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Do you have a Contract for Your Retirement Income?

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In the movie "Moneyball," Brad Pitt plays Billy Beane, the protagonist who created a revolutionary way to look at professional baseball management. His famous saying is, "Stop solving the same problems the same way."

If you're applying this concept to retirement income planning and your current retirement plan is not delivering the results you are looking for, you may want to consider changing the way you invest your retirement assets. Retirement income planning is about generating guaranteed income to meet retirement needs first, not swinging for the fence with investment risk.

You have a contract for your employment, a contract to buy a home, and a contract to guarantee you wont lose money on your home in case of a fire or theft, but do you have a contract for your retirement income? What if you could demand the following terms on your retirement?

1. No loss of principal on plan contributions
2. Returns that have the ability beat inflation
3. Paycheck for life that you and your spouse cannot outlive

You might be thinking that no one has this contract on retirement… right? Sadly, the majority of Americans demand a contract for almost everything in their lives but their retirement assets. The fact is that you can have a retirement contract with these terms if you know what questions to ask and how to structure the contract.

How to Create a Contract for Your Retirement Income
You can find these contract terms from an annuity expert who offers fixed indexed annuities. What is a fixed indexed annuity? It is a paycheck for retirement you cannot outlive. You can increase that paycheck by returns that are linked to a market index, like the S&P 500, or an index that increases with inflation.

Since all annuities are not created equal, it is important to know what contract terms you should require before you consider if an annuity will work for you. Here are the terms you should demand with any annuity contract:

1. No Loss of Principal – If your account can lose money when the market goes down, you do not have the right contract terms. You should demand no loss of principal and when you make money; those gains should be locked in and not taken away from you if the investment index declines.

2. Guaranteed Minimum Return – Your contract should provide an income rider option with a minimum guaranteed return of at least 4% compounding annually.

3. Uncapped Growth – Many indexed annuity contracts fall short when the contract limits your growth potential from the index the return is linked to. You should demand uncapped growth strategy, which means you make a larger share of the investment growth while still enjoying no losses to your principal.

4. Minimum Fees – The less you pay in fees to the insurance company, the more money you will have for retirement. While some annuity contracts have fees of 4% or more annually, there are options in the market, which the total fees can be 1.5% or less annually.

One of our favorite scenes from "Moneyball" is when Billy Beane introduces the new method to select players for the team. The scouting director thinks he is crazy because it goes against all traditional baseball wisdom, so Beane has no choice but to fire his head scout.

Baseball is controlled by contracts. If a player or manager does not perform, they will be out of work. Like Billy Beane, think of yourself as the boss of your retirement plan. If your retirement assets don't provide these contract terms and are preventing you from retiring on schedule, isn't it time for a change?