In a previous ONEIdea entitled "De-Risking Retirement with Permanent Life Insurance", we discussed four significant risks that could meaningfully impact the best laid plans for a long and enduring retirement. Specifically, those risks are:

- Mortality Risk;
- Morbidity Risk;
- Market Volatility Risk; and
- Longevity Risk.

In a recent article in Seeking Alpha titled "How to Mitigate Longevity Risk In Your Retirement Planning", the author Hales Steward addresses only ONE of the risks -longevity. Nowhere in his discussion do insurance products come into play. There is not even a mention of immediate or deferred immediate annuities for guaranteed lifetime income. The article only addresses how to use investments with a dividend-based strategy for mitigating longevity risk.

Mr. Steward does have a minor reference to "medical risk" (presumably morbidity risk) for which his solution is "take care of yourself physically". While this is certainly good advice, we have all seen retirees who were very healthy become afflicted with any number of ailments that can cause a chronic or long-term illness.

The lack of discussion around using permanent life insurance as a possible total or partial solution to hedging retirement risks is just NOT a part of the conversation offered by Mr. Steward. AgencyONE would like to offer one possible solution continuing our case study example of John and Sally, ages 55 and 53 respectively, referenced in the previous ONEIdea.

John and Sally's financial planner recommends purchasing a $400,000 universal life insurance policy on each of them which includes several benefits in addition to the life insurance. Because John and Sally's targeted retirement is in 12 years and they want to have discretionary income during that period, (see the illustrated cash flow analysis in the previous ONEIdea), the insurance is designed to be "paid up" in 12 years on a guaranteed basis for the available discretionary income (less than $20,000 per year for both policies).

This unique guaranteed universal life contract offers the following as shown in the diagram below:

1. A death benefit of $400,000 at the death of each insured (mortality risk);
2. Chronic and terminal illness benefits of $96,000 annually for up to 4.2 years (morbidity risk);
3. An accelerated income stream of $40,000 annually from the death benefit starting at age 85 for 10 years (longevity hedge); and
4. Should the clients wish to get their premiums back, there is a 50% premium refund provision in year 20 and a 100% premium refund provision in year 25 (his age 80 and her age 78). This amounts to almost $240,000.
These benefits are all contractually guaranteed and provide a meaningful backstop or hedge against any disastrous events that could otherwise deplete John and Sally's savings and derail their retirement plans.

Let AgencyONE help you mitigate your client's retirement risk by considering permanent life insurance as a part of their financial planning.

Please call AgencyONE's Marketing Department at 301.803.7500 for more information or to discuss a case.