Annuity Missteps

Dedicated FINANCIAL SERVICES
Bringing Your Money to Life™

A hammer isn't good or bad. It's very good at doing hitting a nail into a plank, what it was designed for, but it's not so good at spreading spackle for instance. For that you'd need a different tool.

Everything is a tool. Choose the right one.

Annuities are a big part of our financial planning practice. There are financial advisors who dismiss annuities outright. My position is that annuities can be an important part of a financial plan, but a number of planning errors can be made by misusing annuities—not because they are bad products but because the financial advisor may have not been sufficiently knowledgeable or was not looking out for the client's best interest.

Errors to Avoid in Your Journey with Annuities

1. Not clearly identifying whether the primary objective of the annuity is to create lifetime income or grow wealth
2. Paying fees on an annuity product that does not provide benefits to the owner that justify the fees
3. Using annuities that offer a "bonus" for a growth objective as they provide a lower long-time growth opportunity
4. Not having a diversified annuity portfolio but placing a large sum of money in a single annuity product
5. Not setting up non-qualified (non-IRA) annuities as a joint owner/joint annuitant policy (when this option is available)
6. Not tax-managing a non-qualified annuity, and allowing interest income to build up and create future tax problems
7. Funding an annuity with non-qualified funds when tax-qualified (IRA and 401k) funds are available
8. Using annuities with longer maturity dates when equally effective annuities with shorter term periods are available
9. Purchasing annuities with inferior interest strategies and opportunities (most common when working with advisors and institutions with limited product portfolios)
10. Specifying the wrong individuals as beneficiaries due to annuity continuation limitations and the tax treatment of the annuity
11. Acquiring annuities with the intention of making distributions priors to age 59½
12. Over-stating risk and placing funds into an annuity instead of equities positions (stocks) that offer a higher long-term return.

Using a tool well, for its designed purpose achieves better results than misusing that tool. Financial instruments are tools that need to be understood and implemented with skill.

Trust your second opinion to a Certified Planner™ practitioner with 30 years experience and a fiduciary obligation to put your best interest first.

Have questions or need help considering if an annuity is a fit for your needs?

We're here to help! Simply call or email to schedule a complimentary consultation today!

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