

## Creating a Pension

When my mother retired from teaching at the Philadelphia School District in 2009, she started receiving a substantial pension from the school district that will last as long as she lives. Although my mother never had a huge salary as a teacher, the pension provides my parents with an enormous sense of financial security.

If you don't currently have a pension set up, it doesn't mean that you can't acquire your own guaranteed income stream from an insurance company. In exchange for \$500,000, a client recently purchased an income stream of \$35,000 per year (about half will be considered principal and therefore tax free) guaranteed for the next 30 years. The client and or their heirs will receive over \$1,050,000 of guaranteed income in exchange for their initial payment.

An investor would have to earn about 8% per year on their money after fees and taxes to receive \$35,000 per year for 30 years. With the 30-year treasury paying about 4% per year, that kind of guaranteed outcome is very attractive.

Another married couple who was looking for more security recently purchased a customized lifetime income stream from an A+ rated insurance company. The husband was 53 and the wife was 44. Because they had a lot of money in the stock market, they were looking for something safer to diversify their holdings. In exchange for \$1,000,000 the husband and wife are guaranteed to receive \$107,000 per year for life starting in 9 years. However, they can cash out early if they ever need to and any unpaid account value will go to their beneficiaries when they die. If the wife lives to age 94 the couple will have received \$4.3 million.

To capture the same result on their own, an investor would have had to earn about 8.7% every year after fees and taxes on that money. Creating your own pension not only allows you to eliminate the risk of living too long or experiencing a bad stock market, but it may also even provide a superior return to stocks with much less risk.

## Source Yahoo Finance

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