What is an Income Rate and How is it Calculated?

The income rate is calculated for each living benefit showing a client's minimum effective income at age 65, if they invested in the product at age 55 and 60, 5 year and 10-year deferral respectively. The income rate is calculated as follows:

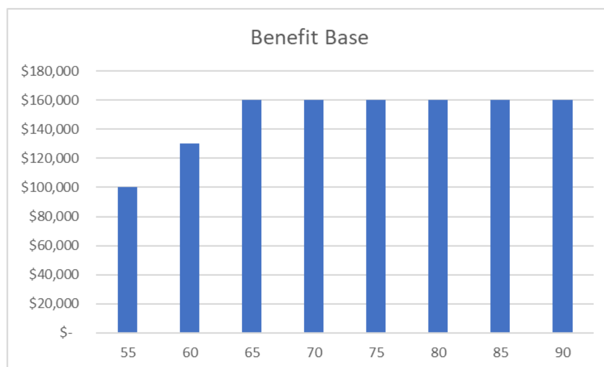
Income Rate = (Withdrawal Rate X Benefit Base) / Initial Investment.

How does this work?

An initial investment of $100,000 with a 6% simple roll-up starting at age 55 creates a $160,000 benefit base at year 10 (age 65).

A 5% withdrawal rate at age 65 would give a client a withdrawal amount of $8,000 (5% X $160,000) a year for life.

Income Rate = (5% X $160,000) / $100,000 = 8% Income Rate.



Disclosure: These pieces do not apply state variations. They do not account for any potential step-ups that could generate a higher income or increases from a potential variable or stacking component. Assumes market return covers rider cost. With some companies Income rate can decrease if account value is depleted.
Income Rate: Some Rates have the potential to increase after withdrawals start if there are earnings from interest or an inflation adjustment.
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