ENDLESS SUMMER NIGHTS:

HOW RETIREMENT ANNUITIES CAN HELP YOU MAINTAIN A RELAXED LIFESTYLE

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86%
worried about inflation

85%
want more annuities

$310.6
billion in annuities sold

"One of the best ways to make sure you have enough funds to enjoy retirement is to invest in annuities."

WHAT IS AN ANNUITY?

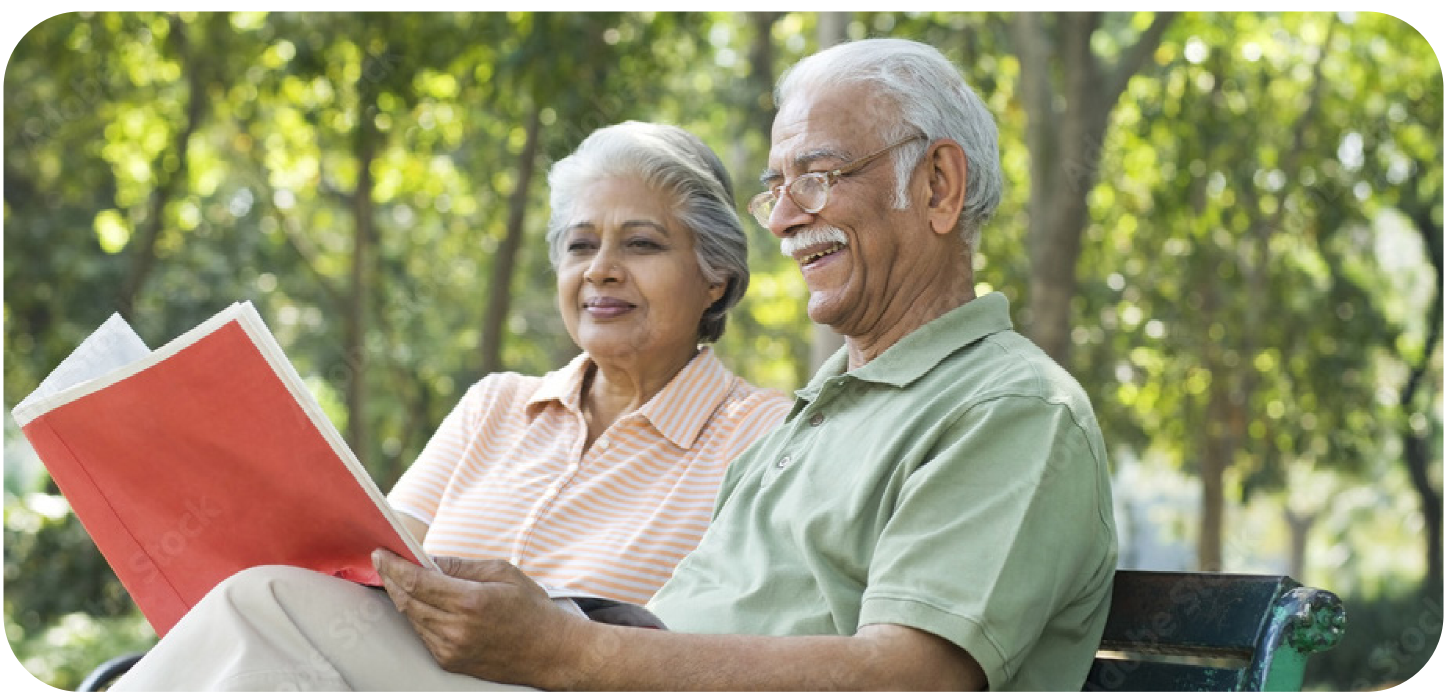
An annuity is an investment product that can provide you with a steady stream of income during your retirement years. It is a long-term investment designed to provide income that you can rely on for the rest of your life. Annuities are typically purchased with a lump sum of money and can be structured in a variety of ways, depending on your specific needs. They can be used to supplement other sources of retirement income, such as Social Security or pensions.

HOW DOES IT WORK?

When you purchase an annuity, you're essentially making a contract with an insurance company. The insurance company agrees to pay you a fixed amount, usually as a monthly payment, for the rest of your life. The amount of your monthly payments will depend on the type of annuity you purchase and the amount of money you initially invest.

Retirement should be a time to live life to the fullest and pursue your interests. After all, you've spent your life working hard toward this goal, so why not make the most of it?

