

MYTH Vs. FACT

Most financial writers have limited knowledge of how fixed annuities really work. They generally cite the negatives of a variable annuity as being negatives of fixed annuities. An educated investor makes better decisions. We, at FSD, want to educate before a decision is made. Here are some misconceptions and the facts.

MYTH:

Expenses are very high.

FACT:

There are no fee, load, or expenses charged.

MYTH:

Surrender charges are bad.

FACT:

Fixed annuities have set charges for early withdrawal. These surrender charges actually limit an investor's exposure to market risk by limiting the charge for early withdrawal. Stocks or mutual funds don't need surrender charges because the investor assumes all the market risk. If the market is down 30% when the investor needs to access funds, then that investor has essentially a 30% withdrawal charge.

MYTH:

Commissions are very high.

FACT:

Commissions are netted out of the interest rate and paid one time. Other investments charge fees and commissions every year. Over a 10-year period an annuity may pay a commission of 4% total, where a mutual fund's fees and commissions could easily be over 25% after 10 years.

MYTH:

If I die the insurance company keeps the money.

FACT:

Lifetime annuities offer a money back guarantee at death. Any unused premium will be paid to the beneficiary. Some SPIA's also offer a death benefit equal to a percentage of the deposit.

MYTH:

inflation will reduce buying power.

FACT:

Lifetime annuities can be bought with an annual increase compounded for life.

MYTH:

My money is locked up forever.

FACT:

Lifetime annuities offer the ability to take part or all of the remaining funds.
