



# TURNER FINANCIAL

## The Split Annuity Alternative

### How Can A Split Annuity Be Used To Provide Retirement Income?

An annuity is a long-term savings plan purchased from an insurance company that can be used to accumulate assets on a tax-deferred basis for retirement and/or to convert retirement assets into a stream of income. The split annuity alternative is a combination of these two different types of annuities:

#### FIXED INTEREST SINGLE PREMIUM *IMMEDIATE* ANNUITY

A portion of your retirement savings is used to purchase a fixed interest single premium immediate annuity, which provides you with a steady income that is safe and guaranteed\*, regardless of the ups and downs of the market. In addition:

- A term certain payout is selected, meaning that income payments are made for the number of years selected (e.g., 10 years), after which they cease.
- If you should die during the term certain, your heirs will receive the remaining value of the immediate annuity income payments.
- Since a portion of the income is considered a tax-free return of the annuity purchase price, your monthly income payments will be only partially taxable.

#### FIXED INTEREST SINGLE PREMIUM *DEFERRED* ANNUITY

Another portion of your retirement savings is placed into a fixed interest single premium deferred annuity, which offers tax-deferred growth and the potential to replace the principal used to purchase the immediate annuity.

- The single premium will grow at a guaranteed\* interest rate, which may be higher in the first year and then reduce to a lower rate in the second and subsequent years.
- The objective is to invest a sufficient amount in the deferred annuity so that its growth replaces the amount used to purchase the immediate annuity.
- At the end of the immediate annuity term certain period, depending on your retirement income needs at that time, the value of the deferred annuity could then be used to finance another split annuity.

\*Guarantees are contingent on the claims-paying ability of the issuing insurance company