

# ANNUITIES 101

A helpful guide provided by Precision Senior Marketing



## PSM BROKERAGE

 [www.psmbrokerage.com](http://www.psmbrokerage.com)

 [info@psmbrokerage.com](mailto:info@psmbrokerage.com)

 11940 Jollyville Rd #200 South  
Austin, TX 78759

Annuities offer several benefits, making them a popular financial product for retirement planning and income security.



# INTRODUCTION

## ANNUITY OVERVIEW

Annuities are financial instruments that offer a unique way to plan for one's financial future. Essentially, they are contracts between an individual and an insurance company, designed to provide a steady stream of income over a specified period or for life. Annuities come in various forms, each with its own features and benefits. Some provide guaranteed income, while others offer the potential for growth based on market performance. Annuities can be a valuable tool for retirement planning, helping individuals secure a stable income source during their post-working years. Understanding the different types of annuities and how they align with your financial goals is essential to making informed decisions about your financial future.

INVEST TODAY, ENJOY TOMORROW



# HOW DOES AN ANNUITY WORK?

Annuities are financial products designed to provide a reliable stream of income, often used for retirement planning. They work by individuals or investors making a lump-sum payment or a series of premium payments to an insurance company or financial institution. In return, the annuity holder receives periodic payments, typically monthly or annually, for a predetermined period or for life.

Annuities come in various forms, including **immediate** and **deferred** annuities. Immediate annuities start providing payments shortly after the initial investment, while deferred annuities allow the investment to grow tax-deferred until the holder decides to start receiving payments. The amount of income an annuity provides can depend on factors such as the initial investment, the length of the payout period, and the type of annuity.



Annuities can offer a sense of financial security, especially during retirement, by providing a predictable source of income. However, it's essential to carefully consider the terms, fees, and options associated with annuities to choose the right one for individual financial goals and circumstances. Consulting with a financial advisor can help individuals make informed decisions about incorporating annuities into their financial plans.





GUARANTEED INCOME, PEACE OF MIND



# TYPES OF ANNUITIES

An **immediate income annuity** is a financial product offered by insurance companies that provides a regular and predictable stream of income to an individual in exchange for a lump-sum payment. With an immediate income annuity, the income payments typically begin shortly after the annuity is purchased, often within a month or a year. These payments can continue for the rest of the individual's life or for a specified period, such as 10, 20, or 30 years.

**Deferred annuities** are financial contracts offered by insurance companies that provide a method for individuals to save and invest money for future income needs. With deferred annuities, the income payments are postponed until a later date, typically chosen by the annuity holder. These annuities are divided into two main phases: the accumulation phase and the distribution phase.





A **fixed annuity** is a type of annuity contract offered by insurance companies in which the annuity holder makes a lump-sum payment or a series of premium payments to the insurer in exchange for a guaranteed, predetermined income stream that starts either immediately or at a future date.

A **variable annuity** is a financial product offered by insurance companies that provides individuals with a tax-deferred investment vehicle designed to accumulate and potentially grow their retirement savings. Unlike fixed annuities, which offer a guaranteed interest rate, variable annuities allow annuity holders to invest their premium payments in a range of investment options such as stocks, bonds, and mutual funds, known as "subaccounts" or "investment portfolios."

An **indexed annuity**, also known as an **equity-indexed annuity** or **fixed-indexed annuity**, is a type of annuity contract offered by insurance companies. It combines features of both fixed and variable annuities to provide potential for growth linked to the performance of a specific stock market index, such as the S&P 500.



# BENEFITS OF ANNUITIES



Annuities offer several benefits, making them a popular financial product for retirement planning and income security.

