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The Right Tools to Help Boomers
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I want to thank the Executive Committee and the Advisory Board for giving me the opportunity and the honor to speak in front of the best of the best. What I'd like you to do is go back in your minds to February and March of this year, the financial panic. All of the assets that weren't supposed to be correlated suddenly were. All of the bonds, standard deviations were violating stock standard deviations. People were scared and they were looking for answers. They went to their bankers and the bankers didn't have the answers. They went to the brokers. The brokers didn't have the answers. That's why they're called brokers, right? Because you're broker than you were 12 months ago.

I'm here to tell you that we have the answers. If you think about it, our industry was built for markets just like this. Now during all of this time, we had these Boomer retirement road shows around the country with MDRT and prep partnership. We did meetings in Dallas and Chicago and Washington, DC, and Los Angeles and New York City. My message there was very clear, that we were built for markets just like this. Think about it. Whole life insurance was built for markets just like this. Fixed annuities were built for markets just like this. Guaranteed lifetime income was built for markets just like this. Variable annuities with guarantees were built for markets just like this.

When we were in DC, this was on all the bus stops, this poster right here. It says "I've got a lot less money and a lot more questions." And it says, "Talk to Chuck. Go ahead call him." Chuck didn't have the answers either. What I'm here to say is that we have the answers.

One thing I'd like you to hold me accountable to is no opinions. Don't let me give you any of my opinions today. I'm going to stick to mathematical, scientific and economic facts. I'm getting tired of people's opinions. Susie Orman has led millions of people off a financial cliff with her opinions. She'll say, "Don't buy annuities. The fees are too high. Go with no-load mutual funds." How's that been working out for the last decade? Jane Bryant Quinn will say. "Don't buy whole life insurance. Buy term and (I guess) lose the difference or something." How's that been working out? My point is: I'm going to stick to mathematical, scientific and economic facts. And, I'll tell you this, facts will beat opinions 100 percent of the time.

Let me ask a question. Whatever happened to happily ever after? You'd read those books to your kids and grandkids and, at the end of every story, everybody always live happily ever after. If you think about it, retirement used to be a promise. You'd work for a company for 30 years, then what? They'd hold a party. Then what? They'd give you a gold watch. Then what? They'd give you a guaranteed paycheck every month for the rest of your life so that you, too, could live happily ever after. What happened to that deal?

Only about 19 percent of Americans have a pension anymore and, of that 19 percent, almost 17 percent are government workers. So, basically, unless you work for the government, you probably don't have nor ever will have a pension. And that's happening right when there are 76 million baby boomers rushing headlong and headstrong into retirement — a time when they need

guaranteed lifetime income more than ever and they don't have it. Then you add the fact that people are living longer. Today's average 65-year-old male will live to be age 85. The average 65-year-old female will live to be age 88. But what's the problem with averages? The problem with averages is that they don't matter for any particular person in this room. Half of everybody in this room will live longer than that.

I'm going to give you my first fact of the day. It is a fact that married people live longer than single people. I have no idea why, but it's a fact. And if you're a husband or wife who is 65, you need to know that there is a 50 percent chance, 50/50 that one of you is going to live to be age 91. Think about that. For every 65-year-old couple in your book of business, a 50/50 chance that one of them will live to be 91. There is a 25 percent chance one of them will live to be 96. And there are plenty of people in this room who will live beyond age 100. Here's the deal, when you're planning with your clients in retirement, you have to plan to have income to age 100 and possibly beyond.

Another thing, I say people know how much money they have. Well, I've had to kind of modify that now. Now I say people know how much money they had. But I still think people know how much money they have and I can prove it. If you've got a pen and a piece of paper, just jot down in a little corner where nobody else can see how much money have you been able to save from birth until today. I'll bet everyone in this room and get it within $400,000 or $500,000 right? See, so I know people know how much money they have, it's just that most people don't have a good idea of what they can expect from that money.

USA Today had a little article about a year ago and it said that 50 percent of all Baby Boomers believe they can take out 10 percent or more out of their retirement portfolio in retirement. Well, they can. They're just going to run out of money real fast. What does the Wall Street Journal say is the bulletproof withdrawal rate from a diversified portfolio? Bulletproof is what percent? Two percent is bulletproof. They say 3 percent is safe, 4 percent is pushing it, 5 percent or more you will run out of money. It's not my opinion. It's a mathematical, scientific and economic fact.

