Annuities Made Easy

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Annuities are extraordinarily popular today, but they're not new.

In fact, annuities trace their origins back to Roman times. Citizens would make a one-time payment as an "annual stipend" to the emperor in exchange for lifetime payments made once a year. During the 17th century, European governments created annuities to pay for many of the wars with neighboring countries.

Today, the uses of annuities are more peaceful – and more complex. Understanding annuities, however, can be made easier with a quick review of their essential features and benefits.

What are annuities?

An annuity is a financial product issued by an insurance company. It allows tax-deferred growth of assets. At retirement, an annuity can help to provide a guaranteed income stream for one or more people, in specified amounts, for a specified period - or for life.

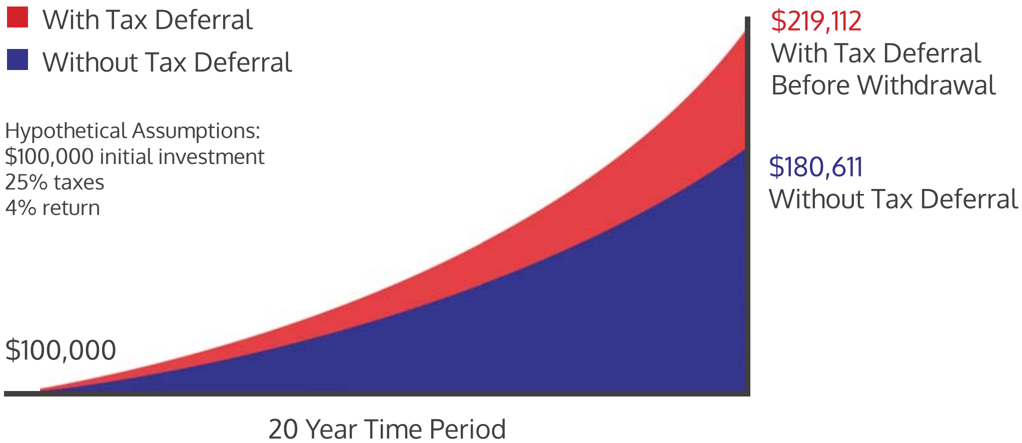
Simply put, annuities let you match up investment, income and legacy options with your retirement goals.

Benefits can include:
- Tax-deferred growth
- Guaranteed income[1] for life
- Professionally managed investment options
- Protection for your beneficiaries

The power of tax-deferred growth

If you could increase the return on your investment without taking on any more risk, would you? That´s exactly what happens when you invest in accounts that defer tax withholdings until the time of withdrawal. Without tax deferral, assets grow more slowly. For example, when you pay taxes at the rate of 25% on your annual gains, it reduces the amount of your money that could be earning valuable interest.

As the chart shows, over the 20-year period, a $100,000 investment, earning 4% tax-deferred returns, will grow to $219,112 over 20 years. That´s nearly $39,000 more in earnings.



This chart is hypothetical and for illustrative purposes only.
The hypothetical 4% rate of return shown is not guaranteed and should not be viewed and indicative of the past or future performance of any particular investment.

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Who's right for annuities?

An annuity could be a good choice if you want to:

- Increase your tax-deferred earnings, and may be already taking full advantage of all available 401(k), IRA or other tax-deferred plans
- Receive guaranteed income[1] for life or a set period of time
- Create a plan with flexible investment, income and legacy choices

Choosing an annuity: The five basic types

Type	Description	Features
Fixed annuity	Fixed annuities are retirement contracts built on protection and guaranteed returns, including a guaranteed minimum interest rate.	They offer guaranteed retirement income for a set period and, depending on the product chosen, may provide guaranteed return of initial investment and death benefit protection.
Index annuity	Index annuities combine the benefits of a traditional fixed annuity, including guaranteed minimum interest, with the potential to earn additional interest linked to the return of a market index.	In addition to benefits of a fixed annuity, they may allow owners the flexibility to build their contract to meet individual needs.
Immediate annuity	Often, fixed annuities are deferred. Immediate annuities, however, are a popular choice for people already in retirement because it guarantees lifetime income with a single lump-sum payment.	Contract owners can choose to receive income payments for life, or a shorter period of time. Payments are based on a fixed interest rate and can be paid out monthly, quarterly, and yearly.
Hybrid annuity	Hybrid annuities combine the advantages of fixed annuities, fixed index annuities and immediate annuities. The hybrid also shares some of the features of a variable annuity as well.	In addition to the benefits of the other annuities, the hybrid provides more flexibility to start, and also stop the flow of monthly income. Hybrids also provide liquidity that could be used for income and cash flow in retirement.
Variable annuity	Variable annuities offer a range of investment choices through sub-accounts that include stocks, bonds (or a blend of the two) and fixed account options. The withdrawals you eventually make from your variable annuity contract will be based on the value of the underlying choices you select.	In addition to investment choices, variable annuities typically provide optional benefits for an additional charge. These can include: guaranteed minimum income even if markets decline, the ability to increase your retirement income by potentially locking in market gains and enhanced benefits for beneficiaries.

Variable annuities involve investment risks and may lose value. An annuity is a long-term, tax-deferred investment designed for retirement. Earnings are taxable as ordinary income when distributed and, if withdrawn before age 59½, may be subject to a 10% federal tax penalty. Annuities may not be suitable for some investors; they have early surrender charges and may limit yearly distributions to 10% of the contract value.

Let experience be your guide. If you are saving for retirement, but not taking advantage of tax-deferred investing, it could have a dramatic impact on your future. Consider consulting with an experienced representative today on how tax deferral can positively affect the growth of your retirement assets.

If you would like to know if annuities are right for you, contact Mike at mike@tradewellfinancial.com or call him at 260.490.2084.

[1]Regarding income payouts, please keep in mind that annuity guarantees are subject to the claims-paying ability of the issuing insurance company.

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