Here are some of the key benefits of annuities:

- Guaranteed Income
- Tax Advantages
- Principal Protection
- Flexible Payout Options
- Longevity Protection
- Death Benefit
- Diversification
- Estate Planning
- Creditor Protection
- Predictable Income
- Inflation Protection
- No Contribution Limits



YOUR RETIREMENT PAYCHECK FOR LIFE

# TAX ADVANTAGES



- **Tax-Deferred Growth:** One of the primary tax advantages of annuities is tax-deferred growth. When you invest in an annuity, your earnings grow tax-free until you start receiving payments. This allows your money to compound over time without being reduced by annual income taxes.
- **Flexibility in Timing:** Annuities provide flexibility in choosing when to pay taxes on your earnings. You have control over when you begin receiving payments, and you can often choose to receive them in retirement when you may be in a lower tax bracket. This strategic timing can reduce your overall tax liability.
- **Avoidance of Capital Gains Tax:** If you have appreciated assets that you use to fund an annuity, you can transfer them into the annuity without triggering capital gains tax at the time of the transfer. This allows you to preserve your gains and potentially defer taxes until you start receiving annuity payments.
- **Spousal Continuation:** Annuities often offer the option for a surviving spouse to continue receiving payments after the annuity holder's death without immediate tax consequences. This can provide financial security for the surviving spouse.
- **Legacy Planning:** In some cases, annuities can be used as part of an estate planning strategy. They may offer tax-efficient ways to pass on assets to beneficiaries, potentially reducing the tax burden on inheritors.





# WHO SHOULD BUY AN ANNUITY

Annuities can be a valuable financial tool for individuals seeking stable and guaranteed income during their retirement years. Those who should consider purchasing an annuity often include retirees looking to secure a predictable stream of income, individuals with a low tolerance for investment risk, and those concerned about outliving their savings. Annuities also appeal to conservative investors who prioritize capital preservation, individuals with specific financial needs to cover essential expenses, and those interested in tax-efficient retirement income.

Additionally, annuities can be suitable for estate planning purposes and for those looking to diversify their investment portfolio within an annuity structure. Ultimately, the decision to buy an annuity should align with individual financial goals and circumstances, and consulting with a financial advisor is advisable to make an informed choice.





# ANNUITY SUITABILITY QUESTIONNAIRE

---

- ☐ **Age:** What is your current age?
- ☐ **Income Needs:** Do you have a need for guaranteed income in retirement?
- ☐ **Risk Tolerance:** How comfortable are you with the idea of investment fluctuations and market risk?
- ☐ **Investment Horizon:** What is your expected investment time horizon for this annuity?
- ☐ **Liquidity Needs:** Do you anticipate needing access to your funds in the short term?
- ☐ **Financial Goals:** What are your primary financial goals for this annuity (e.g., retirement income, wealth preservation, legacy planning)?
- ☐ **Current Financial Situation:** Can you provide an overview of your current financial situation, including assets, liabilities, and sources of income?
- ☐ **Existing Annuities:** Do you currently own any annuities? If so, please provide details.
- ☐ **Other Investments:** What other investments or retirement savings do you have in place?
- ☐ **Health Considerations:** Are there any health factors that may impact your financial planning?
- ☐ **Tax Considerations:** How concerned are you about the tax implications of your investment choices?
- ☐ **Legacy Planning:** Do you have specific wishes for leaving a legacy to heirs or charitable organizations?



GUARANTEED INCOME, PEACE OF MIND



# SUMMARY

Annuities offer a host of advantages that make them a compelling choice for individuals planning for retirement. First and foremost, they provide a dependable source of income, ensuring regular payments that can cover living expenses throughout retirement. Additionally, many annuities come with tax advantages, allowing your earnings to grow tax-deferred until you start receiving payments. This can be a significant benefit, as it maximizes your savings over time. Furthermore, certain types of annuities, like fixed and indexed annuities, guarantee the return of your principal investment, safeguarding your money from market volatility. This principal protection can provide peace of mind, knowing that your savings are secure.

When integrated into a diversified retirement strategy, annuities provide an additional layer of financial protection and offer opportunities for long-term care benefits, making them a comprehensive solution for securing your retirement.



# THANK YOU



## WE'RE HERE TO HELP

Precision Senior Marketing was founded in 2006, in Austin, Texas. In the intervening time with almost two decades of experience, PSM has grown to a nationwide footprint, with a mission to empower agents to honestly and ethically help people live longer, healthier and more financially secure lives.



## ADDRESS

11940 Jollyville Rd #200 South  
Austin, TX 78759



## TELEPHONE

800-998-7715



## WEBSITE

[www.psmbrokerage.com](http://www.psmbrokerage.com)



LIFETIME INCOME MADE SIMPLE