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Making Sense of Annuities at Year-End

Uncertain markets can leave retirement plans feeling unsettled. Annuities are one option to help manage risk and create predictable income, but their role in a portfolio depends on your goals.

Fixed, variable and indexed annuities each function differently, which makes timing and strategy important. Year-end is a good opportunity to review these choices and consider whether they align with your broader retirement plan.

Here are a few things to consider if you're contemplating annuities as the year comes to an end:

Annuities in a Volatile Market

Retirement portfolios can be buffeted by the ups and downs of a volatile market. You might opt to include annuities in your retirement portfolio because they offer tax-deferred growth and steady income across their payout periods.

Keep in mind that there are different types of annuities:

- **Fixed annuities** provide guaranteed income over their payout periods, regardless of how the market behaves.
- The payout of **variable annuities** will depend on how the funds you invest perform.
- **Indexed annuities** will protect your principal investment even during market volatility, and they allow for possible gains during times of positive market performance.

Evaluating Year-End Strategies

The end of the year is an ideal time to review your retirement strategy. Interest rate changes can impact annuity payouts — higher rates generally mean higher payouts, while lower rates may reduce income. It is important to consider these shifts and any tax implications, including early withdrawal penalties before age 59 ½, when evaluating your annuity strategy.

Annuities can be a valuable component of a retirement plan, depending on your goals and financial situation. A year-end review can help determine whether adjusting your strategy could maximize benefits and strengthen your retirement outlook.

Have any questions about your financial planning? Get in touch today.

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