Retirement In Motion

A REGULAR SPOTLIGHT
FOR PARTICIPANTS APPROACHING RETIREMENT

Balancing Act

As you make the transition from working life to retired life, investment planning will become a bit of a balancing act. You'll have to balance your need for income (to meet your living expenses for potentially the next 20+ years) with your need to maintain some growth (to help keep up with the cost of living).

As you begin to develop your investment plan for achieving this balancing act, you may come across a financial product known as an annuity. For some people, rolling over a portion of your 401(k) savings into an annuity may represent a sound financial strategy.

An annuity is a contract between you and an insurance company, under which you make a lump-sum payment or series of payments. In return, the insurance company agrees to make periodic payments to you beginning immediately or at some future date. There are many types of annuity products out there, each with several different options and features to suit many different needs.

Two Major Types of Annuities

- **A fixed annuity** provides a series of regular payments of a specified dollar amount for a specified term. The insurance company invests your premium in fixed-rate investments, such as bonds.

- **A variable annuity** provides regular periodic payments but the dollar value of those payments may vary depending on the performance of the underlying investments (which may include stocks, bonds, and mutual funds).

These two basic types of annuities can be further classified according to when you decide to begin taking payments:

- **An immediate annuity** begins the payments immediately after you fund the annuity with a lump-sum payment.

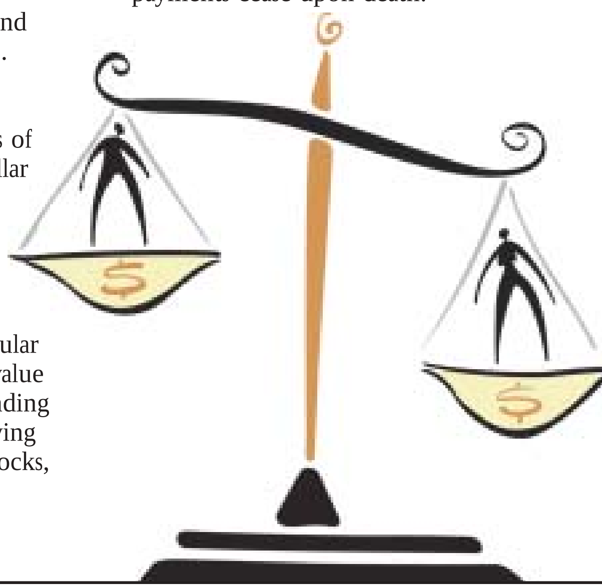
- **A deferred annuity** will delay starting the payments for some period of time, allowing for an "accumulation period" during which time your investment may grow tax-deferred. That's right—annuities allow you to continue to receive the same benefit of tax-deferred compounding that you enjoyed with your 401(k) plan savings.

Some Common Payout Options

- **A life annuity** option provides regular payments for the life of the annuitant (the person receiving the payments). With this option, a person cannot outlive their income stream. However, payments cease upon death.

- **A life with term certain** option provides for regular payments for the life of the annuitant. If the annuitant dies before the specified minimum number of time periods, then the beneficiary will continue to receive payments for the remainder of the specified time period.

- **A joint and survivor** option provides income for the life of the annuitant and the specified survivor (usually a spouse). The benefit amount paid to the survivor typically decreases after the passing of the annuitant.



Although annuities are complete products, it might be valuable for you to explore them further. You'll want to make sure you consult with a qualified financial advisor when considering annuity products. It's important to remember that annuities, like all other financial products, should be considered as part of your overall financial plan.

Additional Resources

The Complete Idiot's Guide to Buying Insurance and Annuities by Brian H. Breuel
Creating Retirement Income by Virginia B. Morris

Annuities involve risks. When considering annuities, you must consider many factors, including the solvency of the insurance carrier, expenses, commissions, and surrender charges. Deferred fixed annuities offer an introductory interest rate effective through a specified period, at the end of which the rate will renew at a rate either higher or lower than the initial rate, depending on the current economic climate. Variable annuities are registered investment securities and involve the same risks as mutual funds. Please read the prospectus before considering the purchase of any variable annuity. **Not FDIC Insured. No Bank Guarantee. May Lose Value.**

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