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"Annuities: The gift that keeps giving" Columnist breaks down web

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LOWER PROVIDENCE — Annuities are the safe retirement investment that keeps on giving returns to its owners. The life insurance product that guarantees a fixed percentage payout over a number of years has always been a staple of savvy investment counselors. The "downside" for the product comes from numerous insurance surrender fees and the inflexible rules for converting policies to cash, according to industry experts. Annuity owners with patience appreciate their steady interest income growth.

A retired Lower Providence truck driver, who requested anonymity, has used annuities as a savings vehicle since 1963. "We have three annuities. We started annuities when I started work in 1963," he said. "We originally started out with annuities for the kids' college education at \$100 a month."

He and his wife rolled over the annuity funds into retirement IRA's in 1990 when the retirement nest egg was close to \$50,000. "A financial advisor in 1963 recommended annuities," he said. "The annuities represent all of our retirement savings except for pension and Social Security."

A local investment advisor likes annuities for their wide range of choices in initial payments, final payouts and interest appreciation. "Annuities, like any other investment, serve a purpose," said Al Benelli, owner of The Merlin Group in Lower Providence, "but they're not for everybody." "I use annuities a lot in long-term financial planning," he said. "They are a long-term retirement tool."

Annuities can become a building block for an overall portfolio including both stable and aggressive retirement investments.

Benelli said the annuity industry would be getting federal oversight in the near future with the recent passage of House Bill 7128. The bill is now being considered by the U.S. Senate. The sale of most annuities are currently not regulated but variable annuities are regulated by the NASD National Association of Security Dealers and the SEC, Benelli said.

About 90 percent of the high-income customers of a Lower Merion financial planner use annuities to balance their portfolios, according to Peter Wechsler, president of Franklin Retirement Solutions in Willow Grove. "I help them secure a portion of their

money so they know they can't lose it to market risks," Wechsler said. "Between 30 to 50 percent of my clients' retirement funds are in annuities."

Wechsler said that none of his clients had been forced to sell their annuities before their maturity dates. He "staggers and ladders" the maturity dates so they come due at different times. "I'm pretty careful about putting too much into that savings vehicle," he said. "You always want to have diversification."

Wechsler said he and his wife had "quite a bit of money" invested in fixed annuities. Typically, divorces, health crises and job losses are the chief reasons given for prematurely tapping retirement annuities, Wechsler said.

A Lower Merion financial services company purchased more than \$250 million in annuities from financially strapped annuity owners last years in the so-called "secondary market," said Michael Vaughan, managing director of J.G. Wentworth's annuity purchase program. "Not enough people know there is a secondary market. We're on an aggressive educational program," Vaughan said. The company uses seminars like a recent one held in Lower Merion in early May, "Webinars," and educational brochures to spread the word about cashing in annuities early, Vaughan said. J.G. Wentworth employs 160 workers in Lower Merion. The company was founded in 1992 in northern New Jersey by Gary Veloric, a managing partner, Michael Goodman, the CEO and an unnamed investor. It moved to Philadelphia in the late 1990s.

"Everything about an annuity is connected to a heartbeat," Benelli said. "Every rule is based on life expectancy."

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