

Health-adjusted SPIAs--Poor Health Can Be a Factor in Producing More Income

There's a type of annuity that pays you more if your health profile is not good. This may sound strange, but here's how it works:

SPIA, which stands for Single Premium Immediate Annuity, has long been a popular investment for obtaining a fixed income which cannot be outlived. With the life option, a SPIA pays you a fixed monthly income for life. Insurance companies calculate the size of your monthly payment based on standard life expectancy tables. Once calculated at the beginning, you continue to receive the same monthly amount, regardless of how long you live. It's almost like getting a second social security check.

Some companies take into account your individual health condition and use that information to calculate your life expectancy. If your health records indicate conditions that could lower your life expectancy, this is factored into the monthly payment you receive and increases the monthly payment. You then receive this fixed monthly amount no matter how long you live.

Take this hypothetical example. A man age 70 decides to obtain a SPIA. He deposits a \$100,000 premium and based on his standard life expectancy of 16 years, his monthly payment is \$871.05 (a 10.4% annual payout rate). He will receive this fixed monthly amount regardless of how long he lives.

However, if he has a negative health profile and the insurance companies calculate his life expectancy at only 10 years, his monthly payment will jump to \$1393.68. Because of the negative health history, this annuitant receives more income.

SPIAs have been most popular with single individuals who are not concerned with leaving an inheritance. That's because, once the initial premium is paid, the SPIA cannot be surrendered for value. Rather, you receive a fixed monthly income for life. For those people who like the idea of increasing their monthly income and do want to leave funds to heirs, remember that you would use only a part of your assets for a SPIA and other assets can be designated for heirs.

If you would like a quote on how much monthly income you could get from a SPIA, complete the attached coupon. If you have poor health history, please call to make an appointment, as we will need your written permission to release this information to insurance companies in order to obtain quotations.

Additionally, if you've been relying on municipal bonds for tax sheltered income, please call for an appointment and we'll show you how some previous mini-bond investors use SPIAs to increase their monthly tax sheltered income.