

USAA Life Insurance Company  
USAA Life Insurance Company of New York



# FREEDOM IN RETIREMENT

The role of income annuities in your  
retirement income strategy.



# FREEDOM IN RETIREMENT

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## CHAPTER 1

# WHAT DOES FREEDOM IN RETIREMENT MEAN?

Retirement is a highly anticipated time in many people's lives. It's a time when you'll be free of the metaphorical 9-to-5 and able to pursue your goals and dreams uninterrupted. It's your time to focus on the things you want when you want.

It's also a time that requires planning. After all, today's retirees may enjoy retirement for 30 years or more. Let's discuss how you can secure retirement income for the rest of your life.



**Annuities are one of the few financial solutions to provide income for the rest of your life.**

Help is available. There is plenty of material on how to save for retirement, but not much advice on how to transition your nest egg into a retirement paycheck. While some retirees are concerned with spending too much, and others worry about spending too little, true freedom in retirement comes from being able to do what you want.

With the security of protected monthly income to cover living expenses, you will be. You can focus on what's important: enjoying your life. Join other USAA members who are protecting their retirement freedom with a USAA Income Annuity — also referred to as a Single Premium Immediate Annuity.

Members like Bruce K., a member for over 30 years, who transferred some of his hard-earned savings into an income annuity: “[My wife and I] want to enjoy what time we have left together, to the fullest extent that we can, while we still have fairly good health. And I think we can do that, based on the plan that USAA helped us develop, and not have any kind of overt concerns about running out of money.”

**AN INCOME  
ANNUITY GIVES  
ME GREAT  
PEACE OF MIND.**

MARILYN B., MEMBER SINCE 1965

”

Member Cheryl L., a retired attorney who has also been with USAA for over 30 years, knows an income annuity can protect her from the risk of overspending in retirement. She likes the paradoxical freedom that comes from NOT having access to all of her money at once: “[An income annuity is] good if you tend to spend rather than save, so the fact that I can’t get at that money and I get a set amount every month is a good thing for me personally.” She continues: “Another option would have been to not purchase the annuity and put all of that money into a managed portfolio, but I think that’s a higher risk. I also don’t have the convenience of getting that payment every single month. I like the continuity of that. I like the lower risk of that.”



Protected income isn’t just for you. Take it from Marilyn B., a USAA member since 1965, whose income annuity lets her spend time with her children without relying on them for support: “What I found was that I was not able to do things that I had always done for myself. I had to hire somebody to come in every so often and clean the house. I had to hire somebody to come in and take care of the flower beds. I was really concerned ... that my son and my daughter-in-law might end up having to support me financially.”

But with an income annuity, she feels confident. She says, “It just gives me great peace of mind to know that I will be able to provide for myself financially and not be a burden to them, to my family.”

It’s been said that the first third of your life you live for your parents, the second third is for your children and grandchildren, and the rest should be yours. The question is how to make your next years your best years. Member Larry S., who became a USAA member shortly after he began his 38 years of service in the Army, puts it best: “When you’re working, you’re kind of limited as to how much time off you can have and what you can do. But since retirement, we’ve been able to do what we want to do. Go where we want to go. When we want to go. And this annuity is going to make that even easier for us.”

These are just a few of the many stories from USAA members who are thrilled with the freedom their income annuities have brought in retirement. Let’s explore what exactly an income annuity is and whether it’s the right fit for you.



## CHAPTER 2

# What is an income annuity, and how does it fit into my retirement strategy?

An income annuity is a simple and straightforward solution to managing some of the more common retirement risks, like outliving your savings, not being able to maintain your current lifestyle or not being able to leave a legacy for your loved ones.

## FIRST THINGS FIRST, WHAT'S AN ANNUITY?

At a high level, an annuity is a protection product issued by insurance companies, separating it from other items that might exist in your retirement portfolio. They guarantee<sup>1</sup> you'll get a steady paycheck for a set amount of time, whether it's your lifetime or a set number of years. An annuity helps protect against the risk of outliving your money, and some types have the added bonus of not being affected by the volatility of the stock market.