You see, what I'm going to do today, a little bit, is I'm going to shake the ladder. I'm going to challenge your thinking. I may show you some things you've never seen before. Because, I'll tell you this: The day you retire, all the rules change. All the rules change and average returns are no longer important. That's going to go against everything maybe you've been taught or everything you've experienced as a saver and investor, because when you're saving and investing, average returns do matter. Four percent is better than 2 percent. If you can get 6 percent, it's better than 4 percent. If you can get 8, it's better than 6. So, we've all come to kind of believe that average returns matter. You're kind of thinking like this, here's a guy, in 1973, who had $100,000. He put 50 percent of his money in stocks, 50 percent of his money in bonds, and for the next 22 years he averaged 10.1 percent a year. Can we agree on one thing? If you could invest your money today, 50 percent stocks, 50 percent bonds and for the next 22 years you could average 10.1 percent a year, you'd be OK with that? Alright. Well, didn't matter because his $100,000 grew to be worth $846,000. Even if we ran the numbers backwards from 1995 to 1973, he still averaged 10.1 percent a year and he still wound up with a boatload of money. When you're saving and investing money, average returns do matter.

But the next slide I'm going to show you is very different. The next slide is a guy in 1973, he also had $100,000. He also invested 50 percent stocks, 50 percent bonds, he also averaged 10.1 percent a year for the next 22 years. There is only one thing different about the next slide. He retired in 1973 and he needed an income and he just took out 5 percent a year. Now what did he average for 22 years? 10.1 percent. He's only going to take out how much? Five percent. He's OK, right? He's fine? No, he's dead broke. He's dead broke. Now somebody in here is going to have to explain to me how can you average 10.1 percent a year for 22 years, only take out 5 percent and run out of money? And the answer is because average returns don't matter. The day you retire the rules change. And there's only one thing that matters the day you retire and that is the order of those returns.

Does anybody remember what happened to the stock market in 1973, 74, 75? The market went down, down, down. Here's the deal. If you have clients and they retire and the first three years of their retirement the market goes down, down, down, doesn't matter what else you do, they're going to run out of money. Unless they put more money in or take less out, they're going to run out of money, because of the rule of the order of returns.

Here's another way of showing it to you. And again this will go against everything I think you've always been taught, because I was always taught, the older you are, the more conservative you should invest. That's what I was taught. This shows a different story. This shows that if you lose money early in retirement, it will devastate your portfolio. Losses later in life will have much less of an impact on your retirement. So if you were to say to me, Tom, when is the riskiest time for a client to invest? When is the most critical time for them to get it right? I'd tell you it's right here. It's the last five or six years that they're working and the first five or six years of their retirement. If you ever want to pick a time in your life where you don't want to screw it up, you don't want to screw it up right there. That is the most risky, most critical time in a client's life as far as investing for retirement. A mistake made right there can devastate their retirement.

Add to that the fact that we could see some inflation. This just shows $1,000 of purchasing power at 4 percent inflation will be cut by more than 50 percent. At 30 years, it will be cut by more than two-thirds. I know some of you are saying, "Oh come on, Tom, there's no inflation. There's no inflation. The government's worried about deflation." Really?

When we were in Washington, DC, for that meeting, we were two blocks away from the Treasury Department. So, one day I went for a walk. I don't know if you've ever been to DC, but the Treasury Department is a beautiful building. It's got fences. It's like blocks to walk around. I walked around the Treasury Department and I think they must have had one of the windows open a little bit because I kept hearing this noise. It stuck in my ear and it sounded mechanical. I walked around the corner and heard the same sound. You know what they've been doing in there? They're printing. What are they printing? Money. Seven days a week, 24 hours a day.

Some of you don't know this, but I was an economics major. Not all of you are economics majors, but if you went to college you had to go to Econ 101 your freshman year. Let me take you back to your freshman year in college, Econ 101. Here's what you learned. What happens to the value of a dollar every time you print another dollar? The value goes down. Every time you

print another dollar what happens to the value of all the other dollars? They go down. This is not my opinion. These are mathematical, scientific and economic facts. If the value of the dollar goes down, what happens when you go to buy something? You need more dollars. That's called inflation. You see, when you print money it causes inflation. It's not my opinion. This is a mathematical, scientific and economic fact. Some of you are sitting there saying, "OK, smarty pants, we printed these $2 trillion of money and there's no inflation. Explain that one to me."

