

The Safe Harbor in the Storm

How annuities helped keep the lights on during the Great Depression

The autumn of 1932 carried a bitter chill across the American heartland. Imagine a crowd gathered outside a small-town bank before dawn. The doors are locked. A notice announces that the institution is closed. For families who kept their savings inside, the uncertainty is immediate: How will they pay for food, coal, or next month's rent?

This scene is a historical illustration, but the banking catastrophe was real. During the Depression, approximately **9,000 U.S. banks suspended operations**. A historical banking and insurance study later calculated roughly **9,100 bank failures, about 38% of banks operating in mid-1930**. Federal deposit insurance did not begin until **January 1, 1934**.^{1,2}

Now imagine a retired carpenter, Thomas, and his wife, Martha, living just a few blocks away. Thomas has a fixed lifetime annuity. Each month a scheduled payment arrives under the contract, giving them money for essentials despite the market upheaval. **Thomas and Martha are illustrative characters, not identifiable historical individuals.**

The Contrast of Two Paths

In the prosperous 1920s, many households chased rising stocks and speculative investments. Others kept a portion of their resources in contractual life insurance and annuity arrangements. These decisions carried different risks. A stock portfolio could lose market value; a lifetime fixed annuity could continue providing its contracted income, provided the issuing insurer remained able to pay.

Life insurers were hardly untouched by the Depression. Falling asset values and extraordinary demands for cash strained their balance sheets. Yet there was an important distinction between accessing the cash value of a policy and receiving a contractual annuity payment.³

What the Historical Record Shows

BANKING CRISIS	LIFE INSURANCE & ANNUITIES
About 9,000 bank suspensions between 1930 and 1933; federal deposit insurance began in 1934. ^{1,2}	In 1933, emergency rules restricted policy loans and cash surrenders, but required payment of annuities, death claims and matured endowments. ³

About the 99% claim: The often-repeated statement that more than 99% of life insurance reserves remained fully intact and serviced during 1929–1933 could not be tied to a credible historical calculation. It is therefore not presented as a measured fact. The documented distinction above is stronger: annuity payments were specifically protected during the 1933 insurance emergency.

The Unbroken Lifeline

For Thomas and Martha, dependable income means practical things: coal for the stove, groceries for the table, and the ability to welcome family during hard times. A predictable monthly payment can give a household more control over essential spending when other sources of money become uncertain.

The 1933 insurance emergency makes the distinction concrete. States temporarily limited access to cash surrender values and policy loans, a real hardship for many policyholders. But the emergency regulations directed insurers to continue paying death claims, annuities and matured endowments. The availability of money from a policy was not the same as the continuation of income already contractually due.³

Babe Ruth: A Real Example of Planning Ahead

Baseball legend **Babe Ruth** provides a documented example. Drawing on surviving financial records, economic historian Michael Hauptert of the Society for American Baseball Research reports that Ruth earned income beyond his playing salary, including income associated with **annuity and trust-fund investments**. His business manager, Christy Walsh, helped put money aside during Ruth's high-earning years, and Ruth lived comfortably after his playing career ended.⁴

The historical record supports the annuities and the value of advance planning. It does not establish a precise monthly annuity check, that all his World Series proceeds purchased deferred fixed annuities, or that annuities alone explain his post-career finances. None of those embellishments is needed to make the story persuasive.

A Legacy That Outlasted the Storm

The point is not that any financial institution is immune to crisis. Life insurers themselves faced serious pressures in the 1930s, and modern annuity guarantees still depend on the issuing company's claims-paying ability. The lesson is that **contractual retirement income can serve a different purpose from market investments and accessible cash**. A thoughtful plan can give each resource a specific job.

For someone approaching retirement today, the question is worth asking: **What portion of my essential spending would I want covered by an income stream that does not depend on selling investments in a falling market?**

HISTORICAL SOURCES

1. Federal Deposit Insurance Corporation, "FDIC Historical Timeline," [fdic.gov/90years](https://www.fdic.gov/90years). Approximately 9,000 bank suspensions; deposit insurance effective January 1934.
2. FDIC, "1930–1939," [fdic.gov/history/1930-1939](https://www.fdic.gov/history/1930-1939). Period chronology and founding of the FDIC.
3. Thomas F. Huertas and Joan L. Silverman, "The Banking and Insurance Holidays of 1933," *Business and Economic History* 13 (1984), 105–114, [read the historical study](#). Banking comparison, insurer financial pressures, and annuity-payment rules.
4. Michael Hauptert, "The Business of Being the Babe," *Baseball Research Journal* (2021), Society for American Baseball Research, sabr.org. Ruth's documented earnings and investment arrangements.

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For educational purposes only, not individualized financial, legal or tax advice. Annuity guarantees are subject to the issuing insurer's claims-paying ability. Actual contract features, fees, surrender terms, liquidity provisions and inflation exposure vary. Thomas and Martha are fictional characters used solely to illustrate how dependable income may work.