

What is an annuity? – Different withdrawal options

Part 8 of 9

As mentioned previously, annuities offer a variety of payout options. We've already covered lifetime payout options, but there are other options you might find more suitable, including the following:

- **Partial withdrawals.** This option allows you to receive partial withdrawals from your account while the remaining account balance continues to grow tax deferred. This option can help you meet certain financial needs if you aren't yet ready to receive scheduled distributions.
- **Systematic withdrawals.** This option, an alternative to annuitization (the process of converting the funds in your annuity into a series of payments), lets you receive income automatically at specified intervals, but you still maintain access to your accumulated account balance. Generally, you can make systematic withdrawals by:
 - Specified dollar amount
 - Specified percentage
 - Substantially equal periodic payments, or
 - Five-year payment method.
- **Single-sum (lump-sum) distribution.** This option allows you to withdraw all of your money from your account in a single, lump-sum payout. Bear in mind that previously untaxed contributions and earnings in the account will be taxed as ordinary income, and may be subject to withdrawal charges. The payout could be subject to mandatory 20% federal tax withholding, plus a 10% federal tax penalty if you are under age 59½. Consider also that withdrawing all of the money at one time could possibly push you into a higher income tax bracket in the year of withdrawal, exposing you to increased federal taxation. You may want to consult with your tax advisor before taking a lump-sum distribution.

With all the annuity payout options available, there's almost certainly one to suit your situation.

Neither Western National Life Insurance Company nor its agents or representatives are authorized to give legal, tax or accounting advice. Please consult your attorney, accountant, or tax advisor on specific points of interest.

Western National represents Western National Life Insurance Company.