

SPIA Sales Solutions

A SPIA Offers a Bridge to Retirement for Early Retirees

Ultra-Income[®] SPIA helps clients who want to “slow down” now and also buy time for other retirement funds to grow.

When a client is interested in early retirement, or perhaps cutting back to part-time work, it's important to discuss the advantages of using a SPIA as an income supplement until full retirement age.

In general, this would benefit clients in their mid to late fifties who have some, if not most, of their big expenses behind them (mortgage, raising a family, college expenses, etc.). Take a look at their non-qualified savings in order to fund the SPIA.

Besides providing the guaranteed income supplement the client needs, this strategy allows other retirement assets to continue growing until the client reaches full retirement.



Benefits include:

- Maximizing Social Security benefits until the optimal claiming age
- Maximizing private pensions until full retirement age
- Avoiding the 10% penalty tax for distributions of tax-deferred money before age 59½
- Allowing other retirement assets and cash value life insurance to continue to grow tax-deferred



Underwritten by
United of Omaha Life Insurance Company
A Mutual of Omaha Company



Early Retirement Case Study – Frank Reynolds, age 57

- Employed 32 years, same company
- Can draw Social Security of \$1,300 per month at full retirement (age 67)
- Eligible for a full company pension of \$1,500 per month at age 65
- Current savings includes \$100,000 in a 401(k) plan and \$150,000 of non-qualified savings

Frank's employer has offered an early retirement buyout and Frank would like to take it. He is willing to work part-time, but knows he also would need to tap into his savings to supplement his income until full retirement.

“Bridge to Retirement” Solution

Frank could use \$100,000 of his non-qualified savings to buy an Ultra-Income SPIA with a 10-year period certain payout. This would provide \$984.44 of supplemental monthly income until full retirement. With an exclusion ratio of 84.7%, only \$1,800 of the \$11,800 annual income would be considered taxable income.

Additional Benefits

- Frank has peace of mind knowing he has a guaranteed income for 10 years
- He can maximize his pension and Social Security benefits by waiting until full retirement age
- Frank's 401(k) assets will continue to grow tax-deferred. Therefore, he can wait until he is past age 59½ to begin receiving distributions and avoid the 10% penalty tax for premature distributions
- By waiting until full retirement age to receive Social Security benefits, he can continue to work and earn as much as he wants to without worrying about a repayment of his Social Security benefits.

SPIAs can offer key benefits for early and full retirement plans. Talk with your clients to see if this solution may be right for them.

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Withdrawals before age 59½ are subject to a 10% federal income tax penalty. Consult with a professional tax advisor before taking any action that may have tax and legal consequences.