

## Retirement

### Using an Annuity

An annuity is a long-term investment contract that provides you with an option to annuitize at retirement. An annuitized contract can potentially provide you with a regular stream of income, for as long as you live or for a designated period of time after your retirement. Annuities also typically include a death benefit.

Assets in an annuity grow tax deferred until they are withdrawn, and there are no contribution limits under federal tax law. As with other retirement-oriented investment vehicles, you're subject to up to a penalty if you withdraw earnings from an annuity before age 59 1/2.

Variable annuities generally carry an annual mortality and expense risk charge and an annual administration charge. Withdrawals may be subject to a contingent deferred sales charge. In addition, annuities usually offer optional enhanced death and living benefit riders, which may have fees associated with them.

Annuities are long term investment vehicles designed for retirement purposes. Withdrawals or surrenders may be subject to surrender charges. Amounts withdrawn may be subject to ordinary income tax, and if taken prior to age 59 1/2, a 10% IRS penalty may also apply. Withdrawals have the effect of reducing the death benefit, cash surrender value and any living benefits.

### *Type of Annuities*

Annuities can be categorized into a few different types:

- A **fixed annuity** is a contract where principal, interest, and the amount of benefits paid are fully guaranteed by the insurance company.
- A **variable annuity** does not offer guaranteed returns. Instead, variable annuities offer the potential to realize higher rates of return by giving you the opportunity to choose the variable investment options in which your money will be invested. Please keep in mind that your rate of return is not guaranteed and your principal is subject to fluctuations. Many variable annuities also offer a fixed interest rate account in addition to the variable investment options.
- An **immediate annuity** is purchased with a single premium payment and you set the starting date for the payout to begin sometime within the next 12 months—generally sooner rather than later.
- A **deferred annuity** is an annuity for which annuity payments to the owner begin only after a period of time, known as the accumulation period, has passed. During the accumulation phase, you can choose to build your deferred annuity with a lump sum, a series of payments over time, or both. The ability to combine one-time and periodic contributions gives you added flexibility as you seek to build a larger retirement resource.

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### ***Annuitization***

An annuity's most unique feature is its annuitization option. This feature cannot be found in any other investment or accumulation vehicle. When you annuitize, usually at retirement, you have the option to receive a stream of income that you cannot outlive. If you designate yourself as the annuitant (the measuring life for annuity payments) and you choose to have the annuity benefits paid over your lifetime, the monthly or annual payment amount is guaranteed by the claims-paying ability of the issuing company regardless of how long you live, even if the total payments exceed the accumulated account value of the annuity.

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