

A JOURNEY TO FINANCIAL SECURITY

**THE WHAT? WHY? AND HOW? ABOUT
ANNUITIES**

By Orly Amor
With the expertise of Elise Roberts

Certified Financial Fiduciary

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A Journey to Financial Security
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Introduction

I've always believed that knowledge is power, and when it comes to money, that statement couldn't be truer. For someone like me, who has spent decades perfecting the art of speaking and helping others find their voices, the topic of finances has always felt like a foreign language. I've spoken on more than 5,000 stages, advised countless professionals, and coached business owners on how to grow their ventures but when it comes to understanding the intricacies of managing, growing, and protecting my own wealth, I realize there's a lot I don't know.

Why? Because I've never been taught.

I was never handed a guide on how to manage my finances, let alone how to plan for a future where money could work for me rather than me always working for it. Growing up, the conversations around wealth, savings, or investments weren't part of my world. I learned how to hustle, how to create value, and how to generate income, but I never received an education on the critical aspects of preserving and growing that income. If you can relate, you know exactly how overwhelming it can feel.

But here's the thing about me: I'm relentless in my pursuit of answers. When I don't know something, I get curious. And when I'm curious, I ask questions lots of them. That's how I've built my business, refined my public speaking programs, and positioned myself as the go-to business coach for public speakers. When I realized that there was a gap in my financial knowledge, I did what I've always done: I started asking the right questions.

I wanted to get answers directly from the people who knew what they were talking about. Short of sitting down with Warren Buffet himself because who wouldn't want that opportunity? I decided to reach out to

experts in my own circle. I'm privileged to have access to some incredibly successful individuals, and I wanted to learn from their wisdom. Specifically, I wanted to interview someone who knew about *annuities*, an area of personal finance that always felt like a black box to me.

I knew the basics: Annuities can provide guaranteed income for life, and they're often used for retirement planning. But what about all the nuances? What are the different types of annuities? How do they grow? What are the risks? And most importantly, how do they fit into my financial future and the future of the many professionals I guide?

These are not just questions for me; they're questions I want to ask on behalf of the people I mentor, coach, and support. Public speakers, business owners, and legacy builders are people just like me who have worked hard for their money but may not know the best ways to protect it or make it last. I realized that it wasn't just about curiosity anymore, it was about responsibility. The responsibility to understand the financial landscape so I can guide others through it as well.

The more I thought about it, the more it became clear: If I'm coaching my clients on how to make \$150K or more in a year, then I should also be guiding them on how to *keep* and *grow* that income. After all, what's the point of earning a good income if you don't know how to protect or invest it wisely?

I reached out to one of the most successful people I know in the world of finance, an expert in annuities. I wanted to sit down with her and really dig deep. Not just surface-level conversations about what annuities are, but a true, in-depth exploration of how they work, the risks involved, and the kinds of questions someone like me, someone who's never been formally taught about money, should be asking.

For me, it was never about looking for a '*get rich quick*' scheme or trying to understand complicated investment strategies that only work for Wall Street insiders. It's about the *practical* steps I can take to secure

my future and the future of those I work with. It's about asking questions like, "How do I make sure I don't outlive my savings?" and "What's the smartest way to turn the money I've earned into a stream of income I can depend on in my later years?"

I've always believed in taking the long view when it comes to business and success. I've never been one to chase short-term gains, whether in speaking engagements or in business coaching. I tell my clients all the time that success is about showing up, being consistent, and making thoughtful decisions that lead to sustainable growth. The same is true for financial planning.

That's why I decided to learn about annuities, because they align with my philosophy of long-term thinking. The idea that you can take what you've worked so hard to earn and turn it into a reliable, long-term source of income is powerful. But like anything else, it requires education and understanding. It's not just about buying a product and hoping it works. It's about *knowing* what you're getting into, asking the tough questions, and making informed decisions based on real knowledge.

I feel the urgency to understand annuities, not just for myself, but for all the professionals I serve. Many of them are in the same boat I was in, not really knowing how to make their money work for them. They've never been taught, and as a result, they may not be asking the right questions when it comes to financial security. It's my responsibility as a coach and leader to bridge that gap, and the only way I can do that is by learning myself.

So, I've made it my mission to interview an expert in annuities, someone who can explain things clearly and help me understand how to make smarter financial decisions moving forward. By doing this, I'm not just gaining knowledge for myself; I'm equipping myself to pass that knowledge on to others. And that, for me, is the true value of curiosity, turning what I learn into something that can benefit everyone I touch through my work.

If you've never been taught about money, like me, don't feel ashamed.

Instead, get curious. Start asking questions. Whether it's about annuities or any other financial topic, the answers are out there, and you deserve to know them. Your financial future, and the future of those who depend on you, depends on the questions you ask today.

That's why I'm diving into this topic. Not because I'm expected to, but because I owe it to myself and those I serve. So, let's get curious together and start asking the questions that matter.

Here are 31 common questions someone should ask about annuities, especially if they are new to the concept like I was:

1. What is an annuity?
2. How does an annuity work?
3. What are the different types of annuities (fixed, variable, indexed)?
4. What are the benefits of purchasing an annuity?
5. What are the risks associated with annuities?
6. How does an annuity compare to other retirement products?
7. What is the difference between immediate and deferred annuities?
8. When should I consider purchasing an annuity?
9. How do annuities grow over time?
10. What are the tax implications of owning an annuity?

11. What is the difference between qualified and non-qualified annuities?
12. How are annuity payouts structured (lifetime, fixed period, etc.)?
13. What happens to my annuity if I pass away?
14. Can I name beneficiaries for my annuity?
15. Are there fees or charges associated with annuities?
16. What is the surrender period, and how does it affect my access to funds?
17. What are surrender charges, and how can I avoid them?
18. How are annuities insured or protected?
19. Can I withdraw money from my annuity before retirement?
20. How does inflation affect an annuity?
21. What is a guaranteed minimum interest rate in an annuity?
22. Can I lose money in a variable annuity?
23. What are the advantages of a fixed annuity?
24. What is an indexed annuity, and how does it tie to market performance?

25. What are rider options, and should I consider adding them?
26. What is the cost of adding optional riders to my annuity?
27. How is my income from an annuity taxed in retirement?
28. What happens if the insurance company issuing my annuity goes bankrupt?
29. How can I determine the right type of annuity for my needs?
30. Can I convert my current retirement savings into an annuity?
31. Taxes for Annuities?

In this book we will cover these questions and the fundamental aspects of annuities, including their structure, benefits, risks, and tax implications to the best of my ability.

Disclaimer, I am not a Financial Planner or a Tax Expert and therefore you need to be inspired by this content to ask your professional CPA or Tax Advisor or Call Elise Roberts directly about your personal situation.

Prelude

When it comes to understanding something as important and complex as annuities, I knew I had to find the right expert, someone I could trust implicitly, someone who not only has the credentials but also the personal experience and integrity that I value. That's why I chose to interview Elise Roberts, Certified Financial Fiduciary.

Elise isn't just another financial advisor. She's a powerhouse who has cultivated success over the years through hard work, dedication, and an insatiable curiosity for learning. Her journey into the world of annuities and finance is fascinating, and it's rooted in something even deeper than her professional accomplishments, her father's teachings. I've always believed in learning from the best, and Elise is exactly that. But what sets her apart isn't just her expertise; it's her story, her values, and her relentless pursuit of knowledge.

Why Elise Roberts?

I've had the privilege of knowing some incredible professionals, but Elise stands out because of her dedicated approach to finances and her unwavering commitment to her clients. When I started my journey to learn about annuities, I knew I couldn't settle for surface-level information or someone who was just trying to sell me a product. I needed someone who genuinely understands the nuances, the risks, and the benefits of annuities, and most importantly, someone who knows how to communicate that knowledge in a way that makes sense to someone like me, who was never formally taught about money management.

Elise has this incredible ability to break down complex financial concepts and make them accessible. It's a gift she's cultivated over years

of experience, and it's one of the reasons she's become the go-to person in her field. She didn't just stumble upon success; she earned it through dedication, constant learning, and a passion for helping others secure their financial futures.

Learning from Her Father

One of the things I admire most about Elise is how she integrates her father's wisdom into her practice. Her father was a pivotal figure in shaping her financial mindset, and it's clear that his teachings laid the foundation for the success she's achieved today. She often talks about the lessons he passed down, about discipline, hard work, and the importance of understanding how money works. But what really resonates with me is how her father instilled in her a sense of responsibility, not just to herself, but to others.

Elise has taken that responsibility to heart. She's built her career on helping people make informed decisions about their money, particularly when it comes to annuities, which can be a confusing and intimidating subject for many. I respect the way she honors her father's legacy by ensuring that her clients are educated and empowered, not just sold a product. In a world where financial advice can sometimes feel transactional, Elise brings a refreshing authenticity and a personal touch that I trust completely.

A Journey Through Multiple Modalities

Before honing in on annuities, Elise explored various financial modalities. She didn't just dive into one area and stick with it, she explored, learned, and grew from each experience. This breadth of knowledge is what makes her such a well-rounded expert. She didn't choose annuities because they were easy or because they promised quick success. She chose them because,

after exploring other financial avenues, she realized that annuities offer something truly valuable: a way to provide people with long-term security and peace of mind.

Elise's journey through different financial strategies has given her a unique perspective. She understands the broader financial landscape, which allows her to see how annuities fit into a larger financial plan. She's not just looking at annuities in isolation; she's looking at how they can complement other investments and strategies to provide a well-rounded approach to financial security. That's one of the reasons I trust her advice implicitly; she sees the big picture.