Annuities are a powerful retirement savings tool that can provide guaranteed income for the rest of your life — no matter how long you live. Annuities can help you achieve your goals and enhance your retirement prospects. Sales of annuities reached new heights at $310.6 billion in 2022 — an increase of 17% from the prior record set in 2008. But annuities aren't just a trend. In fact, many Americans who already benefit from the guaranteed source of lifetime income provided by annuities are eager to invest even more.



3 CLEAR BENEFITS OF ANNUITIES

Annuities provide a steady stream of income and can be particularly beneficial for retirees looking to supplement other income sources. There are several benefits to investing in annuities, depending on your individual circumstances and the type of investment you want to make. But there are three very obvious benefits anyone purchasing an annuity will enjoy:

Retiring with financial security is the goal of most Americans, and annuities offer an excellent way to achieve it.

1. Guaranteed Income Stream

Your annuity payments will continue for the rest of your life, regardless of market fluctuations or other economic conditions.

2. Tax Advantages

Many annuities are tax-deferred, meaning you won't have to pay taxes on the money until it's withdrawn. This can be extremely beneficial if you're looking to maximize your retirement savings.

3. Peace of Mind

You can rest assured that if you go beyond your 401(k) and invest in annuities, you'll have a stream of income that you can count on, no matter what.

Annuity income can be used to provide a cushion in case of unexpected expenses.

CASE STUDY: HOW ANNUITIES CAN TURN THE 4% RULE ON ITS HEAD

For decades, the 4% rule for retirement withdrawals has offered a strategy to ensure that savings last throughout a person's retirement. By withdrawing 4% of total retirement savings in the first year of retirement and adjusting the amount each year for inflation, a retiree should be able to ensure a steady stream of income for the duration of retirement. But what if you want more? What if your goals surpass your limited income? And what if you're faced with more tough economic conditions throughout your retirement?

A History Lesson:

In 1994, William Bengen analyzed 50 years of stock and bond returns — from 1926 to 1976 — to dispute the long-held belief that retirees should withdraw 5% of their savings each year. He determined that retirees could take out 4% of their savings in the year of retirement, and then adjust for inflation in each subsequent year for 30 years. Bengen found this to be possible using a portfolio consisting of 60% equities and 40% bonds (another long-held rule due to be challenged) in a period of higher bond returns than current levels. Bengen didn't plan for the economy we're facing today, and it's about time we updated this rule again.

Imagine an American retiree at age 65 with $1 million in their 401(k) plan from work. Under the 4% rule commonly advocated by financial professionals, the retiree would make monthly withdrawals from their 401(k) equal to 0.04 of the initial balance, plus an annual inflation increase. That retiree is on a fixed income, and once that money is gone in about 30 years, it's gone. But what if the person in the example used part of their 401(k) to invest in an annuity? If that annuity is deferred for 10 years, the retiree would draw on their remaining 401(k) assets during that time. Once the 10 years are up, the annuity income kicks in — there's still more money available. Spendable funds per month increase from year one with an annuity as part of the retirement plan, and the retiree can never outlive their assets.

WHAT ARE MORTALITY CREDITS & HOW DO THEY DETERMINE ANNUITY PAYOUTS?

Retirees with limited resources face a double-edged sword: the worry that if they live too long, their assets may not be able to sustain them, and that if they die too soon, they may have left behind financial assets that could have been used to enhance their quality of life. Either way, these retirees may find themselves in a difficult position if their resources and expected returns don't align.

When calculating the monthly payout of an annuity, insurers look at the expected longevity of the annuity owner, the amount of the annuity, and how long the income is expected to last. Mortality credits are also considered, with the amount of the credits increasing with age. For example, at age 65, mortality rates begin to exceed the internal rate of return. By age 90, the difference could be significant.

"Annuities have a way of rewarding you the longer you live."

Mortality credits are created when an annuity owner dies sooner than expected and doesn't receive the income payments they would have otherwise received. The leftover money is pooled with other contract holders and used to pay lifetime income to those who do live beyond their life expectancy.

A mortality credit is a form of risk-sharing between insurance companies and annuity holders. It is a mechanism that allows an insurance company to share the cost of annuitant deaths with the annuitants themselves. In other words, the insurance company is rewarded for taking on the risk of mortality by providing a lower premium or higher annuity payments for investors living longer than expected.

THE MAIN TYPES OF ANNUITIES & WHICH ARE BEST FOR RETIREES

There are a variety of different annuity options available today with various benefits for retirees, but there are a few main types to be aware of and learn how they could benefit you.

