

Strategies For Optimizing Annuity Income Benefits

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The Issue

Countless surveys and studies have established that running out of money in retirement is a major concern of many Americans because people are living longer, and there is growing recognition that annuities are a critical part of a retirement income plan because of their lifetime income characteristic, which can serve as an insurance against longevity. Yet there are few guidelines on how annuities should be utilized in order to achieve the goal of maximizing the income potential of a retiree's retirement savings.

This paper seeks to demonstrate that the best strategy to optimize the income benefits of annuities is to utilize deferred annuities which offer the highest income for the lowest cost, particularly if the annuities are purchased some years prior to retirement as the longer the deferral, the higher the benefit. Given the guaranteed lifetime income characteristic of annuities, this paper will also show that the best strategy to ensure against running out of money in retirement is to allocate a significant portion of retirement savings to annuities.

Accordingly, the first part of this paper concerns the amount of annuity income that can be expected through a representative sample of deferred annuities. Once the income amount is determined, the second part of the paper will deal with the question how much of a retiree's savings should be allocated to annuities to ensure lifetime income and to avert the danger of running out of money through a case study of a typical retiree. The third part of the paper will offer a list of strategies that optimize the income benefit of annuities.

Part I Income Benefits of Deferred Annuities

Sample Annuities

While there are many types of annuities on the market, this paper will focus on two types of deferred annuities that are designed for guaranteed lifetime income: deferred income annuity (DIA), and fixed indexed annuity (FIA).

Deferred income annuities are simple products that entail the purchase of an income annuity for a lifetime payout some years down the road in retirement. The income benefits are ascertainable at the time of purchase and a representative sample of the potential income can be obtained from such websites as immediateannuities.com.

Fixed indexed annuities are used in this study because, despite the name, they are fixed deferred income annuities when the fixed interest credit option of the annuity policy is used to determine the income benefit. The indexed growth option is the alternative way of the FIAs to determine income benefits. It is not used in this study as the indexed growth rate is dependent on market performance which is variable and unreliable for income planning purposes. The same reason

applies to not including annuities such as variable annuities as the income benefits from these annuities are not fixed or predictable for retirement income planning

Data for the Sample Annuities

Three fixed indexed annuities and one deferred income annuity constitute the data base for this study.

While the income benefit data for DIAs can be obtained from public websites, the data for the FIAs for this study are based on the actual policy illustrations for the three FIAs: FIA A, FIA B and FIA C. The carriers of these FIAs are not identified as their data are intended for illustration purposes, and are not for recommendations. Nevertheless, these FIAs are included in this study because they offer some of the highest income benefits in the industry.

The data for assessing the income benefits of the four sample annuities are based on the following parameters and the results are laid out in Table 1.

1. The retiree/annuitant is a single female retiring at age 65.
2. The premium for all deferred annuities is \$100,000 single pay.
3. The income benefit data for the deferred annuity (DIA) are based on the website www.immediateannuities.com, and the value in the option 'life with cash refund' is selected to match the death benefit and the return of premium options of the fixed indexed annuities.
4. As noted above, a representative sample of three FIAs is included in this study and their income benefit data are derived from the actual policy illustrations for these FIAs.
5. All annuity income payouts are scheduled to begin at age 60, 65 and 70, which are the most common beginning dates for retirement, while avoiding the 10% income tax penalty for retirement benefit withdrawal prior to age 59½.
6. Three deferral durations (10-year, 15-year, and 20-year) are selected for the study, as the annuity income payout is highly determined by the length of the deferral, i.e., the longer the deferral, the higher the income benefit.
7. Based on the three scheduled payout dates and the three deferral durations, 8 benefit scenarios are identified in this study as follows:

Scenarios 1 to 3 involve a 10-year deferral duration with the annuities issued at age 50, 55 and 60 and the payout date at age 60, 65, and 70.

Scenarios 4 to 6 involve a 15-year deferral duration with the annuities issued at age 45, 50, and 55, and the payout date at age 60, 65 and 70.

Scenarios 7 to 8 involve a 20-year deferral duration with the annuities issued at age 45 and 50, and the payout date at 65 and 70.

