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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.

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

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