# Annuity Do's & Don'ts

## *for* Baby Boomers

# Hello,

**Congratulations on taking the first step towards greater financial confidence in your future!**

**We hope you'll find the book you hold in your hands informative and valuable as you navigate the many options available to you today in the vast financial market – and as you create your own personalized roadmap towards a happy and fruitful retirement.**

**In the following pages, we'll share with you some of the best industry-recognized Do's and Don'ts of Annuities.**

These simple, easy-to-follow tips will help guide you through:

- Evaluating your retirement goals
- Exploring whether or not an annuity is right for you
- Figuring out what you want and need out of an annuity
- How to move forward once you've found an annuity that's right for you
- What to do if you don't know where to start with annuities

We believe that your retirement years should be the best years of your life, filled with doing the things you love and look forward to everyday.

That's why we're committed to bringing educational materials to the community in a way that is clear, honest, and easy to understand.

Our philosophy is that when people are given all the facts, they're empowered to make the best decisions about what they want in their ideal retirement.

We hope you'll walk away feeling like you're in the driver's seat headed towards the best years of your life.

**That's our mission.**

# Annuity Do's & Don'ts

*Practical tips for getting the most out of your annuity.*

## Do: Outline your wants, needs, and goals.


Since no two retirement plans are identical, it's crucial to begin your plan by focusing on your personal needs and priorities.

What do you want out of retirement? How have you envisioned the golden years of your life?

Retirement is not just about relaxation for many Americans (although it certainly includes that); it's also a time for pursuing new ventures and fulfilling passions. It's the stage in life when our lifelong aspirations and personal interests can finally become a reality.

Those vacations we always planned to take, the books we meant to read, the hobbies we always wanted to take up... retirement is the time and place to make that happen.

As you go through this book, and as you prepare to make some of the most important decisions of your life, keep your focus on what you're setting aside this money for. What matters most to you?

Now is also a good time to evaluate what you're going to need during your retirement.

Examine your available income and assets closely. Is it prudent for you to have a dependable source of income to supplement your other retirement plans?

Use the worksheet to the right to help you gather all your financial information into one place so that you can really start to look at the big picture.

## Don't: Rely on your neighbor's advice for an annuity.

Do not rely on your neighbor, family member, or acquaintance for advice on what annuity is best for you. Unless they are experts in the field, they may not have access to all the information needed to assist you in finding the most suitable option for your needs.

A retirement plan that works well for someone else may not necessarily be suitable for you or align with your vision of a perfect retirement. Their plan may not be the most efficient or effective option based on your individual circumstances.

If you decide to follow what your neighbor is doing without consulting a qualified professional to determine the best course of action based on your specific needs, you could potentially miss out on significant financial gains.

| MONTHLY INCOME | CURRENT | EXPECTED IN RETIREMENT |
|---|---|---|
| Salary | $ | $ |
| Social Security | $ | $ |
| Stocks, Bonds, Commodities | $ | $ |
| Pension(s) | $ | $ |
| Annuities | $ | $ |
| Savings | $ | $ |
| 401(k) or IRA (any qualified account) | $ | $ |
| Other | $ | $ |
| **Total Monthly Income** | **$** | **$** |

| MONTHLY EXPENSES | CURRENT | EXPECTED IN RETIREMENT |
|---|---|---|
| Mortgage or Rent | $ | $ |
| Housing Insurance | $ | $ |
| Car Payment | $ | $ |
| Car Insurance | $ | $ |
| Gasoline | $ | $ |
| Utilities | $ | $ |
| Food | $ | $ |
| Clothing | $ | $ |
| Entertainment | $ | $ |
| Medical (office calls, prescriptions, etc.) | $ | $ |
| Health Insurance/Medical Supplements | $ | $ |
| Life Insurance Premiums | $ | $ |
| Gifts (birthdays, weddings, anniversaries, etc.) | $ | $ |
| Hobbies | $ | $ |
| Other | $ | $ |
| **Total Monthly Expenses** | **$** | **$** |

| PERIODIC EXPENSES | CURRENT | EXPECTED IN RETIREMENT |
|---|---|---|
| Property Tax | $ | $ |
| Emergency Medical | $ | $ |
| Car Repairs | $ | $ |
| Home Repairs | $ | $ |
| Other | $ | $ |
| **Total, then divide by 12** | **$** | **$** |
| **Add Total Monthly Expenses** | **$** | **$** |
| **Grand Total Monthly Expenses** | **$** | **$** |

# Do: Learn everything you can about annuities before making a decision.

There's a lot to know about annuities, but to get you started, let's cover some simple basics. At their heart, annuities are a guaranteed stream of income provided for a set duration of time, purchased either in one lump sum or several.

