street and policy makers, but one sector that doesn't seem to be bothered by the adversity is the annuities industry.

Annuities have been enjoying record sales in recent months, and market watchers attribute much of the success to investors fleeing for safety in the face of a sinking equities market, preferring to move money to instruments with guaranteed returns and downside protection

In the second quarter, according to LIMRA, total U.S. annuity sales increased 22% to $77.5 billion, shattering a record set in 2008 during the Great Recession by nearly $9 billion..

Fixed rate deferred annuities had more than $44.6 billion in sales for the first half of this year, which is an increase of 46% from the year before, according to LIMRAs' U.S. Individual Annuity Sales Survey,

“Clients want to have their cake and eat it too,” says Jared Nepa, vice president and national sales manager of annuities at Philadelphia-based Lincoln Financial Group. “They want protection but they don't want to give up the upside, so it's really been a perfect storm.”

(Source: FA-Mag.com)

On the other hand, universal life insurance allows you to adjust both your premiums and the death benefit to fit your needs better. This type of policy can also grow cash value. The rate of growth depends on the type of universal life insurance you buy:

Guaranteed universal life insurance: Cash value growth may be minimal, but this provides a lower-cost way to secure lifelong coverage.

Indexed universal life insurance: Cash value growth is tied to a specific index, such as the S&P 500.

Variable universal life insurance: You choose investment sub-accounts and your cash value gains depend on investment performance.

Whole life insurance costs more than universal life because of all its guarantees. As a general rule, you will pay about twice as much for whole life vs. universal life insurance.

Why does whole life cost so much more than universal life insurance? Because the premium payment amount, death benefit and growth of your cash value are guaranteed not to change.

“Whole life premiums are usually higher than universal life premiums to cover the embedded guarantees,” says Amanda Kuhl Sarrubbo, vice president and actuary, head of life products at New York Life.

The cost of whole life insurance does not change over the years. You will pay the same amount throughout the life of the policy. In addition, the death benefit amount won't change.

Sarrubbo adds that with whole life insurance, you are typically eligible to receive dividend payments if your insurer is a mutual company.

Generally, those who value stability and guarantees might be more attracted to a whole life insurance policy. You know precisely how much of a death benefit your loved ones will receive, and your premium will not change for as long as you have the policy.

On the other hand, if you prefer flexibility, a universal life insurance policy may be the better choice. You may want to be able to tweak your life insurance coverage as your life circumstances change.

It may be helpful to sit down with a financial advisor to map out a personal financial plan.

(Source: Forbes))

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

How Your Medical History Plays Into an Underwriting Decision

Life insurance underwriters trust that a client is giving them accurate information when filling out an application. However, to be on the safe side, backstops are set in place — just in case. Applicants who are dishonest run the risk of voiding their policy down the road.

Insurers are able to gather information on you through health records (your application will request that you sign a HIPAA-compliant consent form), pharmaceutical databases, motor vehicle reports, public records, and financial statements (especially if you want a life insurance policy for more than $5 million).All this information-gathering enables you to get an accurate price on your coverage.

What if your medical history is less than ideal? Still apply for life insurance. Have high blood pressure? That does not mean you should wait to get insurance. High blood pressure can lead to other medical issues, such as a stroke or heart disease. And your premiums will only increase if that happens.

(Source: Securian))

EFFECTS OF THE COVID CRISIS

37.4% of workers aged 45 to 64 have either lost their jobs or at least some of their income.

36.4% of Americans within 20 years of retirement expect the coronavirus crisis will delay their retirement.

37% of Americans ages 45 to 64 don't know how their investments are faring in this environment.

43% of Americans say it will take six months or longer to financially recover from the pandemic.

52% say they will need to dip into their long-term savings in a year or less.

(Source: SHRM.org)

INSURANCE 101
Famous Estate Planning Failures

NAME: **Eleanor Post Hutton**

DIED: **November 27, 2006**

AGE: **96**

CAUSE: **Natural Causes**

ESTATE BLUNDER: **Having multiple wills in different countries**

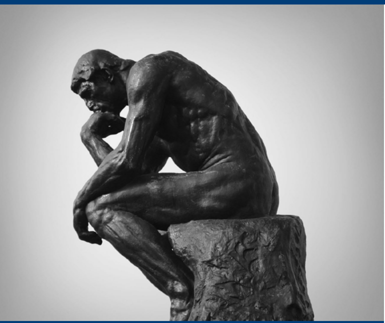
Eleanor was a daughter of Marjorie Merriweather Post, who during her life was called America's richest woman. Post's fortune included art and the 126-room Mar-a-Lago mansion in Palm Beach, Fla. (currently run as a club by Donald Trump).

When Eleanor passed she left a $74 million estate consisting mainly of art, European real estate and $32 million, long managed by a cousin, in a Baltimore brokerage account.

With assets on two continents, she had an amended French will, a U.S. trust and a U.S. will. Both France and the U.S. have stiff death taxes, and a big issue seems to be whether they are to be paid out of just the European assets, just the U.S. assets or a combination of both. The outcome could leave various beneficiaries getting less, little or nothing at all.

It has been 16 years with no end in sight to the litigation. Lawyers, taxes and administration expenses are certain to eat up much of the estate.

(Sources: Forbes)



HERE'S A THOUGHT...

"The morning of the first september was crisp and golden as an apple."
- J.K. Rowling

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