

Financial Focus

RETIREMENT PLANNING

Create a “Do-It-Yourself Pension” with an Annuity

Traditional pension plans provided a steady income for many retirees, but the number of companies offering such plans as declined dramatically. Only about 32 percent of unmarried women ages 65 and older were receiving pension income (either as a retired worker or surviving spouse). Men are actually more likely to receive a private pension because they have dominated many of the industries and jobs that offer pensions.

Many people who don't have a traditional pension like the idea of setting up one of their own. An annuity offers a way to accumulate money for retirement and create a “do-it-yourself pension” and it doesn't have some of the restrictions associated with IRA's and employer-sponsored retirement plans.

An annuity is a contract between you and an insurance company. In return for your payments, the company agrees to pay you regular income for a set number of years or for the rest of your life. Contributions to annuities can be an IRA, Roth IRA or non IRA.

Unlike IRA's and employer-sponsored retirement plans, annuities are not subject to

federal contribution limits if they are non IRA's, so they can be funded with a lump sum from an inheritance or the sale of a home or business. In addition, children can inherit an annuity but not a pension that is being used for monthly income.

Finally, some types of annuities offer guaranteed returns and lifetime payments that have the potential to enhance your income in retirement. And provide you with a much larger monthly check.

Some of the advantages of owning an annuity for lifetime income are: the monthly checks are higher than most interest only income strategies, no loss of principle in the market, heirs inherit all money left in the account upon death, and some annuities include a benefit for long term care without underwriting or annual payments.

For more information on which annuity is best for you or how to trade up yours early without taxes or penalty, call Lifeguard Financial at (440) 942-1936.

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