A CONSUMER GUIDE · FROM THE FIDUCIARY POINT OF VIEW

Is an Annuity Right for You?

A Fiduciary's Guide to Using Annuities for Wealth Protection, Growth, and Guaranteed Income in Retirement

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First, the one idea under this whole series

You worked your whole life trading *life for money* — by the hour or by the year. Retirement reverses the exchange: from here on, you trade *money for life*, and the job flips with it. While you worked, the right obsession was the wage — the most money for the life you traded. In retirement it is the **exchange rate** — the most life for the money you trade back — and that is a **cost** question. The industry aims your attention at earnings on money; this series aims it at the costs that quietly set your rate, because your capital can only compound on what the costs leave behind. This guide prices the trade before you make it.

The argument nobody finishes

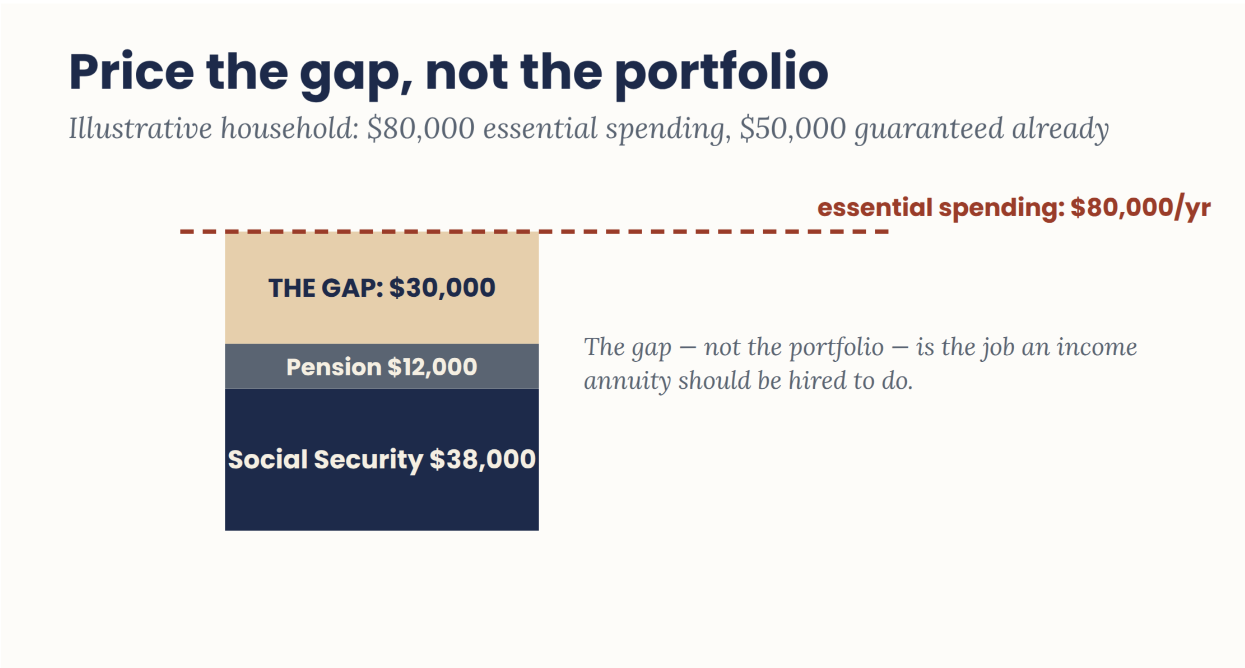
You have heard both halves. One camp says annuities are the answer to everything — guaranteed income, market growth without market risk, sleep-at-night safety. The other camp says annuities are where money goes to be fee'd to death. Both camps are selling something, and both are half right, which is why neither ever finishes the argument.

Here is the finish: **an annuity is not an investment. It is a contract that transfers a specific risk to an insurance company, for a price.** Judged as an investment, most annuities look mediocre — that is the critics' half-truth. Judged as risk transfer, some do a job nothing else can do — that is the promoters' half-truth. The whole truth is a question: *do you have the risk this contract removes, and is the price fair*? This guide exists to help you answer it.

Who is talking: The WealthKare Investment Center is a fiduciary advisory firm charging a disclosed flat fee. When planning work identifies a genuine need for an insurance product, it may be offered through an affiliated insurance firm, and commissions are earned when it is — disclosed in writing, every time. Knowing how the person across the table is paid is rule one of annuity shopping. That includes us.

