

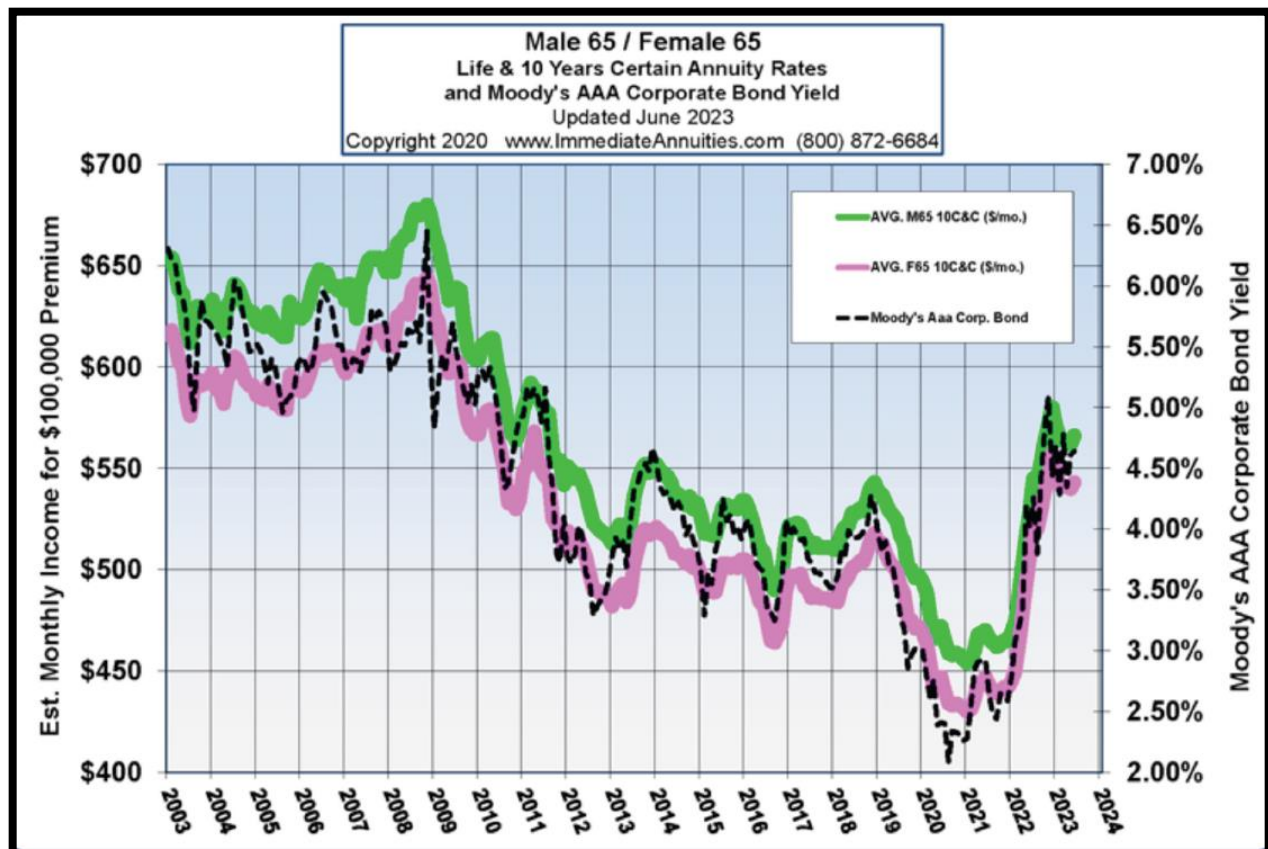


Annuity Rates and Pitfalls

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You probably know that there are such things as immediate annuities out there, which is one particular type of a much larger family tree. Immediate annuities are relatively straightforward: You write a check to the insurance company, and the insurance company will pay a percentage of that amount back to you each year for the rest of your life. It's a guarantee that you won't find in the investment markets.

But there are a few issues to understand before you lock in that guarantee. One is how the annuity rates are affected by interest rates. As you can see in the accompanying chart, as rates have bounced around (black dotted line, which tracks the yields of highly rated corporate bonds), so too have the average male (green line) and female (pink line which, yes, is kind of sexist), bounce up and down nearly in lockstep.



That means that somebody buying an annuity when rates were low locked in a relatively low level of income, while today, it's possible to get back around 4.5% a year—guaranteed, as mentioned before. People who annuitized their income in 2009 got an even better deal.

These rates are for a 65-year-old and will go up or down as the annuity buyer is older or younger. But the other thing to remember is that these annual payments, often made in monthly installments, don't go up with inflation. What might seem like a pretty good income in the first year after buying the annuity might seem like a pittance 25 years down the road if the CPI remains stubbornly high. The purchasing power of your annuity is one thing the insurance company does NOT guarantee.

Source:

[https://www.immediateannuities.com/annuity-trends/?](https://www.immediateannuities.com/annuity-trends/)

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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