I'll explain it very simply. There's another factor to inflation. It's called the velocity of money. It's how fast money turns over in the economy and so what happened is when this economic collapse happened velocity of money went down to almost nothing. So we were able to print all of this money to go into this void to prevent an economic collapse. But here's the deal, if this economy starts picking up and money velocity increases, we will not just see inflation, we could see rampant inflation unless the government does what? Pulls it back out. That's simple, just pull the money back out.

I'm going to make you all politicians for a minute. Half the room, you're Republicans. Half the room, you're Democrats because it doesn't matter. Here's the deal, your number one job in life is to what? Get re-elected. So now you're in charge of the country and, in two or three years, the economy starts picking up and now it's your job to pull the money back out. Pretty simple, right? Except here's what the deal is. When you pull money out, what happens to unemployment? It goes up. When you pull money out, what happens to the stockmarket? When you pull money out, what happens to the general economy? It goes down. Are you going to pull that money out? You see, it's very easy to print money; it's very difficult to remove money and that's the situation that we're in right now. We could see some significant inflation.

So, I gave you a lot of problems. What are the answers? I'll tell you one of the big answers lies with annuities. And specifically, I'm not going to go through all the different annuities. I want to specifically focus on immediate annuities. What you would call a SPIA. I call it a lifetime income annuity. Some of you are going to say, "This is boring. You're going to talk about a SPIA, are you kidding me? That's just a niche product." I don't think it's a niche, but even if you think it's a niche, here's what I have to say about niches. There are riches in niches. There are riches in niches. Find your niche. It will make you rich. There are riches in niches. I'll argue that it's not a niche, but even if it is.

We've been doing a lot of work with lifetime income annuities and what I will tell you is I'm going to share with you some language. Write down a couple of things. When you're on an appointment, I would tell you there are two things that are critical whenever you're sitting face-to-face with a client. And number one is to simplify. Simple, simple, simple, simple. Make whatever you're saying simpler. I'm 22 years U.S. Army, retired lieutenant colonel. I'm about the simplest guy you'll ever want to meet. I always make the home office crazy because they'll send out an idea and I say nope, too complicated. I use the rule of six. A 6-year-old has to be able to present it and a 6-year-old has to be able to understand it. If it meets that, it's simple enough. Take a look at your operation. Are you talking in simple terms?

Number two, words matter. Language matters and I can prove it. We can send one agent into a house, they come out with nothing. They get skunked. We send another agent into that same

house, they come out with $5 million worth of business. How can that happen? You all have the same stuff to sell. How can it happen? It's because one of those agents knew the right words. It's all about words and questions. So words matter. Language matters. Keep it simple.

Now, let me show you how simple lifetime income really is. Let's say you're on an appointment with your own grandmother and grandmother asks you, "Well, what is a lifetime income annuity?" Why don't we all use the same words? "Grandma, it's a guaranteed paycheck for life." A guaranteed paycheck for life. When people ask you what you do for a living, try this. I give people guaranteed paychecks for life. I'm the guaranteed paycheck man and you look like you need one and you look like you need one. I give people guaranteed paychecks for life. Now, every once in a while, you're going to run into someone who will say, "I've got that taken care of. I'm 40 years with Boeing, I've got a pension." Then just smile and say what you really need now is a "guaranteed *play* check for life." That's all a lifetime income annuity is, a guaranteed paycheck or a guaranteed play check for life.

Why should somebody use one? Grandma says she wants to by CDs. The CPA is recommending tax-free bonds. You've got a broker hounding your client recommending high yield and dividend-paying stocks. Why would they use a lifetime income annuity? I'm going to show them the payout rate sheet and I'm going to say something like, "Grandma, if you're 65, you're guaranteed 7.4 percent a year for the rest of your life. If you're 75, you're guaranteed just under 10 percent a year for the rest of your life. If you're 85, you're guaranteed just under 15 percent every year for the rest of your life." Those are guaranteed payouts from almost any lifetime income annuity from any company in America today. Those are about where they're at.

