Immediate Annuities

Immediate annuities are long-term contracts issued by a life insurance company. Typically purchased with a single, lump-sum payment, an immediate annuity can provide an income stream for a set period of time or for the rest of your life.

How Much Income Can I Receive?

The amount of income will vary, generally depending upon the following factors:

- **Amount of your purchase payment:** Generally, the larger the purchase payment, the larger the income stream.
- **Your age:** Older individuals typically receive larger periodic payments.
- **Length of payout period selected:** A shorter payout period will usually result in a larger payment.
- **The underlying investment medium:** Usually either a fixed or variable annuity.

Funding the Annuity – Fixed or Variable

As the name implies, a “fixed” annuity pays a fixed rate of return. The insurance company invests in a portfolio of mortgages and bonds and pays out a specified rate of return. Generally, this rate is only guaranteed for a certain period of time, after which a new rate is calculated based upon then prevailing market conditions. However, most insurance companies offer a guaranteed minimum rate throughout the life of the contract.

Bear in mind that annuities are not insured by the FDIC or any other government agency. All guarantees are based upon the credit worthiness of the life insurance company.

The other primary alternative is the variable annuity, which offers the potential for higher returns in exchange for your willingness to assume a greater level of risk. A typical variable annuity contract will give you a choice among several types of investment portfolios, such as stocks or bonds, or a combination. As the markets move up and down, your annuity’s value will also rise and fall. Consequently, the amount of each annuity payment will fluctuate depending upon the performance of the underlying investments.

Variable annuities are sold by prospectus only. The prospectus contains more complete information including investment objectives, risk factors, fees, surrender charges, and any other applicable costs. Study the information in the prospectus carefully before investing. Individuals selling variable annuities must be licensed to sell securities.

Federal Income Taxation of Annuity Income

Because immediate annuities are purchased with after-tax dollars, the income received is prorated between ordinary income, which is taxable, and a return of principal, which is not taxable. This calculation takes into account your life expectancy and the amount of each payout. Please remember that state and local income tax law can vary. See your tax advisor for guidance.

Disclosure Notice

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