Start with the job, not the product

Retirement has one risk that markets cannot diversify away: living long enough to outspend your money. Social Security is insurance against it. So is a pension, if you have one. An income annuity is the private version — and the honest way to size one starts with a number most presentations never compute:



Illustrative household. Essential spending of $80,000; Social Security and a small pension guarantee $50,000. The annuity question is what it costs to guarantee the $30,000 gap — never "how much of your portfolio can be annuitized."

> *The gap is the job. A proposal sized to your portfolio instead of your gap is sized to the seller's interest, not yours.*

The menu, in plain English

Type	What it really is	Honest pro	Honest con
MYGA	A CD-like fixed rate for a set term, from an insurer	Simple; often out-yields bank CDs; tax-deferred	Locked up for the term; insurer credit matters
SPIA (immediate income)	You hand over a sum; payments start now, for life	Highest guaranteed income per dollar; cannot be outlived	Irreversible; little or no legacy; fixed payments erode with inflation
DIA / QLAC (deferred income)	Income that starts years from now	Cheap longevity insurance; QLACs defer some IRA taxes	You may not live to collect; money is spoken for
Fixed	Insurer-declared interest, reset annually	Principal protected; boring in the good way	Renewal rates drift; watch the floor
Fixed indexed	Interest linked to an index's ups, with caps — never actually in the market	No market losses; some upside participation	Caps and spreads are the price and can be cut; complexity hides costs; "market returns without risk" is not what you get
Variable	Market investments in an insurance wrapper	Real market upside; optional guarantees via riders	Often the costliest wrapper in retail finance; you can lose money
RILA / buffered	Market exposure with partial downside protection	A middle path; protection is explicit	Protection has an edge — know exactly where yours ends

The honest case for annuities

Mortality credits. An income annuity pools thousands of lifespans; those who die early fund those who live long. That pooling produces guaranteed lifetime income no portfolio can match at the same certainty — it is the one financial job where the insurance company genuinely holds a tool nobody else has.

A licensed floor under essential spending. When the groceries, insurance, and property taxes are covered by guaranteed income — Social Security plus, where needed, an annuity — the rest of the portfolio can be invested for growth without the sequence-of-returns panic that ruins retirements. The floor is not just financial; it is behavioral. People with floors stay invested in bad markets.

Principal protection with better rates than idle cash. For money that must not go down — next decade's spending, a timid investor's core — MYGAs and fixed annuities often out-yield their bank cousins, with taxes deferred until withdrawal.

Permission to spend. The quiet benefit nobody advertises: retirees with guaranteed income spend their retirement. Retirees sitting on a pile they are terrified to touch often do not. A guarantee that turns savings into a paycheck changes lives more than it changes spreadsheets.

The honest case against

Complexity is a cost. The average indexed-annuity contract runs longer than this guide, and every moving part — caps, spreads, participation rates, rider charges — is a place where value can quietly leave. A fair rule: if it cannot be explained to you in ten minutes, the complexity is probably not working in your favor.

Liquidity has a lock on it. Surrender schedules of five to ten years are standard. Life does not schedule its emergencies around them.

Costs compound against you. Variable annuities with income riders commonly cost 3% and more per year, all-in. Over a retirement, that is not a fee; it is a partner.

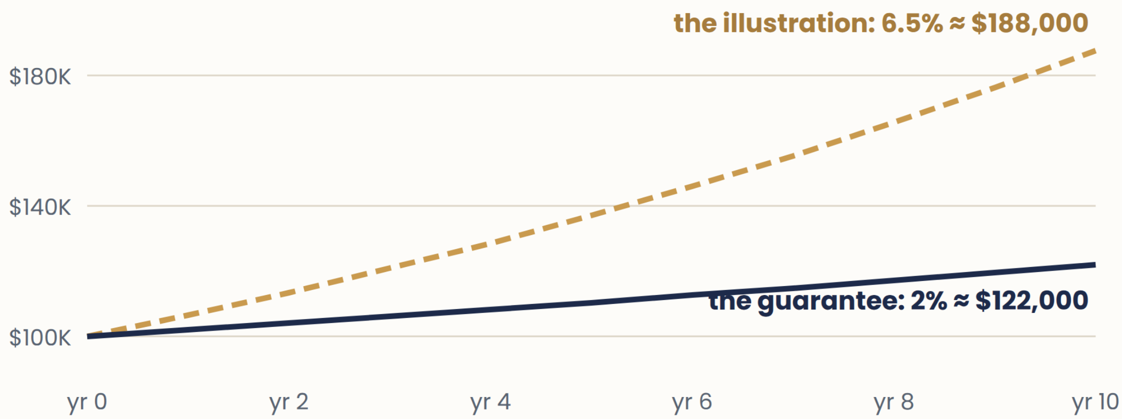
Fixed payments meet rising prices. A $30,000 lifetime payment buys less every year. Inflation protection can be purchased — but it lowers the starting payment, and the trade should be shown, not skipped.

