



## THE ROLLOVER MARKET

### JOB CHANGERS

**Circumstances change. And what made sense for your client yesterday might need to be adjusted today.**

*Introducing retirement options that allow you to offer a steady stream of ongoing retirement income – guaranteed for as long as your client lives – all using their existing 401(k) assets.*



### THE ROLLOVER OPPORTUNITY

- IRAs held more than \$3 trillion at year-end of 2003.
- Corporate defined contribution plans held more than \$2.3 trillion at year-end of 2003.
- New rollover transactions are expected to total more than \$1.9 trillion from 2004-2010.
- While job changers are responsible for more rollovers, retiring boomers are responsible for larger ones.

*All statistical data provided is from the Cerulli Report (2004) for year end 2003, unless otherwise noted.*

- Government employees currently participating in the Thrift Savings Plan held \$130 billion in assets under management at year-end 2003. While TSP offers an annuity rollover alternative, it does not feature the newest generation of annuity payout features. [www.tsp.gov](http://www.tsp.gov), January 11, 2006

### PROSPECTING ROLLOVERS

According to the Cerulli Report (2004), 86% of rollovers were obtained through data mining prospecting.

By targeting rollover money, you have an advantage over other 72% of advisors who are actually not pursuing it.

*9 out of 10 advisors believe rollover accounts will become a larger component of their business, but only 28% actually have a plan to increase their rollover business.* – Cerulli Report (2004)

### MEETING THE NEEDS

The most important reasons for buying retirement income were to

- Guarantee income in retirement 85%
- Cover essential income in retirement 37%
- Avoid being a burden on children 34%

### AN ANNUITY FOR A RETIREMENT PAYCHECK

For the retirement income market, IRA rollovers may represent one of the best opportunities to market annuities to clients and prospects.

That's because to effectively plan for retirement, your clients need their income to do 3 things:

1. Cover basic living expenses
2. Last their lifetime
3. Grow to maintain their standard of living.

An annuity is the only option that can provide guaranteed income for life.

There is no additional tax deferral benefit for annuities purchased in an IRA, or any other tax-qualified plan, since these plans are already afforded tax-deferred status. The other benefits and costs should be carefully considered before purchasing an annuity in a tax-qualified plan.

Issued by Genworth Life Insurance Company

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# A TARGETED MARKET: JOB CHANGERS



*In 2004, 45% took cash payouts when they changed jobs – without rolling over into another plan.*

*By taking a cash payout and not rolling the money over, your client could end up losing 20% or more to taxes and paying a 10% IRS early withdrawal penalty if they are under 59½.*

## FACTS about job changers:

- Job changers account for more than 46% of the rollover market.
- In 2004, 45% took cash payouts when they changed jobs – without rolling over into another plan.

## The solution:

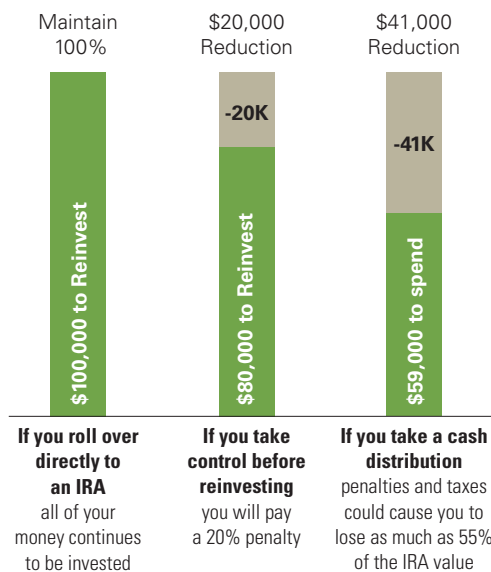
An IRA funded by an annuity contract can provide a 401(k) rollover opportunity whenever your clients change jobs. This is also a way to get more assets under your management so you can better help them plan for retirement.

## The conversation:

With a job change, your client's circumstances may have changed. Decisions made yesterday about retirement money may need to be adjusted based on their new situation.

When your client changes jobs, they have several options of what to do with their 401(k) plan. They each have pros and cons. Some have significant consequences. Some offer lifetime income guarantees. Knowing the options and the timeframes in which they have to act is critical. Making deliberate choices now based on long-term goals are just as critical.

## Compare the ways your client can close out a \$100,000 401(k) plan when they change jobs



## Brokers Tip...

### a typical problem with easy solutions

**Lost transactions:** Rollover transactions are often lost at the last moment, according to Larry Klein of NF Communications, when the clients call the existing custodian and get talked out of moving the assets.

**Solution:** Either request this transaction online or in writing, or offer to make the phone call with your client in case any questions arise.

## JOB CHANGER OPTION HIGHLIGHTS

### Keeping money in a previous employers plan

- The downside is that investment choices will be limited to those in the plan, and they may miss out on greater flexibility that could be useful later in their retirement. For example, if their risk tolerance changes over time, they may no longer have the ability to change strategies.
- Risk of the company changing providers. They lose control over their choices for investment because the plan becomes frozen. Typically they could be in stocks and the firm may move them into a money market account. When the plan is frozen, they can't get out or change the plan.