8. The data as laid out in Table 1 show the annual income benefit for each annuity; the total benefits at age 100; the date by age when the annuitant can recover the premium paid for the annuity that is indicated as return of premium (ROP); and the cost for a SPIA (single premium immediate annuity) for the identical income benefit offered by each deferred annuity. Income benefit is projected to age 100 because longevity is at issue. The cost data for SPIA are included for assessing the respective costs of deferred annuities and immediate annuities. Similar to the DIA, the data for the SPIA were obtained from www.immediateannuities.com.

Table 1
Annuity Income Benefits By Policy Type and Deferral Duration

Policy Type	DIA	FIA A	FIA B	FIA C
10-Year Deferral				
Scenario 1 Age 50-60				
Annual Benefit at 60	\$7,980	\$8,711	\$8,500	\$9,006
Total Benefits to 100	319200	348440	340000	360247
Return of Premium Age	73	71	72	71
SPIA Premium	148209	161804	157792	167375
Scenario 2 Age 55-65				
Annual Benefit at 65	8784	11247	9500	10060
Total Benefits to 100	307440	393645	332500	352104
ROP Age	76	74	76	75
SPIA Premium	150477	192619	162811	172267
Scenario 3 Age 60-70				
Annual Benefit at 70	9756	12350	10500	11018
Total Benefits to 100	292680	370500	315000	330546
ROP Age	80	78	80	79
SPIA Premium	152579	193117	164215	172285
15-Year Deferral				
Scenario 4 Age 45-60				
Annual Benefit at 60	9816	9618	10625	No Data
Total Benefits to 100	392640	384720	425000	
ROP Age	70	70	69	
SPIA Premium	187155	183494	202484	
Scenario 5 Age 50-65				
Annual Benefit at 65	10704	12418	11875	11662
Total Benefits to 100	374640	434630	415625	408170
ROP Age	74	73	73	74
SPIA Premium	183368	212765	203514	199814
Scenario 6 Age 55-70				
Annual Benefit at 70	12036	13635	13125	12773
Total Benefits to 100	361080	409050	393750	383193
ROP Age	78	77	78	78
SPIA Premium	188238	213198	205316	199686
20-Year Deferral				
Scenario 7 Age 45-65				
Annual Benefit at 65	13236	13710	14250	No Data
Total Benefits to 100	463260	479850	498750	
ROP Age	73	72	72	
SPIA Premium	231388	239779	249219	
Scenario 8 Age 50-70				
Annual Benefit at 70	14916	15054	15750	12773
Total Benefits to 100	447480	451620	472500	383193
ROP Age	77	77	76	78
SPIA Premium	233280	235532	246417	199686

Findings for Part I

- As expected, there is a high correlation between deferral duration and income benefits. For the same investment amount of \$100,000, a 10-year deferral leads to the lowest benefit of \$7,980 (Scenario 1), while the highest benefit may require a 20 year deferral which would yield a benefit of \$15,750 (Scenario 8).
- For the same deferral duration, there are benefit variations among the various annuities in the study. FIA A offers the highest benefits for the 10-15 year deferral; FIA B offers the best benefit for a 20-year deferral; while the DIA offers the lowest payout in 7 out of the 8 benefit scenarios. The reason for this is that each annuity has a different benefit structure that determines the benefit payout. FIA A has the best benefit growth for the first 10 - 15 years which is based on a 7.5% compound interest for 10 years and 2% for the next 10 years. However, FIA B has a 20-year benefit growth schedule of 10% simple interest per year. It is therefore important for consumers to know which annuity can offer the best benefit for the expected deferral duration or investment horizon.
- There is also a high correlation between the commencement of benefit and the time for the recovery of the premium outlay, which is the earlier the benefit claim, the earlier that the premium can be recovered. When the income benefits begin at age 60, all premium outlays are recovered from age 69 to 73. When the benefits begin at age 70, the premium for the annuities is not returned until age 76 to 80. The recovery of premium means that after the annuitant has recaptured the premium payment through benefit payouts, the remaining income benefits can be considered a free ride on other people's money for as long as she lives.
- This finding suggests that for those who resist employing annuity for retirement income because of the fear of early death, they should consider buying and using an annuity early, in addition to using joint and survivor policies to protect the surviving spouse.
- This finding also suggests that, while many people may not need an income from an annuity at age 60 or 65 because they may still be working, the better practice is to begin the income benefit any way, as the annuitant has the option of saving the extra income for retirement purposes, thereby enhancing the chances for a successful retirement.
- The availability of income annuity is highly limited before age 45, as demonstrated in Scenarios 4 and 7 where there are no data for FIA C because the minimum policy issue age for FIA C is 50.
- Among the four deferred income annuities, FIAs consistently offer higher income benefits than DIAs in all benefit scenarios. This outcome directly contradicts the common belief that DIAs are simpler and cheaper products than FIAs, as the purported lower cost does not lead to better benefits.

