

Sleeping Like a Baby While the Stock Market Has a Tantrum

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How Deferred Income Annuities Can Support a Retirement Income Floor and Give Your Investments Breathing Room

Imagine standing on a tightrope stretched between two skyscrapers. Below you: concrete. Your hands are sweating, your heart is pounding, and every passing breeze feels like a personal attack from the universe. Naturally, you take very small, very cautious steps.

Now imagine the same tightrope with a strong safety net installed beneath it. You still have to watch your footing, but one wrong step no longer carries quite the same consequences. Maybe you relax your shoulders. Maybe you even remember how to breathe.

In retirement planning, one potential part of that safety net is a **Deferred Income Annuity (DIA)**. It cannot eliminate investment risk or transform risky investments into safe ones. But it can help establish a future paycheck, which may allow the rest of a retirement plan to do its job with less pressure.

1. What in the World Is a Deferred Income Annuity?

Mention annuities at a barbecue and half the guests may suddenly remember they need more potato salad. The category has earned plenty of skepticism because products differ widely, and some are more complicated than others.

A traditional fixed DIA is comparatively straightforward. You pay a premium to an insurance company now, choose a future date for income to begin, and receive payments under the terms of the contract, often for life. For example, someone might purchase a DIA at 60 with payments scheduled to begin at 70 or 75. The payment amount depends on the premium, ages, start date, payout choice, and the insurer's pricing.

Think of it as **buying a future paycheck**, rather than building another account you plan to trade or withdraw from whenever you please. Some DIAs offer joint-life payments, a cash-refund feature, or guaranteed-period options. Those protections may lower the initial payment, and not every contract offers every feature.

There is an important trade-off: **DIAs are generally illiquid**. Once the premium is committed, access to that money can be extremely limited or unavailable. With some payout options, payments stop at death, even if the total received is less than the premium. And payments that are fixed in dollars can lose purchasing power to inflation over time. The insurer's promises also depend on its claims-paying ability.

That is why a DIA belongs in a carefully designed plan, not in the emergency-fund drawer.

2. The "Fake Paycheck" Psychological Hack

Markets are excellent at making numbers move. They are considerably less talented at making retirees feel calm.

When your grocery money depends entirely on withdrawals from a stock-and-bond portfolio, a market decline can turn an ordinary Tuesday into a very long afternoon. Suddenly, every headline sounds like a siren, and the temptation to sell at the worst possible moment becomes all too real.

Now consider a household with a clearly defined income floor. Social Security, pensions, and, when appropriate, annuity payments help cover essential spending. The remainder of the portfolio can be positioned for other jobs, such as long-term growth, discretionary purchases, unexpected needs, and legacy goals.

A Deferred Income Annuity can fundamentally change how you experience market volatility. When your essential living expenses are covered by dependable income, you no longer have to sell market investments just to keep the lights on.

That gives your investment portfolio something incredibly valuable: **time**. Time to weather downturns, time to participate in potential recoveries, and the flexibility to pursue long-term growth without depending on the market to provide next month's paycheck.

That distinction matters. If the DIA begins paying at age 75, it does **not** cover expenses at 65. The plan still needs a bridge for the years before income starts, along with liquid reserves for emergencies, inflation, healthcare, and surprises that do not politely announce themselves in advance.

3. How a Future Paycheck Can Change Portfolio Decisions

A dependable future income stream may give an investor room to think more clearly, but it is not a green light to take unlimited risk.

Less pressure to sell during a downturn

If more of your essential expenses are covered by predictable income, you may need fewer withdrawals from investments during a market decline. That can help reduce the damage caused by selling assets when prices are depressed. It does not guarantee that you will never sell investments or that your remaining portfolio will recover on your preferred schedule.

Eliminating Withdrawal-Driven Sequence-of-Returns Risk

Here's one of the most powerful advantages of separating retirement income from market investments: **When your living expenses are funded by guaranteed annuity income rather than portfolio withdrawals, those expenses are no longer exposed to market sequence-of-returns risk.**

Your annuity paycheck doesn't shrink because the S&P 500 has a terrible year. And because you're not forced to liquidate investments to generate that income, you eliminate the withdrawal-driven sequence risk associated with funding those expenses from the market.

Your investments can still fluctuate, of course. But market volatility and having to sell investments during a downturn are two very different problems. For a DIA specifically, the income floor applies once payments begin, so the plan must also cover essential expenses during the years before that date.

