AN INTRODUCTION TO ANNUITIES

Introduction

Let's assume that you don't know what an annuity is. No worries. Almost everyone knows what life insurance is, so let's start by making a comparison to life insurance.

Hold on! Before making this decision, you should also consider a fundamental principle of risk:

Risk/Reward Trade-off:

In light of this trade off, there are three questions that must be answered, when researching what type of annuity may be right for you.

What level of risk am I willing to assume with the annuity?

How soon will I need the regular stream of income payments from the annuity?

How many premium payments will I be making into the annuity?

Deferred Annuity vs. Immediate Annuity

What is a deferred annuity?

What is an immediate annuity?

ANNUITY RISK SPECTRUM

	Guaranteed Interest	Upside Potential	Indexed Participation	Client's Risk Tolerance
Fixed (Traditional)				
Indexed				
Variable Annuity				

What is a Fixed Annuity (FA)?

[redacted]

What is an Fixed Indexed Annuity (FIA)?

[redacted]

What is a Variable Annuity (VA)?

[redacted]

The sale of an annuity has to benefit the three parties to the annuity transaction:

The annuity purchaser [redacted]

The annuity salesperson [redacted]

The annuity issuer (insurance company) [redacted]

[redacted]

So, let's consider an example, using Fixed Annuities as a point-of-reference.

Now, with Fixed Indexed Annuities, the example above is only modified slightly.

Closing Thoughts

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