Taxes and legacy. Gains come out as ordinary income, not capital gains; heirs get no step-up. And an annuity inside an IRA adds no extra tax deferral — if one is proposed there, the guarantee, not the taxes, must justify it.

The guarantee is a promise from a company. Claims-paying ability is the whole ballgame. Insurer strength ratings and your state's guaranty association limits belong in any proposal, in writing.

Two lines on every illustration

Ask which line the presentation is pointing at — and which one is in the contract (illustrati



Every proposal contains two futures: the illustrated one and the guaranteed one. Illustrative chart — the discipline is asking to see both lines, and asking which one is a contractual promise.

Right for you, wrong for you

An annuity deserves a look when…

- Your guaranteed income (Social Security, pension) does not cover essential spending — you have a gap
- You are within roughly ten years of retirement, or in it, and sequence-of-returns risk keeps you up at night
- You hold money that must not decline and is earning less than fixed contracts pay
- You have maximized other tax-advantaged space and want additional deferral
- You are the household's investor, and you want income your spouse cannot be talked out of later

Walk away, or slow down, when…

- The money in question might be needed within the surrender period
- The pitch is growth — "market returns without market risk" is a slogan, not a contract term
- The proposal consumes most of your investable assets — no legitimate plan annuitizes everything
- You cannot restate how it works in your own words — yet
- The urgency is theirs: a bonus expiring, a rate closing, a seminar special. Contracts this long deserve decisions that take longer than dessert

Buying well: the fiduciary's checklist

Size it to the gap. Price the guaranteed income you actually need — the gap from the chart — and buy that, not a percentage of your net worth.

Make carriers compete. Payout rates for the identical guarantee vary meaningfully between insurers, and they change often. A proposal showing one company's product is a brochure; a proposal showing the market is advice. Ask how many carriers were compared, and see the list.

Compare the commissioned and fee-based versions. Many contracts now exist in "advisory" share classes with lower internal costs. Whoever is advising you should show both and explain, in dollars, who is paid what under each.

Read the guaranteed column. Sign nothing based on the illustrated column alone.

Check the insurer, not just the product. Financial-strength ratings, in writing, from more than one rating agency.

Keep the floor plan in the plan. An annuity should arrive as a line item in a written retirement income plan — connected to your Social Security timing, your tax picture, and your portfolio — not as a standalone rescue. If there is no plan, the annuity is the answer to a question nobody asked.

The bottom line

Annuities are neither salvation nor scam. They are contracts — good ones and bad ones — for transferring risks you may or may not have, at prices that may or may not be fair. The fiduciary's answer to this guide's title is the only honest one: *it depends, and it can be calculated.* Name the job. Price the gap. Make the market compete. Read the guaranteed column. And make sure whoever helps you decide can answer the question that began this guide's companion: how are you paid on each of my possible decisions?

IMPORTANT DISCLOSURES

This guide is educational material, not individualized investment, insurance, tax, or legal advice, and not a recommendation to buy, keep, exchange, or surrender any product. Whether any annuity suits a particular household is a specific question with a specific answer; decisions should be made with your own documents, numbers, and professional advisers. Figures in the charts and examples are arithmetic on stated illustrative assumptions; actual products, rates, fees, caps, schedules, and tax outcomes differ by contract, insurer, and state.

All annuity guarantees, including income riders and death benefits, are backed solely by the claims-paying ability of the issuing insurance company — not by any bank, not by the FDIC, and not by any adviser. State guaranty associations provide limited protection that varies by state; ask your insurance department for details. Withdrawals of gains are generally taxed as ordinary income, and withdrawals before age 59½ may incur an additional federal tax; annuities held in IRAs receive no extra tax deferral. Exchanging one annuity for another (a "1035 exchange") can preserve tax deferral but may start a new surrender-charge schedule and forfeit existing benefits; compare in writing before acting.

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