

# Today's Retirees Remain Focused On Income For Life

(NAPSA)—Financial losses in the aftermath of the economic crisis have forced many Americans to re-evaluate their savings plans. With many investors willing to accept lower returns in exchange for security, indexed annuities have grown in popularity as they protect principal while providing guaranteed cumulative interest—no matter the market dynamics.

## Guaranteed Income

An annuity is a contract with an insurance company that provides tax-deferred growth of principal with the option of guaranteed income—even for life.

Like a traditional annuity, an indexed annuity provides a guarantee of principal but with an interest crediting rate tied in part to the movement of an index such as the S&P 500. The benefit is a historically higher interest rate that provides effective protection against inflation.

Variable annuities, on the other hand, carry more risk. While the account value can appreciate more quickly, it still remains at risk.

“When it comes to retirement planning, people are weary, and rightfully so,” said Chris Littlefield, president and chief executive officer of life insurance and annuity carrier Aviva USA. “While many remain hungry for returns on their savings, they want to shield themselves from potential losses that have become too common today.”

As an insurance product, an indexed annuity provides safety and protection. There are, however, costs associated with this higher level of security. Nevertheless, indexed annuities generally cost less and provide similar rates of return when compared to other retirement savings products. The Wharton Financial Institutions Center recently determined that



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indexed annuity returns have been competitive with alternative portfolios but carry less risk.

Annuities are long-term savings vehicles and, like many tax-deferred financial products, there are some restrictions such as surrender fees—designed to discourage people from unnecessarily dipping into their savings. Meanwhile, most indexed annuities allow for the withdrawal of 5 to 10 percent of principal without penalty.

## Need For Diversification

One of the key lessons arising from the recent financial crisis may be the importance of diversification. Indexed annuities should serve as one facet of a retirement plan, protecting a portion of assets while providing potential for long-term growth.

“While indexed annuities are beneficial, portfolio diversification is crucial,” Littlefield notes. “Consumers should carefully consider all their options for retirement income with the help of a qualified expert.”

As a record number of people enter retirement, many will be faced with converting savings into lifelong income. Indexed annuities can help deliver this desired “paycheck” while helping to secure a safe and comfortable retirement.