



## **Understanding Variable Annuities: Pros And Cons**

**If you are considering the purchase of a variable annuity or, if you already own variable annuities, make certain you fully understand how they work.**

Understanding variable annuity pros and cons, as well as the similarities and differences between fixed and variable annuities, is an important part of your decision making process. Compare variable annuities and fixed indexed annuities to make sure the annuity you select fits your needs. An annuity can be a good decision or your worst nightmare – the difference depends on your understanding of the pros and cons, and how a given annuity benefits you.



Listed below are 8 things to fully understand before buying a variable or fixed annuity. The first thing to keep in mind about variable annuities: A variable annuity is a security; funds invested in variable annuities are subject to market conditions and your money is exposed to gain and loss.

### **◆ 1. No Guarantee of Principal**

**Variable annuities have no guarantee of principal;** in the event of a need for money you may not have your original deposit. Your original deposit is only available to your beneficiaries if paid as a death benefit.

### **◆ 2. Death Benefit Expenses**

**The mortality cost is in your contract and is subtracted from your account value.** Depending on the variable annuity you own or are considering, these fees could be as high as 1.25% of your total account value.

### **◆ 3. Other Fees and Expenses**

**Variable annuities can charge fees for added riders and benefits.** Each benefit can have an associated cost that is subtracted from your total account value. It could be possible that these fees and expenses may be as high as 1% to 2%, and these fees are on top of the death benefit fees discussed in number 2 above. (Please read the prospectus, which by law must reveal fees and expenses, when doing comparisons.)

### **◆ 4. Loads and Acquisition Expenses**

**Some variable annuities have a front end or a back end load that can have an effect on the overall performance of your variable annuity.** (Please read the prospectus, which by law must reveal fees and expenses.)

◆ **5. Administration Fees and Distribution Costs**

**Many variable annuities charge a fee for administration expenses.** These fees can range from .15% to .25% of your total account value and these fees are in addition to other fees in your contract.

◆ **6. Market Volatility or Market Risk**

**Variable annuity sub accounts can be subject to the volatility and the whims of the stock market,** which could benefit you in a healthy market.

◆ **7. Death Benefits can Contain Tax Liability**

**One of the possible cons is that any accumulated value in your variable annuity over and above the total of the deposits may be taxable as ordinary income.** This tax is passed on to your heirs.

◆ **8. Confusing and Hard to Understand**

**Variable annuities contain fees and expenses, so it is essential to fully understand & compare how variable annuities work and how their features can benefit you.** (Please read the prospectus, which by law must reveal fees and expenses.)

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