Annuities come in many flavors. The four types of annuities are:

- Immediate
- Variable
- Fixed
- Fixed Index

Keep in mind that each company that offers annuities has different terms, conditions, limitations and benefits captured in each of their annuity contracts. The following are basic definitions to help you clarify how they work and interact on a base level:

## Immediate Annuity

This is sometimes called a Single Premium Immediate Annuity. You can purchase an immediate annuity with a lump sum and begin to receive regular payments right away (some immediate annuities allow you to wait for up to a year to begin payments). You are assured that specific amount of income for the rest of your life.

Immediate annuities are often more attractive to older retirees. Actuaries calculate longevity and other factors to determine how much income this type of annuity will pay out. Since older clients will likely be collecting over a shorter number of years, their monthly payouts will be higher.

For example, if you buy an immediate annuity for $100,000 premium in your 60's, your payout may be around $6,000 per year. But if you buy the same contract in your 70's, your pay may be around $10,000 per year.

Immediate annuities may be a good choice for someone who hasn't saved sufficient funds for retirement, or if he/she wants a spouse to receive a steady income if the spouse lives longer. (With some contracts, this feature is standard. With others, it may require the purchase of a rider.)

## Fixed Annuities

A fixed annuity offers a set, guaranteed rate of increase for a pre-determined amount of time. They also offer tax deferred growth, with taxes due when funds are withdrawn.

A fixed annuity also offers a higher level of protection. Generally the longer the interest rate period, the higher the interest rate.

Annuities may offer the option to withdraw up to 10% of the policy's value annually, free of penalties. However, the withdrawn funds could be subjected to income taxes. Depending on the term of the annuity's contractual agreement, there may be a penalty fee for early withdrawals of over 10%. The rules about withdrawing money from your annuity can vary depending on your contract. It's important to carefully review the terms of your annuity to understand what applies to you.

## Variable Annuity

Finally, there's the variable annuity. This type of annuity includes an investment feature, managed by mutual fund managers. Because the funds are exposed to the stock market, they are exposed to higher risk which means they carry the potential for substantial losses.

Variable annuities have proven to be effective for high-income earners, especially young individuals who are far from retirement. Delaying the use of the investment until the stock market experiences less volatility can result in higher growth before the individual needs to access their funds.

Unfortunately, it is often variable annuities that give annuities in general a bad name. The reasons are often due to fees and market volatility.

Because they are tied to investments, variable annuities open up to the possibility of a lot of growth, but they also leave you open to losses, including a loss of principal, if there are downturns.

If you are paying fees and making withdrawals from your variable annuity, your funds could be on the line.


## Fixed Annuity

A fixed index annuity (FIA) is a combination of various types of annuities that incorporate advantageous features from each.

Similar to the fixed annuity, a fixed **index** annuity offers security along with the potential for growth.

While a fixed index annuity (FIA) is linked to a significant stock market index, such as the S&P 500®, your funds are not invested in or subject to market exposure. As the associated index performs positively, so does the annuity.

## Don't: Leave your employer's money on the table.

Were you aware that you can transfer the funds from your 401(k) into an annuity?

It's important not to overlook the benefits of employer-matched retirement programs, as they offer free money that can contribute to your financial confidence during retirement.

## Do: Set aside the appropriate funds for your annuity.

After assessing your retirement goals, financial needs, and available assets, it is essential to ensure that you are allocating enough money towards your annuity in order to guarantee a consistent source of income that will last throughout your retirement years.  Running out of funds before the end of your retirement can be a significant financial burden, so it's crucial to plan accordingly.

We know that saving money is always easier said than done, but here are a few quick tips that can help you enjoy your retirement with financial confidence.

It's essential to identify the amount of your income that is allocated towards meeting your essential needs, including those that may arise unexpectedly. This can help you make informed decisions about how to allocate your funds and prioritize your spending. By understanding the difference between your "paychecks" and your "playchecks," you can simplify your financial decisions and ensure that you're using your money in a way that makes the most sense for your life.

