Help clients optimize retirement with a game-changing strategy

Social Security IQ

Athene Retirement Optimizer

Driven to do more.® ATHENE

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The changing tide of retirement income planning

Prior to the introduction of the 401(k), retirement was simple and the solutions were effective – a monthly pension benefit for life, plus Social Security. When combined, these two sources provided secure, predictable retirement income.

Today, however, even large defined contribution plan balances may provide a false sense of security, especially when for many, their retirement plan represents the single largest asset they own. When we consider that the sum total of these assets is intended to replace the guaranteed retirement income formerly provided by traditional pension plans, their financial security may not be that secure. The challenge increases because many workers may not seek planning advice until they're near, or at, retirement. For most retirees, there may be few, if any, traditional planning strategies capable of solving the retirement income insecurity problem...until now.

Introducing...
A game-changing strategy

Athene commissioned an independent firm, the Corporation for Social Security Claiming Strategies, to quantitatively explore how Social Security claiming strategies may impact insufficient retirement savings. This research led to an interesting and surprising observation: Americans embrace an insurance model that provides deeply discounted protection from the risk of losing assets such as their home, health, life or auto. But when it comes to protecting their retirement income from similar risk, most choose to self-insure. They do so despite the high cost of self-insuring and the fact that competitively priced guaranteed lifetime income solutions are more available than ever before.

What does this mean for you?

In response, Athene has introduced a quantifiable strategy that focuses on minimizing a retirement plan's capital requirement while optimizing income. Athene Retirement Optimizer is a game changing strategy that helps clients take a vital step toward retirement security.

"The first step in solving a problem is recognizing there is one" *– Zig Ziglar*

One of the most effective ways to address retirement insecurity is to shift to a process that "stress tests" a plan's capital requirements before recommending any specific product solution.

This case study demonstrates the "strategy first" planning process. Using the same set of assumptions, this example analyzes how two different Social Security strategies affect a plan's capital requirement.

Scenario One: The Earlys

Both Spouse 1 and Spouse 2 elect to retire and file for Social Security benefits at age 66. In order to "stress test" their plan, assume an initial net safe withdrawal rate of 2.40% to see if the capital they've accumulated will be sufficient.

Case Study Assumptions (Hypothetical examples)	
Spouse 1	**Spouse 2**
Age: 66	**Age:** 66
PIA: $2,650 per month	**PIA:** $2,000 per month
Household Retirement Assets: $800,000	

1. Determine plan gap	
Household Annual Income Goal:	$85,000
Spouse 1 SS Benefit:	-$31,800
Spouse 2 SS Benefit:	-$24,000
Annual plan income gap:	**= $29,200**

2. Calculate required capital

$$\frac{\text{Income Gap}}{\text{Safe Withdrawal Rate}} = \text{Required Capital}$$

$29,200/.024 = $1,216,667

3. Calculate shortfall

Capital Required:	$1,216,667
Capital Available:	$800,000
Shortfall:	$416,667

Primary Insurance Amounts (PIA) from Social Security are hypothetical.

Scenario Two: The Laters

The Laters have the same annual income goal of $85,000 and retirement assets of $800,000. Both spouses elect to retire at age 66, but they decide to defer receiving Social Security benefits until age 70. Between ages 66 and 70, the Laters will use retirement savings for income, or "bridge capital." At age 70, we analyze two options for funding their income gap. Option 1 is to self-fund using a safe withdrawal rate. Since the Laters have a shorter time horizon, we can use a slightly higher safe withdrawal rate of 2.72% to determine their capital requirement. Option 2 uses income from a fixed indexed annuity with a Guaranteed Lifetime Withdrawal Benefit rider to close the income gap.

Option 1: Social Security Optimization with a Safe Withdrawal Rate		**Option 2:** Social Security Optimization with a Fixed Indexed Annuity	
1. Determine plan gap		**1. Determine plan gap**	
Household Annual Income Goal:	$85,000	Household Annual Income Goal:	$85,000
Spouse 1 SS Benefit:	- $41,976	Spouse 1 SS Benefit:	- $41,976
Spouse 2 SS Benefit:	- $31,680	Spouse 2 SS Benefit:	- $31,680
Annual plan income gap:	**= $12,522***	**Annual plan income gap:**	**= $12,522***
2. Calculate required capital		**2. Calculate required capital**	
$\frac{\text{Income Gap}}{\text{Safe Withdrawal Rate}} = \text{Required Capital}$		FIA with GLWB = $250,000 Bridge Capital = $352,964	
$12,522/.0272 = $460,368 Bridge Capital = $352,964			
3. Calculate shortfall		**2. Calculate shortfall**	
Capital Required:	$813,331	Capital Required:	$602,964
Capital Available:	$800,000	Capital Available:	$800,000
Shortfall:	$13,331	Capital Surplus:	$197,036

