

All this sounds good but what is an annuity?

An Annuity is an agreement between Insurance Company and an individual made to manage savings and take care of investments. It is a tool that mobilizes your pension savings in such a way that you have enough income coming to you once you retire. This way, by having an annuity, you make sure that you not only save for your retirement but manage those savings well too, so that you have enough income to fall back on all through your old age!

There are many flexible options available today for individuals who are considering taking up an annuity for income mobilization. You can have your annuity income coming to you for a certain period of time or you can decide to get a fixed annuity payment every month, regularly for as long as you live. This can prove to be a very wise decision in the long run as very few people retire from a Company that provides a pension plan that guarantees a fixed income throughout their retired lives.

The Government is making constant efforts to provide more flexibility and choices to people approaching retirement so that they can plan well and take care of their future investments. Annuities can be a wise choice for most consumers and one that offers long-term financial security.

Even if you have been saving money for life after retirement, it may not be enough. With annuities, you are able to stabilize your savings in such a way that it converts into financial security.

Let's face the facts:

- Your Social Security may not be enough to take care of your money needs.
- Contributions made by employer sponsored retirement plans may be very limited.
- You want to have the benefit of knowing that a certain amount of income will come to you every month.
- You want to be relieved knowing that your monetary needs will be looked after for as long as you live.

Annuities offer much flexibility so that you can decide the nature and scope of investment that you want to make, in lieu of your long term requirements.

Right from the type of annuity you go for to the kind of returns you want - you have the choice! You do not pay any tax until the time you start withdrawing your annuity money. Not only that, if you die before the annuity income starts coming to you, the money is paid to your heir inclusive of interest.

How do I decide the amount I should invest in an Annuity?

Every individual has different responsibilities, requirements and financial goals in life. One needs to decide how money should be invested in an annuity and a number of factors affect this decision.

- Your long term financial goals
- Your financial responsibilities
- Your savings and investments as of now

Since annuities provide a lot of flexibility in terms of choices and receipt of payments in the long run, it is relatively easy to make a decision regarding the type of annuity you might want to opt for. The Government plays an important part in setting terms for annuities so as to ensure that when an individual makes an annuity purchase, he /she is able to gain a considerable amount of income after retirement.

What are the different types of Annuities?

While deciding the kind of annuity you should purchase, keep in mind your requirements and long term financial goals. Your age and responsibilities also need to be kept in mind.

There are a number of different types of Annuities available and you must select the one that best suits your needs. Here are a few things to Consider.

Decide when you want the annuity payment to come to you

Immediate Annuity

If you want and need to receive income immediately for a certain period of time or for as long as you live, you should go for an Immediate Annuity, which will start giving you a fixed amount of income, soon after your funds are transferred to an annuity. This option is good especially for those of you who are close to retirement and need to supplement your income.

Deferred Annuity

If you need a fixed income coming to you only after a certain period of time (*this applies usually to those people who still have some time left for retirement*) you should consider investing in a Deferred Annuity. This way, the income that you invest in an annuity goes on growing and collecting and starts coming to you only once you really need it. In such a case, the income grows and multiplies on a tax deferred basis and you pay tax only once you actually start withdrawing the money. This is a great way to plan for the future.

Deferred Annuities and some others too offer a Death benefit - this means that in the event of your death, the annuity income is paid to your heir including any investment income that the income accrued.

Decide how you want your money to be saved and invested: You face the risks!

Annuity Contracts range from Fixed to Variable.

Fixed Annuity

What is a Fixed Annuity? - A Fixed Annuity is one that pays you a fixed income each month from the time that you decide to start receiving money. The rate of return or the money that will come to you every month is pre decided and does not change. Money saved and invested in a fixed annuity grows on a tax deferred basis. Investment of money in a fixed annuity is a good choice for those of you who do not like to take risks and prefer to know exactly how much would come to you every month.

Variable Annuity

What is a Variable Annuity? - A Variable Annuity invests your money in Stocks and Bonds. The income that you get from investing in annuities is subject to change every month depending on the fluctuations in the Stock market. Hence, it is difficult to predict how much return you would get on a regular basis. Your income grows on a tax deferred basis and you can decide to get the returns immediately or on a long term basis. Investment in Variable Annuities is a good choice for those of you who are younger and do not fear stock market fluctuations. You stand the chance of earning better returns that accumulate and pay off in your retirement years.

Hence, based on your long term needs and requirements, you can select a Fixed Immediate Annuities or a Variable Immediate Annuities, a Fixed Deferred Annuities or a Variable Deferred Annuities.

Wait! There's more -

There are a number of ways in which you can receive the annuity income -

A **Lifetime or a Straight Life annuity** option is one in which you will be paid annuity income for your entire life. This option enables you to get a regular income for as long as you live even if the amount you invested in the annuity gets exhausted! However, in some cases, if you die before the money gets used up in your fund, no money will be paid out to your dependants or heir. This option of receiving money is good for those of you who need to take care of your own needs and want to make sure that you don't outlive your assets.

A **Joint and Survivor annuity** option is good for those of you who have other responsibilities and need to take care of your dependants. In such a case, you are paid annuity income for as long as you live and even after your death, the designated survivor is paid income for a fixed number of years and in some cases, for as long as they live.

A **Refund Annuity** provides you annuity income for as long as you live. However, in the event that you die and you have not received all the payment that is due to you in lieu of the premiums that you have paid towards the annuity, your beneficiary or dependant stands the chance of getting the income that you did not receive in your lifetime.

You also have the choice to receive payments all at once as a lump sum amount or break down the total amount into distributed payments.

