



Track Retirement

KEEPING YOUR RETIREMENT ON TRACK

FREE GUIDE

Smart Questions to Ask **Before You Buy** an Annuity

Nine straightforward questions that help you understand any annuity — and decide with confidence whether it fits your retirement.

An independent educational guide · Free & no obligation



Protect
Your Future



Understand
Income



Grow With
Confidence



Plan With
Clarity

HOW TO USE THIS GUIDE

The right annuity starts with the right questions

An annuity can be a valuable part of a retirement plan — a way to protect savings from market downturns and create income you can count on. But annuities are **contracts, not investments**, and the details decide whether one is a good fit for *you*.

This guide isn't here to talk you into or out of anything. It gives you nine clear questions to bring to any annuity conversation. Ask them, get answers you understand, and you'll be in a strong position to make a confident choice — whatever you decide.

Tip: if you can't get a plain-English answer to every question below, that's your signal to slow down, not speed up.

FIRST, THE LANDSCAPE

Four kinds of annuities — at a glance

"Annuity" isn't one product. These are the four you're most likely to encounter, and each is built for a different job. Knowing which one is in front of you makes every question that follows easier to answer.

Fixed (MYGA)

FOR PREDICTABLE GROWTH

Pays a guaranteed interest rate for a set term, much like a CD. Simple and stable, with a known rate.

Fixed Indexed

FOR GROWTH WITH PROTECTION

Credits interest tied to a market index, up to a cap, with no interest credited (rather than a loss) in down years.

Immediate (SPIA)

FOR INCOME STARTING NOW

You convert a lump sum into a stream of guaranteed payments that begins right away — often for life.

Variable

FOR MARKET-BASED GROWTH

Your money is invested in market subaccounts. Higher growth potential, but the value can rise *and* fall.

The nine questions

- 1 What type of annuity is this — and what job is it doing in my plan?
- 2 How does my money grow, and what limits the growth?
- 3 What guarantees am I getting, and who stands behind them?
- 4 What does it cost — all in?
- 5 How and when can I access my money?
- 6 If I want lifetime income, how exactly does the income rider work?
- 7 How will it be taxed — for me and for my heirs?
- 8 How does inflation affect the income over time?
- 9 How is the person recommending this paid, and what if I change my mind?

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What type of annuity is this — and what job is it doing in my plan?

WHY THIS MATTERS

"Annuity" covers several very different products. A **fixed (MYGA) annuity** pays a set rate for a term, much like a CD. A **fixed indexed annuity** offers growth tied to a market index with protection against index declines. An **immediate annuity (SPIA)** turns a lump sum into income starting now. A **variable annuity** invests in market subaccounts and can lose value. Each solves a different problem — so the first question is which one you're being shown, and why it fits your goal of growth, protection, or income.

QUESTIONS TO ASK

- Which exact type of annuity is this, and why this one for my situation?
- Is my goal growth, guaranteed income, or principal protection — and does this match it?

How does my money grow, and what limits the growth?

WHY THIS MATTERS

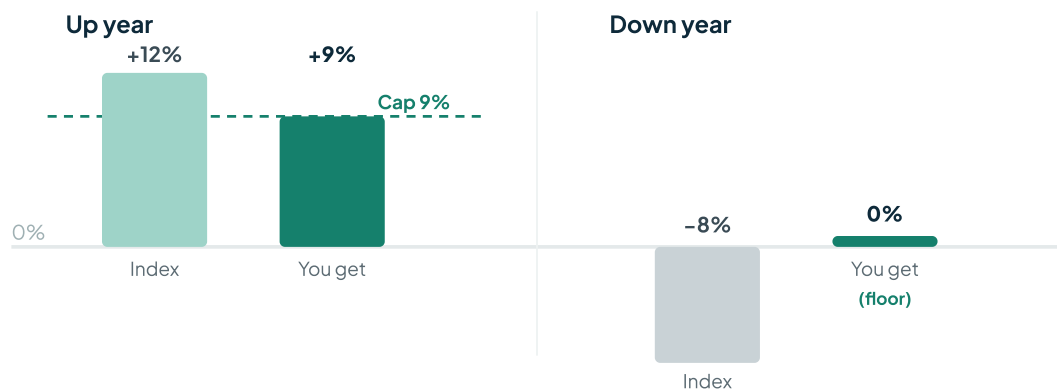
With a fixed indexed annuity, you don't invest directly in the market — the insurer credits interest based on an index's movement, limited by a **cap**, a **participation rate**, or a **spread**. In exchange, a down year credits 0% rather than a loss. Two things are easy to miss: index crediting usually **excludes dividends**, and these rates can often be **reset at renewal** within a guaranteed minimum. Understanding the crediting method tells you what kind of growth is realistic.

