MONEY MAN 4 Integrity®

"Annuity, Life and Health Insurance"

The Smart Annuity Guide



Turning Retirement Savings Into Confidence — What Annuities Do, What They Don't, and How to Choose Wisely

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WELCOME & CONTENTS



Intro:

Retirement planning starts with a big number — your 401(k), IRA or savings. The harder question is how that balance becomes dependable monthly income.

This guide explains annuities in plain English so you can decide with clarity.

1 What Is an Annuity? — 3
2 Why People Consider Annuities — 4
3 The 6 Main Types — 5
4 Understanding Rates & MYGAs — 6
5 Caps, Participation Rates & Spreads — 7
6 Are Annuities Safe? — 8
7 Can You Lose Money in an Annuity? — 9
8 How Annuities Are Taxed — 10
9 Moving a 401(k) or IRA Into an Annuity — 11
10 Creating a Paycheck for Life — 12
11 Sequence-of-Returns Risk — 13
12 Annuity vs CD vs Life Insurance + Choosing Wisely — 14

CHAPTER 1: WHAT IS AN ANNUITY?



A contract with an insurance company: you pay a premium (lump sum or over time) and the insurer provides benefits — tax-deferred growth, withdrawals, or income payments.

Owner
(controls the contract)

Annuitant
(whose life sets income benefits)

Beneficiary
(receives value at death)

Premium
(money that funds it)



Accumulation Phase » **Payout Phase**



> *The word 'annuity' alone doesn't tell you how the product behaves — the contract does.*



CHAPTER 2

WHY PEOPLE CONSIDER ANNUITIES



Retirement income

fill the gap between Social Security/pension and monthly expenses



Longevity protection

income that can last for life, including joint-life for couples



Predictable growth

fixed rates or index-linked interest



Tax deferral

growth isn't taxed until withdrawn



An annuity does not automatically solve inflation, healthcare costs, liquidity needs or diversification — those still belong in your broader plan.

CHAPTER 3:

THE 6 MAIN TYPES

1



Fixed Annuity

(insurer-set rate, contractual minimum, predictability)

2



MYGA

(multi-year guaranteed rate for a set term, e.g., 3, 5 or 7 years)

3



Fixed Index Annuity

(index-linked interest with a floor against index losses; caps/participation rates/spreads limit gains)

4



Variable Annuity

(invested in subaccounts, value rises and falls, can lose money)

5



Immediate Annuity

(lump sum turns into income that starts soon)

6



Deferred Annuity

(money grows first, income starts later)

No type is simply better — each is built for a different goal, time horizon and risk tolerance.

CHAPTER 4: UNDERSTANDING RATES & MYGAS



Today's rate tells you what is offered now, not forever. Rates change with interest-rate conditions and insurer pricing.

> "The highest rate isn't always the best deal."

Compare more than the rate

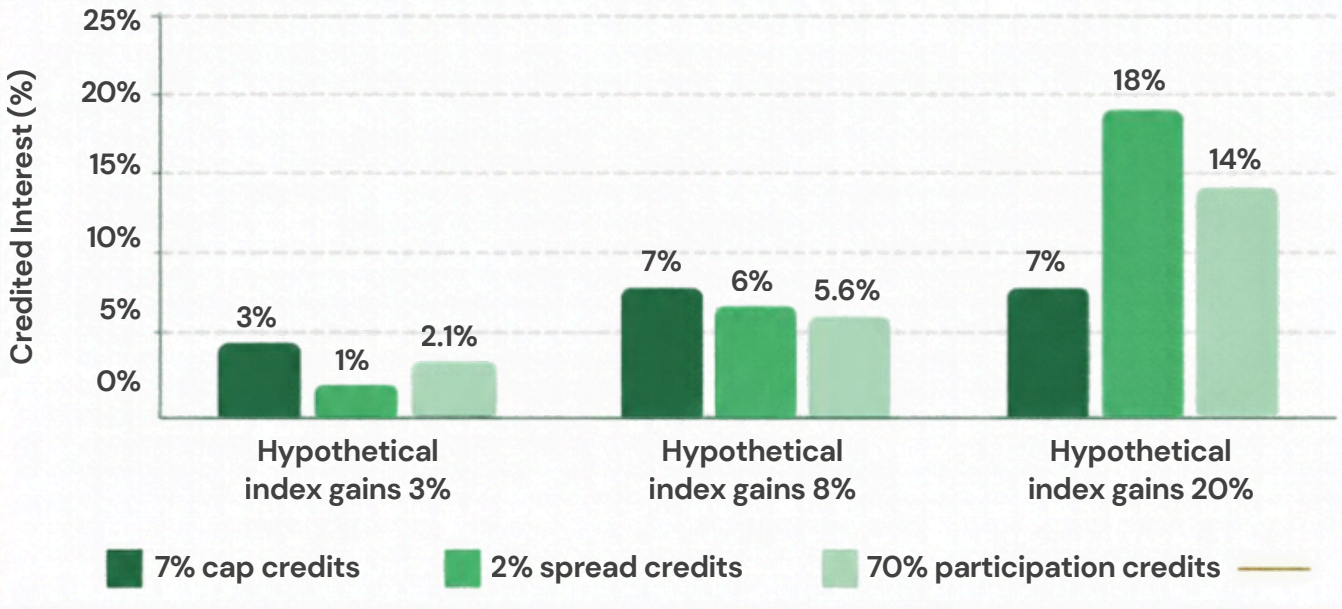
- guaranteed term length
- surrender charge schedule
- free-withdrawal allowance (often around 10% per year)
- market value adjustment
- renewal rate after the term
- insurer financial strength

