

## Understanding Annuity Payout Options

When you invest in an annuity, there are a lot of decisions to be made. First, you need to decide whether you want a deferred annuity or an immediate annuity. Next, you should figure out whether or not to pay a single premium or multiple installments. Another consideration is whether or not to invest in a tax-qualified annuity for your retirement or a non-qualified annuity for income anytime. As far as the investment of the annuity premium is concerned, you need to consider whether to buy a fixed annuity or a variable annuity. Lastly, and most importantly, you must determine how to structure your annuity payouts.

The annuity payout option you choose will not only determine the amount of your monthly annuity income, but can also affect your risk of loss and your ability to pass your annuity value to your beneficiaries.

### Annuity Payout Options

- **Period Certain:** A period certain annuity payout will guarantee a certain payment for a defined period of time. The time period will be defined by a specified number of years rather than an unspecified life cycle. Even if you pass away, or the annuity loses value during the period you have chosen, you or your beneficiary will still be paid. In this case, the insurance company knows without a doubt the amount of money they will need to pay. This means the payouts may be lower than they would with a life option annuity because there is no chance the payments will cease before the agreed upon time.
- **Joint Life:** The joint life payout option guarantees a payment during your life and your joint annuitant's life. With a joint life annuity, you and your spouse (or other allowable person) will be named joint annuitants. If one of you passes away, the annuity benefit will continue to be paid for the life of the remaining annuitant. This option is also sometimes called *joint and last survivor*.
- **Life Option:** A life option payout guarantees you a payment for life—your life. Even if you live long enough to outlive the funds in the annuity, you will continue to be paid. Because the insurance company issuing the annuity has less risk of a long payout in a life option than it does in a period certain or joint life option, your monthly payout will generally be higher.

*It is important to remember that many annuities have death benefits that can be paid out in the event an annuitant's death occurs during the accumulation phase. Additionally, some companies offer a death benefit for life option annuities, although choosing to add that to your annuity can decrease your payout amount.*

**Disclaimer:** The information provided above is not tax advice and should not be construed as such. Please consult with your personal tax advisor to discuss your financial needs and status.