Becoming Number One

Elise didn't just become successful overnight. She worked her way up to becoming the one of the top advisors in the firm she works with. This isn't just a title, it's a testament to her expertise, her work ethic, and the trust she's built with her clients. Being the top advisor means that she's not only knowledgeable but also that her clients see real results from her advice.

In a field as competitive as financial professional, becoming the best takes more than just knowing the numbers. It takes a deep understanding of people's needs, fears, and goals. Elise has that understanding. She listens to her clients, asks the right questions, and provides solutions that are tailored to their specific situations. This level of personalization is rare, and it's one of the reasons I knew she was the right person to guide me through the world of annuities.

Trusting Her Knowledge Implicitly

Trust is a big deal for me. In all my years as a public speaker, coach, and businesswoman, I've learned that trust isn't something you

give lightly. It's earned. And Elise has earned my trust. Her knowledge, combined with her integrity and the way she approaches her work, gives me complete confidence in her advice. I don't have to second-guess her recommendations because I know she's coming from a place of genuine care and expertise.

When I decided to learn about annuities, I wasn't just looking for someone to explain the basics to me. I wanted someone who could guide me through the intricacies, someone who understood the potential pitfalls as well as the benefits. Elise is that person. She's not just going to tell you what you want to hear, she's going to tell you what you need to know, and that's exactly the kind of guidance I need.

A Call to Action: Learning from the Best

It's one thing to recognize that you need to learn about a topic like annuities, but it's another thing to know where to turn for the right advice. I chose Elise because I wanted the best, and I'm so grateful that she's not only agreed to share her knowledge with me but also connected me with others in her network who are equally knowledgeable.

If you're like me and you weren't taught about money, savings, or how to protect what you have, now is the time to get curious. Find the experts who have walked the path and learned the lessons.

Elise Roberts is one of those experts, and I feel incredibly fortunate to be learning from her. Her success, her story, and her commitment to helping others are all reasons why I trust her implicitly.

We all deserve to understand our financial future, and with the right guidance, like that of Elise Roberts, we can make informed decisions that will set us up for long-term success. So, let's get curious, ask the right questions, and learn from the very best.

That's what I'm doing, and I encourage you to do the same.

CHAPTER 1

WHAT IS AN ANNUITY?

*“An annuity is more than a financial tool;
it’s a promise of security for your future self.”*
– Elise Roberts

An annuity is a financial product designed to provide a steady stream of income, typically used as part of a retirement strategy. In simple terms, it’s an agreement between you and an insurance company where you invest a sum of money (either all at once or over time), and in return, the insurance company promises to provide you with regular payments either immediately or in the future.

Annuities are popular because they can offer guaranteed income for life, helping individuals ensure that they don’t outlive their savings. The idea is to convert a portion of your savings into a predictable income stream, which can offer peace of mind in retirement when traditional paychecks stop.

Key Elements of an Annuity:

- **Premiums:** The amount you pay for the annuity.
- **Payouts:** Regular payments made to you, either for a fixed period or for the rest of your life.
- **Annuitant:** The person who receives the annuity payments.
- **Beneficiary:** In some annuities, is a designated person who will receive payments after the annuitant's death.

There are different types of annuities (discussed below), each with different growth and payout mechanisms. The primary goal of an annuity is to mitigate longevity risk, the risk of outliving your money.

Elise explained annuities to Carol, a retired nurse, as a way to transform her savings into a reliable income. When Carol said, “It sounds like a safety net for my future,” Elise knew she had made the concept accessible. Years later, Carol credited her annuity for letting her live comfortably without worrying about market fluctuations.

Elise’s suggestion about what you can do: If you are approaching retirement and looking for a way to create a reliable income stream that you cannot outlive, consider exploring annuities. Just consult with Elise to determine if this is the right product for your situation. (Her information is in the back of the book.)

CHAPTER 2

HOW DOES AN ANNUITY WORK?

*“An annuity transforms uncertainty
into assurance, one payment at a time.”*
– Elise Roberts

An annuity works by converting your initial investment (or premium) into a series of payments that you can receive for a set period, such as 10, 20 years, or for the rest of your life. These payments can begin immediately (with an immediate annuity) or at some point in the future (with a deferred annuity).

There are three phases to an annuity:

1. **Accumulation Phase:** This is when you're paying into the annuity. It could be a single lump-sum payment or multiple payments over time.
2. **Growth Phase:** During this period, your money grows based on the

type of annuity you have. The growth could be guaranteed at a fixed rate, tied to market performance, or vary based on the performance of chosen investments.

3. **Distribution Phase:** Once your payout period begins, the insurance company starts sending you regular payments.

The structure of these payments depends on your annuity type. For example, a *fixed annuity* guarantees a set payment, while a *variable annuity* depends on market performance, making payments fluctuate. With an *indexed annuity*, payouts are linked to the performance of a market index like the S&P 500 but offer some downside protection.

Key Factors Affecting How Annuities Work:

- **Payment Options:** You can receive payments monthly, quarterly, annually, or even as a lump sum.
- **Death Benefits:** Some annuities allow for beneficiaries to continue receiving payments or a lump sum if the annuitant dies.
- **Fees and Charges:** Annuities often come with surrender fees (for early withdrawals) and management fees, which can affect your overall payout.

James, an engineer, struggled to understand how an annuity could work for him. Elise illustrated the process with simple visuals: contributions growing over time, then turning into predictable income. When James

received his first payout, he told Elise, “It’s like getting a paycheck from my younger self.”

Elise’s suggestion about what you can do: Understanding how an annuity works is crucial for planning your financial future.

Contact Elise to evaluate your retirement income needs, review how much you can invest in an annuity, and choose a structure that aligns with your goals.

CHAPTER 3

WHAT ARE THE DIFFERENT TYPES OF ANNUITIES (FIXED, VARIABLE, INDEXED)?

“Different paths lead to the same goal: financial peace of mind. Choose the one that fits your journey.”

– Elise Roberts

There are several types of annuities, each with its own unique features, benefits, and risks. The main types are:

1. Fixed Annuities:

These offer a guaranteed, predictable income stream. The insurance company agrees to pay you a specific amount at regular intervals, regardless of what happens in the financial markets.

- **Benefits:** Safety and predictability. You know exactly what you'll receive.

- **Risks:** Since payments are fixed, they may not keep up with inflation over time, reducing purchasing power.
- **Best for:** Risk-adverse individuals who want stable income without market exposure.

2. Variable Annuities:

In a variable annuity, your money is invested in a selection of sub-accounts (which are similar to mutual funds). The income you receive depends on the performance of these investments.

- **Benefits:** The potential for higher returns if the investments perform well.
- **Risks:** The value of your investment can fluctuate, meaning your payouts may vary. You could lose money if your investments underperform.
- **Best for:** Individuals comfortable with market risk and seeking growth potential.

3. Indexed Annuities:

These annuities offer a return based on the performance of a specific market index (such as the S&P 500). While your returns are linked to market performance, indexed annuities often come with a *cap* on earnings and a *floor* that protects you against market losses.

- **Benefits:** Some growth potential without the risk of a variable annuity. There's a guarantee that you won't lose your principal investment or interest earned.
- **Risks:** Limited growth due to caps on returns.
- **Best for:** Those who want a middle ground between the predictability of fixed annuities and the growth potential of variable annuities.

Other variations include *immediate* vs. *deferred annuities* (explained later), *qualified* vs. *non-qualified annuities*, and more.

Elise helped Mary And John navigate through the different types of Annuities. Mary wanted 100% safety with a guaranteed rate of return, so she chose a fixed Annuity, while John, who was comfortable with some level of risk, opted for the fixed index annuity. Five years later, both shared how their decisions perfectly matched their personalities and needs.

Elise's suggestion about what you can do: Knowing the different types of annuities is essential for selecting the right one for your needs. Think about your risk tolerance, financial goals, and retirement timeline, then consult with Elise to pick the best type for you.

CHAPTER 4

WHAT ARE THE BENEFITS OF PURCHASING AN ANNUITY?

*“An annuity isn’t just an investment;
it’s an investment in your peace of mind.”*
– Elise Roberts

Annuities offer a variety of benefits, particularly for those concerned about securing a stable, reliable income in retirement. Here are the primary benefits:

1. **Guaranteed Income for Life:** One of the most appealing benefits of annuities is the guarantee of lifetime income. For many retirees, this provides the peace of mind that they will never outlive their savings.
2. **Tax-Deferred Growth:** During the accumulation phase of most annuities, your investment grows tax-deferred. This means you don’t pay taxes on your earnings until you begin receiving payments, allowing your investment to compound over time.

3. **Protection from Market Volatility:** Certain types of annuities, like fixed and indexed annuities, offer protection from market downturns, ensuring that you don't lose your principal or experience negative growth due to poor market performance.
4. **Customizable Options:** Annuities can be tailored to meet your financial needs. Whether you want a lifetime income stream, a guaranteed payout for a fixed period, or the ability to provide for a beneficiary, there's likely an annuity product that fits your goals.
5. **Death Benefits:** Many annuities offer death benefit riders that ensure your beneficiaries receive payments if you pass away before receiving the full value of the annuity. This can provide financial security for loved ones.
6. **Inflation Protection:** some Annuities come with optional riders that adjust payouts based on inflation, ensuring your purchasing power is protected as cost overtime. When purchasing an annuity, it's important to make sure you're annuity has increasing income, which will cover this inflation risk. In Some annuities this has an additional cost, and in other cases there are none.
7. **Estate Planning:** Annuities can serve as an important part of an estate plan, allowing you to leave a financial legacy to your beneficiaries.

