Annuities – Get the Facts Straight

Stifel Insurance & Annuity Solutions – Education Series

When researching annuities, you are sure to encounter various articles and opinions that are critical of what may be a perfectly appropriate insurance and investment product for your situation. An annuity, in some cases, could be just what is needed to round out a carefully conceived investment plan. However, not everything we read online, see on television, or hear on the radio is factual. Individuals who are critical of annuities aren't familiar with your specific goals and objectives, your need for income, the protection you desire for your beneficiaries, and/or your concerns about downside protection in the event of a market correction. So, do not put up a "brick wall" to the idea of an annuity until you have the facts and understand how they apply to your situation!

Annuities provide investors with the opportunity for tax-deferred growth. You may be able to accumulate a larger balance in the future because money is not coming out annually to pay taxes. You control when and how taxes are paid.

Annuities purchased within an account that otherwise has tax-deferred growth, like an IRA, would not provide additional tax advantages but may provide a guaranteed minimum death benefit and/or guaranteed lifetime income. This may help protect you and your beneficiaries from market fluctuation and help ensure that you will be able to leave a legacy. It is important to understand any fees associated with these features to be certain they are right for you.

Annuities may have optional riders not available on other investments. These optional riders are often guaranteed lifetime withdrawal benefits and guaranteed step-up death benefits, which are not affected by negative market performance. These riders come with additional fees that must be considered in order to determine their appropriateness.

There are various types of annuities (fixed, variable, indexed, and income annuities) that may provide various types of benefits, such as downside protection, equity exposure, and/or income for life. Once again, be certain you analyze the annuity's features and benefits along with its fees and expenses.

With proper structuring, annuities may help with estate planning by avoiding probate and the associated costs.

Annuities may also play a large role for legacy planning, as an annuity can be purchased without underwriting and provides beneficiaries with flexibility af to how they withdraw and ultimately utilize the proceeds. This can be an excellent alternative when traditional life insurance products are not available.

All annuity products are not created equal and may not be appropriate for all investors. Rather than putting up a "brick wall," ask your Stifel Financial Advisor to educate and assist you in determining if an annuity may be appropriate for your situation. Consider creating a plan so you understand where you stand in relation to your goals and objectives. See where an annuity may fit by analyzing the features and benefits next to the fees and expenses. Get the facts today!

A Guaranteed Minimum Withdrawal Benefit (GMWB) provides income protection, not principal protection. In other words, your investment may decrease in value due to poor market performance, but your income will not be reduced. Guarantees are subject solely to the claims-paying ability of the issuing insurance company and do not apply to the safety or performance of amounts invested in the variable investment options. There may be conditions, limitations, and restrictions associated with a particular GMWB. A GMWB is an optional feature that is provided at an additional cost. The cost varies by company, and depending on the annuity company, this charge may be calculated on either the account value or benefit base. Most annuity companies reserve the right to increase this charge if there is an account value step-up of the benefit base (up to a maximum stated fee). This would be in addition to investment account fees and the annuity mortality and expense charge.

Annuities are suitable for long-term investment and entail fees, such as mortality and expense charges and optional benefit rider charges. All withdrawals of taxable amounts, including earnings, are taxable as ordinary income. Withdrawals may be subject to surrender charges, and if made prior to age 59 ½, may be subject to a 10% federal tax penalty. Withdrawals reduce the cash surrender value.

Investors should obtain a prospectus for an annuity's contract and the underlying subaccounts and consider the investment objective, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other important information, is available from your Financial Advisor and should be read carefully before investing. Variable annuities are not insured by the FDIC or any government agency and involve market risk, including the possible loss of principal.

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