A fresh look at annuities: Understanding annuity costs

Today's annuities come in a variety of types — offering valuable benefits to help address different goals and objectives. When selecting an annuity, it's important to understand the costs.

Annuities are insurance products issued by insurance companies. They were created to help people build retirement savings and generate retirement income. As insurance products, annuities offer the advantage of benefit certainty, which means they deliver guaranteed and predictable benefits — whether that's a guaranteed interest rate on savings for a specified time period or the assurance of guaranteed income payments for as long as one lives.[1]

In an era of increasing longevity where many Americans are concerned about retirement security — only about three in ten (29%) say they are very confident they won't outlive their money[2] — the value annuities provide should not be overlooked or discounted.

As with any financial product, it's important to understand how costs are reflected in the design. Annuity costs fall into three basic categories: implicit costs, explicit costs, and activity-driven charges. Annuities can have a combination of these costs, as shown on page 3.

Implicit costs

These are costs that are built into the product's underlying design and are not directly charged to the annuity owner. Annuities that have implicit costs are often referred to as spread products.

With a spread product, an insurance company generally makes its money through the "spread," that is, the difference between the interest earned by the insurance company and the interest rate and benefits credited to the annuity owner.

Explicit costs

It's important to recognize that not all annuities have explicit costs — it really depends on the annuity type and the benefits offered. Explicit costs typically take the form of a fee or charge that the annuity owner pays. They may, for example, be reflected as a dollar amount or a percentage of assets. Examples of explicit costs that may apply include:

- **Base contract fee:** Covers the insurance company's risk of providing guaranteed benefits, such as a guaranteed death benefit and annuity income options for lifetime income.
- **Contract maintenance fee:** Covers the insurance company's cost of administering and servicing the annuity.
- **Investment fees and expenses:** Covers the portfolio management and investment-related costs associated with the annuity's investment options (if applicable).

[1] Annuity guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company.
[2] Source: 2025 Corebridge Financial Retirement and Longevity Survey.

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Explicit costs (continued)

- **Guaranteed living benefit fee:**[3] Covers the cost associated with providing the guaranteed living benefit (if offered).
- **Enhanced death benefit fee:**[3] Covers the cost associated with providing the enhanced level of beneficiary protection (if offered).
- **Asset management fee (generally applies to "fee-based" annuities only):** Covers the Registered Investment Advisor's services for ongoing service and support.
- **Premium-based charge/upfront sales charge:** While not commonly used, some variable annuities may have a premium-based sales charge or upfront sales charge that is deducted from the initial premium at purchase or over an extended period of time.

Activity-driven charges

Some annuity costs are driven by the annuity owner's activity. We refer to these as activity-driven charges, which may include:

- **Early withdrawal charge or surrender charge:** Applies if money is withdrawn early, beyond any "free withdrawal" provision that may be offered. This charge is usually in place for a set number of years after purchase and generally declines over time. It's designed to help offset the internal costs the insurance company incurs in marketing and distributing the annuity, such as commissions it pays, in the event the annuity owner takes their money out early. Note: Fee-based annuities, referenced earlier, generally do not have an early withdrawal charge or surrender charge.
- **Market value adjustment:** Certain types of annuities also include a market value adjustment if money is withdrawn early. This adjustment reflects changes in interest rates in the marketplace since the time of the annuity purchase, potentially increasing or decreasing the withdrawal amount.
- **Additional 10% federal tax for pre-59½ withdrawals:** Although it's not an insurance company-imposed cost, it's important to know that because annuities receive certain tax advantages, such as tax deferral,[4] if withdrawals are taken prior to age 59½, an additional 10% federal tax generally applies to taxable amounts withdrawn.[5]

Compensating financial professionals

Annuities can be offered by financial professionals who are paid a commission by the insurance company. The cost associated with paying a financial professional is generally an implicit cost. However, some annuities (known as "fee-based" annuities) offered by Registered Investment Advisors (RIAs) may be subject to an ongoing asset management fee, which is an explicit cost that the annuity owner would pay.

