

Episode #302 – Annuity Myths Busted by the Wealthy

Hi, welcome back to this week's episode of Money Script Monday. My name is Laurence Williams. Today, we're going to be talking about "Annuity Myths Busted by the Wealthy." While nearly half of American adults saving for retirement feel that they're on track to reach the retirement savings goals, annuity ownership can truly differentiate their outlook for the better. According to a recent study completed by one of the leading providers of retirement savings products, among those saving for retirement, 75% of annuity owners reported feeling on track towards those same goals. Making it a 26% increase in confidence over the general population.

Said in another way, those that have annuities have more confidence in their retirement than those that don't have annuities. This study which polled US adults on their retirement savings strategies, thoughts on current market conditions and awareness, and understanding of annuities also found that over half of the American population are still worried about outliving their retirement saving. So today, we'll be reviewing what is an annuity and what are three annuity myths that may be preventing many Americans from missing out on this powerful financial vehicle.

So what is annuity? Simply put, an annuity is a contract between you, the client, and the insurance company. When you reposition a portion of your savings, either a lump sum or

installment payments to that annuity, you receive a stream of income in return. Annuities are typically used for either accumulation, safety and growth for legacy, or for accumulation, safety and growth for income. Today we'll be talking about specifically fixed indexed annuities.

That leads us into myth #1: annuities are complicated and confusing. With any financial product or recommendation, education is always going to be key. Though 1/4 of Americans do not know what an annuity is, or the benefits of variable fixed or index annuities, annuities still resonated with many of the respondents in the study. Annuities with guaranteed lifetime withdrawal benefits work very similar to Social Security or pensions. It can guarantee you a lifetime stream of income subject to certain conditions, and assuming you the client doesn't take any excess withdrawals during your annuity contract.

Myth #2: annuities can't keep up with inflation or market moves. Annuities are designed to help you achieve your retirement savings goals and provide future income by helping to insulate you from major financial risks such as stock market volatility or outliving your retirement savings. Annuities can be a part of a comprehensive retirement portfolio that really can help you remain in your financial comfort zone for the remainder of your life. Many annuity products offer increasing income options to help offset inflation. So as your linked index annuity rises, so do your paychecks. We like to call these paychecks and paychecks.

That takes us to myth #3: annuities have too many hidden charges. Truth be told, both financial professionals and the

insurance company issuing the annuity are required to disclose fees and charges that are associated with the purchase of any annuity contract. So it's crucial to work with financial professionals to explain withdrawal charges, sometimes known as surrender charges, that can be incurred if you, the client, surrenders the annuity contract during the withdrawal charge period or you withdraw money beyond the penalty-free amount that's allowed in your specific annuity contract. Unlike some of the other types of annuities out there, fixed index annuities do not participate in equity or stock investments and they don't charge you the investment and management fees that are oftentimes associated with those types of investments.

You're probably thinking retirement is coming up for me, I feel overwhelmed, I'm confused, and that makes sense that you might be unsure about purchasing something that you don't fully understand, especially when there's myths and misconceptions that create additional uncertainty during periods of market volatility. However, by exploring and understanding the pros and cons of each option, you will be more prepared to make confident and informed decisions about your financial future. I encourage you to reach out to your financial professional to see and discuss whether annuity is right for you. Thanks again for watching and we'll see you next time.