Your Money

Should An Annuity Be Part Of Your Financial Plan?

(NAPSA)—The average life span in America keeps on increasing. In fact, most 65-year-olds today have more than 20 years ahead of them.

How can you make sure you won't outlive your money? Experts in finance point to the annuity. An annuity provides payments—either fixed or variable—for a lifetime or for a certain amount of time. Annuitizing your savings, or a portion of them, means those assets can last as long as you do.

Annuities come in two forms: immediate or deferred. Immediate annuities provide payments right away, while deferred annuities build up over time, with payouts typically beginning at retirement. In either form, annuities are written by life insurance companies and are available from insurers, agents, banks and brokerage firms. Annuities have certain benefits other retirement planning tools may not, including:

Relief from current taxes. Taxes on annuity earnings are deferred until payout.

Protection for your family. Variable annuities—where your assets typically are invested in stock or bond funds—generally have an insurance feature. This feature guarantees that if you die before your payouts begin, your heirs may receive, for example, the greater of the amount you contributed plus the interest or the market value of the funds in your account. With fixed annuities, which guarantee specific returns, your death benefit is generally equal to your premium payments, plus interest.

Response to market changes. You can move assets in a variable annuity from one fund to another without incurring any current taxes. With fixed annuities, life insurance companies update guaranteed rates of return that vary with market changes.

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Ability to save as much as you can. Unlike IRA and 401(k)s, no tax code restrictions limit the amount of money you can put into an annuity.

Timing flexibility. Annuities are more flexible than other retirement-savings products. Unlike IRAs and 401(k)s, you do not have to begin receiving payouts at age 70½.

Withdrawal flexibility. You choose how you receive payouts from your annuity. But it is important to note than the annuity is the only financial product that guarantees lifetime income.

You can learn more about annuities and how one can help you from a life insurance agent, a life insurance company or online at www.acli.com.