



## ARE YOU CONSIDERING AN ANNUITY PURCHASE?

1. **Product Knowledge:** Make sure you understand how an annuity works, the benefits it provides, and the charges you will pay. Be sure you understand whether the annuity is fixed, variable or indexed. Some annuities are tied to stock market fluctuations and therefore involve a high degree of risk. Make sure you understand the risks before you buy. Be aware there are certain tax issues and tax consequences and understand what they are. Always demand written information about the company offering the annuity and read and understand the prospectus before investing.
2. **Liquidity:** Find out how long your money will be tied up. Some annuities have expensive surrender charges if you try to withdraw money before the maturity date. Surrender charges may apply for many years - as long as fifteen years.
3. **Beware of claims that annuities are “guaranteed”:** Unlike CD’s, annuities are not guaranteed by any government agency. They are only as safe as the insurance company that offers them. Check out the financial strength of the company before you make any purchase.
4. **Suitability:** Only purchase an annuity after you are satisfied it suits your investment needs and risk tolerance.
5. **Find out the amount of commission the agent will receive:** Beware if the agent evades this question. Annuity commissions are sometimes so high that the annuity agent will propose an annuity purchase out of self-interest even when the product is unsuitable for the customers.
6. **Rate of Return:** Watch out for introductory or teaser rates that may be significantly higher than the rate of return specified in the contract.
7. **Volatility:** Some annuities involve a risk that the account value may decline if the underlying investment performs poorly.
8. **Rollovers:** If you are considering cashing in one annuity to purchase another, make sure that the benefits outweigh the costs. You may be giving up benefits in the older annuity that will not be available under the new one.
9. **Death Benefit:** Be aware that some, but not all, annuities provide a death benefit. Make sure you know what will happen to the proceeds of the annuity upon your death. Compare death benefits if you are considering replacement of one annuity with another.

10. **Optional Features:** There are many different annuities on the market with varying fees, costs and features. Comparison shop before you buy. Make sure you discuss the purchase with someone you trust (financial advisor, attorney, accountant) and are satisfied that it suits your investment needs and risk tolerance.

**BEFORE you purchase any Annuity -**

- Confirm if the salesperson and company are properly licensed and registered.
- Identify possible “red flags.”
- Get the facts before purchasing.
- Ask the seller to complete “Check Before You Invest” form.
- Do not do business with anyone who tries to scare or pressure you to buy.