

# A CASE *for* INCOME



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# A TIME AND A SEASON:

for everything.  
to accumulate wealth.  
to plan for consumption and monthly income needs.

God has blessed us with opportunities and skills to earn a living. Hopefully, we have planned for our future and have put away some savings. Whether you are planning for retirement or already retired, you need to understand the change in mind-set that must take place.

## A Season to Accumulate

Before we retire, we work to accumulate wealth. Investment advisers work with us on our IRA accounts, 401(k)s, 403(b)s, or other retirement plans to reach one goal: wealth accumulation. We become conditioned to that mind-set. That's not necessarily a bad thing if we realize that once we retire, our mind-set needs to change.

Our economy is more volatile than ever before. The so-called Great Recession has changed the thinking of millions of baby boomers who control trillions of dollars in the economy. Many of them are now in retirement or close to retirement. All of them have lived through three bubble bursts and cannot bear the thought of getting into an uncertain marketplace. Thus, they have become reluctant to get back into the market.

They look at the bursting market bubbles and a four-or-five-year step backward before getting back to the time before the burst—only to face another burst.

When we think about the time lost waiting for recovery from a bubble burst, we quickly realize there must be a better way. More and more boomers are coming around to my way of thinking: We must be driven by our consumption when we retire – not by continued accumulation.

## A Season to Be Consumption Driven

Our mind-set for retirement should be this: The only thing that matters is our spending rates and the income we have to offset some of that spending and consumption need. In retirement, we need to invest a portion of what we accumulated during our working years as a hedge against inflation and use the balance to shore up our emergency savings, if necessary. We should use the balance in a strategy toward producing only permanent income—no longer making further accumulation a priority. This is a responsible and sensible way to remove the risk of losing what we have and not having enough money to support our spending pattern. It will dramatically reduce the amount we will need to take from our savings and investments to support our income needs, allowing those accounts to grow unencumbered by withdrawals.

Unfortunately, many of the baby boomer generation have learned the hard way. They now understand that being 100 percent in the market may not necessarily be the right strategy for long-term sustainability of their retirement needs.





Some may think our spending pattern decreases when we retire. Maybe, but it will be replaced with new expenditures. Some increases may include visits to grandchildren and children, increased medical and care needs, and even living longer than expected.

Often our income will depend on market conditions and on making a set amount of gain on our investments. It usually does not count on any real downturns in our portfolio or on money invested in risky markets and a volatile economy. Not a very appealing thought. The risk of running out of money to support our consumption is one of the greatest risks we face. As we expose our savings and investments to market volatility, the risk of it affecting our income is great. I believe retirees must prepare for this risk by reconsidering how much they are willing to expose to downturns. Remember, we need to make what we have saved work for us. That becomes difficult when we still believe accumulation is our goal. Outliving what we have stored will be one of our biggest risks in the coming years.

## So What Can We Do?

Our mind-set needs to shift from wealth accumulation to meeting our consumption needs. We need to work on ensuring a steady level of monthly consumption and enough income to meet the needs of our consumption. Focusing on wealth accumulation in our retirement years is a mind-set that has been pounded into our heads for so many years it is difficult to change. But it must.

We cannot know exactly what our spending needs will be. For one thing, we don't know how long we will live. Statistically speaking, if you are a married couple and both of you are over sixty years old and in good health, one of you is likely to live into your nineties. But our health can change this. So how can you plan wisely? Learn what you can from statistics.

The inconsistency in the marketplace—whether bonds or stocks, mutual funds, or something sold to us as being secure with no risk to principal—will always exist. The 2008–2009 downturn has taught us about the variables in the marketplace. Depending on exposure to the markets, investments in this volatile economy may not be the wisest decision we could make.

## Some Issues to Consider

We need to have some money in a savings account for emergencies.

We should always have a portion of our accumulated wealth in a well-managed investment plan. These funds, stocks, or bonds should be liquid—available to us anytime.

We must understand our consumption needs over the next twenty or thirty years—things like medical expenses, insurance increases, and increases in necessities such as taxes, food, gasoline, and utilities. Your emergency savings may need to come into play, but you need to develop a well thought out plan of income to meet some of these needs.





We *must* think about *income*. I often witness firsthand that there is a point in our life— somewhere around seventy-five to eighty—where we become consumed with income. The only thing we care about is how much *income* we have. We begin to withdraw from monitoring what is happening with our investment and in the stock markets. We need a financial adviser at that point, one we can trust to do the right thing on our behalf. By the time we are sixty-five or seventy we need to take some of the wealth we have accumulated and put it into something that will generate permanent income to see us through. One of the tools I recommend is Charitable Gift Annuities.

## Charitable Gift Annuities

We should not perceive Charitable Gift Annuities as an investment. See them as an opportunity to give to the Lord's work and to receive a never-changing income to meet some of your consumption needs. The vast majority of people using Charitable Gift Annuities or Charitable Trusts to support their lifetime income will over the years receive more than their gift back as income. This is a benefit to their heirs in that it will reduce their need to withdraw from their savings and other investments, allowing these accounts to grow for their heirs, unencumbered by constant withdrawals.

*Give to God's kingdom.* Have you ever considered giving a considerable amount of what you have accumulated to the Lord's work when you die? Perhaps you have thought of it as your final tithe. A Charitable Gift Annuity makes it possible to contribute now while you are still living.

*Guaranteed income.* The greatest benefit of a Charitable Gift Annuity while you are living, of course, is the idea that you will have income that does not depend on the variables of the markets (the bond market, the stock market, or any other market). This provides income that does not depend on the interest rate the Fed may choose to manipulate downward.

