
We Deserve Better

By Kerry Pechter *Thu, Sep 5, 2019*

We were on our way up and out of the extreme low interest rate regime until the end of July, when factors related to the 2020 election came into play.



Welcome back from the Labor Day holiday.

Autumn is upon us, and more than leaves are falling. Since the Fed's July 31 quarter-point interest rate cut, the payout from single premium income annuities has dropped significantly.

A contract paying \$25,000 a year only months ago now pays \$22,000. That's frustrating; we (I'm speaking for the life insurance industry) were led to expect a return to pre-crisis rates by 2020. The president now wants rates to go lower to extend the expansion.

It's true that rising rates could trigger a recession. But the president seems unconcerned that a falling rate has downsides too.

The behavior of the White House is characteristically brash. Tariffs were invented to protect specific domestic industries from cheap imports, not to intimidate a trade partner generally or to come at the unintended expense of domestic industries (like soybean farming). So his trade policy makes little sense.

Like Richard Nixon's when he took the US off the gold standard in 1971, the president's moves seem intended to improve his reelection chances. But even if luck favors us in the end, the country, and the annuity industry, needs and deserves better reasons than that from its leader.

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