

Question: Please explain what an annuity is and the different types?

Answer: An annuity is a contract between you and an insurance company. Your money grows tax-deferred inside an annuity until you take it out. It is an insurance-based contract designed specifically to protect you against the possibility of living too long and outliving your assets.

Fixed Annuities are a type of annuity contract offering investors a minimum interest rate guaranteed by the issuing insurance company. The rate can and will be adjusted up or down. Fixed annuities are useful for risk-averse investors seeking a stable, predictable return. Interest rates are generally slightly higher than a bank CD.

Variable Annuities are a type of annuity contract where the buyer has the option of investing in mutual-fund-like investments in areas such as stocks, bonds, balanced, domestic, international, precious metals, money markets, etc. This type of annuity allows you to invest to provide future benefits that will hopefully keep pace with or surpass inflation.

Equity-Index Annuities or Fixed Index Annuities are a type of fixed-rate annuity that combines a guaranteed minimum interest rate (i.e., 3%) with the potential for greater growth. Returns are normally based on a complex formula tied to a specific market index such as the NASDAQ or S&P 500. If your selected index rises during your contract period, a higher rate of return (above the guaranteed minimum interest rate) will be credited to your annuity contract for that period. This type of annuity allows you to pursue market gains while protecting your principal.

Bill's Bottom-line: Annuities are the only investment that can guarantee you an income for life; however, those guarantees are subject to the claims paying ability of the insurer. If you invest with an insurance company, be sure it's one that is financially solid.



Bill Losey, CFP®, CSA, America's Retirement Strategist™, has nearly 20 years experience in the financial planning industry and has been interviewed on the CBS Radio Network, CNNfn, and FOX's "Hannity & Colmes". Bill publishes *Retirement Intelligence*™, a free award-winning weekly newsletter that reaches over 5,000 subscribers worldwide. His book, ***Retire in a Weekend! The Baby Boomer's Guide to Making Work Optional*** will be released in November 2007. Bill can be reached online at www.MyRetirementSuccess.com or by calling 1-866-786-2521.