More flexibility, but not automatic permission to use leverage

With a stronger income floor, some households may find that they can hold a different mix of stocks, bonds, cash, and other assets. The right allocation still depends on their risk tolerance, time horizon, liquidity needs, tax situation, and ability to absorb losses.

And here is where I draw a bright line: **a DIA does not protect you from margin calls.** If you borrow to invest and the market drops, your brokerage may require additional collateral or sell securities without advance notice. Your annuity paycheck does not cancel the loan or override the brokerage's rules. Leveraged positions can produce losses greater than the money originally invested.

A safety net is there to help you stay on the tightrope. It is not a license to attempt a triple backflip with your retirement savings.

A chance to compare total costs honestly

A DIA paired with low-cost investments can be worth comparing with more complex products or other approaches. But "simple" does not automatically mean "cheaper." A DIA's economics are generally embedded in its payout pricing, and adding death-benefit or survivor provisions can change that price. Investment funds, advisory services, trading, and any borrowed-money interest have their own costs.

Compare the **entire plan's costs, restrictions, income guarantees, liquidity, and opportunity costs**, rather than selecting whichever option has the smallest-looking fee line.

4. Two Approaches, Different Trade-offs

There is no universal winner between a diversified investment portfolio and one that also uses a DIA. The job is to make sure each strategy's promises and limitations match the household.

Question	Portfolio without a DIA	Portfolio with a DIA income floor
Income source	Withdrawals depend on assets and withdrawal strategy	Contractual income begins on the selected date, subject to insurer claims-paying ability
Market exposure	Asset values and withdrawals can be affected by market declines	Investment portion remains exposed; DIA income is not directly tied to stock-market returns
Liquidity	Investments may be available to sell, though values fluctuate	DIA premium is generally committed and may offer little or no access
Longevity	Must plan for a potentially long withdrawal period	Lifetime payout options can help address the risk of outliving income
Costs and trade-offs	Fund, advisory, and trading costs; market risk	DIA payout pricing and optional features, plus costs of remaining investments

5. Before Buying the Safety Net, Check the Knots

A strong retirement plan should answer a few practical questions before anyone signs a contract:

- **When does the income start?** A paycheck scheduled for age 75 cannot solve a cash-flow shortfall at age 68.
- **What happens if you die early?** Compare life-only income with joint-life, period-certain, and refund options where available.
- **How will you handle inflation?** A fixed \$2,000 payment may buy less ten or twenty years from now.
- **How much liquidity remains?** Keep an adequate reserve for emergencies and expenses the contract cannot cover.
- **Who stands behind the promise?** Review the issuing insurer's financial strength and the contract language.

- **What else could meet the goal?** Social Security timing, pensions, bond or Treasury ladders, and other strategies may deserve consideration alongside annuities.

The Bottom Line: Sleep Better Because the Plan Makes Sense

Retirement should not require checking the market before you check the weather. A Deferred Income Annuity can be one useful way to turn part of today's savings into a future stream of contractual income. When combined thoughtfully with Social Security, liquid reserves, and an appropriately diversified investment portfolio, it may reduce the pressure on investments to fund every essential expense.

It will not prevent a bear market, guarantee higher returns, eliminate fees, or make leverage safe. And it should never consume money you might need access to next year.

The goal is not to become fearless. It is to become better prepared. That is a retirement strategy worth sleeping on.

Partner With Symphony Financial Group

At Symphony Financial Group, we believe retirement income planning should start with what your money needs to accomplish, not a product brochure. We help clients evaluate income sources, liquidity, investment risk, and the trade-offs of strategies such as deferred income annuities.

If you would like to explore whether a future income floor fits your personal plan, contact our team for a conversation.

Important Information

This article is for general educational purposes only and is not individualized investment, insurance, tax, or legal advice. Deferred income annuities are long-term insurance contracts and may be illiquid. Available features and death benefits vary; guarantees depend on the issuing insurer's claims-paying ability. Fixed income payments can lose purchasing power due to inflation. Investments can lose value, and borrowing to invest increases risk, potentially resulting in losses greater than the amount invested. Review actual contract disclosures, alternatives, costs, and suitability with qualified professionals before making financial decisions.

Sources for Further Reading

- National Association of Insurance Commissioners, *Insurance Topics: Annuities* (content.naic.org/insurance-topics/annuities).
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- U.S. Securities and Exchange Commission, Investor.gov, *Margin Call* (investor.gov/introduction-investing/investing-basics/glossary/margin-call).