BY JIM MILLER

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If you're worried about outliving your retirement savings, longevity annuities are definitely an option worth looking into.

Longevity annuities are simply deferred annuities that pay you income for life, but only if and when you make it to a certain age. How does it work?

You give an insurance company a lump-sum of money when you retire (say age 60 or 65), in return for monthly income usually starting at around 80 or 85.

The advantage of choosing a longevity annuity over an immediate annuity is that the payouts are much higher. For example, a 65-year-old man who puts $30,000 into a longevity policy could expect to receive around $1,600 per month (that comes to $19,200 per year) starting at age 85. Buying a $30,000 immediate annuity at age 85, he'd get only around $370 per month.

Why such a big difference? Because the insurer has more time to make money off your money before it must begin paying you back. And, they're betting you won't live long enough to receive many, if any, checks. National statistics show that a 65-year-old man will live, on average, to 82, and a 65-year-old woman to 85.

Another great benefit with a longevity annuity is it gives you the freedom to spend down your nest egg, knowing you've locked up an income stream for your later years.

But, as tantalizing as those big payouts may be, longevity annuities have their drawbacks. For starters, a basic longevity policy offers no escape hatch for you to retrieve your money during the 20 years or so you're waiting for benefits to start. And, your heirs won't get death benefits if you die before you begin to collect.

If that bothers you, you may want to consider a longevity policy that offers flexible features like a death benefit to be paid to your heirs, early payment options, inflation protection and more. The downside, however, is that every extra feature you add will reduce your monthly benefit.

You can use the Brandes Retirement Simulator (see www.brandes.com/institute) to figure out if you should consider a policy. Plug in your current and projected income, expenses and investment strategies. It will show you the possible impact of a longevity product on retirement spending and on your income after age 85. Brandes does not sell longevity insurance.

When to Buy

Most people purchase a longevity annuity at or just prior to the time they retire. To estimate how much coverage you should get, figure out how much of your essential expenses you can cover with Social Security, pensions and other forms of guaranteed income, and buy longevity coverage for the rest.

But don't overdue it. Experts recommend you use no more than 10 to 15 percent of your assets to purchase a policy, and leave the rest in your portfolio to provide income until it kicks in.

Also, when choosing a product, remember that you're buying income that will not kick in for 20 years or more. So, be sure to go with a company with a good reputation and solid financials which you can check online for free at ambest.com, standardandpoors.com and www.thestreet.com/insurers.

Insurance companies that currently sell longevity annuities are MetLife, Hartford Financial Services, Symetra, New York Life, Northwestern Mutual and MassMutual.

Send your senior questions to: Savvy Senior, P.O. Box 5443, Norman, OK 73070, or visit SavvySenior.org. Jim Miller is a contributor to the NBC Today show and author of “The Savvy Senior” book.