LINEWEAVER financial group
Experience You Want, Answers You Need℠ Since 1993

Using Annuities in Periods of Uncertainty

We are in uncertain times. Learn about annuities before you use them.

The recent "fiscal crisis" has changed many peoples' plans about their future, and not for the better. This uncertainty, coupled with record low interest rates, has left many not knowing which direction to turn. Before you consider using annuities to help solve this dilemma, make sure you look before you leap.

There are many types of annuities, and they can be very complex. Before you consider using an annuity in your retirement planning, make sure you understand the benefits, costs, and surrender charge period. Not all annuities are created equal. Annuities can provide valuable benefits, but there are typically costs associated with these benefits. As with any investment decision, you need to make certain it is appropriate for your unique circumstances.

There are basically two type of annuities: deferred annuities and immediate annuities. A deferred annuity *accumulates* money, while an immediate annuity *pays* money out. While this is pretty simple, from this point, annuities get very complex. There are many variations, and they are changing all the time.

If a concern of yours is to help protect your principal from potential losses associated with downturns in the market, annuities can be used to reduce or eliminate exposure to market downturns. We tend to think that even in normal times, principal protection should be a top priority; in uncertain times it is of utmost importance.

If providing yourself with a reliable income stream is a goal, an immediate annuity might fit into your plan. When you buy an immediate income annuity you are buying an insurance product in which you exchange a lump sum for guaranteed payments for life. This lets you skirt two big retirement risks: a market crash that could decimate your savings or outliving your money.

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