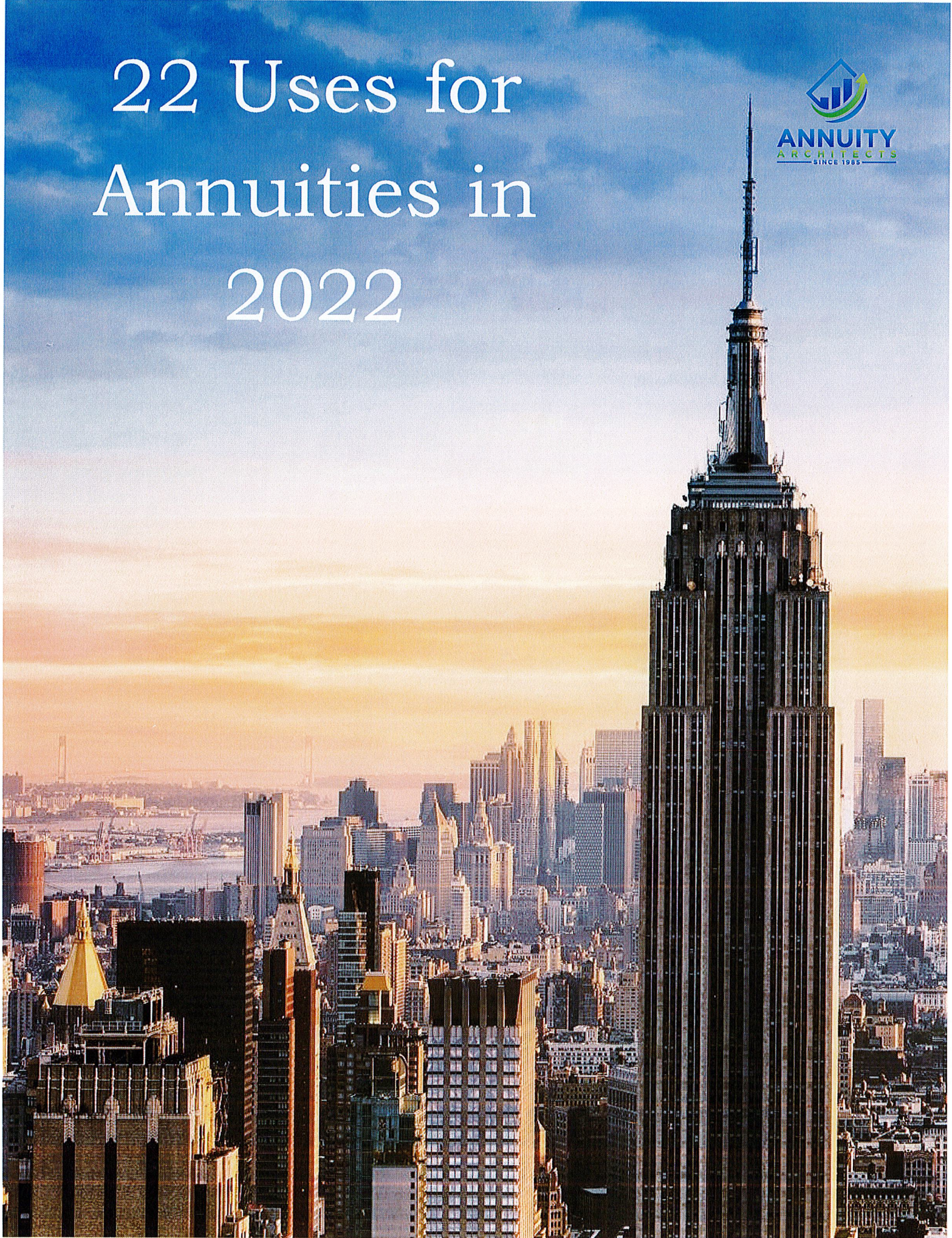


22 Uses for Annuities in 2022



As we head toward 2022 and see more Americans reaching their mid- to late 60s, it is a great time to revisit how annuity products can be used to meet consumer financial challenges.

What you need to know:

- ◊ An annuity can be part of a life insurance policy salvage effort.
- ◊ It can be a nice gift, and it is always the right size.
- ◊ It may offer interesting living benefits.

In anticipation of the new year, here are 22 ideas on how consumers can use annuity products to meet their growing financial needs.

