2023 · DOES AN ANNUITY FIT WITHIN MY FINANCIAL PLAN?

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THRESHOLD ISSUES	YES	NO
Do you need to review your retirement assets and time horizon?	☐	☐
Do you need to revisit your risk tolerance?	☐	☐
Do you need help understanding the basic types of annuities, and what might fit best with your investment strategy? If so, compare the types of return (variable, fixed, and equity-indexed) and the timing of income (deferred and immediate) offered by different kinds of annuities. Also, consider the term (fixed period or lifetime) of the income stream you might need.	☐	☐
Do you need to consider how your age affects what options are available and most favorable for you?	☐	☐

CASH FLOW ISSUES	YES	NO
Do you need to review your expected (or current) sources of retirement income? If so, consider how an annuity could balance/diversify your retirement portfolio and fund any shortfalls in your income plan.	☐	☐
Do you want to supplement your current income? If so, consider an immediate annuity, to commence payments right away.	☐	☐
Do you want to supplement your future income? If so, consider a deferred annuity. You can choose the starting date of distributions.	☐	☐
Do you need to determine how the chosen term of payments (single life, joint and survivor life, and/or fixed term) influences the level of cash received?	☐	☐
Is there any chance you will need to access the principal early? If so, consider what withdrawals are permitted as well as the potential income tax consequences and penalties of an early withdrawal, including any premature withdrawal penalties (i.e., surrender fees) charged by the insurance company.	☐	☐

CONTRACT CONSIDERATIONS	YES	NO
Is a steady income stream your top priority? If so, consider a fixed annuity. Generally, the initial rate is guaranteed for a term, and renewal rates are subject to a floor.	☐	☐
Are you willing to incur risk in order to seek potential growth and greater monthly income? If so, consider the following: ■ With a variable annuity, you choose among investment offerings, with the potential for growth (or losses) during the accumulation phase. ■ With an indexed annuity, you are guaranteed some certain minimum return, in addition to being credited with a return that tracks an index (i.e., the participation rate). This allows the potential for gains (subject to a cap rate), but with less risk than a variable annuity.	☐	☐
Do you need to review any riders offered that might help tailor the annuity to your needs? If so, consider how riders could help, such as guaranteed lifetime/minimum withdrawal benefit, death benefit, return of premium/refund, COLA protection, disability/terminal illness, long-term care, among others.	☐	☐
Do you need to compare how types of annuities and features can be combined and tailored to your needs?	☐	☐
Can or will the interest rate on the annuity change?	☐	☐
Do you need to examine various contract features and expenses when comparing annuity options? If so, consider the following: ■ Features may vary depending upon the type of annuity you purchase. Review and compare any free-look period, surrender period, income riders, cash benefits, death benefits, what is and is not guaranteed, etc. ■ Recurring fees may vary depending upon the type of annuity you purchase. Review and compare any administrative fees, management fees, advisor fees, insurance fees, surrender charges (and potential crisis waivers), expense risk charges, etc.	☐	☐
If you have a fixed period annuity, do you need to review the options at the end of the annuity term?	☐	☐

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ANNUITY PURCHASE ISSUES	YES	NO
Do you need to review the ratings of the insurance companies you are considering?	☐	☐
Do you need to consider the tradeoffs associated with the assets you use to fund the purchase of the annuity? If so, consider the following: ■ You may be able to roll your IRA, employer retirement plan, or lump-sum pension payment into an annuity, tax free, but consider the drawbacks associated with this strategy (loss of flexibility, fees). ■ Buying an annuity with assets from your taxable investment account would achieve tax-deferred future growth. However, note the tax consequences of the transaction and the flexibility you may give up in purchasing an annuity.	☐	☐
Do you prefer to make periodic premium payments? If so, note that the benefit of the deferral feature of an annuity is maximized when you have a longer payment period prior to annuitization.	☐	☐
Is it beneficial to wait to purchase an annuity (e.g., until you have built up other retirement savings and/or until rates rise)?	☐	☐
Are you concerned about interest rate volatility and timing? If so, consider a laddered strategy to help smooth out the risk.	☐	☐

TAX ISSUES	YES	NO
Do you need to compare an annuity to other savings options that offer preferential income tax treatment? If so, consider the following: ■ During the term of an annuity contract, your investment grows tax-free. Ordinary income tax will be due when annuity payments are received, and the amount depends upon the type of annuity contract (qualified or non-qualified). ■ Other savings strategies, such as taxable brokerage accounts, may offer more beneficial tax treatment (qualified dividends and long-term capital gains), depending upon your tax bracket in retirement. ■ Unlike many retirement accounts, there is no contribution limit and no RMDs. (continue on next column)	☐	☐

TAX ISSUES (CONTINUED)	YES	NO
Do you need to review how different types of annuities are taxed? If so, consider the following: ■ For qualified annuities, all dollars withdrawn are taxed as ordinary income. ■ For non-qualified annuities, only the earnings are taxed as ordinary income when withdrawn. An exclusion ratio (based upon your life expectancy) determines the taxable amount of distributions. After you reach your life expectancy, future distributions will be taxed as ordinary income.	☐	☐
Do you need to consider potential incidental tax consequences of annuity payments? If so, review your total income projections. Mind the "domino effect" where annuity payments increase gross income and can increase taxation of Social Security benefits.	☐	☐
Do you have an after-tax retirement account (e.g., a 401(k) or traditional IRA) that you want to convert to a guaranteed stream of income later in life (beyond your RMD age)? If so, consider the following: ■ You could purchase a qualified longevity annuity contract (QLAC) with assets in these accounts (if offered), up to the lesser of 25% of your total balance or a cap of $155,000 (lifetime limit). ■ You can choose when to annuitize your QLAC, deferring withdrawals to age 85. ■ Review what riders and benefits may be advisable.	☐	☐

MISCELLANEOUS	YES	NO
Is there a less expensive strategy that meets your objectives?	☐	☐
Do you need to compare the risk of premature death to longevity risk?	☐	☐
Are you considering the annuity as an estate planning strategy to protect your surviving spouse and/or heirs? If so, consider what options the beneficiary(ies) will have upon your passing.	☐	☐
Do you own an existing annuity contract or life insurance policy that you would like to replace? If so, consider a 1035 exchange.	☐	☐
Are there any state-specific issues to consider?	☐	☐

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