Participation rate: the share of the index's gain you receive. **Cap:** the most you can be credited in a period. **Spread:** an amount subtracted before interest is credited.

A quick example shows the trade-off in action. ([The SEC's investor bulletin on indexed annuities explains these features in detail.](#))

How indexed crediting works

A simplified look at one period with a hypothetical 9% cap.



Illustrative only. Caps, participation rates, and spreads vary by contract and may change at renewal. This is not a prediction of returns, and index crediting typically excludes dividends.

QUESTIONS TO ASK

- What's the crediting method, and what are the current cap, participation rate, and spread?
- What is the guaranteed minimum, and can you show the renewal-rate history on this product?

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What guarantees am I getting, and who stands behind them?

WHY THIS MATTERS

An annuity's promises are only as strong as the company making them. Annuities are **not bank products and not FDIC insured** — the guarantees rest on the **financial strength and claims-paying ability of the issuing insurer**, a company regulated by the state and required to hold reserves against its promises. That makes the carrier an important part of your decision, so it's worth reviewing the company's independent financial-strength ratings before you buy.

QUESTIONS TO ASK

- What are this insurer's financial-strength ratings (for example, from AM Best, Moody's, S&P, or Fitch)?
- How long has the company been issuing annuities, and what exactly is guaranteed in writing?

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What does it cost — all in?

WHY THIS MATTERS

Costs vary widely by product type. A straightforward fixed or fixed indexed annuity may have **no explicit annual fee** (the cap or spread is how the insurer is compensated), while optional riders add a yearly charge, and variable annuities can layer several fees together. None of this is hidden — but it's only clear if you ask for the **total cost** in writing, including every rider you're adding.

QUESTIONS TO ASK

- What is the all-in annual cost, including any riders, shown as a percentage and a dollar amount?
- Which costs are optional, and what would I save by dropping features I don't need?

How and when can I access my money?

WHY THIS MATTERS

Annuities are built for the long term, so most include a **surrender period** (commonly 5–10 years) during which withdrawals above an annual allowance carry a charge. Many contracts let you take out around 10% per year penalty-free, and some waive charges for events like nursing-home care. A **market value adjustment** may also apply, and the IRS adds its own **10% penalty on gains taken before age 59½**. The key is matching the surrender term to money you won't need early. (See the [SEC on surrender charges](#) and [IRS guidance on early withdrawals](#).)

Surrender charge: a fee for withdrawing more than the allowed amount during the surrender period. **Market value adjustment (MVA):** an additional up-or-down adjustment on early withdrawals tied to interest-rate movements.

QUESTIONS TO ASK

- What's the full surrender schedule, how much can I access each year penalty-free, and is there an MVA?
- What life events (illness, long-term care) waive the surrender charge?

Want these answered for your situation?

Get matched with a licensed specialist who can walk through each question with you — free, no obligation.

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If I want lifetime income, how exactly does the income rider work?

WHY THIS MATTERS

For many people the main reason to own an annuity is a **guaranteed lifetime withdrawal benefit (GLWB)** — an optional rider that can pay income for as long as you live, backed by the insurer's claims-paying ability. These riders are powerful but have specific rules: an annual fee, a possible **waiting period** before income begins, and a difference between the "income base" used to calculate payments and your actual account value. Understanding those mechanics tells you what income you can really count on.

QUESTIONS TO ASK

- What does the rider cost, when can income start, and how is my payment calculated?
- What happens to any remaining account value if I pass away — does it go to my beneficiaries?

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How will it be taxed — for me and for my heirs?

WHY THIS MATTERS

Annuity growth is tax-deferred, but withdrawals of gains are taxed as **ordinary income** (not capital gains), and gains come out first. One important point: if you fund an annuity with money already inside an IRA or 401(k), the annuity provides **no additional tax deferral** — that money is already tax-deferred, so you'd choose the annuity for its other features. And unlike many investments, annuities generally don't receive a **step-up in cost basis** for heirs, which can affect their tax bill. This is a conversation for a qualified tax professional. (FINRA and the IRS both publish guidance on how annuities are taxed.)

QUESTIONS TO ASK

- Am I funding this with qualified (IRA/401k) or non-qualified money, and how does that change the tax picture?
- How will my beneficiaries be taxed on what they inherit?

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How does inflation affect the income over time?

WHY THIS MATTERS

A level income payment buys less each year as prices rise — over a long retirement, that erosion adds up. Some annuities offer **increasing-income options** or inflation-linked features (usually in exchange for a lower starting payment), while others pay a fixed amount for life. Neither is automatically better; what matters is that you understand which one you're getting and how it fits the rest of your income, like Social Security, which does adjust for inflation.

