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## Decoding 5 Types of Retirement Annuities

Proposed bipartisan legislation would allow retirement plan sponsors to use annuities as a default option. With annuities becoming more popular, it is a good time to learn how you could leverage them in your retirement plans.

The right retirement annuity for you depends on your needs. Do you know about these five types of annuities and what they could do for you?

### 1) Fixed Annuities

A fixed annuity has a fixed interest rate, and you will receive guaranteed payments when you retire. This type of annuity can be a good choice for investors who want to preserve their principal. Keep in mind that fixed annuities do not offer protection from inflation.

### 2) Variable Annuities

A variable annuity performs based on your investment selections. You have the potential for higher returns, but you also have the potential for losses. Investors who have a longer period before retirement and a higher risk tolerance may be interested in variable annuities.

### 3) Immediate Annuities

A single premium immediate annuity (SPIA) starts paying investors immediately or within a year. SPIAs typically have lower fees than other types of annuities, and investors receive a guaranteed income. This type of annuity may be attractive to people who are nearing retirement.

### 4) Deferred Annuities

Deferred annuities give investors income, either in the form of a lump sum or regular payments, at a future date. Deferred annuities can be fixed, variable or indexed.

Indexed annuities give payouts tied to the performance of a specific market index. Deferred annuities are tax-deferred investments. People who have maxed out their retirement plans may find deferred annuities offer a good option for putting away more tax-deferred retirement savings.

### 5) Defined Benefit Annuities

Your employer-sponsored retirement plan might be a defined benefit plan. In this case, you may have the option of taking your distribution as an annuity, which will pay out over your lifetime. This retirement vehicle may be a good option for people who are looking for a speedy way to build their retirement assets.

Each retirement annuity comes with potential upsides and risks. Reach out if you have any questions — together we can build a retirement plan that matches your goals.

***Helping clients get back to the basics of building and maintaining wealth in a tax efficient way.***



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