A Charitable Gift Annuity gives you an opportunity to carve out a piece of your wealth accumulation to make sure you have the income you need to help meet your consumption needs.

When your consumption needs are being met through Social Security, other investments, and a Charitable Gift Annuity, you can count on your needs being met. That income is not something anyone can take away or steal. It cannot be affected by dysfunctional markets or government. Even if the charitable organization goes bankrupt, the law requires enough reserves in their account to make sure the annuitants will continue to receive their payments.

*Tax benefits.* I also believe that a Charitable Gift Annuity or a Charitable Trust is one of the great tax loopholes in this country—and I hope this will continue. About half the income will be tax free for a long time. You will also get a slight charitable contribution deduction for the Charitable Gift Annuity when you establish it.





*Peace of mind.* In May 2013, the National Bureau of Economic Research released a working paper on research focusing on the consumption models of retirees. The report identified benefits people realize once they wrap their minds around this idea of generating income that meets some of their monthly consumption needs. On average, 75 percent of people surveyed indicated they would prefer an annuity that guarantees permanent income to a savings or investment account. It is likely a matter of peace of mind for the individuals. Remember, most of these retirees are baby boomers who have lived through at least three market bubbles. They have seen firsthand the fluctuations in the markets. They are sick of the risks and do not want to depend on such a volatile economy.

*Estate planning.* A Charitable Gift Annuity or Charitable Trust is a wonderful tool for estate planning. Many people provide in their estates, wills, or trusts for the establishment of a Charitable Gift Annuity for an heir – a child, a grandchild, or another loved one. In effect, this leaves the heir a pension of sorts. When the heir turns a certain age, he or she will also receive a permanent income for life. Many people have used this provision because they do not want to see an heir get a lump sum of money and perhaps use it irresponsibly. It is one of my favorite planning tools. I regularly encourage people to use this as I sit down with them one-on-one to help them with their planning needs.

## From Underused to Widely Used

A Charitable Gift Annuity used to be one of the most *underused* planning tools and diversification pieces in retirement years. This is not true anymore. Largely because of the changed mind-set of baby boomers, since 2009, tens of billions of dollars have flowed into Charitable Gift Annuities. One large international charitable organization alone received over \$20 billion through Charitable Gift Annuities between 2009 and 2013. They hear increasingly more people saying, “I have to take care of my income. My savings have been accumulated; now it is time to be able to live on them.” Over the last twenty-five years, it seemed no one but me talked about Charitable Gift Annuities. In the past three years, the Wall Street Journal alone has written several articles on the merits of Charitable Gift Annuities and permanent income for life.

This is encouraging to me because, frankly, I believe it should be a part of every responsible plan. It is the *right* thing for people to consider. Many years ago, I said it was something people should think about as they plan for their retirement. Now I say it *must* be a part of any *responsible* plan as you head into retirement. Countless people have told me over the years that one of the best things I ever did for them was to establish their Charitable Trust or Charitable Gift Annuity. They usually don’t tell me that until they are well into their seventies. By then they realize this is one of the greatest assets they have. I am convinced people who participate in a Charitable Gift Annuity will live to appreciate their choice to support God’s work and to receive a permanent income.







The AFA Foundation is the premier ministry for all your estate planning – but particularly your charitable giving plans. I am proud to be associated with them.

The AFA Foundation and the annuity pool of AFA are undoubtedly the strongest in the country. In over twenty-five years, the American Family Association has always used its finances wisely, *never* being in debt and always waiting on the Lord to raise up the funds necessary to do His work. When



a donor to a Charitable Gift Annuity goes home to be with the Lord, AFA will make use of the money to continue its work and leaving in the annuity pool some cushion more than is required to ensure the strength of the pool, while continuing to sow that seed

as the Lord leads for the great work they are doing. I know all the annuitants who have used the AFA Foundation want their money to be used for this great work as they are as committed to God and Country as AFA.

The government requires annuity reserves to be placed in a separate account that is audited every year and reported to the IRS. Even if an organization goes bankrupt, all annuitants must continue to receive the money they were promised. This, in itself, gives some peace of mind to the pool. But the American Family Association has taken this reserve to a totally different level. Their reserve is about 40 percent higher than the reserve required by law. I don't look at this as only a wonderful sense of security for annuitants, but I believe it confirms the incredible blessing the Lord has placed on the ministry of the American Family Association.

On a personal note, I have had opportunities to consult with major ministries around this country. Right or wrong, I often find myself judging a ministry by its

Helping individuals and families leave a legacy that lasts for generations.

financial situation and stewardship. I know this is probably not sound biblical philosophy when judging a ministry, but I do know this: Every single day I see God's hand is on the ministry of the American Family Association. As I interact with Tim Wildmon, the president, and with other AFA board members I can assure you, their commitment to God, to country, and to the restoration of the moral fiber of this country is evident, and God's blessing on that commitment is even more evident.

Many of you reading this have already established an AFA Charitable Gift Annuity, but some of you have not. I pray you will consider it. It is the right thing to do for your financial stewardship. It is an incredible gift to a ministry God has filled with His grace, and a blessing as they fight and stand up for this nation, a nation established on the grace of God. I believe God's hand is still on this nation even though He mourns with us at the depravity against which we continue to fight.

The American Family Association is in a battle for the lives of Americans and for future generations. Wearing the armor of God, they are on the frontlines of a culture war that desperately needs to be fought. They move forward unwaveringly and unconditionally, leaning on the mighty hand of God. I find joy in participating in this incredible ministry. I know you will feel the same way when you do a Charitable Gift Annuity through the AFA Foundation.



Shore up your financial future with income that will never change. You will never regret it.

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