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Social Security retirement benefits are an important component in most Americans' retirement income. However, deciding when to take retirement benefits is a choice many people wrestle with. Taking advantage of benefits as soon as you are eligible is tempting, but if you can wait, deferring your benefits can offer some long-term financial advantages.

Bob is a 62-year old man weighing this very decision.¹ In addition to his Social Security benefits, he is planning to use \$246,007 of his other retirement savings to purchase a Lifetime Income Annuity which will result in life-long, guaranteed monthly payouts of \$1,400.²

His Social Security benefits, if begun today, will pay him \$1,362³ per month. The two sources combined will give Bob a total monthly income of \$2,762. If, however, Bob waits to take his benefits until he's 66, Social Security will provide him with income of \$1,904⁴ per month. But Bob is not sure he can afford to do without the Social Security income for so long, even though he would prefer to wait and receive the higher payments.

A Solution for Changing Needs

Bob's financial professional tells him about the Changing Needs Option for the Lifetime Income Annuity. At purchase, Bob can add this option for an additional \$61,956, making the total cost of his annuity \$308,033. This provision will substantially impact Bob's overall retirement income.

The Changing Needs Option⁵, as the name suggests, allows an owner to change their annuity income level, up or down, based on their perceived need. In Bob's case, he can use it to make up for the income he would be missing if he chose to delay his Social Security benefits.

Using the Changing Needs Option with his Lifetime Income Annuity, Bob would receive \$2,800⁶ per month in initial annuity payments. That is double the income he would get if he had purchased the annuity without the Changing Needs Option. Later, when Bob begins taking Social Security at age 66, he will qualify for a higher benefit of \$1,904⁷ since he waited to reach his full retirement age. When his Social Security payments begin, Bob's annuity payments will decrease 50% to \$1,400.⁸

Combined, the two will provide him with guaranteed monthly income of \$3,304. If Bob had begun taking Social Security at age 62, he would have received annual cost of living increases, however his combined monthly income would still only be \$2,927⁹. So, the annuity with Changing Needs Option will give him more income — an additional \$377 per month for the rest of his life.

If Bob dies prematurely, the Cash Refund option ensures his beneficiaries receive the difference between the premium he paid and the payout he has already received. When considering your retirement income needs, every dollar counts. The Lifetime Income Annuity offers an attractive solution for those seniors who can postpone their Social Security start date in order to maximize benefits.

Please note: the tax treatment of Social Security payments and annuity payments are different. It is important to consider the tax treatment before considering this option. Please consult your tax advisor.

¹This scenario is based on a hypothetical example and is being solely used for illustrative purposes.

²Based on Lifetime Income Annuity rates as of 6/3/09 – Life with Cash Refund option for a male age 62. Lifetime Income Annuities are issued by New York Life Insurance and Annuity Corporation, a wholly owned subsidiary of New York Life Insurance Company, 51 Madison Ave., NY, NY 10010.

³A hypothetical example run on the Quick Calculator Benefits Estimates available from Social Security Administration, www.ssa.gov, May 28, 2009

⁴ A hypothetical example run on the Quick Calculator Benefits Estimates available from Social Security Administration, www.ssa.gov, May 28, 2009

⁵ Changing Needs Option must be elected at the time of purchase and the exact date and percentage of the changing need must also be determined at the time of purchase. The owner must be at least age 59 ½ at the time of the first payment, and annuitant must be age 80 or younger at time of purchase. Payment increase or decrease can begin on or after the third anniversary of the income start date, but must occur prior to the annuitant's 91st birthday. This option is not available in all states, and is only available on non-qualified policies. The Changing Needs Option is not available with either the Annual Increase Option or the Income Enhancement Option.

⁶ Refers to the Lifetime Income Annuity with the Changing Needs Option. Based on rates in effect as of June 3, 2009, and a Cash Refund payment option. Rates are subject to change and income amounts will vary with age and life expectancy. Actual amounts are dependent upon interest rates in effect at time of policy issue. Other payment options are also available.

⁷A hypothetical example run on the Quick Calculator Benefits Estimates available from Social Security Administration, www.ssa.gov, May 28, 2009

⁸ The Lifetime Income Annuity with the Changing Needs Option is reduced to 50% of the original income.

⁹ Assumes annual Social Security cost of living increases of 2.9% (for a benefit of \$1,527 monthly) and a Lifetime Income Annuity payment of \$1,400 monthly.

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