### Direct Rollover

- To defer income tax and avoid penalties, the rollover must be completed within 60 days. Your client will have to pay income tax on the money when they withdraw it from the IRA account. There may be fees and commissions charged in the IRA.

### Lump-sum Cash-out

- Aside from the fact that people have a tendency to spend money they have in hand, this decision is costly. They'll have to pay income tax on the money they withdraw, and the IRS requires 20% tax withholding of the lump sum to go toward that income tax.

### Converting to an annuity

- An annuity is the only option that can guarantee regular income for the rest of their life.

# SEE WHY A ROLLOVER MAKES SENSE FOR YOUR CLIENT

## ADVANTAGES

### 1. Consider an annuity from the Genworth Financial companies

All guarantees are based on the claims-paying ability of the issuing insurance company.

- Income opportunity through retirement
- Principal guarantee
- The only retirement option that can convert money into a guaranteed lifelong income

## POTENTIAL DISADVANTAGES

- There is no additional tax deferral benefit for annuities purchased in an IRA, or any other tax-qualified plan, since these plans are already afforded tax-deferred status
- Surrender charges may apply for money withdrawn in the early years of the contract
- There may be additional fees to hold assets outside of a former employer's plan

### 2. Staying in a former employer's plan

- May be eligible for penalty-free withdrawals at age 55
- Generally there is no commission or fees on selling company stock
- Possibility of investment options unique to employer's plan

- Limited investment options
- May have more restrictions than current employees
- Can't continue contributions
- May be charged service fees ongoing
- Distribution options may be inflexible
- Non-spouse beneficiaries are generally required to liquidate assets and pay taxes on the full amount the year in which they inherit them
- Changes at the former employer (for example: a merger) may complicate access to their savings plan

### 3. Moving assets to a new employer's plan

- May be able to borrow from the new plan
- May be able to consolidate the old employer's plan assets with new employer's plan assets

- Limited investment options
- Assets are subject to the provisions of the new employer's plan
- New employer may impose a waiting period for new contributions
- Inflexible distributions- client may not be able to withdraw their assets without a qualifying triggering event
- Non-spouse beneficiaries are generally required to liquidate assets and pay taxes on the full amount the year they inherit them

### 4. Taking an immediate cash distribution

- Cash can be used immediately
- Eligible amounts can be rolled over to an IRA or new plan within 60 days
- If they have highly appreciated company stock in their existing plan there may be tax advantages

- The cash distribution will be subject to state and federal taxes – 20% may be automatically withheld
- They may also be required to pay a 10% early withdrawal penalty if they are under the age of 59½
- Erosion of retirement savings since earnings will no longer be eligible for tax-deferred growth



# FREQUENT CLIENT QUESTIONS, COMMENTS AND RESPONSES

*53% of pre-retirees are “very concerned” about insufficient guaranteed income, up from 28% just 2 years ago.*

## **I have an advisor I trust and he has never recommended an annuity. Why now?**

Today’s “new generation” of annuities offer income features that make it an attractive alternative to traditional choices within an IRA or 401(k) plan. These recently launched products offer more options and flexibility than those available in the past. They have been designed based on client requests and their expressed needs.

## **I am concerned about the market and how world events contribute to instability.**

World events do affect the market greatly. That is why an annuity can be so valuable. It is designed to help you get through the good economic times as well as the bad. It offers a guaranteed income stream – based on the claims-paying ability of the issuing insurance company.

## **I don’t want to be locked in to anything.**

While an annuity is designed for long-term retirement investing, today’s annuities feature a variety of ways to access your contract value depending on:

- When you need it
- Why you need it and
- How much you need.

In order to get these additional benefits, you do give up some control – and may incur fees to access your money.

## **This sounds like insurance.**

An annuity combines the worlds of insurance and investments. That means annuities can help fund your retirement, while the death benefit can help support your beneficiaries.

The guarantee is important. Just as we insure our cars, homes and lives, it stands to reason that we should insure our most valuable asset – our nest egg.

## **What if I need more money? Or more access to my money?**

We have different vehicles to provide various options of time frame and access to money. Even in our annuitized option we offer commutation. That means you may have the ability to replace the annuity, or series of payments, with a single payment.

## **Annuity products appear complex.**

We understand your concern but with the complexity comes a customizable solution that will be structured around your own circumstances.

*World events do affect the market greatly. That is why an annuity can be so valuable. It’s designed to help you through the good economic times as well as the bad.*



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## **ANNUITY CONVERSATION STARTERS:**

**Q:** Are you concerned about having enough income during retirement?

**Q:** Are you currently doing anything to make sure that you have income that will last as long as you do?

**Q:** Are you concerned about the cost of inflation and the increase of money needed to maintain your current lifestyle?

**A:** **I can offer products to help you ensure guaranteed income for life, no matter how long you need it. It can help supplement your Social Security and pensions.**

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