But it's more than just that: Annuities also protect you from the risk of not being able to maintain your lifestyle in retirement — of not being able to spend what you want, when you want, on the things that are most important to you. More importantly, annuities provide peace of mind and confidence that your money will last throughout your lifetime. And if you choose, you can even leave a legacy for what's important to you, whether it's your grandchildren or a favorite charity.



## **WHAT ARE THE DIFFERENT TYPES OF ANNUITIES?**

You can choose an annuity that will either be deferred or immediate. With a deferred annuity, you can allocate a portion of the money you are saving for retirement, that will grow tax deferred over time. When you're ready to retire, you can choose how you'd like to get those payments.

An immediate income annuity is typically purchased close to or during retirement. Income annuities allow you to pay in a lump sum and start getting regular payments, whether it's for life, for a set period of time or a combination of the two that you can't outlive.

This publication focuses on the income annuity and is intended to help you decide if it fits within your retirement income strategy.



## SHOULD I CONSIDER AN INCOME ANNUITY?

Take a moment to answer these questions about the sources of your retirement income and these sources' ability to fund your desired retirement lifestyle:

- Are you counting on Social Security payments alone in retirement?
- Are you counting on a pension (whether it's military, government or employer based)?
- Are you counting on personal retirement savings, like IRAs, investment accounts and CDs?

The answer to the first two questions should help you better understand how much protected income you already have or will have in retirement. That is, money you know will consistently show up when you need or want it. Your answers will also help you better understand whether you have enough protected income to match your desired lifestyle in retirement. If you're not covering your lifestyle expenses with protected income, then you should consider an income annuity.



**Spending in retirement  
is just as important as  
saving for retirement.**

Another consideration: You or your spouse's Social Security payments may not continue after death. When you pass away, an income annuity can fill the gap as a safety net, a replacement of some of the lost regular income from Social Security that your spouse may be counting on in retirement.

Many retirees wisely include income they can generate from the investments in their retirement portfolio. This allows them to enjoy the potential for income growth that can serve as an inflation hedge. With that said, it's important to remember that sometimes with investments in a retirement portfolio, the best laid plans often go awry in the form of stock market volatility. Stock market volatility can eliminate not only retirees' ability to experience income growth but also the ability to maintain their lifestyle in retirement or have their savings last a lifetime. It's important to consider how much stock market risk you're comfortable with. It may be that you need to shield some of your hard-earned savings from market volatility.



# LET'S FIGURE OUT YOUR SPENDING

## STRATEGY: GETTING STARTED

First, write down the obvious must-haves for daily living — items you know you absolutely need to purchase or pay for each month. Typically, this entails items in the left-hand column below.

You might be surprised to realize, though, that there are aspects of your lifestyle that aren't critical to survival (like food and shelter are) but still need to be accounted for. For some people, this could include the items in the right-hand column and any other not-so-obvious expenses. Which items are essential and which are discretionary is a personal choice. It simply comes down to what is important to you.

### MY RETIREMENT EXPENSES

#### MUST-HAVE EXPENSES

#### NOT-SO-OBVIOUS EXPENSES

Food \_\_\_\_\_

Electricity \_\_\_\_\_

Mortgage/rent \_\_\_\_\_

Home Insurance \_\_\_\_\_

Auto Insurance \_\_\_\_\_

Gas \_\_\_\_\_

Cellphone \_\_\_\_\_

Medications \_\_\_\_\_

Recurring charitable contributions \_\_\_\_\_

Traveling to visit family \_\_\_\_\_

Vacations \_\_\_\_\_

Doctor co-pays \_\_\_\_\_

Review this information with a USAA Retirement Income Specialist for help determining the best way to allocate your retirement portfolio and get the protected income you need.

## WHAT ELSE WOULD YOU LIKE TO ACCOMPLISH?

Have you put thought into something you'd like to do, or continue doing, in retirement?

