



Growing Enduring Wealth for Discerning Families since 1982

Is an Annuity Right for You?

Arne Morris, CPA/PFS
Wealth Advisor

What is an annuity?

- ▶ Contract between you and an insurance company
 - ▶ Investment vehicle or insurance contract or both
 - ▶ May provide a form of insurance protection.
 - ▶ Owner receives distributions now or in the future.
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What is the purpose of an annuity?

- ▶ Investment vehicle designed to mitigate risk.
 - ▶ May prevent outliving your money.
 - ▶ Provides guaranteed returns in some cases.
 - ▶ Grows tax deferred.
 - ▶ May protect against downturns in the market.
 - ▶ May transfer some investment risk from the investor to the insurance company.
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What are the types of annuities?

- ▶ Fixed Annuities
 - ▶ Indexed Annuities
 - ▶ Variable Annuities
 - ▶ Immediate
 - ▶ Deferred
 - ▶ Qualified
 - ▶ Non-Qualified
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Commission-Based Annuities

- Loads – Sales Charges
- High Internal Management Fees
- Surrender Periods (7–10+ year surrender)
- Surrender Charges (7–10 percent)
- Incentive to sell you something
- Rider Cost

VS

No Load (No Commission) Annuities

- No Sales Commissions
- Lower Internal Management Fees
- No Surrender Periods or Charges
(Or very short surrender periods and low charges.)
- No incentive to sell an annuity

Annuities

vs

Bonds

Pros

- Guaranteed rates of return
- Partial market participation with downside risk protection
- Income stream for life or a fixed period of time guaranteed

Pros

- Predictable fixed rate of return for a period of time
- Principal returned at end of period or at maturity
- Historically, bonds have paid higher yields.
- Low risk, safe, low default rates
- Various types: corporate, government, municipal

Annuities

vs

Bonds

Cons

- Fees, fees, fees
- Lack of flexibility once purchased
- Lack of understanding and complexity

Cons

- Income is for a finite period of time
- Low interest rate in current environment
- Default risk

How can annuities fit into your portfolio and plan?

- ▶ Useful during low interest rate environments due to guarantees.
 - ▶ Can be used as a bond replacement.
 - ▶ Use to provide income stream to allow equities to grow.
 - ▶ Can be used to rescue a cash value life insurance policy that is no longer required.
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The Bottom Line

- ▶ Annuities and bonds both offer a steady source of income.
 - ▶ Annuities and bonds can provide stability in a portfolio.
 - ▶ Annuities can provide an income stream that lasts for the rest of your life.
 - ▶ Bonds provide income for a specific amount of time: 3 months to 30 years or more.
 - ▶ There are many different types of annuities. Finding the one that fits your needs requires due diligence and research.
 - ▶ Always consult with a qualified financial advisor who can make recommendations based on your age, risk tolerance, time horizon as well as the current market environment.
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