



“8 Most Common Mistakes Annuity Buyers Make”

1. Diversification: One of the most common mistakes consumers make in their purchase of an annuity is the amount of liquidity and emergency access to their annuity funds. You first need to realize and quantify your retirement assets before you start the retirement planning process. Annuities only allow for a stated amount of liquidity within each individual contract.

Take all the questions provided here into account before making any decisions: “What are my objectives with this money and at what level of importance is principal protection to me?” Once you understand what your expectations are and whether annuities meet your objectives, then you will be able to plan for product placement.

Benefits:

a. Help maximize retirement income. **b.** Consolidating IRA’s and 401(k) accounts. **c.** Retiring early (potentially depending on how much money you have and where your money is currently allocated.) **d.** Help minimize income taxes through tax deferral. **e.** Simplifying and consolidating my current investments. **f.** Principal protection. **g.** Transference of wealth? If transference of wealth is of high importance, than an annuity may not be the best choice for these funds.

Learn more about life insurance basics

and consult with a Safe Money Representative.

h. Minimize estate taxes; may avoid probate. Learn more about life insurance basics and consult with a Safe Money Representative.

i. Support for relatives. For more detailed information on life insurance please visit:

SafeMoney.com/life-insurance

2. Understanding the various types of annuities available and how they differ: (SPIA) Single Premium Immediate Annuity, Fixed Annuity, (MYGA) Multi Year Guaranteed Annuity, Fixed Indexed Annuity and Variable Annuity.

An annuity can be extremely valuable within your retirement plan if properly selected and used for the correct objective. All annuities do not serve the same purpose.

a. SPIA’s can provide immediate income for a period of five years and up to a lifetime guaranteed. **b.** Fixed Rate Annuities will protect your principal and grow tax deferred providing a guaranteed interest rate annually.

c. Fixed Indexed Annuities allow you to link your gains to a market index; if the market goes up you lock in a percentage of the gain and if the market goes down, you receive a zero for that year. **d.** Variable Annuities offer the greatest potential for gain but also allow for the greatest chance of loss.

3. Asking your advisor the right questions:

- a.** What type of annuity is it?
- I. Is this a SPIA?
 - II. Is this a Multi-Year Guarantee
 - III. Is this a Fixed Annuity?
 - IV. Is this a Fixed-Indexed Annuity?
 - V. Is this a Variable Annuity?
- b.** Is this a single premium or flexible

premium contract? **c.** What is the initial interest rate and how long is it guaranteed? **d.** Does the initial rate include a bonus rate, and how much is the bonus? **e.** What is the guaranteed minimum interest rate? **f.** What renewal rate is the company crediting on annuity contracts of the same type that were issued last year? **g.** Does the insurance company publish their renewal rates? **h.** What are the insurance companies’ ratings? **i.** Are there withdrawals, surrender charges or penalties if I want to end my contract early and take out all of my money, if so, how much are they? **j.** Can I get a partial withdrawal without paying surrender charges for reasons such as death, confinement in a nursing home or terminal illness? **k.** Is there a market value adjustment (MVA) provision in my annuity? What is an MVA? **l.** What other charges, if any, may be deducted from my premium or contract value? **m.** If I pick a shorter or longer payout period or surrender the annuity, will the accumulated value or the way interest is credited change? **n.** Is there a death benefit? How is it set? Can it change? **o.** What income payment options can I choose? Once I choose one payment option, can it be changed?

4. Understanding the terms of the contract:

The terms of the contract are explained in the disclosure statement of each product. Make sure you ask your advisor to answer any questions you have; there is no such thing as a dumb question. If you do not recognize what certain words mean, visit our website; under Terminology.

5. (FIA) Fixed Indexed Annuities / Not Knowing the PROS and CONS and variations between contracts:

Most of the pros and cons were already discussed but there are variations to every Fixed Index Annuity. For example, some annuities offer more liquidity (more access to your money in times of need). Some annuities have special features that others do not. Fixed Index Annuities have changed drastically over the years and now provide benefits that you need to look into and assess as to whether they meet your goals and objectives. ***Pros:** Guaranteed Account Growth, Linked Index Gains / NOT LOSSES, Principal Protection, Tax Deferral, Probate Avoidance, Lifetime Income Guarantees; without Annuitization (All annuity contracts are different, so not all pros can be addressed in this guide). ***Cons:** Understanding the best product to fit your needs, terms, surrender charges, potential fees the living benefits and how they work. (All annuity contracts are different, so not all cons can be addressed in this guide). Please keep in mind that a negative for one situation may be a positive for another. There are many insurance carriers that offer annuities and all annuities are NOT the same. Please take some time to understand the contract rules before purchasing. Please consult with a qualified, licensed Safe Money Representative to help you decide if a Fixed Index Annuity is right for you.

6. Knowing your maturity date (free and clear) and or death benefit: You need to understand what a surrender charge is and how it works. Every annuity has a surrender fee/charge based on the term (duration) of the contract. Some have decreasing surrender charges i.e.: ten year annuity contract may look like this; 10, 9, 8, 7, 6, 5, 4, 3, 2, 1% surrender charge on the

portion of money liquidated above the free withdrawal amount. Other annuities may have surrender values that work different from the example. **Death Benefit:** Most annuities offer full accumulation value at death. The full value, including gains, transfer to the beneficiaries at death, in a lump sum at once. Other annuity contracts must be taken by the beneficiary over a 5-10 year period. SPIA's work differently. If you request a life only payout option, you will receive a greater income for your lifetime but no commuted value will go to your beneficiaries. This only comes into play with a life only SPIA. All other annuities will have a death benefit. Please understand the death benefit before purchasing in order to help you plan accordingly.

7. Forgetting about your annuity and not reviewing annually: It is of the utmost importance for you to have a communicative relationship with your advisor at the very least every year. Make sure he/she is keeping in touch with you about your annuity in order to make sure you have made the right decisions and that you are utilizing your finances the most efficient way. For example, you may have money that you would like to deposit into your existing annuity because currently there is no better alternative. You may need a little extra cash and not realize you can take up to 10% from your existing annuity penalty free. There are so many great reasons as to why you need to be in contact with your advisor.

8. Believing the media's blanket discussions about annuities: Many annuity buyers listen to the media and believe what they are told about annuities, therefore running to their advisor to change their current

strategy. There are many misconceptions about annuities that were created by the media many decades ago that are not true. Any blanket statement about annuities is not valid until you investigate it. Trust yourself by empowering yourself with knowledge. Only work with a [Safe Money Approved Expert](#) you trust. Make sure the representative you are taking advice from gives you the time you need to understand and validate buying an annuity. Not all annuities are created the same; not all annuities are good and not all annuities are bad. The first thing you need to do is determine your goals.



This is meant to be a general annuity educational guide for seniors, retirees, and pre-retirees considering the purchase of an annuity. This educational guide is not designed to be a recommendation to buy any specific financial product or service. *Safe Money Resource & SafeMoney.com does not provide tax, legal, accounting, fiscal, or investment advice. Please do your homework and consult with a licensed financial expert in regards to your personal situation. The advisors in our network come highly recommended.

**Annuity guarantees rely on the financial strength and claims-paying ability of the issuing insurer. For immediate assistance call: 877-GROW-SAFE (877-476-9723)