"Now, Grandma, you said you liked those CDs. Let me ask you a question. Do CDs pay higher interest rates the older you are?" No. They pay everybody the same. "Mr. CPA, you like tax-free bonds. Let me ask you a question. Do tax-free bonds pay higher interest rates the older you get?" No. They pay everybody the same. "Ms. Stockbroker, you like high dividend-paying stocks. Let me ask you a question. Do stocks pay higher dividends the older you get?" No. They pay everybody the same. So, now here's my question. Why does the insurance company have higher payout rates based on age? You've got to get this or we might as well pack it up and head home. Why? The answer is because we pay mortality credits. We pay mortality credits. The reason Grandma should buy a lifetime income annuity is because she gets paid mortality credits. You see CDs pay no mortality credits. Tax-free bonds don't even know what mortality credits are. Stocks have never paid a mortality credit in the history of the stockmarket. The reason that grandma would buy a lifetime income annuity is because she gets paid mortality credits.

Some of you are saying what the heck are these mortality credits? What I do is I always go to my playbook, and I always carry my playbook. Does everybody carry a playbook on appointments? If you're going on appointments and you don't have a playbook, I would encourage you to have one because I think I go on about as many appointments as anybody in this room and they don't send me on the $25 check-o-matic. They send me when the guy has $25 million, he's got three attorneys, two accountants and they all hate annuities. They say, "Send Hegna. He'll change their minds." What am I going to do, woo them with my charm? No, I carry copies of the *Wall Street Journal* and I carry copies of the *Forbes* that support what I'm talking about.

Did anybody see the July 22 *Wall Street Journal*? What did it say one of the best investments of the past decade has been? The variable annuity. What about *Forbes*, the financial bunker for scary times. What did it say has been one of the best investments over the past 20 years? Whole life insurance. I carry those types of things in my playbook and I carry this piece in my playbook. It's the story about the five 90-year-old ladies who go on vacation every year. This is how I explain mortality credits.

Every year, there are five 90-year-old ladies who go on vacation together. One year, one of the ladies said let's each put $100 in this box and next year when we get it together for vacation again, we'll open the box and those of us alive will split the money. They said, "Helen, that's a great idea." So you have five little old ladies. They each put $100 in the box. They tape up the box. So what do you think happens the next year? They forgot where they put the box. No, no. Unfortunately one of the ladies died that year, so now there are four ladies that split the $500. They each get $125. That's a 25 percent rate of return in 12 months. And, I've got two questions to ask you. How much of that money was invested in the stockmarket? Zero. What interest rate did it earn in that box for 12 months? Zero. How did they get paid 25 percent with no money in the market and no interest? Because they got paid mortality credits. So the lady looks at that, she looks at her brokerage account and this is a pretty good deal. I think we ought to let it ride. So they decided to let it ride.

The next year one more lady died. Now there are three ladies that split the $500. They each get $167. That's a 67 percent return in two years. No money in the stockmarket, no interest rate. Why? Because they got paid mortality credits. The reason you buy a lifetime income annuity is because you get paid mortality credits. I know what some of you are thinking right now. You're saying my clients don't want their money to disappear when they die. Do you have to have their money disappear when they die? No. There's life with cash refund. There's life with 30-year certain. There's life with guaranteed death benefit. There's joint life.

I had this guy, he was loaded with money. He was 80-something years old and I did a seminar in his area and he comes up to me afterwards and says, "What should I do with my money?" I said, "Well, I've got to ask you at least a couple of questions." I asked him the two questions I always ask everybody. What do you want this money to do while you're alive? And what do you want this money to do when you die? He said, "Well, nobody has ever asked me that before. Here's what I reckon. I reckon I'd like a guaranteed paycheck every month for the rest of my life. And, when I die, I want Grandma to get that same paycheck for the rest of her life. And then, when Grandma dies, we want our son to get that same paycheck for the rest of his life. And then, when he dies, we want his wife to get that paycheck for the rest of her life. And then, when she dies, we want our grandson to get that same paycheck for the rest of the grandson's life. That's what I want."

I said is that all? You can do that with one lifetime income annuity. How do you do that? You do a joint life with grandpa and the grandchild and name grandma as a successor owner. And you use a series of successor ownerships to make sure that check goes. But the check will be based as long as grandpa or the grandchild is alive. You can do whatever you want with these products. What do you want? Just show it to them.

