

+ TYPES OF ANNUITIES

3 Varieties

Find out how they are different and which fits your needs

CHOOSING AN ANNUITY THAT'S RIGHT FOR YOU

No two people heading into retirement have the same set of needs, preferences, or goals. That's why there are different types of annuities from which you can choose. Adding an annuity to your overall retirement portfolio can provide you with a number of valuable benefits, including protected lifetime income.

There are basically three different types of annuities you need to be aware of: 1) Fixed Annuities, 2) Index Annuities, and 3) Variable Annuities. The chart below provides a quick overview of each type to help you better understand them and whether they might work for your situation. With each, you can choose when to begin receiving income. You may have a need to begin receiving income right away or soon after purchase, or you may decide to begin receiving income later, in which case payments typically begin 12 months or more after purchase, on a date you determine.

Like other investment or savings products, it's important to understand that there are fees and expenses associated with owning an annuity, and that they are not right for every situation. Annuities offer protected lifetime income, but that guarantee is dependent upon the financial strength of the insurance company. It's a good idea to speak with a financial professional who can guide you before making any decisions.

ANNUITIES AT A GLANCE

Type of Annuity

FIXED

Designed for people who are looking to save money and the ability to draw protected income from their annuity for retirement.

HOW IT WORKS

A Fixed Annuity provides a fixed interest rate that offers a high level of predictability, along with flexible payment choices including the option for lifetime income.

FEATURES

- Rate of interest is guaranteed for a specific period of time.
- Protection from market downturns.
- A choice of payment options, including protected lifetime income for as long as you live.
- Income can begin immediately or be deferred to a later date.
- You may not have to pay taxes on any interest earned until money is withdrawn.
- Access to your funds at any time, possibly subject to charges.

CONSIDERATIONS

- There may be charges and a tax penalty for early withdrawals.



Type of Annuity
INDEX

Designed for people who want to take advantage of potential gains in the stock market while still having some level of protection against losses.

HOW IT WORKS

With an Index Annuity, the interest you receive is linked, in part, to the performance of a market index, such as the Standard & Poor's 500 Index. When the index increases, you'll receive interest – based on what's specified in your annuity contract. If the index declines, you won't receive interest, but the principal of your annuity will not be affected.

FEATURES

- The potential to grow based in part on the performance of a market index.
- Protection from market downturns since the value of the annuity is not affected by negative index returns. You are not directly invested in any security or index.
- You may not have to pay taxes on any interest earned until money is withdrawn.
- A choice of payment options, including protected lifetime income for as long as you live.
- Income can begin immediately or be deferred to a later date.
- Standard or enhanced death benefit features are available.

CONSIDERATIONS

- There may be charges and a tax penalty for early withdrawals.
- In a down market, your annuity may not earn interest.

Type of Annuity
VARIABLE

Designed for people who want to take advantage of both income protection and growth in their retirement savings and are willing to take more risk with their money in exchange for the potential for a higher rate of return.

HOW IT WORKS

With a Variable Annuity, your rate of return is tied to professionally managed funds, similar to a mutual fund, made up of a combination of stocks, bonds and other investments. The value of your annuity can move up or down depending on the performance of the underlying funds selected. With a variable annuity, you can benefit when the investments go up, but lose money if they go down. You can, however, purchase features that protect your principal if the market goes down.

FEATURES

- Potential to benefit from market increases.
- Professional money management with a choice of investment options.
- You may not have to pay taxes on any interest or earnings until money is withdrawn.
- Optional features that protect your retirement income from market volatility and provide protected lifetime income for as long as you live.
- Income can begin immediately or be deferred to a later date.
- Standard or enhanced death benefit features are available.

CONSIDERATIONS

- You could lose some or all of your principal.
- There may be charges and a tax penalty for early withdrawals.

Annuities are long-term financial products designed for retirement purposes. Early withdrawals may be subject to withdrawal charges. Partial withdrawals may reduce benefits available under the contract. Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, an additional 10% federal tax may apply. Optional income protection features are subject to additional fees, requirements and other limitations. Keep in mind, for retirement plans and accounts (such as IRAs and 401(k)s), an annuity provides no additional tax-deferred benefit beyond that provided by the retirement plan or account itself. Contract and optional benefit guarantees are backed by the financial strength of the issuing insurer. There is no guarantee that any investment will achieve its objectives, generate positive returns, or avoid losses. Investments in annuity contracts may not be suitable for all investors.

This material has been prepared in conjunction with Milliman Financial Risk Management LLC (Milliman FRM). Milliman FRM retained Northern Lights Distributors, LLC, a FINRA/SIPC member, to facilitate FINRA review of the material in order to meet certain requirements of its business partners. Northern lights Distributors, LLC is not affiliated with Milliman FRM or The Alliance for Lifetime Income.

AIG is a founding member of the Board of Directors for the Alliance for Lifetime Income.