This hypothetical example assumes at age 65 the Laters purchased a $250,000 Athene Ascent[SM] Pro 10 annuity with the Athene Ascent Income Rider using Option 1: Guaranteed Income and took no withdrawals prior to starting income. At age 70 they elect Joint Life income using the Level Income payment option. In this example, the annual Lifetime Income Withdrawal they would receive is $18,063. This amount is locked in assuming they do not take any excess withdrawals. Over 26 years, they would receive total income of $469,625, while their estimated cumulative income gap (adjusted for an annual COLA of 2.5%) is $450,926. Rates are current as of April 16, 2021.

*Assumes 2.5% COLA on gap income

Tax advantages to claiming Social Security at age 70:

	The Earlys	The Laters
Target pre-tax income goal*	$93,824	$93,824
SS benefit income	$61,593	$81,302
Traditional Retirement Account income (Adj. gross income)	$32,231	$12,522
Taxable SS benefit income	$22,173	$13,797
Taxable income (Adj. gross income + Taxable SS benefit)	$54,404	$26,319

Guaranteed Social Security income is **32% MORE**

Total Taxable income is **52% LESS**

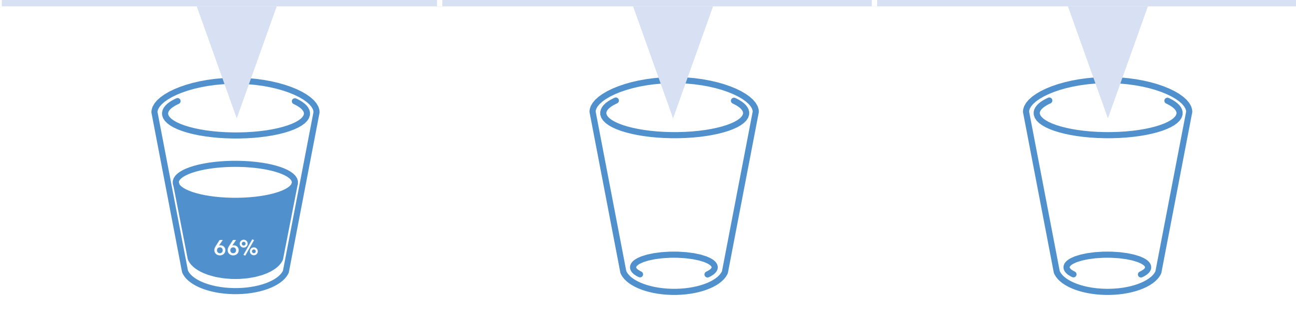
As you can see, not only does a "strategy first" planning process take the situation from underfunded to fully funded, but by introducing an annuity, the plan is actually *overfunded*. The Laters can use their excess capital to create a legacy or address unplanned future needs.

In addition to a significantly increased benefit amount, deferring Social Security to age 70 yields the Laters substantial tax savings. This is because they require less capital to fund their income gap; a higher percentage of their income comes from Social Security and only a portion of Social Security benefits are taxable.

* Target pre-tax income goal, Social Security benefits and IRA distributions have been adjusted to account for an annual COLA of 2.5%

Early's tactical retirement income plan

Income Bucket Assets Allocated 100%	Discretionary Bucket Assets Allocated 0%	Legacy Bucket Assets Allocated 0%
Amount Allocated $800,000	**Amount Invested** $0	**Amount Invested** $0



Growth and Income	Cash	Growth

Later's tactical retirement income plan

Income Bucket Assets Allocated 75%	Discretionary Bucket Assets Allocated 12%	Legacy Bucket Assets Allocated 12%
Amount Allocated $602,964	**Amount Invested** $97,036	**Amount Invested** $100,000

Annuity Bridge Capital	Cash	Growth

A powerful solution

Help clients optimize retirement with a game-changing strategy. Athene Retirement Optimizer is a quantifiable, holistic strategy of retirement income planning that focuses on minimizing a plan's capital requirement as a vital step to retirement income security.

ATHENE

Driven to do more.®

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We are Athene. And we are relentless when it comes to creating an innovative portfolio of fixed annuities to meet your accumulation and retirement income needs.

At Athene, we see every day as a new opportunity to measure ourselves against the best — and then we don't stop until we've set the bar even higher. We stand ready to help you achieve more.

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