CHAPTER 5: CAPS, PARTICIPATION RATES & SPREADS

If an index rises 12%, a fixed index annuity does not necessarily credit 12%.

Cap	maximum credited gain (7% cap, 12% index gain = 7%)
Participation Rate	share of gain credited (70% of 10% gain = 7%)
Spread	percentage subtracted (8% gain – 2% spread = 6%)
Explicit Fee	rider or admin charges deducted separately.

Hypothetical credited results



Note: dividends usually excluded; insurers may reset caps after the initial period.

Hypothetical illustration only.

CHAPTER 6:

ARE ANNUITIES SAFE?

Ask ‘safe from what?’



Market Risk
(variable annuities can lose value; fixed and fixed index avoid direct market losses)



Insurer Risk
(guarantees depend on the insurer’s claims-paying ability; state guaranty associations offer limited, state-specific protection — not FDIC insurance)



Liquidity Risk
(surrender charges during the surrender period)



Inflation Risk
(a fixed payment buys less over time)



Complexity Risk
(account value, surrender value and income base are not the same thing).



Safety comes from the plan as a whole, not from a single product label.

CHAPTER 7:

CAN YOU LOSE MONEY IN AN ANNUITY?

Yes, in some situations.

1. market losses in variable annuities
2. surrender charges for early withdrawals
3. market value adjustments
4. rider and contract fees eroding value
5. IRS 10% additional tax on taxable withdrawals before age 59 1/2
6. inflation shrinking purchasing power
7. life-only income ending at early death.



Keep an emergency reserve outside the annuity so you never have to break the contract at a bad time.

CHAPTER 8: HOW ANNUITIES ARE TAXED



Qualified (IRA/401(k) money)

withdrawals generally fully taxable as ordinary income; required minimum distributions apply; buying an annuity inside an IRA adds no extra tax deferral.

VS



Non-Qualified (after-tax money)

growth is tax-deferred; withdrawals typically taxed earnings-first; annuitized payments split into tax-free return of principal and taxable earnings.



taxable withdrawals before 59 1/2 may face a 10% additional federal tax.



Consult a tax professional for your situation.

CHAPTER 9: MOVING A 401(K) OR IRA INTO AN ANNUITY

1.  Define the job the money must do.
2.  Use a direct rollover / trustee-to-trustee transfer to avoid withholding and tax mistakes.
3.  Check surrender schedule and liquidity.
4.  Compare fees with your current plan.
5.  Keep enough outside the contract for emergencies.

 **Don't move money into an annuity only for tax deferral — your IRA already has it.**

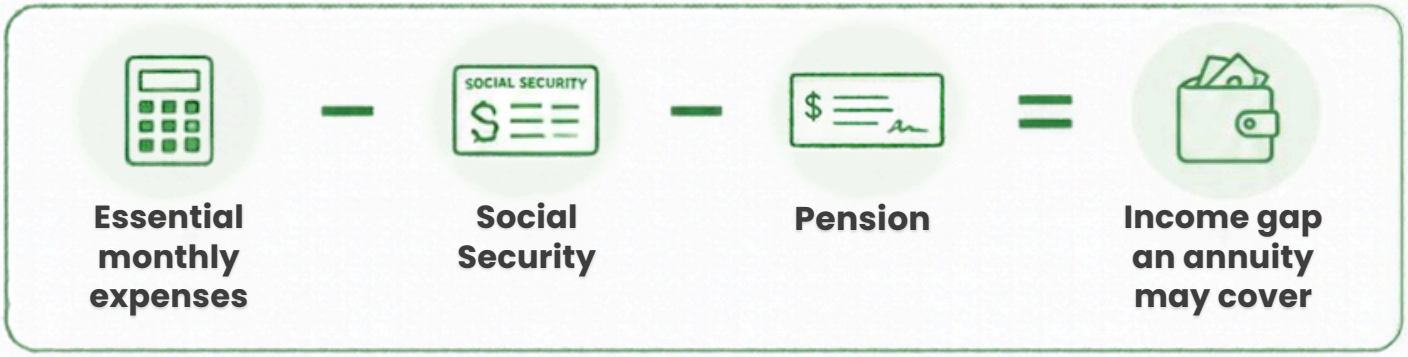
CHAPTER 10: CREATING A PAYCHECK FOR LIFE