1. Social Security Maximization

Purchase an immediate annuity to provide current retirement income while delaying claiming Social Security retirement benefits in order to qualify and maximize the partially inflation-adjusted monthly Social Security benefit payment.

2. Tax-Deferred Accumulation

Use a deferred annuity for tax-deferred accumulation. Annuity earnings aren't taxed until they are withdrawn or the buyer starts taking regular distributions.

3. Principal Protection

Use the contractual guarantees of fixed annuity products to protect and never lose the principal paid for the contract.

4. An Alternative to Low-Yielding Bank Products

Use a multiple-year fixed annuity (MYFA) as an alternative to purchasing a certificate of deposit to obtain current higher rates of return.

5. Fund Essential Living Expenses

Purchase an income annuity or use the income options of a deferred annuity to help fund essential living expenses in retirement. This approach can free other assets for investing in potentially higher-yielding or inflation-offsetting asset classes.

6. Create Protected Income From Accumulated Assets

Transfer funds from a 401(k) or other qualified retirement savings plan to an annuity product to utilize the annuitization or optional income riders to turn accumulated funds into a protected, guaranteed income stream.

7. Life Insurance Policy Salvage

Use an income annuity to salvage an underwater life insurance contract by converting the cash surrender value created by paid-in premiums into a lifetime income stream.

8. Source of Long-Term Care Funding

Use a non-qualified deferred annuity to fund premiums for a long-term care (LTC) policy. If set up properly, the owner can obtain a tax-free way to purchase LTC.

9. Minimize Longevity Risk

Use a deferred income annuity or qualifying longevity annuity contract (QLAC) as hedges against outliving savings. The options can provide income in case of an extremely long life.

10. Medicaid Spend-Down Protection

Purchase a Medicaid qualified annuity to preserve assets.

11. Create an Annuity Bucket Approach Using Retirement Funds

Purchase income annuities for the Income Now Bucket, a deferred fixed or variable annuity for Income Later Bucket and a third bucket using the income options of a deferred fixed or variable annuity to satisfy required minimum distribution needs.

12. Market Downside Protection

Purchase a fixed annuity contract as a hedge against downside equity market risk to preserve capital at older ages.

13. Gifting to Family Members

Use an income annuity to create a cash flow for gifting to family members taking advantage of the gifting exclusion with the funds to be used for education funding, lifetime gifting or vehicle lease or purchase payments.

14. Diversification Tool

Utilize the different available indexing options of a fixed indexed annuity or investment options of variable annuities to create a diversified approach to reach consumer accumulation goals.

15. Minimize Sequence of Returns Risk

Use the principal protection of fixed deferred annuities to protect against the risk of major market downturns in the early years of retirement.

16. Create a Lifetime Income Stream

Exchange the cash value of an unneeded permanent life insurance policy for an annuity product using a tax-free exchange.

17. Accelerate Income Creation

Use the tax deferral provision of annuities to earn interest three ways: interest on principal, interest on interest and interest on the tax savings.

18. Supplement to Retirement Income

Use the annuitization and optional income riders of annuity products to create a protected flow of supplemental retirement income.

19. Probate and Estate Advantages

Use the intrinsic features of deferred annuities to have the proceeds of an annuity paid directly to designated beneficiaries and likely avoid the time and expense of probate.

20. Zero Is Your Hero

Use the structure of fixed indexed annuities to guarantee that principal paid for the contract will not be lost due to market downturns. The buyer of a fixed indexed annuity never receives less than zero percent interest in any crediting period.

21. Income Planning for Small Businesses

Use income options of a deferred annuity to create a lifetime income stream for small, qualified plans by making the annuity an investment of the qualified plan.

22. Obtain Living Benefits

Use the contractual benefits and optional riders of deferred annuity products to obtain living benefits such as nursing home confinement waiver of surrender charges, terminal illness waiver of surrender charge benefits or enhanced income withdrawals for chronic illnesses. The living benefits available will depend upon the package of benefits offered by the underwriting life insurer.

These ideas only scratch the surface of how the tax-advantaged structure, income options, product guarantees and optional product living benefits of annuity products can be used as a tool to help consumers address their financial challenges.

As our society continues to age, annuities are one of the only financial products that provide the features and benefits needed to provide guaranteed protected income options to pay for the costs of lengthening life expectancies.



ANNUITY
ARCHITECTS
SINCE 1985