



## Retirement Confidence is Eroding in America – What Can You Do About It?

**You're approaching retirement, or already in retirement, and are feeling the impact of inflation. Everything is more expensive. Market volatility, interest rate hikes, and economic uncertainty have also caused your investment portfolio to drop, or in some cases plummet. Even bank accounts aren't providing enough earnings. Moreover, people are living longer in retirement due to advances in medicine and healthcare. You're certainly not feeling confident, or at least feeling less confident, in your outlook for or during retirement.**

On April 27, 2023, the Employee Benefit Research Group, along with Greenwald Research, released their 33rd annual Retirement Confidence Survey.<sup>i</sup> They found that the confidence level in both workers and retirees, in having the ability to finance their retirements, dropped significantly in 2023. Concerns about inflation and market volatility, and their impact on savings and spending, were top of mind. So, as you can tell, you're not alone.

### **But what can you do about it?**

One thing that you can do to bolster your retirement confidence is through the ownership of annuities.

According to LIMRA, an insurance research and education trade association, purchases of annuities increased 22% in 2022 over 2021. Purchases also increased 17% over 2008, which was then a record year for annuities as a result of the stock market crash that year.<sup>ii</sup> LIMRA anticipates that 2023 will see continued strength in the purchase of annuities due to economic conditions and a volatile market. Annuities can be beneficial in saving funds for retirement.

In 2021, Ernst & Young, the internationally renowned company, and one of the "big four" accounting and consulting firms, released a study proclaiming that

permanent life insurance, such as whole life insurance, along with deferred income annuities, with increasing income potential, through features such as non-guaranteed dividends, outperform investment-only approaches to retirement savings. The study concluded that this particular retirement savings strategy outperforms all of the other retirement investment strategies studied, stating it “can give comfort and peace of mind to retirement investors by providing legacy protection, tax-deferred savings growth, and guaranteed income for life without sacrificing their present lifestyle.”<sup>iii</sup>

So, what’s an annuity? Annuities are investment products offered by life insurance companies. While there are many different types of annuities with different features, they can generally be grouped into two broad categories: immediate annuities and deferred annuities. In general, in return for a lump sum or continuing series of premiums, the life insurance company will guarantee a stream of income for a set number of years, or for your lifetime, depending upon the product features you choose. Annuities also enjoy some unique tax features including the fact that any undistributed growth accumulated in an annuity is earned income tax-deferred.

Immediate annuities, also called income annuities, will generally start distributing income within the first year of purchasing the annuity. With deferred annuities, the premium will be invested and potentially grow so that when the time comes to start the income stream, the account balance will, hopefully, be greater than what was contributed. Income distribution will start based upon choices made by the annuity owner and contract features. Depending upon the type of deferred annuity, earnings can be affected by interest rates, stock market volatility, or the movement of stock market indices.

Deferred annuities may also have other features through riders attached to the contract, including the ability to withdraw principal regularly, guarantees of a minimum amount of income, guarantees of a minimum amount of accumulation regardless of market conditions, cost of living adjustments to income, and more.

With annuities, it’s all about the guarantees provided by the life insurance company. Equally as important, it’s about peace of mind, knowing that you’ll have a stream of income lasting for as long as you live helping to prevent you from outliving your retirement savings, regardless of the ups-and-downs of the stock market.

### For More Information Contact:



**Security Mutual Life Insurance Company of New York (“SML”) is a leading provider of life insurance, annuity products, and retirement planning solutions. So, contact your SML life insurance advisor today and start planning for your retirement needs and build the confidence that you need and deserve.**

<sup>i</sup> Employee Benefit Research Institute (EBRI) & Greenwald Research. “2023 RETIREMENT CONFIDENCE SURVEY.” Ebri.org. <https://www.ebri.org/docs/default-source/rcs/2023-rcs/2023-rcs-short-report.pdf> (accessed May 30, 2023)

<sup>ii</sup> LIMRA. “LIMRA: 2022 U.S. Retail Annuity Sales Shatter Annual Sales Records Set in 2008.” Limra.com. <https://www.limra.com/en/newsroom/news-releases/2023/limra-2022-u.s.-retail-annuity-sales-shatter-annual-sales-records-set-in-2008/> (accessed May 30, 2023)

<sup>iii</sup> Singer, Justin. “How life insurers can provide differentiated retirement benefits.” Ey.com. [https://www.ey.com/en\\_us/insurance/how-life-insurers-can-provide-differentiated-retirement-benefits](https://www.ey.com/en_us/insurance/how-life-insurers-can-provide-differentiated-retirement-benefits) (accessed May 30, 2023)

The information presented is designed to provide general information regarding the subject matter covered. It is not intended to serve as legal, tax or other financial advice related to individual situations, because each person’s legal, tax and financial situation is different. Specific advice needs to be tailored to your particular situation. Therefore, please consult with your own attorney, tax professional and/or other advisors regarding your specific situation.

The applicability of any strategy discussed is dependent upon the particular facts and circumstances. Results may vary, and products and services discussed may not be appropriate for all situations. Each person’s needs, objectives and financial circumstances are different, and must be reviewed and analyzed independently. We encourage individuals to seek personalized advice from a qualified Security Mutual life insurance advisor regarding their personal needs, objectives, and financial circumstances. Insurance products are issued by Security Mutual Life Insurance Company of New York, Binghamton, New York. Product availability and features may vary by state.

Note: Annuities are meant to be long-term investments. Guarantees are subject to the claims-paying ability of the insurance company. Withdrawals are subject to ordinary income tax and if made prior to age 59 1/2, may be subject to a 10% IRS tax penalty. Tax deferral may not be available if the annuity is owned by a non-natural person. There is no additional tax-deferred benefit for annuity contracts purchased in an Individual Retirement Account (IRA) or other tax-qualified plan because these are already afforded tax-deferred status. An annuity should be purchased in an IRA or qualified plan only if the purchaser values the annuity’s other features such as a lifetime income payment. The renewal interest rate, after the initial guaranteed interest period, will be determined annually thereafter and will be guaranteed for one year at a time.



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