- Similarly, despite the common belief that immediate annuities (SPIA) are simpler and cheaper, the data indicate that SPIAs actually cost more than both DIAs and FIAs. While the income benefits for all the deferred annuities in this study are based on a premium of \$100,000, it would cost at least \$48,209 more for the same benefit for the lowest benefit return in this study (Scenario 1).
- The higher the income benefit that a deferred annuity would offer, the higher the cost would be for a SPIA to match the identical benefits. For example, in Scenario 5 where an annual income of \$12,418 can be achieved with a 15-year deferral for FIA A, which represents a payout of more than 12%, it would take an investment of \$212,765 for a SPIA for the same income, which is a payout of 6%. So the cost for the SPIA can be twice as much as a FIA for the same benefit.
- Comparing the cost for deferred and immediate annuities clearly shows the cost of waiting for planning retirement income. By planning ahead, deferred annuities can provide twice as much income for the same investment outlay as immediate annuities.

Part II Annuity Allocation in a Retirement Income Plan — A Case Study

Having established how much income can be derived from various deferred income annuities in Part I, the next question is to determine how much of the retirement savings should be allocated to annuities in order to maintain sufficient lifetime income throughout retirement without depleting all savings prematurely.

A common advisory among financial advisors is that no more than 25% to 30% of retirement savings should be allocated to annuities in order to preserve the remainder of the savings for growth through equity investment.

Accordingly, this case study will assess how well this advisory would work as one of four allocation scenarios for a retirement income plan as follows:

- Allocation Scenario 1 (AS1) entails a retirement income plan that does not have any annuity;
- Allocation Scenario 2 (AS2) follows the common advisory of allocating 30% of the retirement savings to annuities and 70% to equity investment;
- Allocation Scenario 3 (AS3) entails a 50/50 split of the savings; and Allocation Scenario 4 (AS4) denotes a 60/40 split of the savings with 60% being allotted to annuities.

In addition to the four allocation scenarios, this case study is based on the following assumptions as laid out in Table 2.

1. The annuitant is a single female retiring at 65 with \$1 million in retirement savings.

2. The annual budget, including taxes, is \$80,000 at the beginning of retirement, which budget is increased by 3.5% per year for inflation adjustment. This rate is higher than the historic average rate of 3.13% from 1913 to 2018. www.officialdata.org \$80,000 is selected because the retiree's high social security benefit indicates high earnings in her working years.
3. The retiree has social security income of \$32,032, which is reduced from the current maximum social security benefit of \$34,332 at full retirement age of 66. The social security income is her only guaranteed retirement income, and is assumed to increase by 2% per year as cost of living adjustment (COLA). This 2% COLA is lower than the historic average of 2.8%, but is higher than the average of 1.4% for the last 10 years. www.ssa.gov/cola/
4. The annuity income is based on the findings in Part I. The data in Table 1 indicate that for each \$100,000 premium for a deferred annuity that is deferred for 10 to 15 years, it can yield an annual income of around \$12,000. Accordingly, for a 30% investment in Allocation Scenario 2, it means a \$300,000 investment in annuities that yields a \$36,000 annual income. For a 50% investment in Allocation Scenario 3, the annuity income is \$60,000, and \$72,000 annual income for a 60% investment in annuities in Allocation Scenario 4.
5. The savings account outside of annuity is to be invested in the equity market at an average nominal return of 5%. 5% is selected because it is within the forecast of future return (around 4-6%) by industry leaders. Christine Benz, *Experts Forecast Long-Term Stock and Bond Returns - 2019 Edition*, January 10, 2019. www.morningstar.com.
6. The social security and annuity payments will constitute the total guaranteed income. The income surplus and shortfall for each retirement year is the difference between the annual budget and the guaranteed income.
7. Income surpluses are denoted in blue in Tables 2, and shortfalls are denoted in red.
8. The savings account balance for each retirement year is the investment balance from the previous year less the income shortfall for the current year, as all shortfalls are covered by the savings account outside of annuity.
9. All data are projected to age 100 and all calculations are based on Excel.

