

RETIREMENT PLANNING

# Use Multiple Products To Address Income Needs Of Older Clients

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**F**inancial planners are often asked by existing or potential clients how to establish a steady stream of income for their retirement years.

Although the answer depends in large measure on what the clients did for themselves before contacting the advisor, the conscientious planner can help clients make the most of whatever they have accumulated.

The first step is to perform an accurate assessment of the clients' financial circumstances. How much income are they getting, or will they get, from Social Security, retirement plans and similar sources? Will that income stream be sufficient to meet day-to-day needs, and does it include discretionary income? Will the discretionary portion of the clients' cash flow be sufficient to fund the things they plan to do in retirement?

The financial planner must also assess client risk tolerance.

Particularly if current cash flow is insufficient, the planner must also look at how much the clients have saved and invested, and the vehicles they are currently using.

If a client needs additional income immediately, it may make sense to move assets from savings accounts, certificates of deposits, or stocks, bonds, and mutual funds into a single premium immediate annuity. As its name states, the

SPIA may begin generating income immediately. Keep in mind, however, that the fixed income created by the SPIA

the issuing insurance company guarantees the owner will never receive less than the principal invested (minus

These appeal to risk-averse investors who want, at the same time, some protection against inflation.

Placing a portion of assets in FDIC-insured certificates of deposit could make sense for the more conservative investor, too. Clients who have a low risk tolerance but who can accept a lower rate of return will want to consider this.

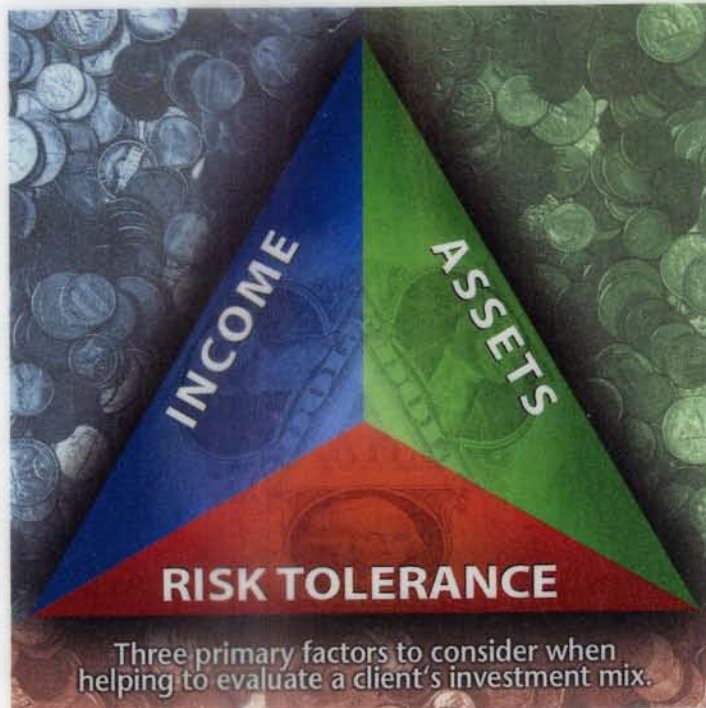
What about clients who have sufficient assets and their risk tolerance permits some growth exposure in the stock market? Taking into account the clients' total assets, the amount they want to invest and their risk tolerance, the financial advisor can suggest an appropriate mix of growth versus income stocks, mutual funds and other equities.

Finally, planners need to consider whether the clients are adequately protecting the assets they have worked a lifetime to accumulate from sudden, unforeseen erosion. Health insurance, long term care insurance, life insurance,

property insurance and estate planning can all help provide this protection.

To truly serve the older client, financial planners and advisors must know the person's specific financial circumstances as well as risk tolerances. Then, by tailoring investments to

the identified needs, the planner can help the client meet his or her personal financial goals. **NU**



may not be adequate to protect against inflation.

What if the client's monthly income is adequate today but does not include a large amount of discretionary funds to offset future inflation? In that case, a deferred annuity might be an appropriate vehicle.

The deferred annuity can help protect the principal today, while continuing to grow tax-deferred until the earnings are withdrawn. In addition, some deferred annuities offer the investor the ability to access some or all of their original investment without a surrender charge.

Either fixed or variable annuities may appeal to clients:

- A fixed annuity may work well for an individual who is risk-averse. This is because

certain expenses and specified surrender charges) while offering a fixed interest rate.

- A variable annuity offers greater growth potential, because the principal is invested in investment subaccounts, but it also poses greater risk, because the owner can lose money if the value of the underlying subaccounts declines.

I-bonds are another possibility. Issued by the U.S. Treasury and backed by the full faith and credit of the U.S. government, I-bonds pay interest at a fixed rate of return and an inflation rate.

**Planners can help clients make the most of whatever they have accumulated**