



INTEGRATED INSIGHTS . . .

When you say the word “annuity” to someone it can invoke many different reactions. Some people love them and some don’t!

Many people simply do not understand the purpose of an annuity or how one can be positioned within someone’s retirement plan. A primary purpose and use of an annuity is to provide a guaranteed income for life.

Benefits of a Fixed Annuity:

Deferred Annuity

- Tax Deferred
- Probate Free
- Principal Protection
- Fixed Rate Guaranteed
- Guarantees for life & death

Income Annuity

- Guaranteed Lifetime income via annuitization or rider
- If annuitization is on non-qualified money you receive tax-free income based on the calculated exclusion ratio.

Types of Annuities:

Deferred Annuity - taxes and income are deferred until money is withdrawn or an income rider is turned on.

- **Fixed** -pays a fixed interest rate for a set period of time with a minimum rate guarantee.
- **Indexed** -pays interest based on a market related index such as the S & P 500
- **Variable** –pays interest based on performance of a mutual fund type investment option known as a subaccount. Principal is not guaranteed and may gain or lose value.

SPIA (Single Premium Immediate Annuity) - An annuity that is purchased with a single lump-sum payment and in exchange, pays a guaranteed income that starts immediately.

Longevity Annuity - is a deferred SPIA. You deposit a lump sum today for a guaranteed lifetime income that starts at some point in the future. Often the start will be at age 85 or beyond.

Additional Benefits & Riders:

- Enhanced Death Benefit Rider
- Guaranteed Minimum Lifetime Income Rider
- Additional Liquidity - Nursing and Terminal Illness Waiver
- Multiplier Riders – Pays or increases payment for Long-Term Care or Nursing Home Care

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Common misconceptions of annuities:

Myth: I don't want to annuitize my money because if I die the insurance company keeps my money and makes a windfall profit.

Reality: The insurance company generally doesn't make a windfall profit, those that die early supplement the income for those that live long. The insurance company just manages the overall cash flow. In addition, there are income options that can guarantee a return of your premium or the continuance of an income for a period of time even after the annuitant dies.

Myth: I don't want to pay for a tax-deferred annuity wrapper when my IRA already allows my assets to grow tax deferred.

Reality: Tax deferral is not needed with an IRA account but the other features of an annuity may still have value in an IRA account. A fixed annuity can guarantee your principal and also provide an income for life or certain guaranteed future income via an income rider. There are also products that allow for a death benefit or guaranteed future value or income amount.

Myth: Interest rates are too low to get locked into an income annuity at this time.

Reality: It is true that fixed annuities and annuitized options are affected by interest rates along with other factors. For those that are concerned about adverse sequence of returns, they may consider annuitizing some of their income to avoid a large decline by being invested in the market. They can't lose value unlike other fixed income vehicles like bonds. In addition, you can layer and ladder annuity's as interest rates and age rises. The bottom line is if you are looking for guarantees of principal and/or income an annuity may be a right fit no matter what the economic climate looks like.

Myth: I hear that all annuities are bad and they lock up my money too long.

Reality: There are of course, good and bad products available in the marketplace. The bottom line is that only an annuity can guarantee a lifetime income. Today's annuity products offer options to access your money while it is being accumulated or even when you are receiving an income.

Myth: The problem with annuity income is that it does not adjust for inflation.

Reality: An immediate annuity can be designed to have a growing income over time based upon an inflation rate. In addition, certain income riders have potential to increase based upon certain performance criteria.

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