See the next page for a high-level overview of potential annuity costs by annuity type.

More information about the different types of annuities available can be found here.

[3] Note: Guaranteed living benefits and enhanced death benefits are sometimes referred to as riders.
[4] With retirement accounts (such as IRAs), an annuity provides no additional tax-deferred benefit beyond that provided by the retirement account itself. However, annuities offer other features and benefits that may be valuable.
[5] When withdrawals are taken from an annuity, withdrawals of taxable amounts are subject to ordinary income tax and if taken prior to age 59½, an additional 10% federal tax may apply.

Potential annuity costs at-a-glance

A high-level overview

Annuities can have a combination of implicit costs, explicit costs, and activity-driven charges, as shown below. To learn more about the benefits and costs associated with a specific annuity product, people considering an annuity should ask a financial professional for complete details, including a prospectus, if available.

Potential annuity costs		Fixed annuity	Index annuity	Registered index-linked annuity	Variable annuity	Immediate annuity	Deferred income annuity
Implicit costs	Costs built into the product with no explicit fee or charge to the annuity owner	✓	✓	✓		✓	✓
Explicit costs	Base contract fee			May apply – depends on specific product	✓		
	Contract maintenance fee			May apply – depends on specific product	✓		
	Investment fees and expenses			May apply – depends on specific product	✓		
	Guaranteed living benefit fee (if benefit is offered)	✓	✓	✓	✓		
	Enhanced death benefit fee (if benefit is offered)	✓	✓	✓	✓		
	Premium-based charge/ upfront sales charge				May apply in certain instances		
	Asset management fee	Generally applies to "fee-based" annuities offered by Registered Investment Advisors (RIAs) who charge an ongoing fee vs. receiving a commission from the insurance company					
Activity-driven charges	Early withdrawal charge or surrender charge	✓	✓	✓	✓		
	Market value adjustment (MVA)	May apply – depends on specific product	May apply – depends on specific product				
	Additional 10% federal tax for pre-59½ withdrawals	✓	✓	✓	✓	✓	✓

Information above is general and for educational purposes only. Annuity features, benefits, terminology and costs can vary from insurance company to insurance company and product to product and may be different than what is shown above.

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

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

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Annuities are long-term insurance products designed for retirement. In the growth stage, they can help build assets on a tax-deferred basis. In the income stage, they can provide protected lifetime income through standard or optional features. A contract can be annuitized in order to receive lifetime income payments for no additional cost if a lifetime annuity option is chosen. Income protection features such as Guaranteed Living Benefits may be optional or standard. Additional fees, age restrictions, withdrawal parameters, and other limitations apply. With variable annuities, certain investment requirements also apply. Early withdrawals may be subject to withdrawal charges and a Market Value Adjustment (MVA) may also apply to certain fixed annuities and index annuities. Partial withdrawals may reduce benefits available under the contract, as well as the amount available upon a full surrender. Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, an additional 10% federal tax may apply. An investment in a variable annuity or registered index-linked annuity involves investment risk, including the possible loss of principal. The contract, when surrendered, may be worth more or less than the total amount invested. 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.

Variable annuities are sold by prospectus only. The prospectuses for each underlying fund as well as the variable annuity contract describe the investment objectives, risks, fees, charges, expenses, and other information for each, respectively. The statutory and summary prospectuses for each underlying fund and the variable annuity contract should be considered carefully before investing. Please contact your insurance and securities licensed financial professional or call 1-800-445-7862 to obtain any of those prospectuses, which should be read carefully before investing.

Registered index-linked annuities are sold by prospectus only. The prospectus contains the investment objectives, risks, fees, charges, expenses and other information regarding the contract, which should be considered carefully before investing. A prospectus and summary prospectus if available may be obtained by calling 1-877-445-1262. Investors should read the prospectus carefully before investing.

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