

4 ANNUITY BENEFITS YOU SHOULD KNOW ABOUT

Retirement anxiety is gripping America

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If you're looking for a way to generate income in retirement, you should consider purchasing a fixed annuity. An annuity is a contract between you and an insurance company. In exchange for a sum of money, your annuity provider promises you a certain amount of income over a preset period.

While annuities have some disadvantages they also offer certain benefits that other retirement products do not. Here are four annuity advantages to consider as part of your decision.

1. PREDICTABLE RETIREMENT INCOME

When you put money into an IRA or 401(k), the amount of income you ultimately have access to in retirement will depend on the performance of your investments. As you're probably aware, the stock market can be extremely volatile, and if your portfolio drops in value as retirement nears or during retirement, you could find yourself with less income than expected.

With a fixed annuity, on the other hand, you're guaranteed a specific amount of income each month regardless of how the market is doing at the time. In this regard, an annuity can spare you from the risks associated with most investments — and help you sleep better at night.

2. INDEXED AGAINST INFLATION

While a fixed annuity guarantees you a specific amount of income each month. The annuity should also be indexed against inflation. This means that the income stream will increase each year to offset inflation.

3. NO ANNUAL CONTRIBUTION LIMITS

Though IRAs and 401(k)s offer key tax benefits, they both limit the amount you're allowed to contribute each year. Currently, workers under 50 can put up to \$5,500 a year into an IRA and \$18,000 into a 401(k). Those 50 and older, meanwhile, can contribute up to \$6,500 a year to an IRA and \$24,000 to a 401(k). But while these limits are more than generous for some people, those who wish to save above these thresholds are bound to feel restricted.

The beauty of annuities is that they don't impose an annual limit on contributions. If you've already maxed out an IRA or 401(k) but want to invest more money in a tax-advantaged manner, an annuity can be a good solution.

4. PROTECTION AGAINST OUTLIVING YOUR SAVINGS

In a recent Allianz survey, 60% of baby boomers admitted that they were more afraid of outliving their savings than dying. An annuity, however, can protect you from what's apparently a fate worse than death. If you purchase a deferred-income fixed annuity, you'll be guaranteed a certain amount of income payments beginning at a specific point in time. So, if for example, you're planning to retire at 65 and are concerned that your retirement account will run dry by the time you reach age 85, a deferred-income fixed annuity can pick up where your savings leave off.

While these annuity benefits make them a good choice for some people, annuities aren't for everyone. Most fixed annuities have a limited amount of liquidity. Generally speaking, you may be allowed to access up to ten percent of the original premium deposited or ten percent of the accumulation value. Most come with decreasing surrender periods, during which time you'll face surrender charges for withdrawing more than ten percent of the funds early.

That said, if you've exhausted your options for saving with an IRA or 401(k), or you just want some of your retirement funds **guaranteed**, a fixed annuity can be a good way to safely generate the extra income you need to support your retirement lifestyle.