The Do's and Don'ts of Annuities

An annuity is a contract between you and an insurance company for the payment of money while you are living. Many people buy annuities to help manage their income in retirement.

Inappropriate sales practices can occur, so before you by an annuity think about these

Do's and Don'ts:

DO

- Read the materials. If you don’t understand something, call the Wyoming Department of Insurance at 800-438-5768.
- Understand that money put in an annuity is typically “locked up” for a period of time specified in the annuity contract, often five to ten years. If you withdraw some or all of your money during the specified time period, you will have to pay a penalty called a surrender charge. Annuities are not for short term goals.
- Ask about these surrender charges. Do you intend to keep the annuity for the entire surrender charge period? Usually, the closer you are to the end of the time the money must be “locked up”, the smaller the surrender charge.
- Pay attention to optional features offered with annuities, and get information about additional fees associated with adding benefits.
- Read and understand the terms of the contract. If you decided the terms are not favorable, you can cancel the contract and receive all of your money back. This only applies during the free look period, so be sure you know when this period ends.

DON'T

- Be pressured into thinking you need to buy an annuity today or right now. Don't feel obligated to purchase if you are not comfortable or do not understand all the terms of the contract.

- Make your check out to the agent or producer, only to the company issuing the annuity.

- Accept verbal assurances; always verify policy terms in writing.

- Work with an agent unable or unwilling to provide credentials.

- Replace a current annuity with a new one without understanding the implications of doing so.

THERE ARE THREE TYPES OF ANNUITIES

- Fixed annuities, paying a guaranteed rate or a period of years (lower risk);
- Equity-indexed annuities, paying a rate using an outside index, such as a stock market index, with a guaranteed floor (moderate risk);
- Variable annuities, where you invest in sub-accounts, and the annuity increases or decreases based on these sub-accounts (higher risk).

Each of these annuity types can begin paying when you purchase it, or defer payments to start at a future date. Please be aware that early withdrawal might result in tax penalties. Refer to your contract for further details or ask a tax professional.

For more on annuities visit www.doi.wyo.gov

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