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Comparing Annuities and Life Insurance

As you plan your financial future, you will learn about many different investment options. Annuities and life insurance often come up as recommendations. While both of these products can have a place in your portfolio, they serve different purposes.

Let's take a look at both of these financial planning tools and whether you should consider both:

Annuities

Annuities are designed to provide a steady income during your retirement years. When you buy an annuity, the insurance company agrees to pay you a fixed monthly amount.

An immediate annuity begins payments right away, while a deferred annuity builds value over time before payouts begin. Annuity payments typically end upon the holder's death unless a beneficiary option is included in the contract.

Life Insurance

Life insurance, on the other hand, is primarily designed to provide financial protection for others after you're gone. Policies can come in various forms, including term life, which covers a specific time period, and whole life, which provides lifelong coverage and may include a cash value component.

In some cases, permanent life insurance policies can build cash value over time, allowing you to borrow against the policy or make withdrawals while you're still alive.

To activate the benefit, your chosen beneficiary must file a claim with the insurer after you pass.

Do you need both?

Annuities and life insurance have different functions. A well-rounded investment portfolio and retirement plan can include both. Annuities can provide you with financial security in your retirement, while life insurance can do the same for your loved ones after your death.

If you have questions about building your investment portfolio, reach out today.

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



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