Annuity myth busting: Answering your annuity questions

SAMMONS RETIREMENT SOLUTIONS®

Annuities are often misunderstood. Many people may find it difficult to understand and navigate these insurance products due to misinformation, rumors, and myths. As a result, many individuals may be put off by the idea of purchasing an annuity.

In truth, some annuities, such as fixed index annuities, can help you generate income and provide growth potential while protecting you from market downturns. Let's tackle some common questions and misconceptions about annuities to help you make an informed decision about whether an annuity might be the right choice for you.

Are all annuities the same?

Although annuities share many common attributes, each annuity type has its own set of rules. In general, an annuity is a contract with an insurance company in which you pay (a one-time payment or a series of payments) to receive guaranteed income at some point in the future.

What are the different types of annuities?

Types of annuities include fixed annuities, variable annuities, and fixed index annuities. There is a range of annuity options, but typically they fall into two categories — immediate annuities and deferred annuities.

1. An **immediate annuity** allows you to make a lump-sum deposit and immediately start drawing income.
2. With a **deferred annuity**, you give an insurance company money and the company pays it back at a later date based on the accumulated value and a guaranteed interest rate. When you purchase a deferred annuity, you won't receive income payments until you elect a payout option.

To learn more about these types of annuities and specific annuities from Midland National® Life Insurance Company, you can reach out to your financial professional. They can help guide you and answer your questions about specific annuity products.

Do all annuities have fees?

Most annuity types have no maintenance fees or annual fees. Some annuities have varying fees depending on the type of annuity and additional benefits they may provide. It's important to understand the different types of annuities so you can compare their costs and benefits, then determine what product will be right for you.

Annuities can offer valuable features that aren't typical of other retirement income options, like tax deferral, income guarantees, guaranteed minimum values, and/or a guaranteed minimum death benefit. If you're uncertain about the fees associated with the annuity you think is a good fit for you, ask your financial professional for clarification.

Can you withdraw money from an annuity?

Many annuities give you the option to withdraw a portion of the contract without a penalty. Some annuities may require a waiting period before you can access the full value of the annuity. Rules regarding early withdrawal vary. You would want to discuss specific features with your financial professional.

What happens to an annuity if you die?

Some people may believe an insurance company will keep the remaining annuity value upon death. This is true of a "life-only" payment option within an annuity contract, but life-only is just one of many payment options you can choose.

If you want to ensure your beneficiaries receive your remaining annuity value when you die, you can choose an annuity payment option with a refund feature. In general, this type of annuity payment will be lower than a “life-only” payment, but it ensures any balance that remains between the sum of the payments and the account value is paid to your beneficiaries. Everything the annuity can and cannot do should be written in your contract.

Are annuities just for older people?

Annuities can be excellent tools for accumulation and income, no matter your age. Many young workers are using annuities as a tax-deferred way to save for their future. Some people choose to wait until they are nearing retirement to purchase an annuity.

Every situation is different. It’s important to seek tax advice from a qualified tax professional when purchasing an annuity to understand any withdrawal penalties that may apply.

If I already have a well-rounded portfolio, do I need an annuity?

Annuities, like fixed index annuities, are becoming a household term as a new generation of savers continues to be drawn to their growth potential and downside protection from market downturns. The opportunity for growth and protection against the unexpected can make fixed index annuities a nice fit for many retirement portfolios.

If you want to learn more about annuities and if they might be right for you, contact your financial professional today.

Fixed index annuities are not a direct investment in the stock market. They are long term insurance products with guarantees backed by the issuing company. They provide the potential for interest to be credited based in part on the performance of specific indices, without the risk of loss of premium due to market downturns or fluctuation. Although fixed index annuities guarantee no loss of premium due to market downturns, deductions from your accumulation value for additional optional benefit riders or strategy fees associated with allocations to enhanced crediting methods could exceed interest credited to the accumulation value, which would result in loss of premium. They may not be appropriate for all clients.

Interest credits to a fixed index annuity will not mirror the actual performance of the relevant index.

The term financial professional is not intended to imply engagement in an advisory business in which compensation is not related to sales. Financial professionals that are insurance licensed will be paid a commission on the sale of an insurance product.

Withdrawals taken prior to age 59 ½ may be subject to IRS penalties.

A surrender during the surrender charge period could result in a loss of premium. Surrender charge structure may vary by state.

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