

An annuity is a long-term, tax-deferred savings vehicle offered by insurance companies to help people manage financial risks and bring financial security during an important time in their life.

Annuities are uniquely positioned to:

Grow retirement saving in a safe way.

Adding annuities to your overall retirement strategy can help you protect against many risks such as: longevity, market volatility (sequence of returns risk), inflation and taxes reducing financial stress and increasing peace of mind.



Common Types of Annuities

Single Premium Immediate Annuity

Purpose: **Income**

- * Lump sum initial payment to an insurance company
- * Payments can be monthly, quarterly, semi-annual or Annual
- * Payments start immediately
- * Payments can be for
 - * Life only
 - * Specific period of time
 - * The longer of the two combined lives
- * Tax treatment based on the source of funds
- * Once the contract is started it cannot be changed by either party. *Very few exceptions.*
- * Payments can be level or increase to compensate for cost of living.

Deferred Annuity

Purpose: **Income**

- * Funded with lump sum or over a period of years
- * Annuity payments start at a specified date in the future
- * Has a surrender period ranging from 1-15 years (usually 5-7).
- * Money withdrawn during surrender period may have penalties attached.
- * May be able to annuitize during contract period.
- * Tax treatment based on the source of funds
- * Interest rates may change annually



Multi Year Guaranteed Annuity

Purpose: **Safe Money Growth and/or Income**

- ✳ Simplest type of annuity contracts
- ✳ Typical term of contract, 2-7 years, can be 1-10 years
- ✳ Interest rate is guaranteed for term of contract
- ✳ After surrender period, policyholder has options
- ✳ Many allow small annual withdrawals with no penalty (RMD's, specific % per year, etc.)
- ✳ Policyholders must decide what to do at end of contract (surrender) period
- ✳ Tax treatment based on the source of funds

Fixed Index Annuity

Purpose: **Safe Money Growth and/or Income**

- ✳ Return is tied to an index strategies you select
- ✳ Surrender periods vary
- ✳ Usually, no fees (unless optional riders are purchased or certain strategies are selected)
- ✳ Some have guaranteed income for life riders
- ✳ Protection against loss (0% Floor)
- ✳ Many allow small annual withdrawals with no penalty (RMD's, specific % per year, etc.)
- ✳ May be able to help with inflation risk
- ✳ Tax treatment based on the source of funds