Tom, a small business owner, was skeptical but wanted retirement security. After Elise highlighted benefits like lifetime income and tax advantages, he invested. Years later, he told her, "This annuity was the

smartest decision I made for my family.” Now he even recommended his daughter who is now 47 to do the same.

Elise’s suggestion about what you can do: If these benefits align with your retirement needs, consider exploring different annuity products. Elise can help ensure that you choose an annuity that optimizes your income and provides security for your future.

CHAPTER 5

WHAT ARE THE RISKS ASSOCIATED WITH ANNUITIES?

“Understanding the risks helps you turn challenges into opportunities for growth.”
– Elise Roberts

While annuities provide many benefits, they are not without risks. It’s important to understand these risks before making a purchase:

1. **Liquidity and Surrender Charges:** Annuities are not liquid investments. If you need access to your money before the end of the surrender period, you may face steep surrender charges. The surrender period can last several years, which could be problematic if your financial situation changes.
2. **Complexity:** Annuities can be difficult to understand, with many riders, fees, and options that could complicate your financial

planning. Without proper guidance, it's easy to choose an annuity that may not align with your goals.

3. **Fees:** Annuities often come with high fees, including management fees, mortality and expense charges, and the cost of riders. These fees can eat into your investment returns and reduce the overall payout you receive.
4. **Inflation Risk:** Fixed annuities offer predictable income, but that income may not keep pace with inflation. Over time, your fixed payments may lose purchasing power as the cost of living rises.
5. **Market Risk (Variable Annuities):** If you opt for a variable annuity, your payouts are tied to the performance of the underlying investments. This means that poor market performance could reduce your income and even cause you to lose some of your original investment.
6. **Insurance Company Solvency:** Annuities are backed by the financial strength of the insurance company. If the company becomes insolvent, there's a risk that you may not receive the full value of your annuity. However, many states offer a guaranteed association that provides some level of protection in case of insurer bankruptcy.
7. **Taxes on Withdrawals:** While annuities grow tax-deferred, you will eventually owe taxes when you start receiving payments. Withdrawals from qualified annuities (funded with pre-tax dollars) are taxed as ordinary income, while for non-qualified annuities (funded with after-tax dollars), only the earnings portion is taxed. In either case, if you withdraw money before age 59½, you may also

face a 10% early withdrawal penalty from the IRS, in addition to regular income taxes.

- 8. Long-Term Commitment:** Annuities are typically a long-term investment product. Once you've purchased an annuity, your money may be tied up for many years, sometimes for life, depending on the annuity terms. If your financial situation changes, or if you need a large sum of money for an unexpected expense, the lack of liquidity in an annuity could become a problem. In contrast to other retirement accounts like IRAs or 401(k)s, where you may have more flexible withdrawal options, annuities lock you into a fixed schedule of payments or imposing penalties for early withdrawals.
- 9. Opportunity Cost:** When you invest in an annuity, especially a fixed or guaranteed product, you may be giving up the opportunity for higher returns elsewhere. For example, stock market investments might offer greater growth potential over time compared to a fixed annuity, which offers stability but at a lower return rate. This "opportunity cost" could mean missing out on potentially higher gains, which is a trade-off for the security and guaranteed income that annuities offer.
- 10. Inflation Risk (for Fixed Annuities):** Fixed annuities provide stable payments, but those payments remain the same over the life of the annuity. If inflation rises significantly during your retirement years, the purchasing power of your fixed annuity payments can erode. Although some annuities offer inflation protection riders, these typically come at an additional cost, which can reduce your overall returns.

- 11. Complexity of Features and Riders:** Annuities can be highly complex financial products. Some annuities come with optional features or “riders,” such as death benefits, long-term care coverage, or inflation protection. While these features can add value, they often come with additional costs that can reduce your payout. Furthermore, understanding the terms and conditions of these riders can be confusing, making it difficult to fully understand what you’re buying. This complexity may lead to misunderstandings about how the product works, its fees, and its long-term implications.
- 12. Potential for Mis-selling:** Because annuities can be highly profitable for insurance companies and financial advisors, there’s a risk of encountering high-pressure sales tactics or even mis-selling. Some advisors may not fully explain the costs, benefits, and risks associated with annuities, especially if they’re incentivized to sell particular products. It’s crucial to work with a trusted financial advisor who has your best interests in mind, rather than someone who might prioritize their commission over your financial well-being.
- 13. Risk of Inflexibility:** Once you’ve chosen an annuity, changing its terms or cashing out early can be difficult, if not impossible, without facing significant penalties. If your financial circumstances or goals change, the lack of flexibility in annuities might not align with your new needs. This can be a disadvantage compared to other types of investments that allow for more control over how and when to access your funds.

Elise worked with Susan, who worried about surrender charges. Elise tailored a plan to minimize risks, ensuring Susan’s funds were accessible

when needed. Susan later shared, “Your honesty helped me feel confident in my choice.”

Elise’s suggestion about what you can do: Before purchasing an annuity, it’s essential to weigh the potential risks against the benefits. While annuities can offer security and a predictable income stream, they are complex products that come with various fees, surrender charges, and market risks. Let Elise Roberts give you a clear understanding of these risks as it is crucial in deciding whether an annuity is the right fit for your financial plan.

Here are key actions to take:

- **Evaluate Your Financial Needs:** If your priority is guaranteed income in retirement, an annuity could be a suitable option. However, ensure that you can commit to the long-term nature of this product and that you won’t need immediate access to the funds.
- **Compare Costs:** Be sure to ask about all the fees associated with an annuity, including surrender charges, management fees, and costs for optional riders. Compare these costs to other retirement products to ensure you’re making a well-informed decision.
- **Assess Risk Tolerance:** If you’re risk-averse and want a stable, predictable income, consider a fixed or an indexed annuity. If you’re more comfortable with market fluctuations and potential losses, a variable annuity might be worth considering.

- **Consult with Elise:** What I found out through my research is that most financial advisors don't even fully understand Annuities. Annuities Specialists are very rare and that is why I recommend speaking to Elise first.
- **Review All Options:** Annuities are not the only retirement income solution. Depending on your risk tolerance and financial situation, other strategies, such as dividend-paying stocks, bonds, or real estate investments, might offer comparable benefits with different levels of flexibility or growth potential.

What I found with my research is that most Financial Advisors don't fully understand annuities and finding one that is an expert is very rare. After all is said and done, Elise is still the best choice.

By asking the right questions and fully understanding both the benefits and risks, you can make an informed decision about whether an annuity is right for your retirement plan.

CHAPTER 6

WHAT TYPES OF ANNUITIES ARE AVAILABLE?

“Every tool has its purpose; an annuity excels at providing certainty in an uncertain future.”
– Elise Roberts

Annuities come in several forms, each tailored to meet different financial goals. Understanding the various types can help you determine which is best suited for your needs. Let’s break down the most common types of annuities, their features, benefits, and potential drawbacks.

1. Fixed Annuities

A fixed annuity provides a guaranteed, predetermined rate of return on your investment. It’s the simplest form of annuity, often likened to a savings account, except it typically offers a higher rate of return and is used for long-term retirement planning.

- **Pros:** The primary advantage of a fixed annuity is its stability. You'll receive a steady, guaranteed income, which can be appealing if you're risk-averse or close to retirement.
- **Cons:** Fixed annuities offer limited growth potential. The interest rate is locked in, so if market rates rise, you won't benefit from the potential for higher returns.

2. Variable Annuities

With a variable annuity, your returns are tied to the performance of a portfolio of investments, often mutual funds, that you select. This allows for potentially higher returns, but it also comes with more risk since your returns depend on market performance.

- **Pros:** Variable annuities offer the opportunity for greater growth, which can be attractive if you have a higher risk tolerance.
- **Cons:** Since the payout is tied to market performance, you could end up with lower payments if the market declines. Additionally, variable annuities often come with higher fees than other types.

3. Indexed Annuities

Indexed annuities offer a hybrid between fixed and variable annuities. Your returns are based on the performance of a market index, such as the S&P 500, but there's usually a cap on the maximum return you can earn.

Additionally, there's a floor, meaning you won't lose money even if the market drops.

- **Pros:** Indexed annuities provide the potential for higher returns without the downside risk of losing your initial investment. The floor protects you from market losses.
- **Cons:** The cap on returns means you won't fully participate in market gains. These annuities can also be complex, with fees and surrender charges that may limit the actual returns you receive.

4. Immediate Annuities

An immediate annuity starts paying out almost as soon as you make your initial investment, usually within a year. You provide a lump sum to the insurer, and in return, they begin regular payments to you for a set period or for the rest of your life.

- **Pros:** Immediate annuities provide guaranteed income quickly, making them ideal for retirees who need income now.
- **Cons:** You lose access to the lump sum you invested, which can be a drawback if your financial needs change.

5. Deferred Annuities

A deferred annuity delays payments until a future date, often many years

later. Your money grows tax-deferred during the accumulation phase, and you begin receiving payments when you retire or at another specified date.

- **Pros:** Deferred annuities allow your investment to grow over time, with the tax deferral adding another layer of potential growth.
- **Cons:** The money is locked up for a long time and accessing it early may incur surrender charges and taxes.

6. Qualified vs. Non-Qualified Annuities

Another distinction to be aware of is whether the annuity is qualified or non-qualified. Qualified annuities are funded with pre-tax dollars, such as money from an IRAs or 401(k), while non-qualified annuities are funded with after-tax dollars.

