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**Wealth Management &
Financial Planning Services**

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Answer:

An annuity is a distinctive financial product. Although it's not an insurance policy per se, it is a contract with an insurance company. Many different types of annuities exist, with many different features. A deferred annuity is a savings vehicle that accumulates earnings on a tax-deferred basis. An immediate annuity is a financial instrument that converts a lump-sum premium into a stream of payments over a certain period of time or for as long as the annuitant lives.

Here's how a deferred annuity works. You (the annuity owner) make a lump-sum payment or a series of premium payments to an annuity issuer (the insurance company), which will accumulate earnings at a fixed interest rate (a fixed annuity) or a variable rate determined by the growth (or losses) in investment options known as subaccounts (a variable annuity). This is known as the accumulation period. With some deferred annuities, during the accumulation period you are allowed to withdraw a percentage of the principal and earnings without incurring surrender charges. Any earnings in the annuity are not subject to taxation until distributed. At the end of the accumulation period, you can receive the principal and any earnings in one lump sum when the contract is surrendered (i.e., cashed in), or you typically can exchange the deferred annuity for an immediate annuity. If you die before surrendering the deferred annuity, your beneficiary generally receives the principal and any accumulated earnings (although some exceptions may apply).

An immediate annuity is a contract between you and an annuity issuer (an insurance company) to which you pay a single lump sum of cash in exchange for the issuer's promise to make payments to you (or the annuitant) for a fixed period of time or for the life of the annuitant. The payments are based on a number of factors, including the annuitant's age at the time of purchase, the annuitant's gender, whether payments will be made to only one annuitant or to joint annuitants, and whether payments will be made for a fixed period of time or for the life of the annuitant(s).

An annuity may have certain guaranteed or insurance-like characteristics. (Guarantees are based on the claims-paying ability of the issuing insurance company.) For example, a deferred variable annuity may guarantee that your beneficiary will receive at least the amount of your original principal if you die, even if the value of the annuity has declined due to poor performance of the subaccounts you selected. And whether you purchase a fixed or variable immediate annuity, you're guaranteed to receive payments for life if you elected that payout option, no matter how long you live.

Deferred annuities are most commonly used to help save for retirement. Immediate annuities are generally used to provide a guaranteed income during retirement.

Note : *Variable annuities are long-term investments suitable for retirement funding and are subject to market fluctuations and investment risk, including the possibility of loss of principal. Variable annuities contain fees and charges including, but not limited to, mortality and expense risk charges, sales and surrender (early withdrawal) charges, administrative fees, and charges for optional benefits and riders. Variable annuities are sold by prospectus. You should consider the investment objectives, risk, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the variable annuity, can be obtained from the insurance company issuing the variable annuity, or from your financial professional. You should read the prospectus carefully before you invest.*

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