I Own an Annuity – Now What?

Wealth Planning | Tax Planning

If you own an annuity, you may be approached about exchanging or replacing it with a new and "better" product. Because annuities can be complex, you may struggle to distinguish legitimate opportunities from unsuitable pitfalls. Conducting an annual annuity review with your Stifel Financial Advisor will provide you with the knowledge to assess any offers you receive.

Your Stifel Financial Advisor will first help you understand the details of your existing annuity. Understanding the fees, expenses, and benefits of your existing annuity contract will put you in a better position to compare it to other products. After discussing the specifics of your annuity contract, your Stifel Financial Advisor will also consider your overall financial situation. Doing so will allow you to determine which annuity product will help you best pursue your financial goals and objectives. Although you should rely on your Stifel Financial Advisor when conducting your annual annuity review, we have compiled a list of considerations to help you get a head start.

Gather information about your existing annuities

In order to perform an accurate and complete review of your existing annuity, your Stifel Financial Advisor will need all pertinent information. When compiling this information, rely on the following:

1. A copy of the most recent statement from the insurance company
   – The statement will provide most of the basic information important to an annuity review.
   – Information such as surrender charges, income and death benefit values, recent performance, and asset allocation is typically included on the statement.
2. A phone call to the insurance company
   – Calling the insurance company is the single best way to retrieve the most current information on an annuity contract. The insurance company can clarify the fees and expenses and provide information on the optional income and death benefits.
3. The insurance company's website
   – Many insurance company web sites have a wealth of information for policy owners. They may even allow you to print off past statements.

Consider surrender charges

- A surrender charge is a fee that you must pay if you sell or withdraw the principal before the surrender period ends. The surrender period typically lasts for a number of years after you purchase the annuity.
- You can obtain the current surrender charge value by calling the insurance company.
- You can also find an estimate of the current surrender charge on your most recent statement. The statement will either list the surrender charge, or you can calculate it by subtracting the "cash surrender value" from the current "contract value."

Consider your financial goals and objectives

- Before beginning an annuity review, you must consider your financial goals and objectives. You must then assess how the annuity will help you pursue those goals. Consider whether the annuity is earmarked for retirement income, beneficiary protection, or asset protection.
- If an annuity contract is not helping you pursue your goals, your Stifel Financial Advisor will work with you to determine the appropriate course of action.

Research the credit rating of the insurance company

- Credit ratings are a gauge of a company's ability to pay its obligations or claims. Annuity guarantees do not mean much without the financial strength to support them. Although this should not be the only reason to consider an annuity replacement, it is certainly part of the equation.

By working through this list of preliminary considerations, you will be able to make the most of your annual annuity review with your Stifel Financial Advisor.

Investors should consider carefully the fees and charges of features associated with new annuity and insurance policies against the costs of existing policies. Also, investors may be subject to a surrender charge and market value adjustment for terminating an existing policy while also starting a surrender period for the new policy. Annuities are not insured by the FDIC or any other government agency. Taxes will be due upon withdrawal, and withdrawals prior to age 59 ½ are subject to a 10% penalty.

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