- **Qualified:** You'll pay taxes on both the contributions and earnings when you withdraw funds.
- **Non-Qualified:** Only the earnings are taxed, as the initial contributions were made with after-tax money.

David, who had a 401(k), wanted to diversify. Elise compared his options, showing how an annuity complemented his existing plan. Years later, David said, "My annuity feels like the steady anchor in my retirement ship."

Elise's suggestion about what you can do: Choosing the right type of annuity depends on your financial goals, risk tolerance, and how close you are to retirement. Before deciding:

- **Assess your risk tolerance:** Fixed and Fixed Indexed annuities are best for the risk-averse, while variable annuities may appeal to those who are more aggressive and understand the risk of losing money.
- **Consider your time horizon:** Immediate annuities are great if you need income now, while deferred annuities work for long-term planning.
- **Consult with an expert:** An annuities specialist like Elise can help match you with the right product based on your unique situation.

CHAPTER 7

HOW DO ANNUITIES WORK DURING RETIREMENT?

“Timing is everything, whether you need income now or prefer to grow it for later.”
– Elise Roberts

Annuities provide income during retirement, but how that income is structured depends on the type of annuity you’ve chosen and your specific payout options. Here’s how annuities typically work during your retirement years.

1. The Accumulation Phase

In the years leading up to retirement, you make contributions to your annuity, either as a lump sum or through a series of payments. During this phase, your money grows, either at a fixed rate (in the case of fixed annuities) or based on market performance (in the case of variable or indexed annuities).

2. The Distribution Phase

Once you retire and decide to start receiving payments, your annuity enters the distribution phase. This is when you begin to reap the benefits of your investment.

Lifetime Income: Many retirees opt for lifetime income payouts, which provide guaranteed payments for the rest of their life. This is a major appeal of annuities, they offer peace of mind, knowing you won't outlive your income.

Fixed or Variable Payments: If you've purchased a fixed annuity, your payments will be steady and predictable. If you have a variable annuity, your payments may fluctuate based on the performance of the underlying investments.

Joint and Survivor Payments: You can choose an option that continues payments to a surviving spouse after your death. While this reduces the initial payout, it ensures that your spouse has financial support in your absence.

3. Tax Considerations

During the accumulation phase, your money grows tax-deferred. You only pay taxes when you start receiving payouts, and the amount you owe depends on whether your annuity is qualified or non-qualified. Qualified annuities are taxed as ordinary income, while non-qualified annuities are taxed only on the earnings portion. Because you've already paid the tax, Roth IRAs are 100% tax free on the deposit and the earnings.

4. Early Withdrawals and Surrender Charges

It's important to note that if you withdraw money from your annuity before age 59½, you may face a 10% penalty in addition to regular income

taxes. Some annuities also have surrender charges if you withdraw funds too early, so it's crucial to understand the terms of your contract.

Elise helped Maria, a retiree, choose an immediate annuity for instant income and a deferred annuity for her long-term needs. Maria often said, "Elise gave me income for today and hope for tomorrow."

Elise's suggestion about what you can do: When planning for retirement, annuities can be a powerful tool for creating a guaranteed income stream. To maximize their benefits:

- Consider a mix of income sources: Don't rely solely on annuities, complement them with other investments like Social Security, pensions, or stocks and bonds.
- Plan for your spouse: If you're married, consider a joint and survivor payout option.
- Talk to a Tax Advisor: Ensure that your annuity aligns with your broader retirement goals and that you understand the tax implications.

CHAPTER 8

WHAT ARE THE FEES AND COSTS INVOLVED IN ANNUITIES?

*“The right time to secure your future is
when you’re ready to honor your dreams.”*
– Elise Roberts

Annuities often come with a variety of fees that can reduce your overall return, so it’s crucial to understand these costs before purchasing. While annuities provide valuable benefits like lifetime income, those benefits often come at a cost.

1. Mortality and Expense Risk Charge

This fee compensates the insurance company for the risks they take on, such as the risk of you living longer than expected. It’s typically expressed as a percentage of your account value, often around 1.25% per year for variable annuities.

2. Administrative Fees

Administrative fees cover the insurer's costs of managing your annuity. These fees can be flat annual charges or a percentage of the account balance, and they typically range from 0.1% to 0.3%.

3. Investment Management Fees

If you have a variable annuity, you'll also pay fees for the management of the investments in your portfolio. These fees vary depending on the investment options you choose, but they usually range from 0.25% to 2% annually.

4. Surrender Charges

If you withdraw money from your annuity before a certain period (usually 5 to 10 years), you may face a surrender charge. These charges can start at around 7% of your withdrawal and gradually decrease over time.

5. Rider Fees

Optional riders, such as guaranteed lifetime income or death benefits, can add value to your annuity but also increase the cost. Rider fees usually range from 0.5% to 1% annually.

Elise guided Paul, 55-year-old, to purchase an annuity as he planned for his transition from work to retirement in the coming years. When the time came to retire, Paul shared with Elise that starting early and protecting some of his assets while he was still working gave him a head start on his financial freedom.

Elise's suggestion about what you can do: Before purchasing an annuity, it's essential to understand the full scope of fees and how they impact your returns. To protect yourself:

- Ask for a breakdown of all fees: Know exactly what you're paying and what each fee covers.
- Consult with Elise: It is important to compare annuities from different providers to ensure you're getting the best deal. Elise can help you navigate the complexities of annuity fees and ensure you make a cost-effective choice.

CHAPTER 9

HOW ARE ANNUITIES TAXED?

*“Patience and planning grow annuities like
seeds blossoming into trees of stability.”*
— *Elise Roberts*

Annuities are a unique financial tool that offers certain tax advantages, but they also come with specific tax obligations that can impact your overall financial plan. Understanding how annuities are taxed during both the accumulation and distribution phases is crucial for optimizing their benefits and avoiding unexpected tax burdens.

1. Tax-Deferred Growth

One of the key advantages of an annuity is its ability to grow on a tax-deferred basis. During the accumulation phase—when you’re contributing to the annuity and your investments are growing—you won’t owe any taxes on the earnings. This tax deferral can allow your investment to compound more effectively than it would in a taxable account.

- **Benefit:** The longer you leave the money in the annuity, the more time it has to grow without being taxed. This compounding effect can result in significant growth over time.
- **Drawback:** While tax-deferred growth is advantageous, it's important to remember that taxes will eventually be owed when you start taking withdrawals, especially if your tax bracket is higher at that time.

2. Qualified vs. Non-Qualified Annuities

The tax treatment of annuities also depends on whether they are “qualified” or “non-qualified.”

- **Qualified Annuities:** These are funded with pre-tax dollars, typically through retirement accounts like IRAs or 401(k)s. Contributions to a qualified annuity are not taxed when they are made, but you will owe taxes on both the contributions and earnings when you withdraw funds in retirement. These withdrawals are taxed as ordinary income.
- **Non-Qualified Annuities:** These are funded with after-tax dollars, meaning you've already paid taxes on the money you contribute. When you withdraw money from a non-qualified annuity, only the earnings (growth) are taxed, as the initial contributions were made with after-tax funds. Earnings are also taxed as ordinary income when withdrawn.

3. How Withdrawals Are Taxed

Once you start taking withdrawals from your annuity, the way those withdrawals are taxed depends on whether your annuity is qualified or non-qualified.

- **Qualified Annuities:** All withdrawals are fully taxable as ordinary income, because neither the contributions nor the earnings have been taxed yet.
- **Non-Qualified Annuities:** Withdrawals are taxed on a “Last In, First Out” (LIFO) basis, meaning that your earnings are withdrawn first and are taxable as ordinary income. Once you’ve withdrawn all of the earnings, your principal (the initial contributions) can be withdrawn tax-free.

4. Tax Treatment of Lifetime Income Payments

If you’ve opted for an annuity that provides lifetime income payments, the way these payments are taxed depends on the type of annuity you have.

- **Fixed Annuities:** Each payment you receive will be split into two parts: the earnings (which are taxable as ordinary income) and a return of principal (which is not taxed). This split allows for more favorable tax treatment, as part of your payment is tax-free.
- **Variable and Indexed Annuities:** The taxation of these payments is a bit more complex, but in general, the earnings portion is taxed as ordinary income.

5. Surrendering Your Annuity

If you decide to surrender your annuity (i.e., withdraw the entire value of the annuity before the contract ends), the earnings portion will be subject to taxes as ordinary income. Additionally, if you surrender the annuity before age 59½, you may also face a 10% early withdrawal penalty from the IRS.

6. Death Benefits and Annuities

Many annuities come with death benefits, which means that if you pass away, your beneficiaries will receive a lump-sum payment or continue receiving payments from the annuity. The tax treatment of these death benefits depends on how the annuity was structured.

- **Qualified Annuities:** Beneficiaries will owe taxes on the full amount they receive, as the contributions were made with pre-tax dollars.
- **Non-Qualified Annuities:** Beneficiaries will only owe taxes on the earnings portion of the annuity, as the contributions were made with after-tax dollars.

7. Tax-Free 1035 Exchange

If you own an annuity but find that it no longer suits your needs, you can perform a tax-free exchange, known as a 1035 exchange, to move your money into a different annuity contract without triggering a taxable event. This can be a great option if you want to upgrade to a more favorable annuity product without facing immediate tax consequences.

Jennifer loved seeing her indexed annuity grow with the market and if

the market goes down, she doesn't have to worry. "Every statement feels like progress," she often told Elise.

