

Talk Dollars, Not Percentages In Today's Low Rate World

The Problem:

- With interest rates plumbing historic lows in the last year, yield is hard to find...anywhere.
- Money market fund are crediting almost nothing.
- As a result, it is tempting to talk about how you can offer a solution crediting 1.25% or 1.5% or even 2% or more, which is clearly a large multiple of what money markets are earning or what equivalent term certificates of deposit (CDs) are crediting.
- The challenge is that small percentage differences – which may be huge on a relative basis – can fall flat unless you convert those differences into dollars.
- Imagine talking to a client holding \$250,000 in a money market fund earning 5 basis points.
- Meanwhile, you can offer a solution that guarantees 1.25% for 5 years.
- That 1.25% is 25 times the rate – but the client doesn't see it that way – they see a rate that is certainly better, but by about 1% and change. Is that enough to compel them to make a move?
- Let's talk dollars instead: after 5 years, \$250,000 at 5 basis points a year has credited a total of \$625 of interest.
- In contrast, that same \$250,000 would have credited \$16,000 of interest after 5 years – for many people, that is a lifestyle changing amount of interest.

Vulnerable Prospects:

- Those clinging to substantial sums in low yielding money market funds or certificates of deposit, with a perceived (though not actual) need for constant, complete liquidity.
- Want to use some of those funds to help grandkids, take vacations, pay unexpected bills, etc.

\$ vs %

Why Act Now?

- Interest rates remain rock bottom.
- Many fixed annuity products today credit far higher interest than other safe money products, AND allow for guaranteed return of principal at any time (such as if rates elsewhere skyrocket)
- They also allow for annual withdrawals without a surrender charge.
- Now is the time to examine solutions that provide much higher and more sustainable cash flows than traditional withdrawal strategies

An annuity when framed properly can be a great solution. Contact me today!