



**FOR IMMEDIATE RELEASE**

## **10 Questions Seniors Should Ask When Considering the Purchase of an Annuity**

**Reston, VA**, [Aug. 15, 2005] – Senior Americans considering the purchase of an annuity to help save for or provide income during retirement should understand the options, features, benefits, and costs to ensure that it meets their individual financial situations. An annuity is a flexible financial retirement vehicle combining guaranteed lifetime income payments, other insurance benefits and tax-deferred savings, and can be a beneficial option for many older Americans.

Age is only one of the important factors that should be considered when determining the appropriateness of an annuity. Of equal importance are the number of years an individual expects to live in retirement, the nature of his or her retirement lifestyle, other sources of income that the individual may have, and life expectancy.

“Today’s annuity products offer greater liquidity, flexibility and a broader range of features than in the past, and are uniquely designed to address longer life expectancies, increasing retirement horizons and other new retirement realities,” said Mark Mackey, president and CEO of the National Association for Variable Annuities (NAVA).

“Annuities can be used in a variety of situations for older Americans, including individuals who require a paycheck for life, and those who wish to take advantage of the traditionally higher returns of the equity market while having protection of their investment against downside market risk.”

Like any investment, an annuity is not appropriate for everyone. According to NAVA, the first step is to consider the following important questions, and then consult with a financial advisor:

### **1. What are my retirement goals and objectives?**

It is important that you understand your stage of retirement and define your personal retirement goals (e.g., travel, live comfortably at home, leave money to

heirs, start a second career). Your needs will be very different if you are entering retirement at age 65, as opposed to living in retirement at age 80.

**2. When do I expect to retire?**

Estimating when you expect to retire is a critical step in structuring a financial retirement plan. Many Americans today are retiring earlier than previous generations. For example, a recent study revealed that 34 percent of Americans expect to retire between age 50 and 64<sup>1</sup>.

**3. How long do I expect to live in retirement?**

Today Americans are living longer, and it is more common for them to spend 25 or more years in retirement. Projecting your life expectancy will help ensure your savings will sustain your envisioned retirement lifestyle. Estimate your own life expectancy considering such factors as your current health, the life spans of immediate family members, your current lifestyle, and your outlook on life.

**4. Do I need supplemental retirement income?**

An annuity can be used to supplement your other retirement income sources by providing payments that cannot be outlived to help cover expected living expenses. Calculating the “gap” between available retirement income (Social Security, a pension and savings) and your essential living expenses (housing, insurance, etc.) can help determine how an annuity can be of value.

**5. Do I want my retirement savings to continue to grow?**

As Americans spend more time in retirement, many are in a position to keep a portion of their assets invested in equity-based products, where the highest returns have traditionally been, rather than in more conservative investments, such as CDs and bonds. Deferred annuities allow assets to grow tax-deferred, offer protection against downside market risk and offer the option of guaranteed lifetime income payments at some point in the future.

**6. How can an annuity help meet my retirement needs?**

An annuity is the only personal retirement product that provides a guaranteed paycheck that cannot be outlived. In addition, deferred variable annuities allow you to take advantage of tax-deferred investment growth, while providing “living benefits” offering insurance protection against downside market risk and a variety of options to access your money. Annuity death benefits offer additional protection of your assets. (See *Annuity Definitions* sidebar for detail.)

**7. Is there a surrender period associated with the annuity?**

There may be charges to withdraw some or all of the funds in the annuity during the early years of the contract, generally five to seven years. While most annuity contracts have surrender periods, many newer products have short or no surrender periods. (See *Understanding the Cost of Variable Annuities* sidebar for detail.)

**8. When will I need access to the money in my annuity?**

One feature offered by many deferred annuities is the ability to withdraw a portion (e.g., 10-15 percent) of the initial investment each year without surrender charges. Many annuities also provide you with full access to your money – also free of surrender charges – in situations of serious illness.

**9. What do I need to know about annuity fees and the companies offering annuities?**

All financial products have fees, including all “no-load” investments. While fee structures vary, it is essential that you understand what you will be charged and when. In addition, annuity buyers need to consider the insurance company’s financial strength, ratings and reputation. It is important to know that the company backing the annuity guarantees will be there in the long-run. (See *Understanding the Cost of Variable Annuities* sidebar for detail.)

**10. Does my financial advisor understand my retirement goals?**

It is important to seek advice from an advisor who is knowledgeable about retirement-related issues and current annuity features and benefits. Prepare a list of objectives before meeting with your advisor so that together you can develop the best plan to meet your financial retirement goals.

“The insurance industry is committed to helping all consumers make more informed retirement planning decisions,” continued Mackey. “Our hope is that these questions will help seniors better understand how annuities work and the tremendous value they provide.”

**About the National Association for Variable Annuities (NAVA)**

NAVA is a non-profit trade association located in suburban Washington, D.C. NAVA provides a variety of services to the industry including educational forums, research and conferences aimed at furthering the development and understanding of fixed and variable annuities, income annuities and variable life insurance. NAVA also maintains and supports an educational website for consumers at [www.RetireOnYourTerms.com](http://www.RetireOnYourTerms.com).

**For further information contact:**

George Millington, Walt & Company ([www.walt.com](http://www.walt.com)), (408) 496-0900, ext. 2974 or [NAVA@walt.com](mailto:NAVA@walt.com)  
Deborah Tucker, NAVA, ([www.navanet.org](http://www.navanet.org)), (703) 707-8830 ext. 15 or [Deborah@navanet.org](mailto:Deborah@navanet.org)

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<sup>1</sup> NAVA 2005 Retirement Horizon Study