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# Providing economic stability in uncertain times



May 6, 2020 | Jerry Soverinsky

This is not the first time economic markets have gone down and we cringed at the daily headlines.

About a decade ago, retirement expert Tom Hegna, CLU, ChFC, presented at an MDRT Annual Meeting about how to achieve financial stability during times of economic instability. “I don’t know if you’ve seen the news lately, but there’s a lot of things going on,” he began. “The euro has been plunging against foreign against world currencies and stock markets around the world have been going down day after day after day. And your clients are concerned.”

The conditions at the time were worrisome, though less so with hindsight from today’s vantage point. Today’s COVID-19 pandemic has taken at least a quarter of the U.S. economy offline, the *Wall Street Journal* reports, with countries around the world equally devastated.

There is a lot to learn from the past, however. So what’s the answer for stability in shaky economies, Hegna asked rhetorically. “The bus stop poster reads, ‘You’ve got a lot less money and a lot more questions. Talk to Chuck.’ But Chuck doesn’t have the answer, does he? You know who’s got the answers in times like this? We’ve got the answer in markets like this.”

## What's the answer to economic stability?

That answer, according to Hegna: whole life insurance and variable annuities. "If you think about it, [they were] built for markets like this. Variable annuities with guaranteed death benefits. Guaranteed living benefits. Guaranteed lifetime income. [They're] built for markets just like this."

Retirement portfolios — if available — don't provide the resources most retirees need. "*USA Today* had an article several years ago where they said that 50% of all baby boomers believe they can take out 10% or more each year from their retirement portfolio," he said. The problem? Depending on how long they live, "they'll run out of money."

"Annuities," Hegna said, "were made for markets like this." And the annuity he focused on: the lifetime-income annuity. In anticipation of his audience's skepticism, he continued: "I know what some of you are saying. You're saying, 'Don't waste my time. That's a niche product.' You know what I say about niches? There are riches in niches."

## Why you need a playcheck

Hegna compared the value proposition of a lifetime income annuity with a pension, the latter which offers a fixed paycheck. "You don't need a paycheck for life. You need a playcheck." Once people retire, Hegna said, every day is Saturday, which means that they will need more money, not less.

The lifetime income annuity has a higher payout rate based on your age, too, something that a stock dividend cannot offer. "The reason is that it pays mortality credits.

CDs pay no mortality credits. Savings accounts pay no mortality credits. Tax-free bonds and stocks do not pay mortality credits," he said.

To illustrate his point, Hegna told the story of five 90-year-old women who go on vacation every year. They each put $100 into a box and promise to split the money next year when they return on vacation. "The next year, one of the ladies had died. And now there are four ladies who split $500, getting $125 each. That's a 25% rate of return in one year," he said. Without investing in the stock market or depending on established interest rates. "They got paid mortality credits," he said.

Every retiree needs to have guaranteed income to cover — at least — their basic expenses. And the lifetime income annuity is a guaranteed pay — and play — check for life.

"So now the question is up to you," Hegna concluded. "I don't believe in accidents, nor is it a coincidence that I'm standing in front of you today to deliver this message in these markets. But what are you going to do with it?" He paused for effect.

"It's our time. It's our turn."

*Watch Tom Hegna's 2010 Annual Meeting presentation "Paychecks and playchecks."*

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