SINGER
WEALTH

Keith Singer, JD CFP™

Bear markets make index annuities look pretty good

Keith Singer
Singer Wealth Advisors
Location: 1515 S. Federal Highway, #211, Boca Raton, FL 33432
Phone: 561-998-9985
Website: www.singerwealth.com
Email: Keith@singerwealth.com

For those who crave safety of their principal, index annuities, which are conservative tax-deferred insurance contracts, have traditionally provided just that.

For aggressive investors, conservative principal-protected contracts seemed unattractive compared to the returns the stock market had been generating over the last dozen years.

Stock investors love extended bull markets, but they never can know for sure when the next bear market will occur. If you have a year where your investments lose 25% of their value, it may take you several years just to get back to even. Conversely, if you own an index annuity that is principal-protected and locks in gains every year, you will never have a negative year. You may not make as much during the good times, but the best index annuities can potentially outperform the major stock indexes when we have a decade with some big down years.

What is the tradeoff? When the stock market has a fantastic year, an index annuity will underperform the index. However, all index annuities outperform the markets in the down years. The reality is consumers do not own billions of dollars of index annuities to try to "beat the market." Although that scenario is not out of the question.

Investors typically choose to allocate some of their capital to assets with less risk and more predictability because when they are trying to plan their retirement, they cannot simply assume their investments will grow based on historical averages.

Throughout one's retirement their investments will not compound in line with the exact historical averages of the stock market. They will wind up being either lucky and exceeding historical averages or they will be unlucky and their main retirement years will occur during a prolonged bad economy.

For those who are unwilling to take that chance, they need to add more reliable strategies to their portfolio in the event the economy fails to cooperate the way that they were anticipating.