
Historically Low Interest Rates on Bonds May Help Overall Economy -- But They Undermine Income Potential for Retirees

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MEDFORD, Ore., Dec. 23, 2013 /PRNewswire/ -- The abnormally low interest rates on bonds and other fixed income investments may be here for a very long time. That's the word from the "Bond King" Bill Gross, CEO of PIMCO and world-renowned bond rate prognosticator. The effect of such low rates would be disastrous for the millions of retirees and near-retirees who rely on interest earnings from bonds and bank CD's to support their retirement income needs.

Ken Nuss, founder and CEO of AnnuityAdvantage.com, expresses surprise that the Bond King's prediction hasn't received more media attention. "In many cases, retirees and near-retirees are not plugged in to backchannel financial news, and unless a story hits mass media outlets, they may never be aware of it. They typically want a 'plug and play' retirement, but if Bill Gross is right and low interest rates continue for 20-plus years, their expectations and retirement plans may need adjusting. The message from Bill Gross needs to reach these people so they can prepare for this possibility accordingly."

In a recent "Investment Outlook" letter, Gross predicted that interest rates could remain as low as 1% until 2035. He suggested that the Federal Reserve is charting this almost unprecedented course as a means to transition away from a debt-driven economy. The last time rates remained abnormally low for a 20-plus year period of time was beginning in the 1940s, as the economy slogged its way out of the Great Depression.

Today's retirees are not as concerned about where the overall economy will be in 20 years; their concern is with ensuring a stable retirement income with no fear of running out of money too soon. The Baby Boomer retirees have carefully, diligently saved all their lives, and now they're ready to put their money to work for them. They don't want to see those investments, which for many exceed the half-million dollar mark, waste away under the influence of artificially suppressed interest rates. Fixed and immediate income annuities can provide the ideal hedge against these stagnant interest rates and the continual uncertainties of the market.

Nuss adds a cautionary tale: "Retirees content to stay heavily invested in bonds may see their retirement savings shrink faster than expected; after all, who can say they're comfortable with a 1% return, when inflation averages 3%? More troubling are the near-retirees who may be waiting for fixed interest rates to trend upward. If the forecast by Bill Gross is correct, bond rates could be staying put for at least the next 20 years. With that in mind, it's never too late to rotate into a fixed or immediate income annuity with a guaranteed lifetime payout."

Investors should bear in mind that the Bond King's predictions are just that -- predictions. However, even if bond rates do rebound sooner than anticipated, moving funds more heavily into a fixed annuity product is still worthwhile advice, Nuss concludes.

About AnnuityAdvantage.com

Founded in 1999 by veteran financial and retirement planner Ken Nuss, AnnuityAdvantage.com is the leading online provider of fixed-rate, equity-indexed, and immediate income annuities. Consumers planning for retirement have come to rely on AnnuityAdvantage.com for individualized, expert recommendations and guaranteed, high-value annuity products that have been thoroughly screened by Nuss and his staff. The company's client-centered approach allows consumers to find the best mix of annuity products for their unique needs from the hundreds of annuities available through AnnuityAdvantage.com. There are no fees for the service.

Nuss is an active member of the National Association of Insurance and Financial Advisors (NAIFA), the National Association for Fixed Annuities (NAFA), and the National Ethics Association (NEA). He holds an Oregon insurance consulting license, along with an individual producer license in all 50 states and the District of Columbia.

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