Benefits:

Guaranteed Interest Rates – SPDA interest rates can fluctuate after the first calendar year, but there's always a minimum guaranteed interest rate for the length of your contract. It's important to check the issuing company's long-term interest rate track record. Some companies may start with appealing rates, then drop the rate drastically for the remaining years of the contract.

Taxes – Interest on your annuity premiums grows tax-deferred (unlike CDs) for the length of your contract. Your money expands by *compounding*:

- You earn interest on your premiums
- You earn interest on your interest
- You enjoy the benefit of earning interest on all the dollars in your annuity instead of using some of them to pay in taxes each year

There's no avoiding it, we all know taxes must be paid sooner or later. But, why pay sooner than you have to? Taxes are paid on annuity earnings and previously untaxed premiums when pay-outs begin. By timing your annuity distribution to begin when you can take advantage of a less costly tax bracket that the leisure years often bring, you can enjoy more of what you've worked for.

Pay-out options – Annuities offer a variety of payment (or distribution) options allowing you to select the one that works best in your retirement equation. You can choose a lump sum, fixed benefit amount, life income for a guaranteed period, or steady installments that you can't outlive.

No probate for heirs – Probate can be a lengthy and expensive process for your heirs. You may name your heirs as beneficiaries to your annuity so that the balance left in your annuity may pass directly to them when you die. Your estate avoids the costs, delays and the publicity of probate.

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The Basics of Annuities

What's your retirement plan?

Retirement. It sounds good, doesn't it? You might be two years or maybe a decade away from enjoying it, but the idea of golfing, reading, traveling, gardening or enjoying family beckons. Cash flow to fund the lifestyle you envision is likely among your main concerns.

You've tried to plan carefully for retirement by putting money into your 401(k), IRAs and other savings vehicles. But, you may be wondering how to fund the balance of your retirement as Social Security remains questionable, the cost of living climbs, and medical breakthroughs offer a healthier and longer life. Will your cash flow stretch to last your lifetime?

Besides your retirement savings, you may also have decisions to make regarding cash from an inheritance, an insurance benefit, or the sale of a business or home. Minimizing current taxes is probably a priority. You might be considering several financial vehicles to fund your leisure years, but what may be the *smartest* choice for funding your retirement nest egg?

What's the right choice for you?

If your goal is to safeguard your money while you watch it grow, you'll want to weigh the level of risk and impact of present and future taxes for each of your choices. You'll find information about several options below.

Equities

If you're a risk-taker, investing heavily in the stock market might be profitable for you – but if you can't afford to lose money or don't have a long-term investment horizon in mind – this financial vehicle, with its earnings volatility, may not be the best choice. Savvy investors can see earnings grow quickly, but as we all know, much can be lost in one day on Wall Street.

Certificates of Deposit

Certificates of Deposits (CDs) offered through banks are certainly safe – you won't lose your money, but it won't grow very quickly either. In addition, you'll pay a penalty for withdrawing funds before your CD expires no matter what the emergency – and taxes must be paid annually on any earnings.

Money Market Accounts

This type of account invests only in money markets. Money market accounts are not insured by the government, and the earnings fluctuate with money market rates.

Single Premium Deferred Annuities

A Single Premium Deferred Annuity (SPDA) can be a safe and profitable way to accumulate money and receive a steady stream of income at retirement that you can't outlive.

An annuity is an interest-building, tax-deferred contract between you and an insurance company. Several different types of annuities are available with varying degrees of risk, but the Single Premium Deferred Annuity (SPDA) is among the safest and can provide several advantages as part of a retirement portfolio.

With a SPDA, you pay a single sum of money (the premium) which earns interest at a rate set by the insurance company for a specified period of time.

An SPDA is either "qualified" or non-qualified," depending on whether the money you pay into the annuity has been taxed. If you are purchasing your SPDA with *pre-tax* dollars – such as cash from an

Individual Retirement Account (IRA), 401(k) or Simplified Employee Pension (SEP) – it's classified as qualified. If you're purchasing your SPDA with *post-tax* dollars – such as money from the sale of a home/business, an inheritance or insurance benefit – it's classified as "non-qualified."

This distinction does not change interest-building annuity benefits, but does affect the amount you pay in taxes when you withdraw money or receive pay-outs from the SPDA.

Qualified Annuities

(pre-tax dollars used for the premium)

- May be tax-deductible at purchase
- Taxes are assessed on the principal and interest as it's paid out
- Distributions may begin at age 59½
- Distribution must begin the year you turn age 70½

Non-qualified Annuities

(post-tax dollars used for the premium)

- Not tax-deductible at purchase
- Taxes are assessed on interest only at distribution