New York Life plans deferred income annuity for July

By Editor Test *Mon, Apr 11, 2011*

A retiree or advisor could use such a product to reduce or eliminate the longevity risk associated with a traditional uninsured systematic withdrawal plan.

New York Life Insurance Co. expects to release its first longevity insurance product this July, *Investment News* reported and a New York Life spokesman confirmed this week.

Longevity insurance is a deferred income annuity. A 65-year-old retiree, for instance, might buy such a product to provide life-contingent income from age 85 onward. Since the product would have 20 years to appreciate and, depending on the product design, would only pay out if the owner lived past age 85, it could be purchased at a steep discount. The product can help eliminate the tendency among retirees to hoard their savings against the possibility that they might live five, ten or even 15 years past the average life expectancy.

Recently, PIMCO and MetLife announced a co-marketing plan that coupled PIMCO's TIPS payout fund, which provides income for a fixed 10 or 20-year period, with a MetLife deferred income annuity that would provide income when the TIPS fund payments expire.

As an insurance product, deferred income annuities have never sold well and have not even been vigorously marketed, for a number of reasons. In its cheapest form, it has no cash value. When purchased with qualified money, it may also conflict with current laws pertaining to required minimum distributions from IRAs and employer-sponsored retirement plans at age 70 1/2. Recently, low interest rates have made it more expensive than it had been only a few years ago.