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5 Myths About Annuities Debunked

Annuities have become a popular planning option for many people looking to diversify their retirement income. However, alongside this increased popularity, many myths about the pros and cons of annuities and how they work are still floating around.

Let's get straight to the point — here are five common misconceptions about annuities and the truth about your options.

1. Annuities are expensive. Many annuities have associated fees, but that does not mean that all potential options are expensive. Some annuities don't even have annual fees.
2. Annuities are only for retirees. While annuities can be especially useful for people who are enjoying retirement, people still in their working years can consider the potential benefits. For example, younger individuals can explore ways deferred annuities can help build wealth.
3. The insurance company keeps your money after you pass away. If you die before an annuity pays out in full, what happens to that money? Many people worry that the insurance company will keep it. Many annuity plans allow you to designate beneficiaries who will receive your payments after your passing.

4. Annuities don't offer investment gains. Annuities can allow your money to grow tax-deferred, contrary to a common belief that these financial products offer no investment gains. Fixed index annuities, for example, can achieve gains tied to market performance.

5. It doesn't make sense to buy when interest rates are low. You may hear advice about when and when not to buy annuities. Interest rates can influence how much your annuity payments will be, but it is difficult to predict how interest rates will change. Annuities can be a useful retirement planning vehicle that provides steady income, regardless of market conditions.

If you have any questions about your retirement planning options, feel free to reach out.

Helping clients get back to the basics of building and maintaining wealth in a tax efficient way.



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