GUARANTEED INCOME IN YOUR RETIREMENT

One of the biggest concerns of pre-retirees and retirees is income. This makes a lot of sense when you consider that all your savings essentially breaks down to an annual income you need to have to live comfortably during your retirement years. One of the options many seniors explore when trying to secure their retirement income is a fixed index annuity[1].

Fixed index annuities, much like pensions plans of old, are contracts issued by insurance companies that allow your principal contribution to earn money based on the performance of market index. Unlike other financial instruments, however, a fixed index annuity offers you a guarantee against losses should the performance of the index falter. It also ensures the gains you made are locked in, so you can't lose them. Fixed index annuities can also be designed with a guaranteed income rider[2] so that you get a fixed, guaranteed income[3] throughout your retirement.

A market index[4] is a listing of assorted stocks or bonds that are representative of a specific segment of the market. They might represent a selected industry, emerging market or capitalization. While investors can't actually purchase an index, there are investment vehicles, such as exchange trade funds, that are designed to mimic the performance of a chosen index. Popular indexes that you've probably heard of include the Dow Jones Industrial Average, which is a collection of 30 blue chip stocks, and the S&P 500®, which follows 500 large companies.

Three Facts about Fixed Index Annuities

A fixed index annuity isn't the right product for every retiree, but it can make a difference to some. Three facts to keep in mind when exploring the benefits of these annuities with a qualified financial professional include:

1. They are not suitable for short-term savings goals. Fixed index annuities can expose you to surrender charges and tax consequences if you withdraw them too early.

2. Fixed index annuities can be a good choice for risk-averse savers. With little to no risk of principal loss, a guaranteed interest rate and the option of a guaranteed lifetime income[3] — fixed index annuities can offer savers a low-risk product. But for risk takers, they may not be satisfying. Those with a higher risk tolerance may want to limit just a small portion of their portfolio to the guarantees offered by the annuity.

3. Fixed annuities offer both immediate and deferred options. If you don't need access to your money or annuity income immediately, then you can choose a deferred annuity allowing your balance longer to grow.

Overall, annuities can protect retirees from longevity risk and establish a floor of income – safe from investment losses, according to a 2012 article by Willis Towers Watson.

If you're in or near retirement, be sure to talk to your financial professional about your retirement goals and how fixed index annuities may be an option to guarantee income during your golden years.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments or products may be appropriate for you, consult with your financial professional.

Sources:
"Annuities and Retirement Happiness," Willis Towers Watson

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[1]Annuities are designed to meet long-term needs for retirement income. They provide guarantees of principal and credited interest, subject to surrender charges, and a death benefit for beneficiaries.

[2]Product and features may differ depending on the state of issuance and may not be available in all states.

[3]Guarantees are backed by the financial strength and claims paying ability of the issuing company.

[4]The interest credited on your contract may be affected by the performance of an external index. However, your contract does not directly participate in the index or any equity or fixed interest investments. You are not buying shares in an index. The index value does not include the dividends paid on equity investments underlying the equity index or the interest paid on any fixed income investments underlying any bond index. These dividends and interest are not reflected in the interest credited to your contract. Any interest credited are guarantees that are backed by the financial strength and claims paying ability of the issuing company.