

## GDX360 - Modeling Annuities

At nearly \$2 trillion in size<sup>1</sup>, it's no surprise that nearly half of investors own an annuity. Annuities are typically purchased to generate guaranteed lifetime income, for tax-deferred growth potential and for downside protection against market losses. Help optimize your clients' financial plans by making sure their annuity holdings are modeled properly in GDX360.

The example we are modeling below is for a 60-year-old who plans to turn income on for a \$500,000 annuity at 65.

### Step 1 – Account Details

Add the account as a **Non-Investment Asset** on the **Account Details** page. This allows the balance to be counted in the household net worth but not be part of monies available to fund retirement goals (this will be accomplished in step 2). If you are not planning to turn on income or if there is not an income rider, the account can be added as an Investable Asset and will be subject to the Capital Market Assumptions.

Non-Investment Assets					
	DPL ClearLine Annuity	08/23/2020	Bobby	Manual	\$500,000

### Step 2 – Other Sources of Income

Other Sources of Income				
Description	Owner	Net or Gross	Inv. Income	Action
DPL ClearLine Annuity	Bobby Boomer	GROSS	no	
Is Annuity? yes    Annuity Exclusion Ratio: 0% Is Pension? no    Pension Survivor PCT: 0% Source of income will be spent until retirement.				
Plan	Annual Amount	Start/End Age	Annual Increase	
Ideal	\$24,381	65 - Death	Default	
Recommended	\$24,381	65 - Death	Default	
Acceptable	\$24,381	65 - Death	Default	

Add the Annuity as an **Other Source of Income**.

- Making sure you assign **ownership** to the correct person. If it is a **single** person annuity use **death** as the end age. If it is a **joint** annuity, use **end**.
- An **exclusion ratio** is used to determine the taxable and nontaxable percentage of a monthly **annuity** income payment. This applies to nonqualified **annuities**.

<sup>1</sup> Insured Retirement Institute, 2019; <https://www.myirionline.org/newsroom/newsroom-detail-view/iri-issues-second-quarter-2019-annuity-sales-report>.