How to start an Annuity

The number of employers that offers a pension has dwindled a lot over the years, leaving many Americans seeking solutions for their retirement income, and Annuities were designed for precisely this purpose.

An Annuity allows the owner of the policy to transfer their risk of out-living their retirement savings over to the insurance company.

Annuities are not one-size fits-all, and we recommend speaking with our Advisors about custom-tailoring an annuity to meet your particular financial goals.

Types of Annuities

Fixed Annuities

A Fixed Annuity - offers a guaranteed rate of interest for a set period. They are extremely safe and have highly predictable, but modest, income streams.

Fixed Indexed Annuities

An Indexed Annuity - offers investors higher return potential than fixed annuities because they credit interest based on a market index, such as the S&P 500. They do not participate directly in the stock market, but they offer annuitants upside potential and downside protection via a guaranteed minimum rate of return.

Variable Annuities

Variable Annuities - offers higher return potential than fixed indexed annuities, but they are exposed to downside risk. These vehicles are comprised of a portfolio of underlying investments, and they can exhibit a high degree of volatility.

When Should I Buy an Annuity

Generally, the ideal time to buy an annuity is from your 40s or 60s. At this age, it’s essential to determine how you’ll generate income to cover your living expenses when you stop working. For a conservative investor, an annuity can be an efficient, low-risk, hands-free - way to fund your retirement account, and/or as a complement to your other retirement plans.

What happens to the Annuity, when I die

An attractive feature of many annuities is the "Death Benefit" because upon death, the remaining funds from the Annuitant's Account transfers to their spouse or a beneficiary.

For an Policy Owner without a Spouse or Beneficiary, and/ or has a "Payment For Life" Annuity (payout-structure) all remaining assets are surrendered to the issuing insurance company upon the annuitant's death.

Why Invest in an Annuity Vs Mutual Funds

There are a number of factors to consider when deciding between an annuity and mutual funds. The top thing to consider is your investment horizon. Generally, the younger you are and the longer your horizon, the more risk you can tolerate. Conversely, the older you are and the shorter your horizon, the less risk you can tolerate.

Ultimately, this means younger investors should favor investing in assets with higher returns and greater growth potential, like stock mutual funds. On the other hand, older investors and retirees are more well-suited for annuities. Annuities' long-term returns are very modest compared to stocks, but they offer stability and guaranteed income.

Why Invest in an Annuity Vs CD's (certificate of Deposit)

Annuities and certificates of deposit (CDs) are both relatively safe investment vehicles that offer guaranteed interest income over a specified period of time. However, CDs are better suited for short-term investors with a simplistic need for interest income. Annuities are better suited for long-term investors that seek tax advantages and customized features.

The difference between Immediate and Deferred Annuities

An immediate annuity contract disburses a stream of income anywhere from 1-12 months after the purchase, but typically, within one month. Deferred annuities offer a guaranteed payout starting after the accumulation period, which could be years away.

How soon can I start Withdrawing Funds

Annuity owners can begin withdrawing money from their annuity by the age of 59 1/2 without having to pay an early withdrawal fee. Some annuity contracts contain a surrender period, which is the amount of time an investor has to wait before withdrawing funds from his or her account. If money is withdrawn before that time, a surrender charge is levied.

How much does an Annuity Pay-out (on average)

An Annuity Payout - depends on; your age and life expectancy, and how you initially structure the annuity, and any features you incorporated into the contract, plus the amount of funds accumulated.

***Example:** Let's take a fixed, immediate annuity with a 5% payout rate..*
(each year, you'll receive payments totaling 5% of your investment.)

Fixed Annuity Purchased at 5%	Yearly Payout	Monthly Payment
$1,000	$50	$4.71
$5,000	$250	$20.83
$10,000	$500	$41.66
$25,000	$1,250	104.16
$50,000	$2,500	$208.33
$100,000	$5,000	$416.67
$500,000	$25,000	$2,083.33
$1,000,000	$50,000	$4,166.66

NOTE: You should decide, if the money that an annuity generates is enough to make having the annuity worthwhile.

Brought to you by,
DBL T. investments