



American Heritage Securities, Inc.

affiliated with EGI Financial, Inc.



IS YOUR ANNUITY WORKING FOR YOU?

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When you invest in an annuity you are taking on a partner--the insurer that issues it. So every once in a while it is a good idea to evaluate how well your partner is contributing to your investment portfolio.

At American Heritage Securities we perform audits on annuities as a service to clients. The first step is to look at the performance of the underlying mutual funds. Annuities, like 401k's, have a menu of fund choices. Occasionally, that menu changes offering a choice that may be a better fit for your situation. We also look at the contract value compared to the promised living benefits and death benefits. In some cases, it makes sense to lock in an appreciated account value to increase potential future income payments or death benefits. Finally, we compare your annuities features and benefits to those of newly offered contracts

Types of Annuities

There are two basic types of annuities: **immediate and deferred**.

The immediate annuity pays out while the deferred annuity accumulates money. Deferred annuities can also be converted into immediate annuities when the owner wants to start collecting payments.

If you opt for an immediate annuity, you begin to receive payments soon after you make your initial investment. For example, you might consider purchasing an immediate annuity as you approach retirement age.

With a deferred annuity, your money is invested for a period of time until you are ready to begin taking withdrawals, typically in retirement.

Within these two categories, annuities can also be either **fixed** or **variable** depending on whether the payout is a fixed sum, tied to the performance of the overall market or group of investments, or a combination of the two.

When you invest in your annuity, you also choose how you want your eventual payouts to be calculated. Your options include:

- **Income for guaranteed period** (also called period certain annuity). You are guaranteed a specific payment amount for a set period of time (say, five years or 30 years). If you die before the end of the period your beneficiary will receive the remainder of the payments for the guaranteed period.
- **Lifetime payments**: A guaranteed income payout during your lifetime only; there is no survivor benefit. The payouts can be fixed or variable. The amount of the payout is determined by how much you invest and your life expectancy. At the time of death all payments stop - your heirs don't get anything.
- **Income for life with a guaranteed period certain benefit** (also called life with period certain): A combination of a life annuity and a period certain annuity. you receive a guaranteed payout for life that includes a period certain phase. If you die during the period certain phase of the account, your beneficiary will continue to receive the payment for the remainder of the period. For example, life with a 10 year period certain is a common arrangement. If you die five years after you begin collecting, the payments continue to your survivor for five more years.
- **Joint and survivor annuity**: Your beneficiary will continue to receive payouts for the rest of his or her life after you die. This is a popular option for married couples.

At American Heritage Securities, our advisors routinely perform annuity audits to assess fees, options (some of which may be expensive, irrelevant or "gimmicky") and tax issues. If you would like a complementary audit on any annuity not currently under our supervision, please mention it to your advisor and we will be happy to provide a review.