Annuity Awareness…

Are They Good or Bad?

Why Do People Buy Annuities?

Discover the common misconceptions of annuities and learn the benefits and reason you may want to add annuities to your retirement plan.

Discovery:

Outline your wants, needs, and goals.

No two retirement plans are the same. Start your plan at the beginning – with you, and what matters most in your life.

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

For many Americans, retirement isn't just a time to kick back and relax (though it is certainly that, as well!) – it's a time for new ventures and fulfilled passions. It's the time where our lifelong aspirations and personal interests become realized.

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.

Take a close look at the income and assets you know you'll have available to you. Does it make sense in your retirement to have a reliable stream of income to supplement any other plans you have?

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

Avoid Relying on your neighbor's for advice on an annuity.

While your neighbor, family member, or somebody else you know may be very smart and may have the perfect annuity set up for themselves, unless they're professionals in the field, they probably don't have all the information available to help you find the best option for you.

What turned out to be a fantastic idea for your cousin may disrupt your idea of a perfect retirement. Or, it might not be the most optimized solution based on your unique situation.

If you do whatever it is your neighbor is doing without having a qualified specialist reviewing what the best option is based on your needs, you're likely leaving a substantial amount of money on the table.

Misconception: Annuities are full of hidden fees.

Truth: Fees associated with an annuity should never be hidden and are fully outlined in the contract. If the client chooses to add a rider to the policy, there is often a charge and it will be outlined in the contract as well. It's also important to understand surrender charges if you choose to withdraw money beyond what the contract allows both in amount and time. Most annuities do not have annual fees, loads, or other expenses beyond a selected rider cost.

Educate:

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 are not created equally. The four types of annuities are:

• Fixed • Immediate

• Fixed index • Variable

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.

1) 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, of 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.)*

Understanding the legacy aspect of this or any other annuity is vitally important to understand before entering into a contract.

2) 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.

They can also allow you to withdraw up to 10% of the policy value per year, without the penalty. However, the funds will be subject to income taxes. In that way, you retain control of your money. Depending on the term of the annuity's contractual agreement, there may be a penalty fee for early withdrawals of over 10%, so that needs to be considered if you think there is any chance you might need to recover your principal before the contract mature and penalties are phased out.

All of these terms are dependent on the provider and contract pertaining to your specific annuity.

3) 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 worked well for high income earners, particularly for younger people who have many years to wait out stock market volatility to attain greater growth before they need the income.

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, it there are downturns.

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

4) Fixed Index Annuity

A fixed index annuity (FIA) is kind of a blend of other annuity types and utilizes beneficial elements of each.

The fixed index annuity gives you the protection of a fixed annuity with the potential for growth like the index annuity.

An FIA is tied to a major stock market index – such as the S&P 500, however your money is not actually invested in or exposed to the market. When related index performs well, so does the annuity.

This type of annuity in many cases and it depends on the insurance carrier offering the annuity, but it may also offer a fixed account to be utilized for guaranteed growth for some or all of the account value allocation and for a specified period of time.

Misconception: If you die, the insurance company keeps your money.

Truth: Annuities do provide a death benefit to your named beneficiary(s) less any prior withdrawals. Typically, if you pass before taking withdrawals or take an income stream, the entire initial deposit plus all accumulated interest growth is payable to your named beneficiary(s). For annuities that offer an immediate income stream, if you pass away before the full contract value is paid out, your beneficiaries will receive any remaining principal in the account. A client may also have the option of purchasing riders at an additional cost that increase the death benefit of the annuity. It is important to understand your financial goals and set-up the annuity accordingly.

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

Did you know you could use your **401(k), 403(b), TSP** or other employer plan and roll it into an IRA annuity? Getting the most out of your annuity is a lot easier when you're picking up all the money available to you in the first place.

If you have one of the retirement plans named above or other employer-sponsored retirement program, take full advantage of it. When you're utilizing programs with employer-matching, you're getting free money – money that will help you live a more financially confident retirement.

However, be aware of the 59 ½ rule if you want to move your money away from an employer plan before ending your employment. There is a 10% penalty on any monies moved before ending employment for pre 59 ½ years of age unless there is a qualifying event.

Do take control of your money upon leaving employment but be sure to consult a financial professional to learn what rollover options are available to you.

Don't cash in the employer retirement plan money in your name as a lump sum due to the full taxation ramifications associated with cashing in your account. Consult a financial professional before moving any employer plan funds.

Misconception: Annuities are not safe.

Truth: Since annuities are insurance products, they are backed by the financial strength and claims-paying ability of the issuing insurance carrier. **With fixed annuities, there is no loss of principal due to market downturns** and can be a solution that provides guaranteed credited interest and lifetime income.

As with any contract, it is important you understand the terms of the contract. You will want to speak to your financial professional about early withdrawals and how they may result in loss of principal and credited interest due to surrender charges. With the purchase of any additional-cost riders, the contract's values will be reduced by the cost of the rider. This may result in a loss of principal and interest in any year in which the contract does not earn interest or earns interest in an amount less than the rider charge.

Why would you add an Annuity to your Portfolio?

Retirement is journey not and end destination

Saving for retirement is important, but it's only half the battle when it comes to your financial future. A plan for taking income, otherwise known as de-accumulation or distribution, can be just as crucial for your retirement as saving. While taking income sounds rather easy, you want to ensure that you have a plan that will help you live the retirement you want – and you don't live longer than expected and come up short of money.

