



# What is an Annuity? Quick Guide

## What is an annuity?

A contract between you and an insurance company. You agree to invest a certain amount of money (either a single deposit or multiple payments) with the annuity company of choice and in turn the company is going to make you some guarantees.

## Why would I want an annuity?

- **Principal protection**  
Never lose your initial investment. If you pass before all the money has been paid out from your annuity, you can elect for the remaining money to go to a designated beneficiary.
- **No risk**  
Even if you are in low-risk investments, you are still susceptible to stock market swings. If a large drop occurs during the beginning of your retirement years, your portfolio could take a hit that you can't recover from. With an annuity, you can still make some gains on your money with a healthy stock market. However, even if the stock market crashes, your annuity value will never go below the amount you initially invested. Time to breathe easier!
- **Create your own pension**  
How much money can you take out of your investments each month and be sure your money lasts? This is a big stressor for many people in their retirement years and they end up either overspending or being so paranoid to spend anything that they don't enjoy their retirement years. According to your funds available, you can elect for a set monthly income to assist with budgeting and enjoy the peace of mind knowing you don't have to continually evaluate your funds remaining.

- **Lifetime payout**

You can elect to draw a monthly or annual income off your annuity that will never stop paying, even if all the money that you originally invested has paid out. This can be a huge benefit in your later years of life when funds have been exhausted, but the bills keep coming!

- **Bonus money**

Some annuity companies will offer a bonus on your money depending on the size of your original lump sum or how many years you wait to draw an income. Everyone likes free money, right?

## Who is an annuity right for?

- Those who want to create a “personal pension” to last the rest of their lives
- Those who want out from the risks of the stock market altogether
- Those who want a higher interest rate than available through a CD
- Those who will have enough “buffer money” available for easy access and unexpected items that arise so that the funds committed to the annuity do not need to be drawn upon

## Money talk

- **RMD friendly**

Any income drawn off an annuity counts towards your RMD (required minimum distribution) towards all qualified investments.

- **Taxes**

The only part of an annuity you are paying taxes on is the amount you draw each year as an income.

- **Lump sum minimum**

The most common way to fund an annuity is through a lump sum amount, perhaps a portion of your 401K or 403B, the sale of a house, an inheritance or just funds sitting in a checking or savings account.

## How do I know I can trust the annuity company selected?

We only work with quality companies that hold top ratings from trusted independent rating services in an effort to make sure your funds are safe and secure.