**Table 2
Annuity Allocation and Retirement Income**

Age	Allocation Scenario 1 (AS1) No Annuity			Allocation Scenario 2 (AS2) \$300,000 Annuity Allocation			Allocation Scenario 3 (AS3) \$500,000 Annuity Allocation			Allocation Scenario 4 (AS4) \$600,000 Annuity Allocation			
	Budget 3.50% Inflation	Social Security 2% COLA	\$1,000,000 Savings Balance 5% Growth	Annuity Income	Budget Shortfall	\$700,000 Savings Balance 5% Growth	Annuity Income	Budget Surplus/ Shortfall	\$500,000 Savings Balance 5% Growth	Annuity Income	Budget Surplus/ Shortfall	\$400,000 Savings Balance 5% Growth	
65	80000	32032	47968	1002032	36000	11968	723032	60000	12032	525000	72000	24032	420000
66	82800	32673	50127	1002006	36000	14127	745056	60000	9873	551250	72000	21873	441000
67	85698	33326	52372	999735	36000	16372	765937	60000	7628	578813	72000	19628	463050
68	88697	33993	54705	995017	36000	18705	785529	60000	5295	607753	72000	17295	486203
69	91802	34672	57129	987638	36000	21129	803676	60000	2871	638141	72000	14871	510513
70	95015	35366	59649	977371	36000	23649	820211	60000	351	670048	72000	12351	536038
71	98340	36073	62267	963972	36000	26267	834954	60000	2267	701283	72000	9733	562840
72	101782	36795	64988	947183	36000	28988	847715	60000	4988	731360	72000	7012	590982
73	105345	37531	67814	926728	36000	31814	858286	60000	7814	760113	72000	4186	620531
74	109032	38281	70751	902314	36000	34751	866450	60000	10751	787368	72000	1249	651558
75	112848	39047	73801	873629	36000	37801	871971	60000	13801	812936	72000	1801	682335
76	116798	39828	76970	840340	36000	40970	874600	60000	16970	836613	72000	4970	711482
77	120885	40624	80261	802096	36000	44261	874069	60000	20261	858182	72000	8261	738795
78	125116	41437	83680	758521	36000	47680	870093	60000	23680	877412	72000	11680	764055
79	129496	42266	87230	709217	36000	51230	862367	60000	27230	894052	72000	15230	787027
80	134028	43111	90917	653761	36000	54917	850569	60000	30917	907838	72000	18917	807462
81	138719	43973	94746	591703	36000	58746	834351	60000	34746	918484	72000	22746	825089
82	143574	44853	98722	522567	36000	62722	813347	60000	38722	925687	72000	26722	839622
83	148599	45750	102850	445846	36000	66850	787165	60000	42850	929121	72000	30850	850753
84	153800	46665	107136	361003	36000	71136	755388	60000	47136	928442	72000	35136	858155
85	159183	47598	111585	267468	36000	75585	717572	60000	51585	923279	72000	39585	861478
86	164755	48550	116205	164636	36000	80205	673246	60000	56205	913238	72000	44205	860347
87	170521	49521	121000	51868	36000	85000	621908	60000	61000	897900	72000	49000	854364
88	176489	50511	125978	-71517	36000	89978	563025	60000	65978	876817	72000	53978	843105
89	182666	51521	131145	-202661	36000	95145	496032	60000	71145	849513	72000	59145	826115
90	189060	52552	136508	-339169	36000	100508	420326	60000	76508	815481	72000	64508	802913
91	195677	53603	142074	-481243	36000	106074	335268	60000	82074	774181	72000	70074	772985
92	202525	54675	147850	-629093	36000	111850	240181	60000	87850	725040	72000	75850	735784
93	209614	55768	153845	-782938	36000	117845	134345	60000	93845	667447	72000	81845	690728
94	216950	56884	160066	-943005	36000	124066	16996	60000	100066	600752	72000	88066	637198
95	224543	58022	166522	-1109527	36000	130522	-112676	60000	106522	524268	72000	94522	574536
96	232403	59182	173221	-1282747	36000	137221	-249897	60000	113221	437261	72000	101221	502042
97	240537	60366	180171	-1462918	36000	144171	-394068	60000	120171	338953	72000	108171	418973
98	248955	61573	187382	-1650301	36000	151382	-545450	60000	127382	228518	72000	115382	324539
99	257669	62804	194864	-1845165	36000	158864	-704315	60000	134864	105080	72000	122864	217902
100	266687	64060	202627	-2047792	36000	166627	-870941	60000	142627	-32293	72000	130627	98170

