

Is an Annuity Right for You?



An annuity is a contract that allows you to invest a sum of money with a life insurance company in exchange for a guarantee of future fixed income over a set period or even a lifetime. Annuities are typically used to accumulate assets for retirement purposes or generate income during your lifetime or the lifetime of your beneficiary. When determining whether an annuity is the right asset to add to your portfolio, consider the following questions:

Are you close to retirement age or retired?

A fixed annuity can provide guaranteed income for the remainder of your life. Unlike your other savings and retirement accounts, which you could outlive, you cannot outlive an annuity so long as you choose a “life income” payment option. If you are at all worried about budgeting in retirement, an annuity can make your life easier by guaranteeing a certain amount of income each month. You’ll receive this in addition to any Social Security benefits or pension funds as well as distributions from retirement accounts.

Note: While immediate annuities are more often used by people in retirement, deferred annuities gain maximum advantage if started early to allow for a longer accumulation phase. With Navy Mutual’s [Single Premium Deferred Annuity](#) you can choose a five, seven, or 10-year lock-in period, which guarantees your interest rate for that duration.

Do you have funds in a savings account or certificate of deposit earning a low interest rate?

According to [the FDIC](#), the average interest rate for a savings account is 0.06% and for a five-year CD is 0.27%. Given today’s low interest rate environment, you may get a higher rate of return if you were to put your money toward an annuity instead of letting it sit in an account with an interest rate that may not even keep up with inflation. An annuity also provides a guaranteed interest rate – something you will not find as a feature of a savings account. You can find Navy Mutual’s current annuity rates [here](#).



Furthermore, if your money is tied up in high-risk investments (e.g., stocks), it may be wise to move some amount of money into a less risky product, like an annuity. Diversifying your income sources will help mitigate risk in the long run. The initial investment for a Navy Mutual annuity can be as low as [\\$100](#).

Do you want to receive guaranteed income for as long as you live?

You would be hard pressed to find a person who would answer “no” to this question. With an annuity, provided you select a “life income” payout option, you will receive guaranteed monthly payments for the duration of your life.

At Navy Mutual, we offer three such [payout options](#):

1. **Life Income with No Death Benefit:** You receive the highest monthly income, with payments that are guaranteed for life. Payments stop upon your death.
2. **Life Income with Period Certain:** You will receive guaranteed payments during your life. This type of annuity has an additional benefit called a “period certain, which is a preselected length of time during which your beneficiary will continue to receive payments after your death.
3. **Joint and Survivor Income:** You and a joint annuitant receive guaranteed payments until one of you dies. At that time, the survivor continues to receive a previously decided-upon percentage of the original payment amount until his or her death.

Do you have a low risk tolerance for investments?

If you are risk-averse, an annuity may be the perfect fit for you, since annuities reduce overall portfolio risk while providing for a predictable and steady growth of assets – regardless of market volatility and fluctuations. This means that your money will grow safely and at a guaranteed rate without you having to worry about the economy or conditions outside of your control.

Even if you are a bit of a risk-taker when it comes to your finances, you may want to consider diversifying your portfolio with an annuity. The overall level of risk with an annuity is low and you will get stability you won’t find elsewhere during a volatile market.

Do you want a tax-deferred investment?

Deferred annuities grow in a tax-deferred manner, meaning that you are not required to pay taxes on any of your earnings until you begin receiving distributions. Over time, this can save you a substantial amount of money. Other tax-deferred investment vehicles, like traditional IRAs, have low limits on how much money you can contribute to the account – only \$6,000 per year (or \$7,000 if you are over 50 years old). Annuities do not have such restrictions. At Navy Mutual, you can fund a [Single Premium Deferred Annuity](#) with a one-time payment of up to \$5,000,000 or a [Flexible Premium Retirement Annuity](#) with multiple payments up to a total of \$1,000,000.

Do you want the flexibility of investing outside of a retirement account?

If you regularly max out your retirement account contributions and have extra money that you would like to invest in a low-risk manner, an annuity can be used to safely grow a sum of money for a temporary period of time. Navy Mutual’s Flexible Premium Retirement Annuity does not have surrender fees, so you can use it for any time horizon desired – and likely receive a higher interest rate than being offered by traditional banks.



Note: It is possible to outlive your retirement funds if you do not budget properly in retirement or your expenses are more than anticipated. Purchasing an annuity with a life income payout option guarantees that you will always have some money coming in. Consider it a financial safety net.

Do you need to begin required minimum distributions (RMDs) on a retirement account, but would like that money to continue to grow?

While you could choose to put money from your RMDs into a savings account, you are likely to get higher interest rates with an annuity instead. Navy Mutual's Flexible Premium Retirement Annuity allows you to deposit anywhere from \$100 to \$1,000,000 in a low-risk vehicle that will avoid market volatility.

Diversify your investment portfolio with an annuity. Our dedicated representatives can help you find the product that best fits your needs and your budget – and help you on the way toward reaching your retirement goals. Call **800-628-6011** to speak with a representative or [schedule an consultation](#) today.