A fresh look at annuities: Annuities for savings. Annuities for income.

Annuities are financial solutions designed to help meet America's expanding retirement needs. But did you know that annuities can serve two different financial purposes?

1. Building retirement savings; and
2. Providing guaranteed lifetime income for retirement.[1]

Annuities for savings

Annuities are long-term insurance products issued by insurance companies. For people looking to accumulate and grow their savings, annuities offer a number of valuable benefits, including the benefit of tax deferral.[2] With tax deferral, there are no current taxes on any interest, dividends or capital gains earned until withdrawals from the annuity begin.[3] This allows taxes to be paid later, when people are retired and often in a lower tax bracket and can help savings grow faster. In addition, many annuities typically include a death benefit.

A wide variety of annuities for growth

The way an annuity grows depends on the type purchased. Annuities come in a variety of different types to help address different goals and risk tolerance levels. Here's a high-level overview:

- **Fixed annuity:** Provides a guaranteed fixed rate of return on savings for a specific period of time. With a fixed annuity, there is no market risk. This type of annuity is often compared with a certificate of deposit (CD). Of course, a fixed annuity is issued by an insurance company, not a bank, so it isn't insured by the Federal Deposit Insurance Corporation (FDIC). With an annuity, guarantees are backed by the claims-paying ability of the issuing insurance company.

- **Index annuity:** Provides growth potential based in part on the performance of a market index, such as the S&P 500® Index. Plus, with an index annuity, principal is protected against market downturns. If the index goes down, the annuity does not lose value—instead, indexed-linked interest simply won't be credited for that year.[4]

[1] Guarantees are backed by the claims-paying ability of the issuing insurance company.
[2] Keep in mind, for retirement accounts (such as IRAs), an annuity provides no additional tax-deferred benefit beyond that provided by the retirement account itself.
[3] Withdrawals of taxable amounts are subject to ordinary income tax and if taken prior to age 59½, an additional 10% federal tax may apply.
[4] Index annuities and registered index-linked annuities are not a direct investment in the stock market.

Annuities for savings (continued)

- **Registered index-linked annuity (RILA):** Provides growth potential based in part on the performance of a market index, such as the S&P 500® Index, with potentially greater upside opportunity than an index annuity. Unlike an index annuity, a RILA does not offer principal protection. However, a RILA can help manage downside risk through features such as a "buffer," which absorbs certain levels of loss (for example, 10% or 20%) in down markets. Of course, it's important to know that losses are only limited by the amount of the buffer.[4,5]
- **Variable annuity:** Provides growth potential with market participation through professionally managed investment portfolios generally featuring stocks, bonds, or a combination of investments. While variable annuities can offer greater growth potential than other types of annuities, there is no principal protection or targeted level of downside protection, so there is also a greater level of market risk and potential for investment loss.

Annuities for income

It's important to understand that all annuities offer the opportunity for income—even those initially purchased for savings—through annuity payment options and a process called "annuitization." That means all of the products in the "annuities for savings" section can also be used for income-generating purposes:

- **Fixed annuity**
- **Index annuity**
- **Registered index-linked annuity (RILA)**
- **Variable annuity**

In addition, there are two types of annuities designed strictly for income:

- **Immediate annuity**
- **Deferred income annuity**

With both of these, the initial lump-sum premium used to purchase the annuity is converted into a series of periodic payments through annuitization for income right away (immediate) or income down the road (deferred).

So what is "annuitization"?

Annuitization is a feature available with all types of annuities. With annuitization, the annuity's value is converted into a series of periodic income payments to the annuity owner.

The available annuity payment options typically include:

- *Life annuity option:* Provides lifetime income for as long as the annuitant[6] is living.
- *Life annuity with period certain option:* Provides lifetime income for as long as the annuitant is living, and if the annuitant dies before the period certain ends (for example, during first 10 years or 20 years), payments continue to the beneficiary for the remaining years.
- *Joint and survivor life annuity option:* Provides lifetime income for as long as one of two people (typically spouses) is living. After the first death, payments may continue to the survivor.
- *Period certain annuity option:* Provides income for a fixed period of time—for example, 10, 15 or 20 years.

Once the annuitization payout phase begins, the annuity owner no longer has access to the account value; rather, the value has been exchanged for the guaranteed income payments. In addition, the contract's death benefit no longer applies.[7]

This process of annuitization is typically irrevocable. However, income rates are generally higher with annuitization than with other more flexible income options, such as a Guaranteed Living Benefit, which we discuss next.

[5] With a registered index-linked annuity, there's the potential for loss and such losses could be significant in a severe down market. These types of annuities can offer a variety of different growth and protection features. These features can vary from product to product.
[6] The annuitant is the person on whose life income payments are based in the annuitization/payout phase.
[7] Note, with annuitization, if applicable, a beneficiary may receive certain remaining annuity income payments guaranteed under the annuity income payment option.

Guaranteed Living Benefits—a more flexible way to generate lifetime income from an annuity

Many people want to retain access to their account value—even after they begin generating income from their annuity. That's why many annuities now offer Guaranteed Living Benefits as an alternative to annuitization.

A Guaranteed Living Benefit is simply an income-related feature of an annuity. It may be automatically included or optional. Additional fees, age restrictions and other limitations apply to Guaranteed Living Benefits.

With a Guaranteed Living Benefit, the annuity owner can take ongoing withdrawals from their account for lifetime income. As withdrawals are taken, the account's balance decreases accordingly. What makes the Guaranteed Living Benefit especially valuable is that even if the account value is reduced to zero due to ongoing withdrawals, lifetime income payments will continue to be paid by the insurance company for as long as the annuity owner lives.[8,9]

Annuities that often offer Guaranteed Living Benefits:

- Fixed annuities
- Index annuities
- Registered index-linked annuities (RILA)
- Variable annuities

Keep in mind, not all annuities offer Guaranteed Living Benefits.

An annuity with a Guaranteed Living Benefit can be appealing for people who may not be covered by a traditional defined benefit pension plan and want to create a pension-like stream of lifetime income that can't be outlived.

More information about the two ways annuities can generate lifetime income—via a Guaranteed Living Benefit feature or by annuitizing—can be found here.

Conclusion

Whether an individual is looking to build retirement savings, generate lifetime income for retirement, or achieve both of these objectives over time, today's annuities are worth a fresh look. A financial professional can play a key role in helping to assess if an annuity may make sense for a portion of one's retirement portfolio, and if so, which type of annuity should be considered based on their goals, objectives and tolerance for risk.

To learn more about annuities from Corebridge Financial, visit corebridgefinancial.com.

[8] Please see the contract or prospectus for complete details about the annuity and Guaranteed Living Benefit you may be considering.

[9] Withdrawals must be taken within certain parameters to realize the benefits of a Guaranteed Living Benefit. If withdrawals exceed the defined parameters of the Guaranteed Living Benefit, it will reduce the amount that can be withdrawn in the future and, depending on the size of the withdrawal, potentially eliminate the lifetime income guarantee. Joint Life income options for spouses are also typically available. Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, an additional 10% federal tax may apply. Guarantees are backed by the claims-paying ability of the issuing insurance company.

Action today can lead to great things tomorrow. **Action is everything.**

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