# Do: Strategize the timing of your annuity.

At times, it's not just important to know which annuity suits you best, but also the right time to obtain it.


Taking into consideration various factors, the most significant ones being taxes and your age, is necessary for this.

To ensure maximum financial gain, it is important to keep a record of which assets are tax-deferred, which are not, and estimate your annual income to optimize your returns.

Additionally, strategic planning of your issue age is also crucial. If you have sufficient assets to sustain the initial phase of your retirement, it may be preferable to delay your issue date to receive larger annuity payments.

# Don't: Forget about your spouse.

If your spouse depends on your income to meet their financial needs, you should consult with your financial advisor or annuity representative regarding obtaining a joint life annuity to secure your spouse's future.

Certain companies offer riders that provide continuous payments to your spouse. Though these riders may incur additional costs, the security they provide to your spouse could significantly impact their standard of living, making them a valuable consideration.

It's important to consider all available options and have a discussion with your spouse to determine the optimal plan of action that benefits both of you.

# Do: Set aside emergency funds.

Once you purchase an annuity, the funds become bound by the contractual agreement, securing a substantial payout in the distant future.

Early withdrawals from the annuity come with surrender charges, therefore, individuals typically preserve some of their funds separately.

Be prepared for any unexpected surprises that may occur between now and the time you reach your issue age.

# Don't: Sign anything without understanding your contract in full.

If you have any uncertainties about the agreement, it's recommended to consult a licensed annuity representative for guidance. They can clarify the terms of the contract and any associated obligations. This can prevent future complications and avoid potentially stressful situations. By being well-informed, you will have greater control over your decisions.

# Do: Talk to a professional in the industry.

Annuities are legal contracts with many options and a lot riding on the line.

It's not something you'll want to leave up to chance.

Always be absolutely sure you're doing the right thing for you by discussing the details of the annuity and how it fits into your overall retirement goals with someone who is educated and experienced in this area.

If you'd like to talk to an insurance financial about annuities, call today at (800) 200-3948 to schedule your FREE one-on-one meeting.

This meeting comes at no cost or obligation on your part. If you have discovered that your personal retirement financial goals could be served by building an annuity strategy described here, our team can:

- Provide you with an in-depth, personal report that details the provisions of the vehicles you may already have in place.
- Help you determine what your income number is, so that you can be confident that you have sufficient funds to maintain your desired standard of living.
- Research insurance companies and annuity products that have the potential to generate higher retirement income for you.

Our mission is to empower retirees and pre-retirees to make informed decisions and retire with confidence.


Annuity guarantees rely on the financial strength and claims-paying ability of the issuing insurance company and are not guaranteed by any bank or the FDIC.

Some annuities may have a lifetime income guarantee as part of the base policy; others may have riders available that provide this benefit. Riders may also be available for benefits like an annual increase to help combat inflation or for as much as doubling your income in case of a qualifying health event. These annuities are not long-term care and are not substitute for such coverage. Optional riders may be available with a charge.

Increased income is possible following a specific strategy suited to your financial goals and may require buying multiple annuities. Results could vary.

Most annuities have a withdrawal (surrender) period for the first five to 15 years of ownership. After the first year, however, you may be able to withdraw up to 10% of the account value without penalty. Withdrawals may significantly reduce the guaranteed* withdrawal and death benefit amounts, and any withdrawal prior to age 59½ may be subject to an additional 10% federal income tax penalty. See your annuity contract for terms, exclusions and limitations.

Many annuities have a death benefit; however, if the annuity-owner has received the full amount of withdrawal value, no death benefit may remain at the annuity-owner's death. Loans and excess withdrawals will reduce the policy value and death benefit. See your annuity contract for terms, exclusions and limitations.

Please note that the examples herein are not company nor product specific. They are concepts shown to give you general information of the benefits and limitations of the products and strategies and are not designed to be a recommendation to buy any specific financial product or service. Products change and such product concepts may not be suitable for your needs or available in your state.

This report is meant to provide general information on issues that many people consider in making the decision as to whether or not they should purchase a financial vehicle, including insurance products; and if they do decide to buy, which types and benefits will best suit their goals and needs. This information is not designed to be a recommendation to buy any specific financial product or service. This material is not intended to provide, and should not be relied upon for, accounting, legal, tax or investment advice. Please consult with a professional specializing in these areas regarding the applicability of this information to your situation.

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