Pros and Cons of Annuities

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With the turbulent times we have been experiencing in the markets, more people are considering annuities **to ensure a certain income in their retirement years.** It might not suit everybody to put some of their funds into annuities, and there is always the question of how much do you invest in them. There is no clear-cut answer, and you'll need to **weigh your personal circumstances** to see how annuities can fit into your retirement plans [1].

One reason that you will find different reactions to the idea of an annuity [2] is they come in **several shapes and sizes,** and offer **different guarantees.** You will probably need **expert assistance in figuring out what works best for you.** There are two main types of annuity: an immediate annuity and a deferred annuity, and you would buy them for different reasons.

An immediate annuity makes income payments immediately, or very soon after purchase. You use an immediate annuity when you want to start taking income as soon as possible. It's just like a pension, and the insurance company takes the risk that you will live for a long time. You can also get guarantees that you or your heirs will get back the amount you invested in the annuity.

A Deferred Annuity is a type of annuity contract that delays payments of income, installments or a lump sum until the investor elects to receive them. This type of annuity has two main phases, the savings phase in which you invest money into the account, and the income phase in which the plan is converted into an annuity and payments are received.

You can also break annuities down into fixed and variable types. A fixed annuity provides the annuitant with a specified guaranteed annual income for a specific number of years. a fixed annuity includes a guarantee that the income will be provided for a definite and specified period of time, with payments going to the designated beneficiary if the annuitant dies. A Variable Annuity guarantees a fixed number of monthly payments. The value of the payments varies according to the value of the investments in a special 'segregated' fund into which premiums are placed.

There are also downsides to annuities. For one, if your annuity is not one of the newer 'cashable annuities', then you won't have any access to your capital if you need it for an emergency situation. Another downside to consider would be the drawback of locking up your money when interest rates are low and then perhaps missing out on potential capital gains available with other types of 'growth-oriented' investments.

If you are considering investing some of your retirement capital in an annuity, seek out professional advice to help ensure you **get the right type of annuity for your needs.**

If you have any questions about Annuities **contact our office** [3]

Tags: retirement planning [4]

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