Findings for Part II

- The most notable result from the data in Table 2 is that the more allocation to annuity in a retirement savings portfolio, the more likely that the savings will last through retirement and beyond. This finding is based on the fact that all retirement savings would be depleted by age 88 under the 'no annuity' scenario. The savings would last to the mid-90's under the common advisory of allocating 30% to annuities. The probability of having enough retirement income to last through a long retirement to 100 is highest when 50% to 60% of retirement savings are allocated to annuities as in AS3 and AS4.
- The positive outcome of the allocation scenarios of AS3, and AS4 is clearly due to the fact that the guaranteed income from annuity and social security exceeds the income needed in the early years of retirement. This result suggests that allocating more retirement savings to annuity effectively preserves the non-annuity investment portfolio until it is deployed in a later date. It also suggests that guaranteed income such as annuity should constitute the *primary* source of retirement income at the outset of retirement in order not to exhaust a retiree's savings prematurely.
- The surplus of guaranteed income in the early years for AS3 and AS4 indicates that retirees can have the confidence of spending during their early 'go-go' retirement years without diminishing their ability to have enough savings to last their entire retirement.
- While how much annuity should be allocated to retirement income is an individual decision according to a retiree's retirement goals, the data suggest that AS4, where the savings split is 60% annuity and 40% equity investment, appears to offer the best outcome of all scenarios because the savings account has the highest balance at age 100.
- If there is sufficient guaranteed income, which includes annuities, the retiree can maintain the same living standard throughout retirement without exhausting her savings, even taking into account inflation adjustment.
- Higher allocation to annuity also results in the higher probability of leaving a legacy as demonstrated in AS3 and AS4 where the savings balance remains positive up to age 100, as compared with AS2 where the savings allocation to annuity is lower, yet all retirement savings may be depleted in the 90's with no leftover for legacy. Another comparison can be made for the event of the retiree dying at age 85. Under AS2, there is a potential legacy of \$717,572. But the potential legacy of \$923,279 under AS3, or \$861,478 under AS4 is higher. The potential legacy for the no-annuity scenario is the lowest at \$267,468. This finding contradicts the common belief that buying annuities for retirement would diminish the likelihood of a retiree leaving any legacy.

Part III Strategies for Optimizing Annuity Income Benefits

Based on the findings of this study, the following strategies can be employed to optimize the income benefits of annuities.

1. Integrate annuity in a retirement income plan because a retiree will have more retirement income to last her lifetime than it would be the case otherwise.
2. Treat annuity, along with other guaranteed income, such as social security, as the primary retirement income source, particularly in the early retirement years. It means allocating as much retirement savings as necessary to cover most or all of the retirement budget. This strategy does not only provide potential surplus income in the early years to enable a good start to retirement, it also serves to delay the use of non-annuity savings for as long as possible, and to allow such savings to grow.
3. Ideally, the guaranteed income should cover the budget requirements for about 10 years as in AS4, so that the remainder of the savings can continue to grow, and will need to cover the budget shortfalls for only 20-25 years instead of 30-35 years. This strategy also reduces the risk and the impact of a market downturn (a bad sequence of return) at the inception of retirement. If savings are in qualified plans subject to RMD, such RMD withdrawals can be returned to the savings account for further investing.
4. Use deferred annuities as much as possible, as they are more cost effective than immediate annuities, which can cost twice as much for the same benefit. Deferred annuities are often considered to be illiquid with investments being 'locked up' for many years. The reality is that if annuities are meant to be retirement income, they should be treated like social security and company pensions, which are illiquid and inaccessible for other purposes. The failure of 401(k) and such for retirement income is precisely due to the fact that they are too 'liquid' and are often used for other purposes, such as college funding.
5. Among deferred annuities, use fixed indexed annuities which are shown in real cases to offer higher income benefits than regular deferred annuities. Fixed indexed annuities are often considered expensive and complicated. Yet the higher income benefits from FIAs indicate that such belief is more myth than reality, since the supposedly cheaper vanilla deferred annuities do not result in higher benefits. Additionally, FIAs are very flexible and income benefit can start at any time in the event of a surprise retirement due to job loss. Some FIAs also offer enhanced income benefits for health impairment. For example, the FIA A in this study provides for two times the basic guaranteed income in the event the annuitant meets the health impairment requirements for the benefit.
6. Utilize the fixed rate component of the FIAs where possible for benefit growth, instead of the variable interest component based on indexed growth, because it is guaranteed and predictable for income planning. As noted above, FIA A offers a 7.5% annual compound growth for 10 years, while FIA B offers a 10% simple interest growth per year for 20 years. These fixed rates compare favorably with the equity return forecast by industry experts which indicates a potential 4-6% return in the future.
7. Using deferred annuities means planning early, which may involve 10 to 15 years before retirement. Planning early can also lead to a 'buy early and use early' strategy. This strategy entails the purchase of annuities early, such as at age 50 or 55, or even 45, and commencing the income benefit early at age 60 or 65. It will enable a retiree to get

