

# 5 REASONS NOW MIGHT BE THE TIME FOR ANNUITIES

Recent market volatility has caused concern among many investors who are relying on their traditional investments to carry them through to retirement and beyond. Sound familiar? If so, you may want to consider an annuity investment. Here's why.



## GUARANTEED INCOME

Some types of annuities serve as investment vehicles as part of a diversified portfolio, meaning they have the potential to grow in value over time or may have a guaranteed return. There are others, including immediate or deferred annuities, designed to provide a guaranteed, steady stream of income for as long as you live, helping bring peace of mind knowing that this will be one source of income that won't run out. If guaranteed income sounds appealing, talk with a financial professional. You may even be able to convert other types of annuities into lifetime income streams. As with all investments, annuities may carry some risk.\*



## TAX BENEFITS

Annuities can grow tax-deferred until retirement. Assuming you purchase a non-qualified annuity with after-tax funds, only the earnings will be taxed at your regular income tax rate once you start making withdrawals. However, if you withdraw funds prior to age 59½, you may be subject to surrender charges as well as a 10% penalty.<sup>1</sup> If you purchase an annuity with pre-tax funds – such as an Individual Retirement Account (IRA) – then both the principal and earnings will be subject to income tax.



## PROTECTION AGAINST LOSS

Recent market volatility has been disheartening to many investors who watched their retirement savings plummet, but some types of annuities provide personalized limits on loss, meaning you can determine how much risk you want to take. Ask your financial professional about the features of fixed, index-linked and variable annuity\*\* investments to learn how they may offer potential growth while still protecting against significant loss.



## LONG-TERM PLANNING

Most people agree that Social Security alone in retirement won't allow them to maintain the lifestyle they did during their working years. There was a time when pension plans helped fill the gap. Today, however, many individuals are on their own to figure out how to make ends meet in retirement. Annuities can be a reliable source of income, serving as a "virtual pension" in conjunction with other investments.



## ESTATE PLANNING

Annuities may serve as a simple and relatively hassle-free way to transfer wealth to your loved ones. The majority of annuities require you to list a designated beneficiary(s) so that any remaining funds in the account are directly transferred to them upon your death. There are some types of annuities that may not provide this benefit, so understand your options to ensure you choose an annuity that aligns with your wishes.

**Annuities aren't for everyone, so it's important to discuss your retirement goals with a financial professional who understands the pros and cons of these and other investment options and can recommend products that best suit your needs.**

**Talk with a financial professional at your credit union today.**

\* Some features come at an additional cost. Be sure to discuss such features with a financial professional and go over all potential fees and expenses prior to purchase.

\*\* Variable annuities are offered by prospectus only. The prospectus contains information about the benefits, features, fees and charges associated with investing in the product. Obtain a prospectus from your financial professional and be sure to read it carefully before investing.



SOURCE:

<sup>1</sup> Internal Revenue Service, Topic No. 558 Additional Tax on Early Distributions from Retirement Plans Other than IRAs, July 7, 2020

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