

2025 · WHAT ISSUES SHOULD I CONSIDER WHEN REVIEWING MY EXISTING ANNUITY?

Retirement Planning Education
with Andy Panko, CFP®, RICP®, EA

GENERAL ISSUES	YES	NO
Do you need to do a general review of your annuity and the role it plays within your financial plan? If so, consider the following: - Review your annuity's contract, and make sure you thoroughly understand its features, riders (e.g., lifetime income, enhanced death benefit, long-term care, etc.), interest/growth assumptions, liquidity, and any other important factors. - Consider the pros and cons of your annuity and determine whether it is still relevant and beneficial to your financial situation. Check to see if the rating of the insurer has changed, and be sure to review other products in the marketplace before making any decisions (e.g., keep, surrender, exchange, etc.).	☐	☐
Do you need to review the fees in your annuity? If so, consider what fees (e.g., mortality and expense, rider, admin, sub-account, etc.) pertain to your annuity and be aware of how they are calculated (e.g., based on market value, based on income benefit base, etc.).	☐	☐
Do you need to review the investment options in your annuity? If so, consider your allocations (e.g., sub-accounts, index options, buffer options, etc.) in relation to both your risk tolerance and your income goals. Be sure to factor in any guarantees and/or protective features your annuity has if making any changes.	☐	☐
Do you need to review your options for surrendering or replacing your annuity? If so, consider the following: - If surrendering, be sure to review your annuity's surrender schedule, and determine the extent to which any surrender fees would apply to the cancellation of your contract. Consider delaying your surrender and/or spreading it out by utilizing any annual penalty-free withdrawals allowable in your contract. - If replacing, consider utilizing a Section 1035 Exchange (for non-qualified annuities) or doing a rollover (for qualified annuities) to avoid a taxable event. If appropriate, you may also consider using partial 1035 exchanges to pay for qualified LTC premiums. - Before making a decision, be sure to weigh the benefits of any unique and/or grandfathered features in your annuity that may no longer be available on the marketplace.	☐	☐

INCOME ISSUES	YES	NO
Do you need to review your income benefit payout option? If so, consider whether your current payout election (e.g., life only, period certain, cash refund, single, joint, level vs. increasing, etc.) meets your financial needs. Be sure to factor in health, longevity, and estate planning wishes when evaluating this.	☐	☐
Do you need to review how your annuity's guaranteed income is determined? If so, consider how your income amount is calculated (e.g., percentage of market value, percentage of an income benefit base, payout percentage based on age bracket, etc.), and whether it may continue to grow in the future (e.g., market step-ups, annually at a fixed percentage, simple vs. compound interest rate, delaying start of income, etc.). Be mindful of ways in which your income might decrease (e.g., excess withdrawals).	☐	☐
Do you plan to start your annuity's income soon? If so, consider whether your guaranteed income could potentially drop in the short term (due to market conditions) prior to when you start taking income. If applicable, consider switching your sub-accounts and/or indexing elections to safer allocations to help preserve your expected income payout.	☐	☐

TAX ISSUES	YES	NO
Is your qualified annuity subject to a Required Minimum Distribution (RMD) this year? If so, consider how your annuity's RMD may be coordinated with your other qualified accounts, and contact your annuity provider to determine whether the scheduled payout (unless still deferring income) satisfies the RMD amount relative to your annuity's market value. Be mindful of making withdrawals in excess of your guaranteed income amount to meet your RMD, as certain income riders may be penalized (or forfeited entirely). (continue on next page)	☐	☐

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TAX ISSUES (CONTINUED)	YES	NO
Are you concerned about the tax consequences of surrendering or replacing your annuity? If so, consider how your annuity surrender will affect any of your tax planning goals (e.g., increase in taxable income, increase in AGI/MAGI, etc.), and determine whether it's beneficial to spread out the tax liability by systematically surrendering your contract over a period of years. If replacing, consider utilizing a Section 1035 Exchange or rollover to defer a tax liability.	☐	☐
Do you need to review how your annuity fits in with your overall tax situation? If so, consider the following: - Determine whether your income will be "annuitized" (taxed pro rata between principal and growth) or activated via an income rider (generally taxed as LIFO if purchased after 1982), and consider how the taxation of your annuity may affect other tax planning goals. - If you are in a higher tax bracket now (relative to the future) and your annuity is taxed on a LIFO basis, consider whether exchanging it for a product that "annuitizes" your income would be more beneficial for your tax situation. Conversely, if you are in a lower tax bracket now (relative to the future), consider the benefits of recognizing taxable income from your annuity on a LIFO basis while still in lower tax brackets.	☐	☐

OTHER ISSUES	YES	NO
Has your health status changed in recent years? If so, consider whether annuitizing makes sense in light of your health situation, and determine whether any decisions could be made (e.g., activate applicable riders, exchange for a product with better riders, exchanging for a Medicaid-compliant annuity, etc.) to better your situation. (continue on next column)	☐	☐

OTHER ISSUES (CONTINUED)	YES	NO
Do you need to review your beneficiary information? If so, consider the following: - Non-qualified annuities do not receive a step-up in basis at death, and they will be taxed as ordinary income to your heirs as Income in Respect of a Decedent (IRD). Furthermore, be cognizant of the post-death RMD rules pertaining to non-qualified annuities and how that might affect your heirs. - Be mindful of the challenges (e.g., potential loss of preferential tax treatment, potential forced liquidation over the 5-year rule, etc.) in naming a trust as a beneficiary.	☐	☐
Are you concerned about having an estate tax issue? If so, consider how some annuities (e.g., SPIA, DIA, etc.) may reduce your estate tax liability by being removed from your estate.	☐	☐
Do you need to review any state-specific issues (e.g., annuity premium taxes, amounts protected under guaranty association, amounts exempt from creditors, etc.) related to your annuity?	☐	☐

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