FIXED ANNUITIES

QUICK FACT: The most common type of annuity, fixed annuities provide set payments for the life of the annuity.

Financial experts say fixed annuities just might be your best choice when it comes to safe retirement plans. Fixed annuities offer the benefit of predictability, tax-deferred growth, and sometimes even a death benefit to provide peace of mind for your loved ones. The annuity's interest rate and payments remain fixed throughout the life of the annuity. Fixed annuities don't have the same contribution limits as some other retirement plans, so you can rest easy knowing that you can invest as much as you want to secure your future.

INDEXED ANNUITIES

QUICK FACT: Indexed annuities provide a link to an index, such as the S&P 500.

An indexed annuity is an investment vehicle that ties its interest rates and payments to an index such as the S&P 500. The payments and interest rates will fluctuate according to the performance of the index, so keep that in mind when deciding where your money will go in an uncertain economy.

FIXED INDEXED ANNUITIES

QUICK FACT: FIAs have a guaranteed base rate of return and the potential to increase with the performance of an index, but the payments and interest rates remain fixed.

A fixed indexed annuity (FIA) is a combination of a fixed annuity and an indexed annuity. It has a guaranteed base rate of return and the potential to increase with the performance of a particular index, such as the S&P 500. The payments and interest rates will remain fixed throughout the life of the annuity. The fixed rate of return ensures that you will get a minimum amount of money back, even if the stock market drops. The returns are usually capped at a certain percentage, and the principal is guaranteed not to decline in value. This makes the fixed indexed annuity a safer option for retirees than a variable annuity.

VARIABLE ANNUITIES

QUICK FACT: Variable annuities will allow you to invest in a portfolio of stocks and bonds.

Variable annuities are a type of annuity that allows you to invest your money in a range of different assets, such as stocks, bonds, mutual funds and other investment vehicles. With a variable annuity, you have the potential to earn higher returns when the economy is prospering — but you also have the potential to lose money.

DEFERRED INCOME ANNUITIES

QUICK FACT: With longevity annuities, you're guaranteed to receive regular payments for a set period.

Deferred income annuities (also known as longevity annuities) are a type of annuity that allows you to defer receiving payments until a certain age (usually at least age 70). With a deferred income annuity, you're guaranteed to receive regular payments for a set period, even if you live beyond your projected life expectancy. The amount of the payments depends on the amount of money invested, the length of the deferral period and the interest rate. Mortality credits largely fund longevity annuities.

5 WAYS INCOME GENERATED BY AN ANNUITY CAN SUPERCHARGE YOUR RETIREMENT

Retirement is a time for relaxation and enjoying the fruits of your labor, but for many, the financial side of things can be a source of stress. No matter what your retirement dreams are, annuity incomes can help you make them a reality. Here are 10 examples of how income generated from annuities can drastically improve your retirement years:

CREATE A LEGACY

Annuities can be used to leave an inheritance, as some products allow you to name a beneficiary who will receive a payout after you pass away. This can be an effective way to provide for your loved ones and ensure that your hard-earned savings are passed on to the next generation.

SUPPLEMENT A FIXED INCOME

Your Social Security payments are unlikely to cover all of your retirement expenses. Annuities can be used to supplement Social Security income, which can help with unexpected expenses. With annuities, you can count on receiving a regular income payment that can help you bridge the gap between your Social Security payments and your desired retirement lifestyle.

ENJOY PROTECTION FROM INFLATION

Investing in annuities can provide you with a steady and predictable stream of income, allowing you to plan for the future with more certainty. Annuity income payments are usually linked to market indices, such as the S&P 500 or the 10-year Treasury Bond, so they can provide extra protection from a tumultuous economy and the effects of inflation.

GET LONG-TERM CARE PROTECTION

Annuities can provide you with long-term care protection, as some annuity products offer an option to convert the payments into long-term care benefits if needed. This allows you to use the money for medical expenses or other necessary care, without having to dip into your retirement savings.

DONATE TO A GOOD CAUSE

Do you want to make a difference in the world? With annuity income, you can afford to donate to a good cause and help make the world a better place. From supporting local charities to helping fund global initiatives, you can make sure your money is making a difference.

"Investing in annuities can help to ease the burden and make your retirement years both comfortable and enjoyable."

UPGRADE YOUR FUTURE WITH ANNUITIES

Annuities can be an excellent way to supplement your retirement income. By providing you with a guaranteed stream of income, annuities can help you achieve your financial goals and drastically improve your retirement years. If you're looking for a way to maximize your retirement savings, annuities may be the answer.

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