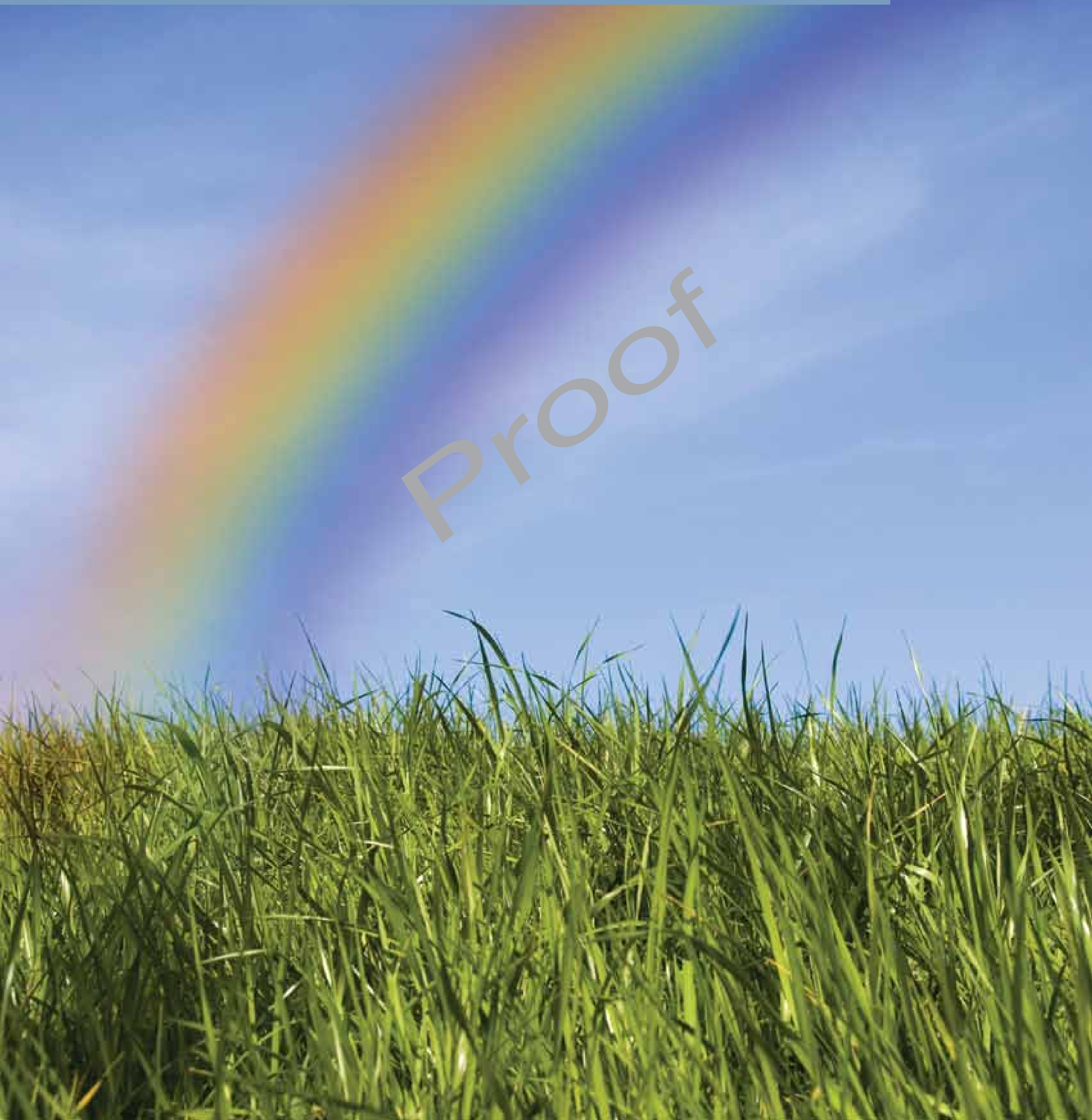
2010 Edition

The Truth

about annuities and retirement income



Truth #1

Annuities are not investments.

Fixed income annuities are **insurance products** which have the ability to guarantee an income stream throughout retirement; *they are not investments.*

An income annuity enables people to accumulate funds on a tax-deferred basis for later payout as income. There is no risk of losing one's principal when markets decline, therefore the annuity owner is not subject to investment risk as in the case of securities or other investments.

Truth #5

Annuities have liquidity options.

Liquidity, simply defined, is the ease with which an asset can be turned into cash. Many annuity contracts allow for penalty-free withdrawals and have provisions for emergencies and other contingencies. They can also be converted to cash, the surrender value, during the term of the contract. After a certain point in time, you can receive the full accumulated value of the contract and walk away if plans or circumstances change. There are a variety of payout options—how you want your income dispersed.