Elise's suggestion about what you can do: Taxes can significantly impact the overall value of your annuity, so it's essential to have a comprehensive understanding of the tax implications before purchasing or withdrawing from one. Here are the steps you should take:

- **Consult with a tax professional:** The tax treatment of annuities is complex, and having a tax advisor in your corner can help you avoid costly mistakes.
- **Consider future tax brackets:** If you expect to be in a higher tax bracket in retirement, tax-deferral might not be as beneficial. Plan for your future tax situation.
- **Review your annuity contract carefully:** Understand how withdrawals, death benefits, and lifetime payments will be taxed based on your specific annuity contract.
- **Why do you need a Tax Professional and Elise, an Annuity Specialist:** Elise works together with your tax advisor to make sure you're making a good decision. Most Tax Advisors know tax law. Elise knows annuities with all the complex details, that is why it is prudent to have them both.

CHAPTER 10

WHAT HAPPENS TO MY ANNUITY IF I PASS AWAY?

“A well-structured plan turns taxes from a burden into a manageable part of life.”
– Elise Roberts

Annuities are often thought of as a way to provide guaranteed income for your retirement, but it’s also important to consider what happens to the annuity when you pass away. The fate of your annuity largely depends on how it’s structured and the options you selected when setting it up. Let’s explore the different scenarios and options available.

1. Single-Life vs. Joint-Life Annuities

The type of annuity you select plays a crucial role in determining what happens after you pass away.

- **Single-Life Annuity:** A single-life annuity provides payments for the duration of your life. Upon your death, payments cease, and there are no further benefits to your heirs. This option typically offers the highest payment because it only covers your lifetime.
- **Joint-Life Annuity:** A joint-life annuity continues to provide payments after you pass away, but they will go to your surviving spouse or another beneficiary. The payments usually reduce in amount after your death, but the continuation of payments can ensure that your spouse or partner is financially supported after you're gone.

2. Death Benefit Riders

Many annuities offer the option to purchase a death benefit rider. This rider guarantees that your beneficiaries will receive a payout upon your death, regardless of whether you pass away during the accumulation or distribution phase. There are different types of death benefit riders to consider:

- **Return of Premium Rider** is mostly found in Variable Annuities: This rider ensures that your beneficiaries will receive at least the amount you initially invested in the annuity, minus any withdrawals you've made. Even if the annuity's value has decreased due to market performance, your beneficiaries will be protected.
- **Enhanced Death Benefit Rider:** Sometimes comes with a cost and sometimes not. This rider goes a step further by

offering a payout that exceeds your initial investment, often based on a specified growth rate or a percentage of your contract's value.

3. Distribution of Annuity After Death

When you pass away, the distribution of your annuity's value to your beneficiaries depends on the options you selected during the contract phase. Here are the most common scenarios:

- **Lump-Sum Payment:** Your beneficiaries can receive the remaining value of your annuity in a lump sum. This can be an attractive option if they want immediate access to the funds, but it may result in a significant tax bill since the earnings will be taxed as ordinary income.
- **Continue Payments:** In some cases, your beneficiaries can continue receiving payments from the annuity, either for a specified period or for the remainder of their lives, depending on the terms of the contract. This option may help spread out the tax burden over time.
- **Annuity's Value Goes to the Insurance Company:** If you've chosen a single-life annuity with no death benefit or riders, your annuity's value may be forfeited to the insurance company upon your death, leaving nothing for your heirs.

4. Tax Implications for Beneficiaries

When your beneficiaries receive a payout from your annuity, the tax treatment depends on whether the annuity is qualified or non-qualified.

- **Qualified Annuities:** Your beneficiaries will owe income taxes on the entire amount they receive since the contributions were made with pre-tax dollars.
- **Non-Qualified Annuities:** Your beneficiaries will only owe taxes on the earnings portion of the annuity, while the principal amount remains tax-free.

5. The Importance of Naming Beneficiaries

One of the most critical steps in setting up your annuity is naming beneficiaries. If you don't name a beneficiary, the annuity may go to your estate, which could lead to probate and additional taxes.

Make sure to:

- **Review beneficiary designations regularly:** As life circumstances change, ensure that your beneficiaries are updated to reflect your wishes.
- **Consider contingent beneficiaries:** If your primary beneficiary passes away before you, having a contingent beneficiary ensures the annuity still goes to someone you trust.

Elise helped Steve understand how his annuity deferred taxes until withdrawal. “It’s like giving my money time to breathe,” he said.

Elise’s suggestion about what you can do: To ensure your annuity benefits your loved ones after your passing, consider these steps:

- Discuss your options with an annuity specialist like Elise: Understanding the nuances of single-life vs. joint-life annuities, death benefit riders, and payout options can help you make informed decisions. Elise can help you choose the right annuity structure to meet your financial and family needs.
- Review and update your beneficiary designations: Keeping your beneficiary designations current is crucial for making sure the right people receive the benefits of your annuity. Life changes, such as marriage, divorce, the birth of a child, or the death of a loved one, may necessitate updating your beneficiaries. Failure to do so can lead to unwanted outcomes like your annuity going to your estate, which may increase probate costs and taxes. What Elise’s office shines in is the very essence of why her clients only need to call her office, and all the changes are made appropriately, avoiding the pain of being on long holds with the insurance companies.
- Consider the tax implications for your heirs: Work with a tax advisor and Elise to understand the potential tax burden your beneficiaries may face. Depending on whether your annuity is qualified or non-qualified, there could be significant tax consequences. You may want to explore strategies that minimize taxes, such as spreading out payments or leveraging

tax-free 1035 exchanges to move your annuity into more tax-efficient products.

- Consider adding death benefit riders: If leaving a financial legacy for your heirs is important, explore the option of adding a death benefit rider to your annuity. This can protect the value of your investment for your loved ones and ensure they receive a minimum payout, even if the market has declined or you pass away early.
- Think about legacy planning: Annuities can play an essential role in your estate and legacy planning, especially if structured properly. By consulting Elise, an Annuity Specialist and with your Estate Planning Attorney, you can incorporate your annuity into a broader strategy that takes care of your heirs while minimizing taxes and other complications.

By carefully planning and reviewing your annuity structure, you can ensure that your loved ones are protected, and your financial legacy is preserved. Working with professionals to understand both the annuity's benefits and tax implications will allow you to optimize your strategy for the future.

CHAPTER 11

WHAT ARE THE DIFFERENT TYPES OF ANNUITIES?

“Your future deserves a strategy as unique as your journey.”

– Elise Roberts

Annuities come in various forms, each tailored to meet specific financial needs and goals. Understanding the different types of annuities is essential in determining which product is the right fit for your situation. Let's break down the key types of annuities, how they work, and who they might benefit.

1. Fixed Annuities

Fixed annuities offer a guaranteed interest rate for a specified period. They are often viewed as a safe option because the insurance company guarantees the returns, regardless of market conditions. This stability can provide peace of mind, particularly for those nearing retirement.

- **How They Work:** You make either a lump-sum payment or a series of payments to the insurance company. In return, they guarantee a fixed interest rate on your money for a specified period, such as 5 or 10 years. After the accumulation phase, you can either withdraw your money, convert it into a guaranteed income stream, or renew the contract.
- **Who Should Consider Fixed Annuities:** These are ideal for conservative investors seeking stability and predictable returns. Retirees or near-retirees who want to ensure a stable income in retirement without exposure to market risks often favor fixed annuities.

2. Variable Annuities

Variable Annuities differ from fixed annuities because they allow you to invest your money in a range of investment options. Such as mutual funds. The performance of these investments determine the returns. Meaning, your account can fluctuate up or down and usually have higher cost.

- **How They Work:** When you purchase a variable annuity, you allocate your money to a variety of Investment sub accounts like mutual funds, the returns on your annuities are tied to the performance of the sub accounts whereas variable annuities also often come with optional features like death benefits or guaranteed minimum income benefits and usually are associated with additional cost and fees.
- **Who Should Consider Variable Annuities:** Variable annuities are suited for more aggressive investors, who are comfortable

with market fluctuation and are looking for the potential for higher returns. That could be a good option if you're seeking tax deferred growth but want to maintain exposure to the market-based investments and you're comfortable with the additional cost and risk of potential losses of your principle.

3. Indexed Annuities

Index Annuities offer a balance between the safety of fixed annuities and the growth potential a variable annuities. Their

returns are tied to the performance of a market index such as the S&P, but with built-in limits that cap both gains and losses.

- **How They Work:** With the index annuity, your interest rate is linked to a stock market index. If the market performs well, your annuity value will increase though the gains are typically capped at a certain percentage. If the market performs poorly fixed index Annuities value is protected

from losses, though it may earn a little or no interest for that period. Some of the newer options offer things like a rate lock where if you like your rate in the middle of your contract year, you could actually lock that rate to make sure it doesn't go back down. See below for more information on *rate lock options*.

- **Who Should Consider Indexed Annuities:** These are ideal for individuals who want to participate in market gains but also want to protect themselves from significant losses. If you're nearing retirement and still want some growth potential

without risking your principal, an indexed annuity may be a good fit.

4. Immediate Annuities

An immediate annuity starts paying out income almost immediately after you make an initial investment. These are designed for individuals who are ready to begin receiving retirement income right away.

- **How They Work:** You provide a lump-sum payment to the insurance company, and in return, they begin paying you a guaranteed stream of income either for a fixed number of years or for the rest of your life. The payout amount is determined by factors such as your age, gender, and the amount of the initial investment.
- **Who Should Consider Immediate Annuities:** Immediate annuities are ideal for retirees who need to turn their savings into a guaranteed income stream to cover living expenses. If you're concerned about outliving your savings, this can provide a reliable source of income.