It may be as simple as maintaining your current lifestyle and not having to restrict the way you live in order to make your money last the duration of your retirement.

Many retirees have other goals, such as leaving a legacy. If one of your goals is to leave some of your retirement savings behind for someone or something that's important to you, make sure your savings are shielded from loss due to a stock market correction. An income annuity is one way to help protect your hard-earned savings and ensure your legacy plan goes as you intended.

Experts recommend devoting a reliable source of income to these essentials and goals. An income annuity may be an ideal solution to help you fulfill your retirement goals.

## MY RETIREMENT GOALS

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_
- 3 \_\_\_\_\_
- 4 \_\_\_\_\_
- 5 \_\_\_\_\_

## CHAPTER 3

# PRESERVE YOUR RETIREMENT PEACE

Your retirement should be happy and carefree, but there are a number of risks you may encounter during this time that can cause anxiety and stress. Adding an income annuity that covers your retirement essentials can help you protect your peace of mind.

## HOW WILL AN INCOME ANNUITY HELP WITH MY ESSENTIALS?

**Annuities are meant to protect you from risk, including:**

- Overspending so that you outlive your retirement savings.
- Underspending so that you don't enjoy retirement to the fullest.
- Not being able to maintain your lifestyle in retirement.
- Experiencing significant losses due to too much exposure to stock market volatility.
- Not leaving a legacy behind for the people and charities that are important to you.

Protected income from an income annuity is a great way to pay for your retirement essentials. Those essentials may include basics like housing, health care costs, food or other items you consider must-haves in your retirement. Having the ability to pay for these items means one less thing to worry about, leaving you more time to do the things you've always wanted to do.

Now it might be helpful to hear a few more stories from real USAA members who have used an income annuity in their retirement.

## **HOW HAVE USAA MEMBERS BENEFITED FROM AN INCOME ANNUITY?**

### **They've created protected income sources.**

“We bought the annuity with the idea to supplement Social Security. And then that would allow us to let our remaining investments continue to grow and supplement our net worth. ... We liked the idea of having another source of secure income that was not going to be affected by any kind of variables.”

*Bruce K., a former Naval reservist who has been a member for over 30 years. He's painting and writing suspense novels in his retirement.*

### **They've taken care of loved ones and left legacies.**

“We took my two smallest investment accounts and turned them into annuities for additional monthly income. And this let me pay [my husband's] nursing home bill without going into the investments each month, and I no longer had to be concerned about the market's volatility .... Another thing that I liked was that if I had not had the opportunity to recoup on that investment, that [my son and daughter-in-law] will receive money each month until that contract runs out. And to me, that's just hard to beat.”

*Marilyn B., a proud military spouse who has been a member for almost 55 years. She loves to hike, write poetry, play piano and watch men's basketball.*

## **They've found ways to travel more often.**

“We do have grandkids living in, well, at one time they were living in Colorado, then they were living in Texas, and now they're living in Kentucky, and we definitely want to go visit them as much as possible. So, we were looking to make sure that that wasn't going to tax us and hurt us in the long run. ... I was looking to get a guaranteed income to go out and have a good time, go on these vacations. That's going to be funded from my annuity that's coming due in September. So, I'm looking at steady income to enjoy my retirement and do things that we want to do.”

*Larry S., a 38-year Army veteran (between active duty and reserves) who has been a member for nearly 50 years. He is an avid woodworker and pilot hoping to buy his own small plane.*

## **They've lived their best retirement lives.**

“[An income annuity] ended up being very fortuitous for me, because of later financing that I needed to get for this new beach house that I just bought. ... Since I retired, I basically enjoy all of these activities [like yoga and meditation and ballet and singing and water activities], which I do on at least a weekly basis. ... So what retirement looks like to me is complete freedom to do whatever I want to do on any given day.”

