

Two Retirement Benefits of Fixed Annuities



Saving for retirement can be complicated, but it doesn't have to be. An annuity can do some of the hard work for you by providing you with the ability to generate income, reduce your exposure to risk, and increase your retirement portfolio's longevity. After contributing a series of premium deposits or one lump-sum amount to an insurance company, you receive either guaranteed interest accumulation or multiple options for earning interest while receiving income payments.

Navy Mutual only offers [fixed annuities](#), which means that your principal contribution is guaranteed not to decrease until payments begin. This type of annuity is low risk and often provides a higher interest rate than a savings account, Money Market account, or Certificate of Deposit (CD) – meaning that your money can do more to achieve your retirement goals.

Two benefits of fixed annuities include:

1. Fixed annuities are predictable.

Fixed annuities are boring, and that's exactly what they should be. They are simple and predictable, requiring little attention during their accrual phase, and even less during their income distribution phase. While a deferred annuity is in the accumulation phase, it grows with the power of compound interest at a guaranteed rate. When it comes time to distribute, payments are made regularly and are guaranteed not to fluctuate. Owners who don't require additional income can watch their money continue to grow, increasing their tax planning control until they decide to initiate payments.

While you may not want all of your money invested in annuities, the value of having a source of income that does not fluctuate with the market cannot be overstated. Rebalancing a portion of your non-retirement account assets as you near retirement helps mitigate the impact a market



downswing could have on the value of those funds. Annuities offer you the ability to continue earning while avoiding unpredictable outcomes.

2. Fixed annuities can create a bridge of income.

There are several circumstances in which delaying retirement income payments may work to your advantage.

1. **First, delaying when you begin taking Social Security income payments will result in higher payments for the remainder of your life.** While eligible to begin receiving Social Security benefits as early as age 62, individuals are not required to claim their benefits until age 70. Waiting past full retirement age (defined as 65, 66, or 67 years of age, depending on an individual's birth year) increases Social Security benefits by 8% per year. The optimal age at which to initiate payments is a situational and personal decision, but, if possible, it normally pays to wait.
2. **Second, withdrawals from retirement accounts before reaching age 59 ½ are tax-penalized.** If you are not already age 72, your required minimum distributions won't begin until between ages 73 and 75. An annuity can begin to generate income at any point permitted by the contract, so may help you avoid the 10% tax penalty that would otherwise be imposed by federal tax code on early withdrawals while allowing your retirement funds to continue growing. In addition, having an income-generating asset like an annuity can offset reduced distribution from variable assets in years when equity and/or bond markets under-perform historic average returns while increasing distribution in years of outperformance. This allows time for variable asset returns to rebound before income is withdrawn.
3. **Third, some pensions don't begin providing income payments until you reach a certain age.** If you have retired but are not yet receiving income payments from your pension, you may want another source of income until you begin receiving those pension fund payouts.

Purchasing an annuity at the point of retirement can create an income bridge that helps you span the gap from retirement until you begin receiving income from other sources. A [Single Premium Immediate Annuity](#) can be purchased with after-tax dollars (those not contained within a retirement account) and begins making income payments to the annuitant almost immediately. These payments can be set up to last for a specific period of time — for instance, the number of years between one's retirement and when they begin collecting Social Security benefits — or the rest of the annuitant's lifetime, regardless of how long that may be.

Navy Mutual's annuities are available to current and former servicemembers and their families. Let us help you enjoy a long and stable retirement. [Request more information](#) or [schedule an appointment](#) today!