

## Why Are Annuities Considered an Insurance Product?

Annuities are financial vehicles that can be sold only by insurance companies. Basically, an annuity is a contract between you and an insurance company, which promises to pay you a future income in exchange for the lump-sum payment or premiums that you pay. The payments specified in the annuity contract will be paid to you during your retirement (or, in some situations, to your beneficiaries after your death).

Annuities can be used to help ensure a steady stream of income in retirement, as well as to help ensure that your spouse and/or designated beneficiary will be taken care of in the event of your death. Many types of annuities exist, and most of them include a death benefit option.

If you elect to annuitize your annuity contract, you are choosing to receive your payments on a schedule that can be based on a single or joint life expectancy (for you and your spouse, for example) or for a specified period of time. Once you begin receiving payments, most annuity contracts do not allow money to continue to be made to your heirs, other than your designated joint-life beneficiary, in the event of your death. However, if you die before annuitization begins, your designated beneficiary typically will receive a death benefit at least equal to the net premiums paid.

Some annuity contracts may offer refunds or guarantees, allowing your beneficiary to receive the remaining amount upon your death (the accumulated value or premiums paid, whichever is greater).

If you would like to use your annuity to help provide for your heirs, make sure to examine the contract closely for specific beneficiary allowances.

Generally, annuities have contract limitations, fees, and charges, which can include mortality and expense charges, account fees, underlying investment management fees, administrative fees, and charges for optional benefits. Most annuities have surrender charges that are assessed during the early years of the contract if the contract owner surrenders the annuity. Withdrawals of annuity earnings are taxed as ordinary income and may be subject to surrender charges plus a 10 percent federal income tax penalty if made before you reach age 59½.

Withdrawals reduce annuity contract benefits and values. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company. Annuities are not guaranteed by the FDIC or any other government agency; they are not deposits of, nor are they guaranteed or endorsed by, any bank or savings association. For variable annuities, the investment return and principal value of an investment option are not guaranteed. Variable annuity subaccounts fluctuate with changes in market conditions; thus the principal may be worth more or less than the original amount invested when the annuity is surrendered.

Variable annuities are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the variable annuity contract and the underlying investment options, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

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