QUESTIONS TO ASK

- Is the income level for life, or can it increase over time — and at what trade-off?
- How does this income work alongside my Social Security and other sources?

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How is the person recommending this paid, and what can I do if I change my mind?

WHY THIS MATTERS

Annuities are typically sold on **commission** paid by the insurer. In nearly every state, recommendations must meet a **"best interest" standard** that requires putting your interests ahead of compensation and disclosing conflicts — though that's not identical to a fiduciary duty. **(Most states have adopted the NAIC's best-interest standard, Model #275.)** You're always entitled to ask how someone is paid, and to get an independent second opinion. Reassuringly, every contract includes a **free-look period** (commonly 10–30 days) to review everything at home and cancel — on a fixed annuity you get your full premium back; on a variable annuity the refund is the current account value, which may be a little more or less than you paid.

QUESTIONS TO ASK

- How are you compensated on this product, and what conflicts are you required to disclose?
- How long is my free-look period, and how do I cancel if it isn't right for me?

QUICK REFERENCE

Key terms, in plain English

Cap

The maximum interest you can be credited in a given period on an indexed annuity.

Spread

An amount subtracted from the index gain before interest is credited.

Surrender charge

A fee for withdrawing more than the allowed amount during the surrender period.

GLWB rider

Guaranteed Lifetime Withdrawal Benefit — an optional, fee-based feature paying income for life.

Free-look period

A window after the contract is delivered (commonly 10–30 days) to cancel and get your money back — usually the full premium; on a variable annuity some states refund the current account value, which can be less.

Participation rate

The share of an index's gain that counts toward your credited interest.

Floor

The minimum you can be credited — typically 0%, which protects against index losses.

Market value adjustment

An up-or-down adjustment on early withdrawals, tied to interest-rate movements.

Annuitization

Converting your balance into a stream of income payments — often an irreversible choice.

Claims-paying ability

The insurer's financial capacity to honor its guarantees — what actually backs an annuity.

WHERE TO LEARN MORE

Sources & further reading

This guide is grounded in publicly available guidance from financial regulators and standards bodies. We encourage you to read the originals — all are free and independent of any annuity seller.

- **U.S. Securities and Exchange Commission (Investor.gov):** investor bulletins on indexed annuities and variable annuities, including how caps, participation rates, and surrender charges work.

- **FINRA (finra.org):** investor education on annuity types, fees, and questions to ask before purchasing.
- **National Association of Insurance Commissioners (NAIC):** the Suitability in Annuity Transactions Model Regulation (#275) — the "best interest" standard adopted by most states.
- **Internal Revenue Service (IRS):** rules on the taxation of annuity income and the additional 10% tax on certain withdrawals before age 59½.
- **Independent rating agencies (AM Best, Moody's, S&P Global, Fitch):** financial-strength ratings used to assess an insurer's claims-paying ability.

YOUR NEXT STEP

Get your questions answered by a licensed specialist

You don't have to navigate this alone. Track Retirement helps you compare your options and get matched with a licensed specialist who can walk you through these exact questions for your situation — independent, free, and with no obligation.

- ✓ Compare current annuity options side by side
- ✓ Matched to a licensed, independent specialist
- ✓ Plain-English answers, no pressure
- ✓ 100% free — no cost, no obligation

No spam. Your information is securely handled and only used to connect you with help.



Track Retirement

IMPORTANT DISCLOSURES

This guide is for general educational purposes only and does not constitute investment, insurance, legal, or tax advice, nor a recommendation to buy or sell any specific product. Track Retirement is not an insurance company or agency and does not sell or issue annuities. If you ask to be connected, we refer you to an independent, state-licensed insurance professional and are paid a referral fee; any product would be offered by that professional.

Annuity features, rates, caps, participation rates, surrender schedules, riders, and availability vary by carrier and by state and are subject to change. Any figures or ranges shown are general references for illustration only — verify

current terms in the actual contract. Fixed indexed annuities provide protection against losses caused by declines in a market index; they are not a direct investment in any index or the stock market, and index crediting does not include dividends.

Annuities are not bank products, are not FDIC insured, and are not guaranteed by any bank or government agency. Guarantees and any lifetime-income benefits are subject to the financial strength and claims-paying ability of the issuing insurance company. Withdrawals may be subject to surrender charges and a market value adjustment; withdrawals of taxable amounts are subject to ordinary income tax and, if taken before age 59½, may incur an additional 10% federal tax penalty. Tax deferral is already provided by qualified accounts such as IRAs; using an annuity to fund one provides no additional tax deferral.

Always review the full contract and disclosures and consult a licensed financial professional and qualified tax advisor about your specific situation before making any decision.

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