

GUARANTEED INCOME: Discovering the power of annuities in the financial plan



Shannon Stone

CFP and Client Advisor
DHR Investment Counsel

AUM: \$400M

Firm Type: Independent RIA

Shannon Stone of DHR Investment Counsel needed a solution for guaranteed income but was hesitant to use annuities beyond investment-only variable annuities. By working with DPL Financial Partners, Shannon discovered a new breed of value-driven, Commission-Free annuities, dove into the academic research on strategic uses of annuities for income, and today delivers solutions her clients want using products that fit her fee-only practice and fiduciary ethos.

The "A" Word

Annuities can carry a lot of baggage and, understandably, RIAs have tended to avoid these products beyond the investment-only variety. Like many advisors, Shannon and her colleagues at DHR Investment Counsel cited high commissions, product complexity, and lack of advisory features as reasons to steer clear. Clients would often come in with high-cost annuities from the retail environment—unsure of why they purchased them in the first place—strengthening Shannon's distrust of "the 'A' word."

At the same time, Shannon realized a common theme among many of her clients: retirees want fixed income. "They want to feel secure and safe," says Shannon. Her firm connected with DPL to begin exploring Commission-Free annuities as a tool to enhance a client's retirement outlook and provide the income security many were asking for.

Addressing Annuity Misconceptions

After becoming a DPL Member, Shannon quickly realized her firm, like most RIAs, held several misconceptions about annuities based on her clients' previous experiences.

Working with her DPL team, Shannon learned how annuity products have changed and can be used to deliver the fixed income her clients were seeking for retirement.

"We've explored other ways of using annuities with our clients; those who brought in legacy policies have been holding onto them without understanding how those annuities could impact their future retirement income," shares Shannon. "When modeling the annuity in our financial planning software, the results have been pretty dramatic."

4 Steps to Talking to Clients about Annuities & Income

1. Explain how annuities have changed
2. Highlight the academic research
3. Convey the client benefits
4. Demonstrate the value of guaranteed income in the financial plan

Watch the webinar at dplfp.com

Leveraging the Academic Research

For Shannon, one of the most valuable resources DPL provides is access to leading academics and retirement researchers, including Wade Pfau and Michael Finke of The American College of Financial Services, Morningstar's David Blanchett, and others.

When Shannon attended an Annuity MasterClass hosted by DPL with Wade Pfau in 2019, the insights gained enabled her to begin implementing annuities as a partial bond replacement.

During the class and later at a group dinner, Wade discussed how to use annuities to help retirees cover nondiscretionary spending.



Wade Pfau presenting at DPL's Annuity MasterClass with Allianz, 2019.

Annuities as an Asset Class

Armed with the MasterClass insights, Shannon and DHR began working with DPL to strategically utilize Commission-Free annuities as an asset class for their clients. "It makes my job more rewarding when I'm able to introduce a concept that a client doesn't have a lot of experience with."

Shannon also learned how to navigate the conversation to address her clients' misconceptions. "Many people have heard of annuities and what they know is to stay away from them." But showing clients how they can strengthen the financial plan helps them understand the real power of annuities. "It's like night and day," she says.

A Shared Best Interest in the Client's Best Interest

As a fee-only advisor, Shannon's commitment to her clients is evident in her continued pursuit of education about the Commission-Free options available for RIAs and how to use them effectively.

"I worked with someone in a local school district, and he had just suffered a few investment losses," says Shannon. "The annuity was a great way for him to secure another source of income. The annuity has given him new hope that he'll be able to retire when he wants to."

For advisors skeptical of the results annuities can deliver, Shannon encourages them to "be open to the possibilities. There are solutions out there that may surprise you.."

And regarding her partnership with DPL? "It's much more than annuities, and you wouldn't know it until you actually utilize them."



Contact DPL to learn more about how we can work with your firm to deliver no-load annuity solutions to clients.

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There are risks, fees and charges associated with fixed annuities. The purchase of an annuity within a retirement plan that already provides tax deferral under sections of the Internal Revenue Code results in no additional tax benefits. An annuity should be used to fund a qualified plan based upon the annuity's features other than tax deferral. All annuity features, risks, limitations, and costs should be considered prior to recommending the purchase of an annuity within a tax-qualified retirement plan. In addition to surrender charges, withdrawals are subject to income tax. Withdrawals prior to age 59 1/2 may also be subject to a 10% federal tax penalty.