



Understanding the Difference Between Fixed And Variable Annuities

*Do you know how much the fees and expenses
associated with your retirement investments are?*

Annuities offer tax sheltered growth which can result in significant long-term returns for you if you contribute to the annuity for a long period and wait to withdraw funds

until retirement. You get peace of mind from a guaranteed income stream, and the tax benefits of deferred annuities can amount to substantial savings.

There are two categories of Annuities – Fixed and Variable.

A Fixed Rate Annuity is sold by an Insurance Company and offers you a very low-risk retirement account. The owner is guaranteed at least a minimum rate of investment return. The insurer declares a specific credited rate of return based on the investment performance of its general account assets. You can receive a fixed amount of money every month for the rest of your life. However, the price for removing risk is missing out on growth opportunity. Should the financial markets enjoy bull market conditions during your retirement, you forgo additional gains on your annuity funds.

A Variable Annuity is sold by a stockbroker and is classified as a Security Investment by the SEC. A variable annuity is subject to stock market risk. With a variable annuity, contract owners are able to choose from a wide range of investment options called subaccounts, each of which generally invests in shares of a single underlying mutual fund. As with mutual funds, the investment return of variable annuities fluctuates. The most common objection to variable annuities is how notoriously expensive they can be.

Example Summary of Variable Annuity Fees:

Mortality and Expense Fee:	1.40%
Investment Fees for Separate Accounts:	1.35%
Rider Fee Example	1.00%
Total Estimate of Fees Per Annum:	3.75%
(National Average According to Morningstar is 3.61%)	

A Variable Annuity with 100,000 dollars in account value would pay 3,750 dollars per year in fees before any interest is credited.

Fixed Annuities Offer Less Investment Risk. Generally, fixed annuities involve less investment risk than variable annuities because they offer a guaranteed minimum rate of interest. The minimum rate is not affected by fluctuations in market interest rates or the company's yearly profits. Most people like the security of knowing that their annuity payments will never vary or that they will receive at least a minimum amount of credited interest.

Here are a few Guidelines to Consider When Making a Change to Your Retirement Portfolio:

Buy From Someone Reputable. Whether you are working through an adviser or directly through a distributor, get the facts on the firm's financial strength and business practices. What is the company's rating with third-party ratings agencies? Is it known for fair claims-paying practices? How reliable is its customer service? Dealing with a company that is fair and financially sound may help save you from financial headaches in the long run.

Educate yourself. Knowledge is Power. Make sure to ask your financial adviser about any potential costs that might not be apparent. The point here is to completely understand what you are paying for and how to utilize the benefits when you need them.

Be sure to consider annuities as part of your overall investment strategy, as they can add value and security to your retirement.

[Watch the video below for more information on the fees and expenses associated with Variable Annuities.](#)