*Cheryl L., a retired attorney who has been a member for over 30 years. She loves life on the water and has started teaching yoga since she retired.*

## WORK WITH A TRUSTED ADVISOR

If you're considering adding an income annuity to your retirement income strategy, it's a good idea to find someone you trust to help you stress test your plan. Having a working knowledge of your expenses is a great start, followed by connecting with a financial advisor (a fiduciary, specifically, who must act on a client's behalf and not his or her own interests) you can trust, who can provide some insight and information for you to consider.

Whether you're full steam ahead on an income annuity or just dipping a toe in the water, it helps to talk through what your goals are financially. A good advisor will work with you so you can make an informed decision about your retirement strategy.

**If you have any questions, call 800-531-3392.**





## CHAPTER 4

# FREQUENTLY ASKED QUESTIONS

Reach out to a USAA Retirement Income Specialist with any questions. They can help you decide if an income annuity is right for you.

Here are some questions members have asked USAA Retirement Income Specialists:

### **Is there a way to estimate how much monthly income my annuity will generate?**

We have a free calculator on [usaa.com](https://usaa.com) that will allow you to get an estimate of your monthly payout. Better yet, speak with a USAA Retirement Income Specialist to discuss your specific needs.

### **Will my annuity keep paying benefits to my spouse after I pass away?**

With an income annuity, you can designate a guaranteed payout period. If you pass away before that period ends, your beneficiary will receive your proceeds. This sets an income annuity apart from Social Security and some pensions.

### **Like many USAA members, I receive a military pension. Why would I also need an income annuity?**

You might not need an income annuity. However, if your existing protected income from a military or employer pension doesn't quite cover all of your retirement essentials, adding an income annuity to your plan may be a good idea.

### **What are the annuity payment options?**

You can select a specific time frame (10, 15 or 20 years), a lifetime payout based on one or two people, or a combination of the two.

## **Can I take my money out early if I need to?**

Access to the contract value is very limited. However, with state and age limitations, the USAA income annuity offers a Financial Emergency Liquidity Rider (FELR)<sup>2</sup> that allows for a one-time lump sum withdrawal out of the contract to cover certain financial emergencies.

## **What kind of fees come with the purchase of a USAA income annuity?**

There are no fees or commissions associated with USAA's income annuities.

## **How do I protect my income annuity payments against inflation?**

You have the ability to select an optional rising income privilege. If chosen, your monthly payments will increase over the payout period. This is beneficial when creating an income strategy to help protect against inflation. A USAA Retirement Income Specialist can talk to you about the Optional Rising Income Plan<sup>3</sup> and whether this option is right for you.

## **How often should I review my retirement plan and consider whether my essential expenses have changed?**

Once a year, because things change.

**We've included a worksheet to help guide your conversation with a USAA Retirement Income Specialist.**

**To reach a USAA Retirement Income Specialist, call 800-531-3392.**



# WHAT YOUR RETIREMENT INCOME SPECIALIST NEEDS TO KNOW

Write down your retirement expenses, income and savings on this worksheet. Having this information in one place will allow you to create a plan and assess your current retirement goals and risks. It will be a good starting point between you and your financial professional to help build your retirement income strategy.

**If you have any questions, call 800-531-3392 today.**

## RETIREMENT INCOME

Social Security \_\_\_\_\_

Pension \_\_\_\_\_

Part-time Employment \_\_\_\_\_

Other Regular Income (i.e. rental property income) \_\_\_\_\_

## RETIREMENT EXPENSES

Property Taxes \_\_\_\_\_

Mortgage \_\_\_\_\_

Food \_\_\_\_\_

Clothing \_\_\_\_\_

Insurance Premiums \_\_\_\_\_

Out-of-pocket Health Costs \_\_\_\_\_

Prescription Drugs \_\_\_\_\_

Transportation \_\_\_\_\_

Other Expenses \_\_\_\_\_

**Other Essentials You Want To Plan For** \_\_\_\_\_

Anything can be an essential if it will help you live your best life in retirement. Dining out, gifting (both charitable and to your children), vacations or taking up new hobbies may all be essentials to YOUR retirement and it's important to plan for them if they are.