5. Deferred Annuities

A deferred annuity postpones payments until a future date, allowing your money to grow on a tax-deferred basis. There are both fixed and variable deferred annuities, depending on your investment preferences.

- **How They Work:** You invest money either as a lump sum or over time. Your investment grows tax-deferred during the

accumulation phase. At some point in the future, usually when you retire, you can begin taking withdrawals or convert the annuity into a lifetime income stream.

- **Who Should Consider Deferred Annuities:** These are a good option for individuals who are still in the accumulation phase of their financial planning and want to build tax- deferred savings for future use. If you're years away from retirement but want to lock in an income source, deferred annuities might be right for you.

Elise helped Rebecca allocate her qualified retirement savings into a qualified annuity while using after-tax dollars for a non-qualified one. Rebecca loved the balance it provided.

Elise's suggestion about what you can do: When considering an annuity, it's important to weigh the type of annuity that best suits your financial goals, risk tolerance, and retirement needs. Speak with Elise if you want her to help you understand how different annuity products fit into your overall financial plan. Whether you want stability, market exposure, or guaranteed income, there's likely an annuity option that meets your needs.

Definition of a rate lock:

One of the newest features available in fixed index annuities is called a rate lock. Only a handful of companies have adopted this practice. The rate lock is available only on certain index. called participation rates. A participation rate is where you're not capped by a percentage, but you actually earned a percentage of that index without being capped. During the middle of the year if the index had grown to a rate l you wanted to keep you could lock it and on your anniversary date the gains that you

had locked will be added to the account

For detailed information on rate lock features and which companies offer them, please reach out to Elise Roberts.

CHAPTER 12

HOW DO ANNUITIES WORK IN RETIREMENT PLANNING?

“Your financial future should be as reliable as the sunrise, structured to last as long as you need it.”
– Elise Roberts

Annuities play a significant role in retirement planning by providing a reliable source of income that can last for the rest of your life. As people live longer, ensuring that you won't outlive your savings becomes a central concern in retirement planning. Let's explore how annuities fit into a broader retirement strategy and how they can help address key retirement challenges.

1. Longevity Risk

One of the biggest fears retirees face is outliving their savings. With increased life expectancies, it's not uncommon for people to live 20 or 30

years in retirement. Annuities address this longevity risk by providing a guaranteed income stream for life.

- **Solution:** With a lifetime annuity, you can create a “personal pension” that ensures you have income no matter how long you live. This can alleviate the fear of running out of money in old age.

2. Tax-Deferred Growth

During the accumulation phase of an annuity, your investments grow on a tax-deferred basis. This means you won't pay taxes on your earnings until you start taking withdrawals. For people still in their working years, this tax deferral can allow their savings to grow more efficiently.

- **Solution:** By using a deferred annuity, you can save for retirement while postponing taxes on your investment growth. This can help boost your retirement savings, especially if you're maxing out other tax-advantaged accounts like 401(k)s or IRAs.

3. Creating a Guaranteed Income Stream

Unlike other retirement savings vehicles like 401(k)s or IRAs, which require you to manage withdrawals in retirement, annuities can automatically convert your savings into a steady, predictable income stream.

- **Solution:** With an immediate annuity, you can turn a portion of your retirement savings into guaranteed monthly payments. This predictable income can cover your essential

living expenses, reducing the pressure to monitor and manage your withdrawals from other accounts.

4. Protection from Market Volatility

Retirees are especially vulnerable to market downturns, as a significant loss in investment value can have a lasting impact on their ability to meet expenses in retirement. Annuities, particularly fixed and indexed annuities, offer protection from market volatility.

- **Solution:** If you're nearing retirement and worried about the impact of a stock market downturn, a fixed or indexed annuity can provide the peace of mind that your investment is protected. With a fixed annuity, you'll earn a guaranteed interest rate, while an indexed annuity lets you participate in market gains with protection from losses, it can also increase your income as you age.

5. Estate Planning

Some annuities come with death benefits, ensuring that your beneficiaries receive a payout if you pass away during the contract's accumulation phase. This can be an important consideration for individuals looking to provide for their loved ones after they're gone.

- **Solution:** If leaving a financial legacy is important to you, consider adding a death benefit rider to your annuity. Many of today's annuities have automatic death benefits riders at no cost. This will ensure that your family receives the value of your annuity even if you pass away unexpectedly.

Elise worked with George, a retired firefighter who wanted security but also flexibility. He initially leaned toward a fixed- period annuity to match a 15-year financial goal, but after discussing his long-term needs, he opted for a lifetime payout structure instead. Years later, George told Elise, “Every month, when that payment arrives, I’m reminded of how you helped me choose peace over worry. It’s like my hard work continues to take care of me.”

Elise’s suggestion about what you can do: Annuities can be a powerful tool in your retirement planning toolkit, providing security, tax-deferred growth, and guaranteed income for life. To determine how annuities fit into your overall retirement strategy, consult with Elise to get the right advice. She can help you understand how much of your retirement savings should be allocated to annuities and which type of annuity is the best fit for your needs.

CHAPTER 13

WHAT ARE THE FEES ASSOCIATED WITH ANNUITIES?

*“Legacy isn’t about what you leave behind,
it’s about who you empower through your planning.”*

– Elise Roberts

Annuities can offer valuable benefits, such as tax-deferred growth and guaranteed income, but some also come with fees that can impact the overall return on your investment. Understanding the fees associated with annuities is essential to making an informed decision and ensuring the product aligns with your financial goals.

1. Mortality and Expense Risk Charges found in Variable.

Annuities. Mortality and expense (M&E) risk charges are one of the primary fees associated with annuities, particularly variable annuities.

These fees cover the insurance company's costs for issuing the annuity and providing guarantees, such as lifetime income or death benefits.

- Cost: M&E charges found in variable Annuities typically range from 1% to 1.5% of the account value per year. While this may seem small, over time, these fees can significantly reduce your overall returns.

2. Administrative Fees are typically found in Variable Annuities.

Administrative fees in annuities are designed to cover the costs the insurance company incurs for managing your account. This includes things like issuing regular statements, processing transactions, and providing customer support.

- Cost: Administrative fees typically range from 0.1% to 0.3% of your account value annually. These fees can seem small individually, but over the life of the annuity, they can add up and impact your total return. For instance, for a \$100,000 annuity, an administrative fee of 0.25% would be \$250 per year.

3. Investment Management Fees

For variable annuities, one of the most significant ongoing fees is the investment management fee. These fees are charged on the sub-accounts you invest in, which are similar to mutual funds.

These fees compensate the fund managers for managing the investments within your annuity.

- **Cost:** Investment management fees typically range from 0.5% to 2.0% per year, depending on the complexity and type of funds you select. Actively managed funds tend to have higher fees than passive index funds. Over time, these fees can significantly reduce the returns on your annuity, especially in a low-return environment.

4. Surrender Charges

Surrender charges are fees that apply if you withdraw money from your annuity early, usually within the first 5 to 10 years of the contract. These charges are designed to discourage early withdrawals and protect the insurance company from losing money on the annuity.

- **How It Works:** If you take money out of your annuity within the surrender period, you'll face a penalty. The charge usually starts high (around 7% to 10% of the withdrawal) and gradually decreases over time. For example, if you withdraw \$10,000 and your surrender charge is 7%, you will pay \$700 in penalties.
- **Cost:** The exact cost depends on your contract, but surrender charges typically range from 1% to 10% of the amount withdrawn. Some annuities also allow you to withdraw a certain percentage (usually 10%) of your account value each year without penalty, even during the surrender period.

5. Rider Fees

Annuities offer optional riders additional benefits you can add to your

contract for an extra cost. Common riders include guaranteed minimum income benefits (GMIB), long-term care riders, and death benefit riders. While these riders can offer valuable protection, some come with additional fees while others do not.

This is why it is imperative to talk to Elise. For Annuities that have Rider Fees:

- **How It Works:** Each rider adds a fee that is charged as a percentage of your account value. For example, a guaranteed income rider might charge an additional 1% to 1.5% per year. A long-term care rider, which provides coverage for long-term care expenses, may also add 0.5% to 1% annually.
- **Cost:** Rider fees typically range from 0.25% to 1.5% of the account value per year, depending on the complexity and benefits of the rider. It's important to weigh whether the added benefit justifies the extra cost when selecting riders.

6. Early Withdrawal Penalties

In addition to surrender charges, if you withdraw money from a tax-deferred annuity before the age of 59½, you may face a 10% early withdrawal penalty imposed by the IRS, along with ordinary income taxes on the amount withdrawn.

- **Cost:** This penalty applies to the taxable portion of the withdrawal. If your annuity has grown tax-deferred, any earnings withdrawn before 59½ will be subject to this penalty.

This is in addition to any surrender charges imposed by the insurance company.

7. Sales Commissions

Sales commissions are often baked into the cost of annuities, particularly those sold by brokers or financial advisors. While the fees may not be visible upfront, they can influence the overall cost of the annuity. These commissions are paid to the advisor or agent who sells the annuity and are typically between 3% and 10% of the initial investment.

- **Cost:** Although these commissions are not directly charged to you, they can affect the design of the annuity product, such as lengthening the surrender charge period. It's important to ask your advisor how they are compensated when recommending an annuity product.

Elise worked with Linda, a mother of three, who was concerned about her children's future. Together, they structured her annuity with a death benefit provision, ensuring the remaining funds would go to her family. When Linda passed unexpectedly, her children received not just financial support but also a letter Linda had written with Elise's encouragement. In it, Linda expressed her love and reminded them that "this is just one way I'll always be there for you." Her daughter later told Elise, "That plan was more than money—it was Mom's way of loving us from beyond."