Here's the next question. How much of grandma's money should go into a lifetime income annuity? We've got 300 to 400 people in this room. If Grandma asked each one of you, should she get 300 to 400 different answers? No, she shouldn't, but she probably would. But there's only one answer that's mathematically, scientifically and economically correct so shouldn't we all know that answer? And that answer is, "Grandma, you need to have enough guaranteed income, at least enough to cover your basic expenses." That is the mathematical, scientific and economic correct solution for every single retiree regardless of age.

There's been lots of research done. Ibbotson's done research, Morningstar has done research. Ibbotson, Morningstar and CFA, does anyone know what CFA stands for? Chartered Financial Analyst is one of the most rigorous financial courses in America. You have to get it to be a hedge fund manager or a portfolio manager. You know what every one of those areas says? They say that every retiree, regardless of age, should have guaranteed income at least enough to cover their basic expenses. If any advisor, any attorney, any accountant is recommending bonds or systematic withdrawals or anything other than that, they are recommending a sub-optimal solution. This is based on mathematical, scientific and economic fact. Every retiree should at least cover their basic expenses. Out of my whole talk today, if you get one thing, get that. When you sit down with a retiree, make sure they have their basic living expenses covered by guaranteed lifetime income.

What do we do with the rest of grandma's money? We have one word for it. "Grandma, we're going to optimize your portfolio." I just gave you four magic words of phrases for guaranteed lifetime income. Let me quiz you to see if you picked them up.

What is the lifetime income annuity? It's a guaranteed paycheck for life. If they have a paycheck, it's a guaranteed play check for life. Why should they use one? Because they get paid mortality credits. How much should go in there? At least enough to cover their basic expenses. What do we do with the rest of their money? Optimize the portfolio.

I'm here to tell you those words are magic and if you would learn just those four simple phrases and put them into part of your practice, you will see your sales go right through the roof. Now some of you are saying, "Well, how do you optimize a portfolio?" Well, every company does it a little differently. Let me show you how we do it. Our agent would ask a client 14 simple questions. How old are you? How old are your parents? How old do you think you're going to be? Do you have kids? Do you want to leave money to your kids? How important is it to leave money to your kids? They fax that back to New York and the client will then get a two-page portfolio optimization from Ibbotson. Ibbotson, by the way, are the asset allocation experts in this country, owned by Morningstar. So this is Ibbotson and Morningstar's best financial recommendation that first they need to cover their basic living expenses with guaranteed lifetime income. Then, to optimize the income, they should have a certain amount of their money in stocks, a certain amount in international, a certain amount in bonds, a certain in cash and what's this, another lifetime income annuity. Yes, because here's another fact.

You cannot optimize income in retirement without using a lifetime income annuity. It's not my opinion, it's a mathematical, scientific and economic fact. It was proven by a PhD physicist by the name of Menahem Yaari and he proved this. That only a lifetime income annuity can

optimize income over the indefinite period of a human life. Let me put that into English because I can see we still have some nonbelievers out there. So, you're not going to buy an annuity. You're going to do it yourself. You're going to talk to Chuck. For you to do that, you've got to answer one question and, if you've got a piece of paper, I want you to write this down. I need to know the day you're going to die. I need to know the month, the day and the year of your death. Here's a fact, if you don't know when you're going to die, you cannot optimize income in retirement.

Think about it. If you knew you were going to die tomorrow, you could have a heck of a party tonight. But if you knew you were going to live to be 100, you'd have to be very careful how you spent your money. Well, here's a fact. You don't know when you're going to die. Here's another fact. Your clients don't know when they're going to die. But here's another fact, we do. The insurance companies know. We know when you're going to die and we know when your clients are going to die. Now we don't know when each one of you is going to die. We don't know that, but we do know how long this room is going to live almost to the exact day. And because we know how long this room is going to live, we can pay each and every one of you as though we knew exactly when you're going to die. You see, we can optimize your income in retirement. You cannot do it by yourself. It's not my opinion. It's a mathematical, scientific and economic fact.

