

Q: My wife does not want to handle investments after I die. She just wants to have deposits to her banking account which she can count on. What do you recommend?

A: First, make some kind of a guess what might be a reasonable amount to have on reserve for emergencies that would require a large cash payment without getting into debt. Things to consider are health problems, children's financial conditions, replacing expensive things like an automobile or roof, and the need for special care when very old. Then consider putting the remainder in immediate annuities. I would not do this all at once. You might spread out the purchases over five or ten years.

Each year is likely to produce larger payments from a new immediate annuity both from the fact that the insurer will not have to make payments for as many years as you get older plus the fact that interest rates are likely to increase which will increase the amount of payments on a policy.

I have done this, but have also confined my purchases to inflation-adjusted immediate annuities. These are harder to find, and the payments are less in the initial years, but I feel we are going to face a high inflation future. If we go into a prolonged depression where prices actually drop, I have done the wrong thing selecting inflation-adjusted immediate annuities instead of fixed-payment ones.