Elise's suggestion about what you can do: Understanding the fees associated with annuities is essential to ensuring you make an informed decision that aligns with your financial goals. While annuities can offer valuable benefits like guaranteed income and tax-deferred growth, the

associated fees can eat into your returns over time. Here's what you should do next:

1. **Review the Fee Structure:** Before purchasing an annuity, ask for a detailed breakdown of all the fees you'll be paying. Compare the costs of different annuities, and ensure you understand how each fee will impact your investment.
2. **Consider the Value of Riders:** While riders can provide valuable protection, not all are necessary for everyone. Assess whether you truly need optional riders, such as guaranteed income or long-term care, and weigh the benefits against the additional costs.
3. **Think Long-Term:** Annuities are long-term investments, so ensure that the fees you're paying won't significantly erode your returns over time. Understanding the full cost of an annuity is key to making a smart financial decision.

By doing your homework and consulting with a financial professional, you can choose an annuity that works for your financial future without letting excessive fees undermine your investment.

CHAPTER 14

ADVANCED TAX STRATEGIES FOR ANNUITIES

“Naming beneficiaries isn’t just about assigning funds; it’s about extending your love and values.”

– Elise Roberts

Annuities offer tax advantages, particularly when it comes to deferring taxes on earnings until withdrawals are made. However, the tax treatment of annuities can be complex, and it’s essential to understand how these rules affect both your contributions and withdrawals. In this section, we will break down how annuities are taxed at different stages of the investment, what to expect when you start receiving payments, and how these tax rules can influence your retirement planning.

1. Tax-Deferred Growth

One of the primary benefits of annuities is that they grow on a tax-deferred basis. This means that you won’t owe taxes on the growth of your investment until you start taking withdrawals. During the accumulation

phase, your annuity's earnings grow without being taxed, allowing your money to potentially compound faster.

- **How It Works:** For example, if you invest \$100,000 in a deferred annuity and it grows to \$150,000 over several years, you won't owe taxes on that \$50,000 in earnings until you withdraw the funds. This can be advantageous if you're in a lower tax bracket in retirement compared to your working years.
- **Who Benefits:** Tax-deferred growth is particularly beneficial for individuals in high tax brackets who want to maximize their savings without paying taxes on investment earnings annually. By deferring taxes until retirement, you can potentially reduce your tax burden if you're in a lower tax bracket when you begin withdrawing funds.

2. Taxation on Withdrawals

When you start taking withdrawals from an annuity, the IRS taxes your earnings and contributions differently, depending on whether you used pre-tax or post-tax dollars to fund the annuity.

Non-Qualified Annuities: These are funded with after-tax dollars, meaning you've already paid taxes on the contributions. When you withdraw money from a non-qualified annuity, only the earnings portion of the withdrawal is taxed as ordinary income. The contributions (your principal) are not taxed again, as they were made with post-tax dollars. This is referred to as the *exclusion ratio*, where part of each payment is considered a return of your original investment, and the rest is taxable income.

- **Qualified Annuities:** These are funded with pre-tax dollars, such as through a 401(k) or IRA rollover. In this case, both the contributions and the earnings are taxed as ordinary income when you withdraw funds. Since no taxes were paid on the original investment, the entire withdrawal is subject to taxation. Roth IRA are Tax Free both original investment and earnings subject to the rules of the Roth.
- **Taxation of Lifetime Payments:** If you've opted for lifetime payments, the IRS uses a formula to determine the portion of each payment that is taxable. Typically, part of each payment is considered a return of your investment and is tax-free, while the rest is taxed as ordinary income.

3. Early Withdrawals and Penalties

Withdrawing funds from an annuity before the age of 59½ typically triggers a 10% early withdrawal penalty from the IRS, in addition to any applicable income taxes. This is similar to the penalties imposed on early withdrawals from retirement accounts like IRAs or 401(k)s.

- **How It Works:** If you take a withdrawal before age 59½, the taxable portion of the withdrawal is subject to the 10% penalty. For example, if you withdraw \$10,000 and \$5,000 is taxable, you will owe a \$500 penalty in addition to paying income tax on the \$5,000.
- **Exceptions to the Penalty:** There are a few exceptions to this rule, including instances of disability, certain medical expenses, or if you take substantially equal periodic payments

(SEPPs) over your lifetime. Be sure to consult with a tax professional to determine if you qualify for any exemptions.

4. Death Benefits and Inheritance Taxes

If your annuity includes a death benefit provision, the money your beneficiaries receive upon your death may be subject to income taxes. The tax treatment depends on whether the annuity is qualified or non-qualified, and whether the beneficiary opts for a lump sum or periodic payments.

- **Lump Sum:** If your beneficiary receives a lump-sum death benefit, they will owe taxes on the earnings portion of the payment. For example, if you invested \$100,000 and the annuity grew to \$150,000, the beneficiary would owe taxes on the \$50,000 gain.
- **Periodic Payments:** If your beneficiary opts for periodic payments instead of a lump sum, the tax treatment will be similar to how you would have been taxed, with part of each payment being taxable as income.

5. Tax-Advantaged Withdrawal Strategies

To minimize taxes, it's essential to plan your annuity withdrawals strategically. Since annuity withdrawals are taxed as ordinary income, it's best to time withdrawals for years when you expect to be in a lower tax bracket, such as during retirement. Here are a few strategies:

- **Delay Withdrawals:** By delaying withdrawals until retirement, when your income may be lower, you can reduce your tax burden.
- **Partial Withdrawals:** Instead of taking a large lump sum, consider spreading out withdrawals over several years to avoid pushing yourself into a higher tax bracket.
- **Roth IRA Conversions:** If your annuity is in a qualified account, you might consider converting some or all of the funds to a Roth IRA, which allows for tax-free withdrawals in retirement (after meeting the requirements). However, this strategy should be carefully evaluated with Elise and a Tax Advisor.

John, a widower with no children, asked Elise if he could name his niece and nephew as beneficiaries. Elise reassured him it was possible and helped structure the annuity to reflect his wishes.

Years later, when John passed, his niece shared, “Uncle John’s gift helped me pay off my student loans. He gave us the chance to pursue our dreams, and that means everything.”

Elise’s suggestion about what you can do: Understanding the tax implications of annuities is crucial to making informed decisions about your retirement and financial future. Here are steps you can take:

1. **Consult a Tax Advisor:** Annuities can be complicated when it comes to taxation. Work with a tax advisor to ensure you’re optimizing your annuity for tax efficiency and minimizing penalties. Consult with Elise and your Tax Advisor first.

2. **Plan Your Withdrawals:** Strategic planning of annuity withdrawals can help you avoid high taxes and penalties. Speak with your financial advisor to determine the best withdrawal strategy for your situation.
3. **Stay Informed:** Tax laws can change, and understanding how those changes impact annuities is critical. Regularly review your tax situation and adjust your financial plan as needed.

By taking the time to understand how annuities are taxed, you can better prepare for retirement and maximize the benefits of these financial products while minimizing the tax impact.

CHAPTER 15

HOW DO ANNUITIES COMPARE TO OTHER RETIREMENT INCOME PRODUCTS?

*“Every investment has a cost; understanding
it ensures you’re paying for value, not uncertainty.”*

– Elise Roberts

When planning for retirement, it’s essential to consider various income sources to ensure you have a reliable and sustainable flow of funds throughout your retirement years. Annuities are just one option among many, but how do they compare them to other retirement income products like Social Security, pensions, and 401(k)s? In this section, we’ll explore the similarities and differences between annuities and other popular retirement products, as well as the advantages and disadvantages of each.

1. Annuities vs. 401(k) Plans

401(k) plans are employer-sponsored retirement savings accounts that allow you to save and invest for retirement on a tax-deferred basis. While both 401(k)s and annuities offer tax-deferred growth, they differ in several ways:

- **Growth Potential:** 401(k) plans offer a wider range of investment options compared to most annuities. This gives you the potential for higher growth, but also more exposure to market risk. Annuities, especially fixed or indexed annuities, offer more predictable returns and can protect your principal from market volatility.
- **Income Guarantees:** Annuities are designed to provide guaranteed income, which can be structured to last for life. In contrast, 401(k) plans require you to manage withdrawals and investments in retirement, which can be risky if you outlive your savings or experience poor market performance.
- **Flexibility:** 401(k) plans generally offer more flexibility in how you access your funds, while annuities often lock you into a specific payout structure. However, 401(k) plans also lack the lifetime income guarantees that annuities provide.

2. Annuities vs. Pensions

Pensions are employer-sponsored retirement plans that promise a set income for life, similar to certain types of annuities. Both offer guaranteed income, but there are key differences:

- **Payout Structure:** Pensions typically provide a fixed monthly payment based on your salary and years of service, whereas annuities can be tailored to your needs, offering different payout options like lump sums, lifetime income, or payments for a set number of years.
- **Ownership:** With a pension, you are dependent on your employer to continue funding the plan. If the company faces financial difficulties, your pension could be reduced or lost. Annuities, on the other hand, are private contracts between you and an insurance company, making them more secure in some cases.

3. Annuities vs. Social Security

Social Security is a government-sponsored retirement income program that provides a guaranteed income stream based on your lifetime earnings. Like annuities, Social Security provides income for life, but there are differences in how they work:

- **Income Amount:** Social Security benefits are determined by your work history and how much you've paid into the system. Annuity payments, however, are based on how much you invest in the annuity, as well as factors like interest rates, age, and type of annuity chosen.
- **Cost:** Social Security requires no upfront investment; it's funded through payroll taxes. Annuities, on the other hand, require a lump sum or series of payments to the insurance company to generate income.

