

Why Millennials The Advantage On Retirement

My philosophy has always been “Knowledge is Power”. I would tell my 30 year old self to take advantage of the time I had and to save, save and save some more. No one tells you at 30 years old to pay attention to your retirement. You have time on your side. That is the beauty of being young. But don’t look at the time you have to save for retirement as something you can waste like buying your first house, getting married or having kids. We all put that stuff off because we have time and there is no rush to do that at this point in my life.

But retirement is a whole other animal. This is something that needs attention as early as possible. Who knows if Social Security will be around when you are ready to retire. Who knows how the market is going to perform. Will I lose another 48% of my 401K? No one really knows the answers to any of those questions, so it is imperative to pay attention when you have the time.

Let me tell you a story about a client of mine that just turned 30 years old. He has been a client of mine since he graduated from college. He is self employed, recently got married and just had his first child as well as bought their first house. He is very typical of a young adult moving on his path in life.

We started talking about life insurance and retirement. Being self employed, I asked him what he was doing for retirement. He responded by saying he was funding a Roth IRA to the amount of \$5000 per year. He told me that he wanted to get life insurance now because he has a child and a home and his wife is not working at present. One of the benefits of having a Roth is that you put the money in already taxed so you are able to take it out tax free.

I told him I would put together a couple of proposals for him and would get back to him shortly. Doing term is an option, but not right for him. He wanted something more permanent. I put together a proposal for him using the \$5000/annually that he was already funding into his Roth IRA. I have to say, I was a little speechless when I saw the numbers. I ran the proposal with an Indexed Universal Life policy which would give him coverage for life or until the age of 120. This type of policy is funded like a Roth, you put the money in after taxes, so you are able to take it out tax free. It is a life insurance policy that is built on an annuity chasis which gives you the ups of the market but never the downside. You can only go sideways.

If he funded this policy with the \$5000 annually until he was 65 like he would have the Roth, he would have a death benefit of \$600,000 which would start to increase after 30

years to over \$1 million and a lifetime income of \$180,000 Tax-Free per year until he was 100 years of age.

I looked at the numbers and said “Wow”. He is already putting this money away but it will only work as a retirement vehicle. Depending on how the market is doing, he is still subject to the volatility of the market, so technically it can go down just like it did in 2008 when so many people lost 48% of their retirement.

So what I did for him, with the same money he was already allocating, was give him life insurance, critical illness insurance, long term care insurance and a tax free lifetime income that will never go away.

Now, if someone told me at 30 years of age, that I could have a guaranteed lifetime income of \$180,00 per year that was tax free along with all the other benefits, I would have jumped on that. But no one told me that when I was 30. I wanted that new car and that trip to the caribbean and all of those new clothes. Saving for retirement was the last thing on my mind. It was one of those things that I thought I had time for. I know there are many people out there doing the same thing that I did, but there is another way. Time is on your side, so take advantage of it.

When I sat down with him and showed him the numbers, he was blown away. He looked at me and said, “I can get all of this with what I am doing right now?” “I would have to be a fool not to do this”, “Let’s do this”!. So we did.

So I have a very happy client that has a much better outlook on his future. His family is protected, his home is protected and his future is protected. He is all set without having to change anything that he was doing. It did not cost him a penny more.

So when someone asks you about your retirement, take a moment to listen to what they have to say, it might make you more secure in your future.