



ACE IN THE DECK

**PLANNING AGAINST LONGEVITY
RISK WITH ANNUITIES**



SouthParkCapital

PARTNERS IN PROSPERITY

What is Longevity Risk And Why Should I Worry?

It's difficult to find the downside of living longer, until you consider the risk of outliving your savings. Thanks to advancements in healthcare, science, and lifestyle, Americans are living longer than ever. But with that longevity comes a greater need to plan carefully for retirement income.

As of 2025, the average American retiree lives 18 to 21 years after leaving the workforce.¹ During that time, households headed by someone 65 or older spend an average of \$52,141 annually on essential living expenses.² Over two decades, that adds up to more than \$1 million in total retirement spending, and that's before factoring in unexpected medical costs.

Unfortunately, many Americans fall short of that target. According to recent studies, the average retirement savings for individuals between the ages of 56 and 61 is around \$537,000³—a long way from what they are projected to need. With such a significant gap, longevity risk becomes a multiplier of other financial challenges retirees already face:

◆ **Uncertainty of government benefits:**

Social Security faces long-term funding issues, especially as more baby boomers enter retirement and fewer workers pay into the system.

◆ **Rising healthcare costs:** Healthcare expenses have more than tripled over the past 20 years and are projected to continue climbing. Fidelity estimates that a 65-year-old retiring in 2025 may need around \$157,500 for healthcare expenses alone during retirement.

◆ **Market Volatility:** While stock market fluctuations are nothing new, they have become more consequential as you near retirement and have less time to recover from downturns.

The Ace: Guaranteed Lifetime Income

Annuities are one of the few options that can offer guaranteed income for life. When included as part of a broader retirement strategy, they can help cover essential expense and provide a predictable stream of income, no matter how long retirement lasts. This can also reduce the pressure to withdraw from investment accounts during market downturns.



Play the Ace: Supplementing Retirement with an Annuity

Cover essential living expenses such as food, housing, and healthcare.

- ◆ **Estimate your “income floor:”** calculate the cost of your basic expenses.
- ◆ **Itemize and total the monthly cost of each expense:** these are the costs you'll need to cover over the course of your life.
- ◆ **Add up your income:** include sources such as Social Security or pension plans.
- ◆ **Now, do the math to determine if you have an “income gap.”**

If Social Security and pensions don't cover all essential expenses, investing a portion of your assets into an annuity can generate income that lasts as long as you do.

Protect Your Portfolio Against a Market Downturn

Preparation and diversification are key to protecting your investments from market volatility. While stocks, bonds, and real estate may help portfolios grow, they do not necessarily mitigate these risks. Annuities provide an avenue to diversify your portfolio while providing a reliable income stream that doesn't depend on the stock markets.



Allow Flexibility to Fund Unexpected Events

It only takes one unexpected expense to derail your financial plan. Longer life spans also mean more illnesses and degenerative diseases. When life takes unexpected turns you will have greater flexibility with an income stream from your annuity

Protect Your Legacy

In the event that you pass away prematurely, your assets won't be lost. They can be passed to beneficiaries while avoiding the costly probate process.⁵

Finding the Right Annuity for You

There are many options when it comes to choosing an annuity, but there are three basic categories which are determined by whether the payouts will be a fixed sum, tied to market performance, or a combination of the two:

1. **Variable annuities** are tied to market performance, providing the opportunity to participate in greater returns with greater risk for the owner.
2. **Fixed annuities** are not tied to market performance, and instead offer a secure, but fixed, return—regardless of market conditions.
3. **Fixed indexed annuities** provide a combination that allow the owner to earn interest based on a market index but protects the principal investment from any loss.

Once you have determined which annuity is right based on your goals and risk tolerance, you can select how to schedule your payouts.

- ◆ **Deferred annuities** can begin with a lump sum payment or periodic payments that accumulate tax-deferred over time until you elect a payout schedule (known as annuitization).
- ◆ **Immediate annuities** begin with a lump sum upfront and are annuitized within the first year, skipping the accumulation phase. These payments continue for the remainder of your life or a specified period.

The growth in life expectancy over the past couple of decades means that living through your 80s and 90s is increasingly common, tasking retirees to plan for more years down the road. If you want to see how an annuity can help you plan for decades to come, a financial professional can help you understand where to start—a step in your retirement planning journey that will pay in spades!





The information within this article is for educational purposes only and does not constitute legal, tax or investment advice. Customers should consult their tax or legal professional regarding their own unique situation. Annuity products and their related features, benefits, and/or guarantees are backed by the claims-paying ability of the issuing insurance company. The opinions expressed herein do not necessarily represent those of Financial Independence Group, LLC, or any of its affiliates. Financial Independence Group, LLC is not affiliated with the Social Security Administration or any other government entity. Variable annuities are considered securities products and can only be sold by financial professionals who have both the proper securities registrations and insurance licenses.

References

- [1] <https://www.usa.gov/retirement>
- [2] U.S. Bureau of Labor Statistics
- [3] <https://www.federalreserve.gov/econres/scfindex.htm>
- [4] <https://www.optum.com/business/health-insights/improving-healthcare/reduce-cost.html>
- [5] <https://www.annuityfyi.com/lifetime-income-benefits/annuities-emerge/>

Disclosures

The content within this document is for informational and educational purposes only and does not represent legal, tax or investment advice. Customers should consult with a qualified legal or tax professional regarding their own situation. This document is not an offer to purchase, sell, replace, or exchange any product. Insurance company products and any related features, benefits and/or guarantees are backed by the claims paying ability of the issuing insurance company. Insurance policy applications are vetted through an underwriting process set forth by the issuing insurance company. Some applications may not be accepted based upon adverse underwriting results. Some types of permanent insurance may require consistent premium payments, or the policy may risk lapsing. Unpaid policy loans decrease future death benefits paid to beneficiaries. Excessive policy loans may cause the need for future premium payments. If an insurance policy lapses due to excessive policy loans or if a customer surrenders their policy, one may be subject to tax payments for any policy loans that exceed the premiums paid. Excessive premium payments may cause the policy to become a modified endowment contract. Policies classified as modified endowment contracts may be subject to certain taxes when a loan or withdrawal is made.

Securities offered through Arkadios Capital, member FINRA/SIPC. Advisory services offered through Arkadios Wealth. Southpark Capital and Arkadios are not affiliated through any ownership.

Contact Us

southparkcapital.com

(704) 325-9406

6101 Carnegie Blvd

Suite 350

Charlotte, NC 28209

