

Annuities and Your Nest Egg

When investing for retirement, your two greatest challenges are to produce enough income to meet your expenses and to make your savings last. An annuity might provide a solution.

You contribute pre-tax money, either in one lump sum or in a series of contributions over time. The annuity pays you income in retirement: You can arrange to receive payments for a specific period of time or for the rest of your life. (Payments will be taxed as income.)*

The Strategies

If you're on the cusp of retirement, you might use a portion of your nest egg to invest in an immediate fixed annuity to cover your essential expenses for the rest of your life.

An annuity also might be attractive if you already contribute the maximum to a 401(k) plan or an IRA and want another tax-advantaged investment option. In this case you could open a fixed annuity. (Many fixed annuities are tax-deferred: You pay no taxes on their earnings until you withdraw your money).

Annuities aren't ideal for everyone. Consult your advisor to decide whether an annuity could improve your financial picture in retirement.

* Of course, tax-qualified contracts such as an IRA, 401(k) are tax deferred regardless of whether or not they are funded with an annuity. However, annuities do provide other features and benefits, including but not limited to a guaranteed death benefit and income options. You should discuss this decision with your investment representative.

Annuity and life insurance guarantees are based on the financial strength and claims-paying ability of the issuing insurance company. The guarantees have no bearing on the performance of a variable investment option. Variable investment options are subject to market risk, including loss of principal. There are charges and expenses associated with annuities and variable life insurance products, including mortality and expense risk charges, management fees, administrative fees, expenses for optional riders and deferred sales charges for early withdrawals. Withdrawals before age 59½ may be subject to a 10% IRS tax penalty, and a surrender charge may apply.