From Accumulation to Income

Creating an income strategy now and addressing when and how to convert your savings into a regular "retirement paycheck" can help guide you in your post-employment years. After all, throughout your working years, you've probably come to rely on a steady paycheck. You may know exactly how much each paycheck is and what expenses it covers – from housing, groceries, transportation and general bills to dining out, traveling and entertainment.

Now that your retirement is on the horizon, do you know what kind of expenses you'll have in your golden years? And have you thought about where your income will come from, as well as how much your income will be in retirement?

Create a buffer for potential retirement risks

Retirement can include a number of gray areas that you may need to address. From unexpected health care-related expenses to caring for aging parents, there are several uncertainties. Other key risks to consider are:

Longevity risk – Living a longer, happy and healthy life is something that you probably want. But you also want to ensure you don't outlive your assets.

Withdrawal rate risk – This entails drawing down your assets at a rate that does not meet your retirement spending needs, thus depleting your assets too soon.

Adding Annuities to Your Plan can offset these Potential Risks and Provide a Retirement Paycheck

Creating a successful retirement plan involves income planning preparation, needs analysis and risk management. Being armed with a strategy that considers all factors can help you leverage more of your hard-earned dollars and create a "retirement paycheck" you can count on. A fixed index annuity can be a great supplement to your retirement plan, allowing you to know your annual income, without the guess work. It also provides a strategy that addresses the retirement income challenge head on and helps neutralize retirement risks.

Annuity Premium Deposits

The initial premium deposit for most individual annuities is $1-2 million dollars but limits if any are set by the issuing insurance company.

Annuities Help Prepare for the Future

1) Annuities help supplement retirement income
2) Annuities grow retirement dollars safely
3) Annuities can help you receive guaranteed lifetime income

55% of Americans have less than $10,000 saved for retirement[1]

7 in 10 retirees who own an annuity are more confident their savings and investments will not run out if they live to age 90[2]

People who own annuities are better prepared for retirement, feel more economically satisfied, expect to be able to enjoy leisure activities in the future, and are confident they will have sustainable income throughout their retirement years.

Retirement Confidence of Annuity Owners[3]

73% of Baby Boomers believe they will have enough money in retirement

53% of annuity owners expect to have money for basic expenses for the future

71% of women with annuities are confident with approaching retirement

Prepare: Set aside emergency funds.

Once you purchase an annuity, that money is locked up in your investment to give you the biggest paycheck in the long-term.

Because there are often surrender charges associated with withdrawing money from your annuity early, most people sleep easier when they've kept some of their money aside.

Assume that there could be a surprise or two you didn't foresee between now and your issue age and be prepared.

Professional Advice:

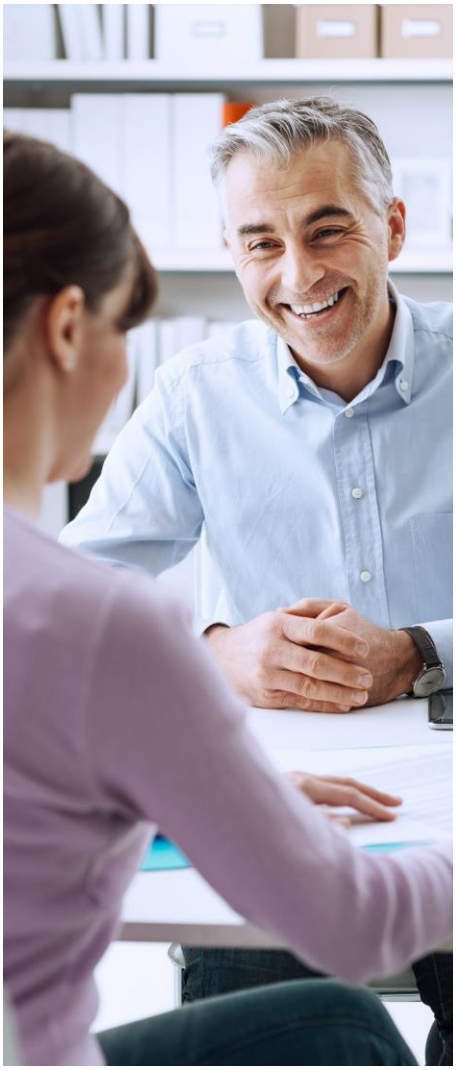
Talk to a professional in the industry.

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 a **Secure 1 Financial Solutions** professional on annuities, call today at **(724) 316-9747** to schedule your **FREE** one-on-one meeting.



Tomorrow doesn't come with a guarantee. The sooner you start planning, the more confident you will feel. Plan ahead so you can achieve the future you want and make your journey a memorable one.

As a financial and insurance professional, an important part of our job is to help each client understand what annuities are and how they work, especially when there are misconceptions they may have heard and believe to be true.

Many times people are fearful of something they do not understand and by providing you with the knowledge and information you need, this will allow you to work together to find the appropriate solution to help achieve your financial goals.

Retirement isn't the end of the story, it's the beginning of a new chapter in your life and you're in control. Call us today,

(724) 316-9747

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1 https://www.gobankingrates.com/retirement/planning/why-americans-will-retire-broke
2 https://www.limra.com/Posts/PR/Industry_Trends_Blog/Retirees_Who_Own_An_Annuity_Are_More_Confident.aspx
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