income early, and to recover the premium outlay sooner, which is an antidote to people's concern about losing money from investing in annuities because of early death.

8. Select different policies for different investment horizons to maximize income benefits, as some policies offer better benefits for a 20 year horizon than a 15 year horizon, as is the case with FIA B in this study because it allows the annuity to grow in benefits for 20 years.
9. If immediate annuities must be used, a retiree should have additional savings to meet inflation challenges, as well as rising health care expenses, as annuity income benefits are fixed in most cases. For a \$1 million savings, it can currently buy a SPIA that pays \$57,888 for a female retiree, and \$59,796 for a male retiree at 65. www.immediateannuities.com. This annuity amount is comparable to AS3 in Table 2 which indicates that an additional \$500,000 in savings may be necessary for the retiree to have sufficient income for a retirement that may last 35 years.
10. As many annuities now offer death benefit and return of premium provisions in the event an annuitant has not enjoyed all the benefits of her investment due to death, they have become effectively a no-loss retirement income vehicle that can enhance a consumer's confidence in using them for retirement income.
11. Buy annuities incrementally over time according to available savings, and to allow for 10-20 year of deferral, since there is a cost to waiting.
12. Prioritize retirement income over legacy concerns. Many retirees reject annuities in the hope that there will be some leftover from their retirement savings at death if they do not invest in annuities. As the data show, a retirement income plan without annuities will actually result in the opposite with all savings being depleted in the 80's, and there is a real danger of running out of money some time during retirement if equity investments underperform. Retirees should consider using other vehicles for legacy, such as life insurance, as retirement savings should be dedicated to meeting budget requirements for living purposes.
13. The variability in income benefits among the different types of annuity means that consumers must shop carefully for the right kind of annuity, and not to rely on common beliefs that may be more myth than reality.

Conclusion

As running out of money in retirement is a major concern of many Americans, there is growing recognition among financial advisors that annuities can play a key role in supporting a retirement with sufficient guaranteed lifetime income. This paper seeks to develop a framework for optimizing annuity income benefits that will enable a retiree to have a successful retirement without outliving her savings.

The overarching finding of this study is that, along with social security and company pensions, annuities should be considered part of the guaranteed income that serves as the primary source of income for retirement at the outset of retirement, and that sufficient savings should be allocated to annuity to ensure that retirees would not deplete their savings prematurely.

As a matter of strategy, early planning is the key to optimizing the use of annuity for retirement income. Early planning means purchasing annuities at age 45 to 55 with available retirement savings. Deferred annuity is unquestionably the way to go for getting the most income benefits for the least amount of savings, particularly fixed indexed annuities which can offer the best guaranteed income benefits with certainty and low risk.

In a nutshell, the best retirement income strategy that utilizes annuities is 'plan early, buy early and use early.'

In an article by David Blanchett on the cost of retirement, he states that retirement is the "most expensive" purchase one can ever make. David Blanchett, *Estimating the True Cost of Retirement*, June 20, 2015. www.retirement-insight.com. This is the correct conclusion on the issue of retirement income. We need to approach the issue with the objective that we must 'buy' enough income to last our retirement. Annuity is front and center in the effort to secure our retirement, as there are few viable alternatives.

While this case study is based on a savings account of \$1 million and an \$80,000 spending budget, implementing the various strategies can be scaled according to the savings capability of each retiree. As the current maximum contribution to 401(k) and similar plans is \$19,000 and \$25,000 for workers under and over age 50 respectively, not to mention additional savings in other retirement plans, there is a good possibility that prospective retirees can accumulate the necessary savings to 'buy' a secure retirement that they need.

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