Split-Annuity Strategy

A split-annuity strategy involves purchasing two types of annuity contracts: immediate and deferred. The immediate annuity would provide a current income stream during the early years of retirement, and the deferred annuity would have the potential to provide a future income stream.

An immediate fixed annuity earns a guaranteed rate of return and immediately pays a regular income for the duration specified in the contract. Meanwhile, the funds in a deferred fixed annuity accumulate tax deferred until they are needed. Once the immediate fixed annuity has been depleted, the deferred fixed annuity can be used to generate a regular income stream. Of course, any earnings withdrawn from the deferred annuity would be taxed as ordinary income.

By combining an immediate annuity with a deferred annuity, you can receive both current retirement income and tax-deferred growth potential. Of course, the guarantees of annuity contracts are contingent on the financial strength and claims-paying ability of the issuing insurance company.

An annuity is a financial vehicle used for retirement purposes. It is a contract with an insurance company that can be funded either with a lump sum or through regular payments over time. In exchange, the insurance company will pay an income that can last for a specific period or for life, depending on the terms of the contract.

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. Early withdrawals made prior to age 59½ may be subject to a 10% federal income tax penalty.

Withdrawals reduce annuity contract benefits and values. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing 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.

In retirement, most people rely on a combination of Social Security, retirement plans, and personal savings for income. A split-annuity strategy can help supplement these income sources. This is one way to add some stability to your financial future and may help ensure that you don’t outlive your assets.

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.