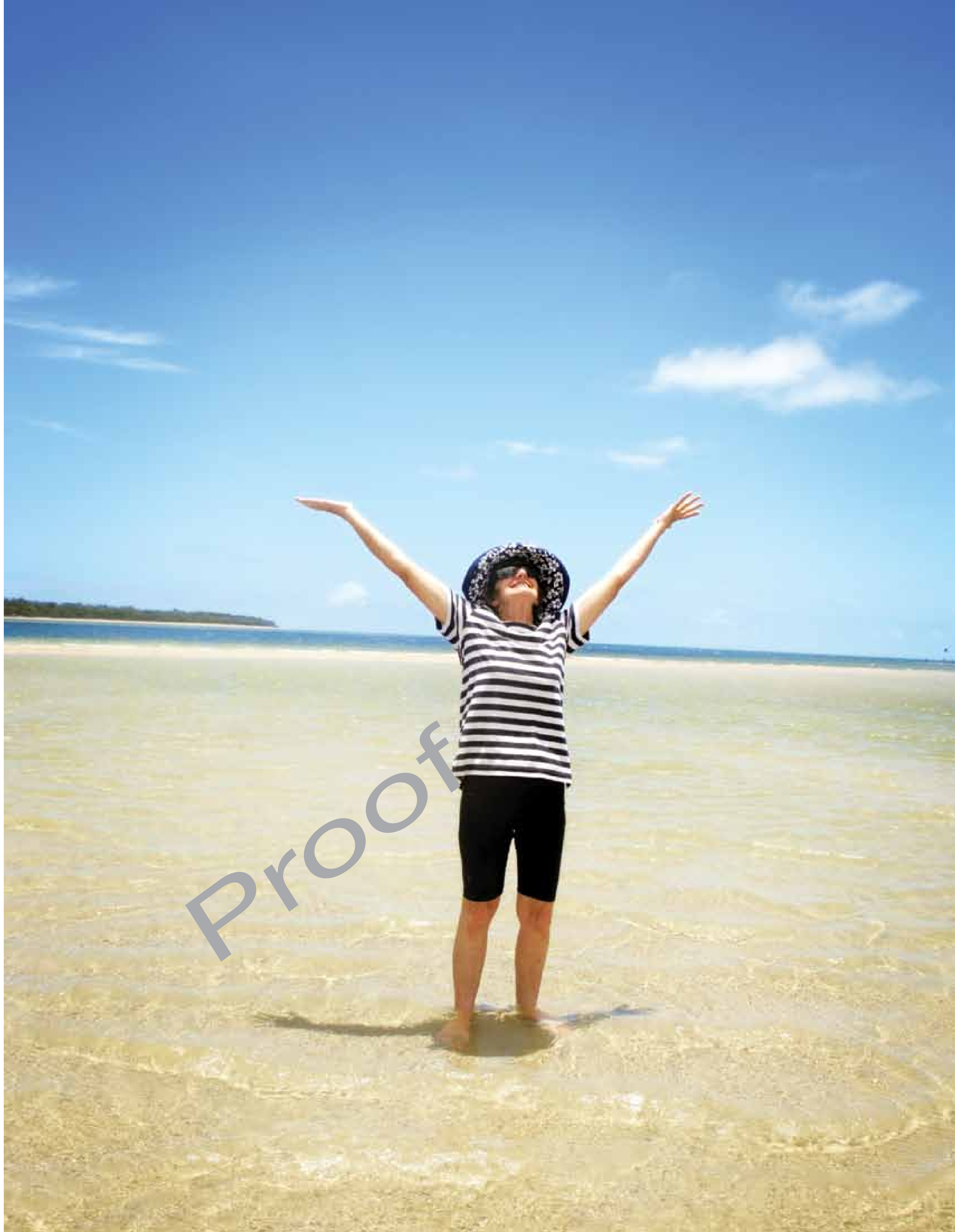
Truth #9

Annuities are part of a simple, less risky, asset-to-income strategy.

The amount of money a retiree can withdraw safely, and not deplete their retirement savings and investments, is a hotly debated issue. The Safe Withdrawal Rate (SWR) has a few key factors to consider such as: the success rate or the risk of not outliving assets due to long life; portfolio mix of assets and return; longevity assumptions; and variables such as taxes, investment fees, etc. Whether a 4%, 5%, or 6% annual withdrawal rate is chosen, both savings and investments can be unpredictably depleted due to loss of asset value, under-performance, or even economic shocks.

Annuities can provide a steady, predictable income stream that cannot be outlived, and principal is guaranteed. They are a smart component of a well-diversified retirement portfolio.

According to a Wharton study by Finance Professors Babbel and Merrill, without the risk pooling inherent in a life (income) annuity, it would cost 25% to 40% more money to build a portfolio that would last a lifetime (and even then interest rate changes could impact your goal). — *"Investing Your Lump Sum at Retirement," August 2007*



RETIREMENT SECURITY INSTITUTE

About the work of the Retirement Security Institute (RSI)

The RSI's mission is to provide credible analysis and meaningful information about retirement security issues, focusing on health care and financial matters. The RSI is a knowledge company which produces a synthesis of research, information, and new ideas for both professionals serving the retirement market and retirees who need useful, straightforward information.

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