Benefits of Investing in Annuities

Annuities are a good way to ensure that you do not outlive your savings. Insurance takes care of income requirements if you die too soon. Annuities take care of your life after retirement, in case you live much longer!

Investment in Annuities proves to be highly beneficial for everyone. Some obvious benefits include:

- **Tax Relief** – By investing in Annuities, you are saved from paying taxes until you actually start withdrawing and receiving the payments.

- Flexibility – Investing in Annuities offers flexibility of choice. You are given the opportunity to choose from the various options available making sure that you invest in those annuities that will take care of your long term goals and financial responsibilities. You also have the chance to select the way in which you want to receive payments.
- Support for beneficiaries – If you have dependants and beneficiaries to take care of, investing in annuities serves multiple purposes. You can save for your retirement years as well as ensure that you leave something behind for your dependants and loved ones.
- No limits – There are no constraints or limits on the amount that you can invest in an Annuity.

Ok I'm Convinced, How Do I buy an Annuity?

Investing in Annuities is a choice and needs to be done after proper planning. Take a thorough look at your financial requirements and select options that will serve your needs in the best possible way. The most important thing to remember while investing in annuities is to get full and complete information about the annuity policy. Ask questions; understand the practicalities and options available before selecting an annuity and investing in them.

In order to buy/invest in an Annuity, you need to contact an Insurance Agent or a Financial Planner.

Agents: work for a single Insurance Company or may represent many and generally specialize in handling and selling annuities.

Make sure that the Company from whom you purchase the Annuity is:

- Reputable insurance company
- **Financially strong**
- Licensed agent in your own state and have a proper license
- Check the companies that they represent

While selecting an Agent to take care of your Annuity Investments, make sure that the agent is:

- Knowledgeable – has complete and in-depth information about the annuities that he or she is selling.
- Experienced – has an experience in this field of selling and handling annuities.
- The Insurance Agent should not only be knowledgeable and well informed, he should also devote enough time in explaining to you the details of the annuity policy. Your questions should be answered and doubts removed.

You can contact your friends and acquaintances and ask them to recommend a good agent. You can also use our free quote system by simply calling 623 242 7909 to get competitive quotes from multiple companies. Either way, do your homework about the product and company you decide to do business with.

Banks: Annuities developed by Insurance Companies may be sold through Banks. Make sure to check the policy details and the license. The Company should be financially strong and reputable. Understand the policy well and only then purchase an Annuity.

Reviewing an Annuity Policy – How Often Should I Review it?

Once you have purchased an Annuity, you need to review it at least once a year to make sure that it is giving the desired returns and the policy is running smoothly. However, there may be a need to check on your annuity purchase at any time even before a year depending on any major changes that take place in your investment budget or your long term financial goals. This can happen in the case where you have an added responsibility to shoulder or when there is an illness or accident in the family.

What is a Free Look Period?

A FREE LOOK period basically refers to the period of time during which you have the opportunity to review your annuity policy again, ask more questions regarding the product and then make a final decision about purchasing the Annuity. In case, you decide that you want to discontinue the policy, you can return the policy and get a full or partial refund, depending on the policies of the annuity agreement.

What if I Lose My Policy?

In case you lose your Annuity Policy, you can always contact the insurance company and ask for a policy statement. Companies generally issue quarterly or yearly statements and you can easily get a copy from them for your reference.

What if I Withdraw Money from my Annuity?

In case you withdraw money from your annuity, you will be charged some fees that are referred to Surrender Fees. This fee varies depending on the time at which you withdrew money. If the withdrawal took place within a few years of your purchasing the policy, you will be charged a larger amount of Surrender fees.

This fee does not accrue on Immediate Annuity purchases for the simple reason that such an annuity is aimed at providing you short term income, i.e., income when you need it!

Make it a habit to ask your Annuity Agent

- What kind of fees accrue to your annuity policy and
- The reasons why you need to pay them.

This will help you to know what you should avoid once you purchase an annuity.

A Quick Recap, Please! “Things to remember” while purchasing an Annuity?

Investing in annuities is a sensible choice for all those who want to look after their financial needs once they retire. Sound planning and sensible investment can help you so that you do not outlive your savings. Investing in Annuities is a good decision but make sure that you do your homework before purchasing one. It is really not difficult and just needs some analysis of your needs and planning for your requirements for the future.



Step 1

Think, Analyze and Plan – Analyze your requirements – do you need a fixed income coming to you now or later, once you retire? Do you have dependants or beneficiaries to think and care for? Can you afford taking risks or would you prefer playing safe? Understand your long term financial goals and requirements.

Step 2

Consult the right Insurance Agent, Insurance Company, or Bank – Discuss your goals and financial plans with an able agent to understand what options are available and which type of annuity will be suitable for you. Ensure that the agent or representative is experienced, knowledgeable and trust worthy.

Step 3

Decide which type of annuity to invest in – Keep in mind all your needs and long term requirements and then decide the type of Annuity you want to purchase. Fixed and Variable annuities have different policies so choose the one that contributes the most in your long term financial stability.

If you don't mind taking some investment risks, choose a variable annuity - read the prospectus carefully and study and understand the policy terms thoroughly. In case you purchase a Fixed Annuity, find out the interest rate that is currently being offered and other details like how often it changes.

Step 4

Understand the Terms and Conditions of your contract - Annuities are agreements between an Individual and Insurance Company. Read the Annuity contract carefully and understand all the terms and conditions. If you have any doubts, ask your insurance agent to clearly explain all the points.

We wish you all the best in your search for financial stability. Make the right choice! Invest in Annuities.