5 Fixed indexed annuity myths busted!

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Fixed indexed annuities were introduced in 1995. These innovative products were designed to offer greater interest earning potential than traditional fixed income alternatives while providing protection from the risk of volatile markets.

This combination of potential and protection has made fixed indexed annuities the most popular type of fixed annuity on the market.

To determine if a fixed indexed annuity is right for you, it's important to have full knowledge of how they work and how they may fit into your overall retirement plan. Understanding some common misconceptions about these unique financial products is a step in that direction.

According to the LIMRA Secure Retirement Institute, the more knowledge consumers have about annuities, the more they like them. And, of those owning an annuity, 80% agree that annuities are a good fit for their financial needs and 70% are willing to recommend annuities to friends and family.[1]

This material is provided by Athene Annuity and Life Company headquartered in West Des Moines, Iowa, which issues annuities in 49 states and D.C., and Athene Annuity & Life Assurance Company of New York headquartered in Pearl River, New York, which issues annuities only in New York. Products not available in all states.

1. **Myth – Annuities are full of hidden charges**. Like mutual funds or any managed product, the indices used in index interest crediting strategies may include management fees. There may also be caps, participation rates, and spreads that limit the interest credited and allow insurance companies to provide guarantees. Any and all fees associated with annuities should be fully disclosed by your financial professional and the insurance company that issues the contract. If you choose to add a rider or other optional features to the policy, there is often a charge in exchange for the added benefit. Withdrawal charges may also be incurred but only if you surrender the contract during the withdrawal charge period or withdraw money beyond the penalty free amount allowed in the contract.

2. **Myth – Annuities are not tax efficient**. Annuities are long-term, tax-deferred products and can be a valuable solution for those looking to grow their retirement savings. Annuity earnings will grow on a tax-deferred basis until you begin taking withdrawals or surrender the annuity.[2] Over time, you will have the potential to build more retirement savings than you would have been able to had your earnings been taxed as income.

3. **Myth – Annuities can't keep up with inflation**. Many annuities offer increased income payout rates with optional income riders as you age. These increases can help keep pace with the rising cost of goods and services.

4. **Myth – Annuities are illiquid**. In many cases, deferred annuities allow you to withdraw up to a specified percentage of the contract's accumulated value each year during the withdrawal charge period without any charges. Once the withdrawal charge period has expired, funds may be withdrawn without any charges. Keep in mind, however, that fixed indexed annuities are designed to meet your needs for long-term savings and income.

5. **Myth – Fixed indexed annuities are investments**. Fixed indexed annuities are insurance products that are designed to help you manage certain financial risks associated with retirement such as volatile markets, falling interest rates and longevity. They do not directly participate in any stock or equity investments.

So why consider a fixed indexed annuity?

Instead of being directly invested in the market, fixed indexed annuities give you the opportunity to pursue additional asset growth beyond a guaranteed rate by providing interest credits based in part on the performance of an external market index. Your money will be protected from market downturns and you will never earn less than zero. In exchange for this protection, any growth will be subject to a limiting mechanism such as a cap, spread and/or participation rate.

In addition to the growth potential and protection from market volatilty fixed indexed annuities provide, the opportunity to receive a "retirement paycheck" that can last a lifetime is arguably the number one benefit of all annuities. Other features and benefits annuities may provide, either optional or built in, include premium bonuses[3], enhanced liquidity, a death benefit[4] and more.

It makes sense that people may be apprehensive to purchase something they may not fully understand. But, if you are looking for a way to supplement your retirement portfolio with a product that can help lead you towards the happy and secure retirement you dream of, contact your financial professional today. After a thorough discussion about the pros and cons of each option, you will be more prepared to make a confident and informed decision – You may just find out that a fixed indexed annuity is right for you!

[1] Jafor Iqbal, "Annuities: Love Them When You Know Them, Hate Them When You Don't," LIMRA Secure Retirement Institute. October 20, 2014, pg. 8, 19.

[2] Withdrawals and surrender may be subject to federal and state income tax and, except under certain circumstances, will be subject to an IRS penalty if taken prior to age 59½.

[3] Bonus annuities may include a lower Cap Rate, Participation Rate, higher Annual Spread, or other limitations that are not included in similar annuities that don't offer a premium bonus feature. Premium bonus may not be available in all states. Please see Product Details for more information.

[4] After annuitization, payments will be consistent with the Settlement Option selected. Taxes may apply. Death Benefit provisions vary by contract. Please review the Contract's Certificate of Disclosure for details.

Annuities contain features, exclusions and limitations that vary by state. For a full explanation of an annuity, please refer to the Certificate of Disclosure and contact your Financial Professional or the company for costs and complete details.

Guarantees provided by annuities are subject to the financial strength of the issuing insurance company. Guaranteed lifetime income is available through annuitization or the purchase of an optional income rider for a charge.

Fixed indexed annuities are not stock market investments and do not directly participate in any stock or equity investments. Market Indices may not include dividends paid on the underlying stocks, and therefore may not reflect the total return of the underlying stocks; neither an Index nor any market-indexed annuity is comparable to a direct investment in the equity markets. Clients who purchase indexed annuities are not directly investing in a stock market index.

Under current tax law, the Internal Revenue Code already provides tax deferral to qualified money, so there is no additional tax benefit obtained by funding a qualified contract, such as an IRA, with an annuity; consider the other benefits provided by an annuity, such as lifetime income and a Death Benefit.

Any information regarding taxation contained herein is based on our understanding of current tax law. The tax and legislative information may be subject to change and different interpretations. We recommend that you seek professional legal advice for applicability to your personal situation.

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