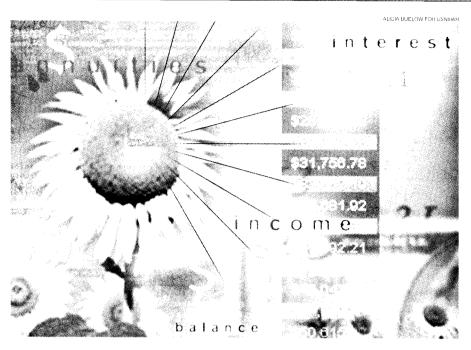


HONEY & BUSINESS INVESTING OUARTERLY



Betting on a long life

For those worried about outliving their money, annuities provide income in exchange for assets

BY LEONARD WIENER

People are living longer, the stock market is erratic, Social Security goes only so far, and guaranteed pensions are an endangered species. Is there any safe way to make sure your money lasts as long as you do in retirement?

A growing number of people in these iffy times are turning to a haven that guarantees income for life with no investment decisions. You turn over a lump sum of cash to an insurance company—or to a mutual fund or other firm work-

ing with an insurer. In return, you immediately get fixed monthly income for life (table). This investment vehicle, known as a single-premium immediate annuity, can also boost income because the payouts include a withdrawal of part of the funds you put in. The principal is wiped out at the end of your life expectancy, but there's a twist. If you live longer,

the insurance company will continue the full monthly payments.

For those who fear outliving their assets, these annuities let one in essence create a pension. "Living out your life without dipping into capital is no longer feasible for many people," cautions David Berman, a financial planner in Timonium, Md. In some cases, such an annuity might double revenue from a fixed-income investment in which principal isn't touched.

Stephen Pollan, an attorney and author of *Die Broke*, recommends annuities as "longevity insurance" for retirees who

choose to live better by drawing down their assets. "The stock market can turn bullish or bearish, interest rates can climb or plummet, but your income will always be there," he says. Sales of immediate annuities jumped 45 percent last year to \$4.2 billion and are on the rise again this year, according to Limra International, which tracks sales. Those who

feel secure about their Social Security and pension benefits, or who have substantial assets, may not see the need. In any case, be wary of jumping in unless you plan to stay. The deals are generally irrevocable. Other issues to consider:

Shop around. An annuity's fixed payout is generally based on your age and long-term bond rates when you buy in. But calculations and fees can vary widely by company. A 70-year-old woman spending \$100,000, for example, might currently get as much as \$769 a month, or as little as \$681, according to an independent survey by *Comparative Annuity Reports* (www.annuitycomparativedata.com). And be sure to check a firm's fi-

nancial rating.

No rush. Unlike life insurance, there's no penalty for delay. An annuity will pay more the longer you wait because your life expectancy is shorter. A man purchasing a \$100,000 annuity at age 60 might get \$7,924 a year; buying at 70 he might get \$9,832. Advisers say most people should not put more than one third to one half of their assets into an annuity-that allows investment flexibility and control over some of your estate. Spreading out purchases makes sense when interest rates are low, as they are now. A \$100,000 annuity that about a year ago might have paid \$832 a month today might guarantee only \$772. "It makes sense to hold back some cash for an economic recovery,' says Janice Chapman, a financial planner with Positive Financial Advisors in Mineola, N.Y.

Bells and whistles. Insurers let you tweak your annuity, but each option can reduce how much income you'll receive. One good add-on provides payments to your spouse after your death. Another option blocks a windfall to the insurer if you die in the next few years-payments in that case will be made to a beneficiary. Other options increase payments to compensate for inflation; variable immediate annuities have payouts that gyrate with the stock market. General Electric's financial learning Web site can give you an idea of how op tions affect a typical annuity's payou (www.financiallearning.com).

Immediate annuities invert the usual wager with an insurer—"you are betting that you will live," says Frank Gencare li, an annuity executive at GE. Author Pollan is eager to play. He bought an annuity last year and is now recovering from open-heart surgery. He pledges: "I'm going to beat the insurance company on this." ●

WHAT YOU'LL GET

Fixed income

Monthly check from a \$100,000 annuity

AGE	MAN	WOMAN
70	\$772	\$725
75	\$847	\$804

Note: Average payments for life or to a beneficiary during the 10 years after purchase. Age is at time of purchase. Source: Comparative Annuity Reports