I talk about economics, but it's not just about economics. It's about psychonomics. If economics was all that ever mattered, why would anybody be concerned with the stockmarket right now? We know that the stockmarket goes up and down and up and down, but over time it's only ever gone up. It's always hit a new high. Always has. So why would anybody be concerned with the stockmarket if it was just based on economics? It's because it's not based just on economics. It's based on psychonomics. The fact that your clients get a statement in the mail saying that their 401(k) last year was worth $700,000, now it's worth $400,000. And in their minds it will be worth $300,000 and then $200,000 and then they'll be out of money. It's about economics and psychonomics.

Let me tell you, lifetime income works for both economics and psychonomics. Write this down: Guarantees matter. Guarantees matter more today than ever, not just economically but psychonomically. And look at the risks we discussed. One of the risks is that your clients could live to be 110. Is that a risk if you have a lifetime income annuity? It's a guaranteed paycheck for life.

One of the risks is that inflation could come back. Is that a risk if you have a lifetime income annuity? It doesn't have to be. You can have your paycheck go up every year by 5 percent a year if you want. There's inflation protection available. What about market risk? How much market risk is in a lifetime income annuity? Zero. How about you investment agents who are watching the standard deviations? How's that working out for you this year? That didn't work out too well, did it? But you know what, if you got rid of some of the bonds in the portfolio, put some lifetime income with zero standard deviation, think of the things you could do with the client's portfolio.

And, then, overspending. The fact that so many people think that they can take 7, 8, 9, 10 percent a year out of their account and by the time they find out, it's going to be too late. You can never run out of money with a lifetime income annuity.

In the road show, I had several ideas that I went over and I just don't have the time to do it. I showed how if somebody is buying a CD for income (that CDs were never made for income), they should look at a lifetime income annuity. I showed RMD maximization where if you've got anybody who's taking an RMD out of any investment I'm here to tell you that's a suboptimal way to take it out. Show them rolling their IRA into a lifetime income annuity. They're going to get far more money guaranteed for the rest of your life.

Some of you say, "My clients don't want more money because then they're going to have to pay more taxes. They're going to get so much more money, they've got more money to pay the taxes and still wind up with almost double what they would have had after taxes doing the regular RMD."

Let me give you one of my favorites: Leaving a legacy, how to never be forgotten. I was on an appointment, a 70-year-old grandfather said, "I've got this beautiful 5-year-old granddaughter. I want to do something special for her. Now, some people say I should buy life insurance, but some people say I shouldn't. Some people say I should put it in a 529 college savings plan, but some people say I shouldn't. Do you have any ideas?" I said, "Yes, I've got some ideas, but before I give you my ideas, I've got to prove a point." I handed him a piece of paper and on this piece of paper there were four lines on the top and eight lines on the bottom. This is compliance approved in every company in America, you can still hand out paper with lines on it, OK. You just put four lines on the top and eight lines on the bottom. I said, "On these top four lines, do me a favor, jot down the first and last name of your four grandparents — grandma and grandpa on your mom's side, grandma and grandpa on your dad's side, first and last name. Everybody can do it." Less than half the people in this room can remember the first and last name of their four grandparents. Isn't that amazing? Then I said, "On these eight lines, do me a favor, jot down the first and last name of your eight great-grandparents. Go ahead it should just take a minute. I'll wait." I've never been on an appointment where somebody could remember the first and last name of their eight great-grandparents.

"You know what's so interesting about that," I said. "John D. Rockefeller's great-great-great-great-great-great-great-grandkids, they all remember his first and last name. How could John D. Rockefeller's great-great-great-great-great-great-great-grandkids remember him and some of you don't even remember grandma or grandpa, why? It's because every year they get a check from John D. Rockefeller." John D. Rockefeller said, "Leave something behind."

So I said, "Grandpa, here's what we're going to do." I'd write down that phrase. That's one of my best power phrases, "Here's what we're going to do." When you're on an appointment, just say, "Here's what we're going to do." If you know they need to buy life insurance and they don't know what, "Here's what we're going to do," and then do it.