Lifetime income addresses longevity risk — the risk of outliving your savings.



5 inputs behind your annuity check

1. Premium amount
2. Age when income begins
3. One life or two (joint-and-survivor usually pays less but protects a spouse)
4. Payout guarantee (life-only, period-certain, cash refund)
5. Insurer pricing and interest rates

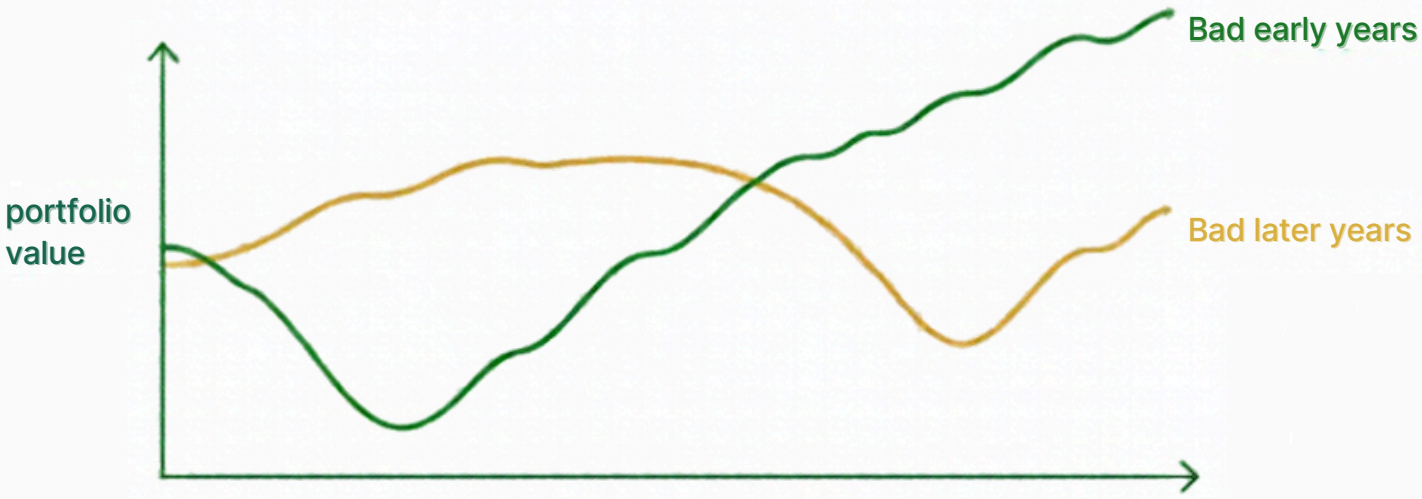


CHAPTER 11:

SEQUENCE-OF-RETURNS RISK



Two retirees can earn the same average return and end with very different results because of timing — losses early in retirement while withdrawing do more damage.





Build a floor before chasing growth

cover essential expenses with guaranteed income (Social Security, pension, annuity), keep growth assets for the rest.

CHAPTER 12: ANNUITY VS CD VS LIFE INSURANCE + CHOOSING WISELY



OPTION	DESCRIPTION
CD	CD — bank deposit, FDIC-insured, interest taxed yearly, early-withdrawal penalty.
Fixed Annuity/MYGA	Fixed Annuity/MYGA — insurance contract, tax-deferred, surrender charges, guarantees backed by insurer.
Life Insurance	Life Insurance — protects heirs if you die early; an annuity protects you if you live long.

7 questions before you buy

- What job must this money do?
- How much income must be predictable?
- How much must stay liquid?
- How long can funds stay committed?
- What are all fees and surrender charges?
- How strong is the insurer (ratings from multiple agencies)?
- Is the advisor properly licensed and explaining the contract clearly?

MONEY MAN 4 Integrity®

"Annuity, Life and Health Insurance"



Start With the Problem, Not the Product.

Define your goal, then compare contracts that solve it. Our licensed team in Houston can help you review options — free and with no obligation.

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