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\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## RETIREMENT SAVINGS

Cash \_\_\_\_\_

401(k)s \_\_\_\_\_

IRA \_\_\_\_\_

Stocks \_\_\_\_\_

Bonds \_\_\_\_\_

Other Accounts \_\_\_\_\_

## Questions for your USAA Retirement Income Specialist

It's always best to get detailed, personalized answers from a professional. Here are some questions to ask your USAA Retirement Specialist. These may not be the only questions you have, but they will help you get a better understanding of our offerings.

**1. What is USAA's point of view with respect to retirement income planning?**

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**2. What risks can derail my plans for what is important to me?**

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**3. How can I use protected income to live my best life in retirement?**

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**4. How do I know if an income annuity is right for me?**

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**5. What value does an income annuity provide in retirement?**

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**6. When would I start receiving income?**

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**7. Can I change my mind after I fund my income annuity?**

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**8. Are there any fees I should know about?**

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After all is said and done, we hope you'll decide to let USAA help make your retirement easier. If you still have any questions, please reach out to us at any time.



**To learn more about USAA income annuities,  
visit [usaa.com/IncomeAnnuity](https://usaa.com/IncomeAnnuity) or contact  
one of our USAA Retirement Income Specialists.**

**To reach a USAA Retirement Income Specialist, call 800-531-3392.**

1 Guarantees apply to certain insurance and annuity products and are subject to product terms, exclusions and limitations and the insurer's claims-paying ability and financial strength.

2 Availability is based on state, contract and age. Financial Emergency Liquidity Rider: Form number ASI94834ST 10-11.

3 Optional Rising Income Privilege is a Guaranteed Retirement Income Plan (GRIP) feature, that if selected at the time of application, provides for an annual increase in annuity income. An annual percentage increase can be chosen (1%, 2% or 3%) and set for the life of the GRIP contract. The amount of annuity income for a GRIP contract with this feature is less at the contract issue date than one without this feature; however, annuity income will increase every year by the chosen annual percentage for the life of the GRIP contract. In addition, the annual percentage is compounded annually, which means the amount of annuity income will be slightly greater each year as compared to the amount of annuity income that would result if the annual percentage was not compounded. Feature availability based on state and contract.

Guaranteed Retirement Income Plan (GRIP): Forms ASI94832ST 10-11, ASI97207AK 10-11, ASI94878AR 10-11, ASI97208AZ 10-11, ASI94875CA 10-11, ASI97165CT 10-11, ASI97123IA 10-11, ASI97032ID 10-11, ASI94876IL 10-11, ASI97195KS 10-11, ASI97170MA 10-11, ASI94940MD 10-11, ASI94879MN 10-11, ASI94921MT 10-11, ASI94920NJ 10-11, ASI97268OH 10-11, ASI94877OK 10-11, ASI94941OR 10-11, ASI94922PA 10-11, ASI94833TX 10-11, ASI97124VA 10-11, ASI94874OS 10-11, NSI94897NY 10-11, NSI97130NY 10-11

An annuity is a long-term insurance contract sold by an insurance company designed to provide an income, usually after retirement, that cannot be outlived. There are fees, expenses and surrender charges that may apply.

Use of the term "member" or "membership" refers to membership in USAA Membership Services and does not convey any legal or ownership rights in USAA. Restrictions apply and are subject to change.

Annuities are generally suitable for long-term investing, particularly retirement savings.

Money not previously taxed is taxed as income when paid. Withdrawals before age 59½ may be subject to a 10% federal tax penalty.

Members were compensated for their participation.

Life insurance and annuities provided by USAA Life Insurance Company, San Antonio, TX, and in New York by USAA Life Insurance Company of New York, Highland Falls, NY. All insurance products are subject to state availability, issue limitations and contractual terms and conditions. Each company has sole financial responsibility for its own products.

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