I said, "Here's what we're going to do. We're going to set up a joint lifetime income annuity with Grandpa and his 5-year-old granddaughter. We're going to have the paycheck come every

year on her birthday. So grandpa, here's how it works. For the rest of your life, every time your granddaughter has a birthday, you're going to get a check from the insurance company and you can use that to put in a life insurance policy. You can put it in a 529 plan. You could buy her a pony. If she turns out the way you don't like, you can spend it. But, for the rest of your life, every time she has a birthday, you're going to get a check from the insurance company. But," I said, "Grandpa, on the day that you die, that beautiful granddaughter is going to get that birthday present, every birthday for the rest of her life. She's never going to forget you. She's going to remember you on line number one just like John D. Rockefeller." And I said, "On the day that your granddaughter dies, your great-granddaughter is going to get half of all the money you ever put in this account. She'll get it income tax-free. She's going to remember you right there on line number one as well."

Here's how it works. You've got generous grandpa. He's got $100,000 of lazy money. He buys a joint life, with 50 percent death benefit, lifetime income annuity. The joint annuitant is his 5-year-old granddaughter. For the rest of his life he gets $4,700 every year that she has a birthday. When Grandpa dies, she continues to get a birthday present of $4,700 every birthday for the rest of her life. Let me pause right there. If you had a grandma or a grandpa who gave you $4,700 every birthday your entire life, never forgot (your spouse forgot, your kids forgot, Grandpa's been dead 37 years, he never forgot), you think you might have remembered his name? And on the day that the granddaughter dies, the great-granddaughter gets half which is $50,000 income tax-free. If you had a great-grandma or great-grandpa who left you $50,000 income tax-free, you think that might have separated them from the pack a little bit?

You see, it's pretty simple. It's a one-page illustration: generous grandpa, favorite granddaughter, $100,000, joint life, $4,797 a year as long as either one of them is alive. Total payout to granddaughter's 100th birthday is $460,000, a death benefit of $50,000, total payout of $510,000.

But this is a grumpy old guy and he said, "Yes, but what about inflation? The way we're printing money, that won't even fill her tank up with gas when she's my age." I said, "OK, you can have inflation protection, put the 5 percent inflation factor on it, now look at this. The first birthday present goes down to $1,100 but every year that goes up by 5 percent. When she's 20, it's $2,400. When she's 50, it's $10,700. When she's 65, it's $22,000. Now if the granddaughter lives to be 100, which by the way is highly likely, how much will she get paid? $2,563,000 plus the $50,000 death benefit, a total payout on that $100,000 of $2.6 million. Here's my question: Where else can a grandpa take $100,000, be guaranteed that two generations of his family will never forget his name, and out of that $100,000 transfer $2.6 million?

What does the media say about this? Here's what the media says. *U.S. News & World Report*: "Annuities are part of a diversified overall retirement plan." You can always use the other half or three-quarters of your money to invest in a mix of bonds and stocks. *Forbes:* "A better bet, if you're worried about running out of savings, might be to invest some of it in an immediate annuity and invest the rest more boldly." *Kiplinger:* "The perfect portfolio when you're retired: Retirees in their mid- to late-60s should consider replacing some or all of their bond funds with immediate fixed annuities that pay guaranteed monthly checks for the rest of a policyholder's life."

You've got the case for income annuities in the *Wall Street Journal*. This was a Wharton business study that says your clients can retire with as much as 40 percent less than a traditional stock, bond and cash mix. What does that mean? That means, if they go down to Merrill Lynch with $1 million, how much do they have to bring to you to have the same retirement guaranteed? $600,000. You don't think there's anybody out there that wants a $1 million retirement for $600,000 or a $500,000 retirement for $300,000? And why can we do that? Because we pay mortality credits.

And then the *Forbes* article, and this one is in your handout, but this tells everything I just talked about. Risk-free retirement. Look, everything I talked about today, did I say sell anything? No, I said just show it. But here's what I want. I want you to show it every day. I say, "An app a day keeps depression away. A grandpa a day keeps the ledger OK." But you show it every day and I'll see you next year at the Top of the Table. Thank you very much.

Tom Hegna, CLU, ChFC vice president of New York Life, has given more than 2,000 annuity seminars across the United States. Before joining New York Life, he was the national marketing manager for variable life products and as an agent for MetLife, qualifying for MDRT in each of his first three years in the business. In 1992, he placed 430 policies and received six company multiline awards for annuities, mutual funds, and property and casualty. In 1994, Hegna was named agency manager for the Chandler, Arizona, agency and qualified for MetLife's manager's council. In 1996, he joined New York Life and was named director of annuity sales for the West Central Zone.

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