- **Flexibility:** Annuities offer more flexibility in how and when you receive payments, while Social Security has fixed eligibility ages (currently 62 for early retirement, 67 for full retirement age, and 70 for maximum benefits). Once you begin receiving Social Security benefits, the amount is locked in and doesn't allow for customization. Annuities, however, can be structured to provide income at different times, such as immediately or at a future date, based on your needs.
- **Supplemental Income:** For most people, Social Security alone is not enough to cover all retirement expenses. Annuities can serve as an excellent supplemental income source, helping to bridge the gap between what you receive from Social Security and what you need to maintain your lifestyle in retirement.

4. Annuities vs. IRAs (Traditional & Roth)

Individual Retirement Accounts (IRAs), both traditional and Roth, are another popular option for retirement savings. They offer tax advantages and flexibility, but how do they stack up against annuities?

- **Tax Treatment:** Traditional IRAs are tax-deferred, meaning you don't pay taxes until you start taking withdrawals, much like annuities. Roth IRAs, on the other hand, are funded with after-tax dollars, and withdrawals in retirement are tax-free. Annuities can be either tax-deferred (in a non-qualified account) or part of a qualified retirement plan (such as a 401(k) or IRA rollover), but there is no tax on the transfer / rollover. However, when you withdraw to live on you will pay

tax on the portion you withdraw. Again, Roths withdrawals are exempt from all taxes. (Subject to the rules of the Roth.)

- **Growth Potential:** IRAs typically offer a wide range of investment options, including stocks, bonds, and mutual funds, allowing for potentially higher growth. Annuities, depending on the type (fixed, variable, or indexed,) can offer different levels of growth potential, with fixed annuities providing stable but lower returns, and variable annuities allowing for market-based growth (with higher risk.)
- **Income Security:** Annuities are designed to provide guaranteed income, which can last for life. In contrast, IRAs outside of the annuity are self-managed, meaning you must decide how much to withdraw each year, and there's the risk of outliving your savings if you're not careful with your withdrawal strategy.

5. Annuities vs. Dividend Stocks and Bonds

Some retirees choose to generate income through dividend-paying stocks and bonds, which provide regular payments. Here's how annuities compare:

- **Risk:** Dividend stocks can offer the potential for growth and income, but they come with market risk. If the stock market performs poorly, your income could be reduced or eliminated if companies cut dividends. Bonds are generally more stable but offer lower returns. Fixed annuities, by

comparison, eliminate market risk entirely and provide a stable, predictable income stream.

- **Income Guarantees:** Dividend payments are not guaranteed. Companies can reduce or cancel dividends during tough financial times. Bonds, while more predictable, only pay interest for a set period. Annuities, on the other hand, can guarantee income for life, regardless of market performance or economic conditions.
- **Tax Treatment:** Dividend income and interest from bonds are taxed annually, whereas annuities grow on a tax-deferred basis until withdrawals are made, which can be an advantage in terms of long-term tax efficiency.

6. Annuities vs. Rental Income

Some retirees invest in rental properties to generate passive income in retirement. While real estate can be a lucrative source of income, it also comes with risks and responsibilities. Here's how annuities compare:

- **Management Responsibility:** Owning rental properties requires active management, even if you hire a property manager. You're responsible for maintenance, finding tenants, and handling repairs. Annuities, by contrast, are entirely hands-off once purchased, making them a hassle-free income solution for retirees who don't want to manage real estate.
- **Income Stability:** Rental income can fluctuate based on vacancy rates, market conditions, and unexpected expenses

(like repairs). Annuities, however, offer guaranteed income that doesn't depend on external factors.

- **Liquidity:** Real estate is not a liquid asset—you can't quickly sell a property if you need cash. Annuities, depending on their terms, may offer liquidity options, allowing you to withdraw a portion of your funds if needed, though this can come with penalties during the surrender period.

Advantages and Disadvantages of Annuities Compared to Other Products

Advantages of Annuities:

1. **Guaranteed Income:** Annuities are unique in their ability to provide a guaranteed income for life, which can be a huge benefit for retirees concerned about outliving their savings.
2. **Tax-Deferred Growth:** Like IRAs and 401(k)s, and all annuities including non-qualified grow tax-deferred, allowing for greater compounding of interest over time.
3. **Customizable Payout Options:** Annuities can be tailored to meet individual needs, offering a range of payout options, including lifetime income, joint-and-survivor income for spouses, and specific periods of guaranteed payments.
4. **No Market Risk (for Fixed Annuities):** Fixed annuities protect your principal and offer predictable returns, making them a safe option for conservative investors.

Disadvantages of Annuities:

1. **Fees and Charges:** Annuities often come with various fees, including administrative fees, mortality and expense risk charges, and potential surrender charges for early withdrawals.
2. **Lack of Liquidity:** Once you invest in an annuity, your money may be locked in for a set period, especially during the surrender charge period. This limits your ability to access your funds without penalties.
3. **Complexity:** Annuities can be complex financial products with numerous options and riders, making it essential to fully understand the terms and costs before purchasing.
4. **Potential for Lower Growth:** Compared to stocks, bonds, or real estate, annuities (especially fixed ones) may offer lower growth potential. While they provide security, they typically don't keep pace with inflation as well as other investments.

When Elise met Brian, a financial savvy tech worker who was wary of Annuity fees she carefully explained all the cost and risk, including optional rider cost ensuring full transparency. Brian appreciated her honesty and decided to move forward with the Annuity a year later he told her because you were upfront about everything. I trusted the benefits even more.

Elise's suggestion about what you can do: Understanding how annuities compare to other retirement income products is critical in making the best decision for your financial future. Each product has its unique advantages and combining them can create a well- rounded retirement plan.

Here's what you need to do next:

1. **Evaluate Your Retirement Goals:** Determine your retirement income needs and consider how much guaranteed income you'll require to cover your essential expenses. Annuities can provide that reliable income, especially if Social Security and pensions won't be enough.
2. **Consult Elise Roberts:** If you're unsure how to balance annuities with other retirement products like 401(k)s, IRAs, or dividend stocks. She can help you design a diversified retirement plan that includes a mix of income sources.
3. **Compare Products:** Review the pros and cons of each retirement product and decide which ones align with your goals, risk tolerance, and liquidity needs. Annuities can serve as a solid foundation for your income plan, but it's important to compare them to other options and make informed choices.

By integrating annuities with other retirement income sources, you can build a strategy that provides both security and flexibility for your golden years.

CHAPTER 16

WHAT ARE THE TAX IMPLICATIONS OF OWNING AN ANNUITY?

“Patience with purpose rewards you with financial freedom.”
– Elise Roberts

Owning an annuity can have significant tax advantages, but it’s essential to understand the specifics to make the most informed decision for your financial future. Annuities are often promoted for their tax-deferred benefits, but the exact tax implications depend on whether you’re using a qualified or non-qualified annuity, and how you plan to access the funds.

Tax-Deferred Growth

One of the key benefits of annuities is tax-deferred growth. This means that any gains on the money you invest in an annuity are not subject to taxes until you withdraw them. This allows your investment to grow faster

over time, as the money that would have gone to taxes stays in your account and continues to compound.

The longer you leave your money in the annuity, the more powerful this tax-deferral becomes.

- **Qualified Annuities:** If you purchase an annuity within a qualified retirement plan (like a traditional IRA or 401(k)), all contributions are tax-deferred. You'll only pay taxes on the funds when you start withdrawing them, and withdrawals are taxed as ordinary income. Since the contributions were made with pre-tax dollars, everything, including gains, is taxed.
- **Non-Qualified Annuities:** If you use after-tax dollars to buy a non-qualified annuity, only the earnings (not the principal) are taxed upon withdrawal. The original amount you contributed (the "basis") is not taxed, as it was already taxed before you put it into the annuity.

Withdrawals and Taxes

When you begin taking withdrawals from an annuity, the taxation depends on how the annuity is structured:

- **LIFO (Last In, First Out):** Most non-qualified annuities use LIFO taxation. This means that when you start making withdrawals, the earnings (the "last in" money) come out first, and you'll be taxed on those earnings at your ordinary income rate. Once you've withdrawn all of the gains, any additional withdrawals are considered a return of your original contributions, which aren't taxed.

- **Exclusion Ratio:** In certain cases, such as with immediate annuities, your payout consists of both principal and earnings. In these situations, an exclusion ratio is applied, meaning that a portion of each payment is taxable (the earnings) and a portion is tax-free (the return of your original principal).

Early Withdrawals and Penalties

If you take withdrawals from your annuity before the age of 59½, you may face a 10% early withdrawal penalty, similar to what you'd experience with an early withdrawal from an Traditional and Roth IRA or 401(k). This penalty is in addition to ordinary income taxes on any gains. However, there are some exceptions to this rule, such as disability or certain types of immediate annuities.

Taxation on Death Benefits

Annuities often have death benefit provisions that allow your beneficiaries to receive the remaining funds when you pass away. These death benefits are typically subject to income taxes, but they avoid probate, which can be a significant advantage. The exact taxation rules depend on the annuity's structure and whether the funds were inside a qualified plan.

Martha, a teacher nearing retirement, initially balked at the surrender period of her annuity. Elise explained that the surrender period was like nurturing a garden, but you don't always have to wait for the full surrender period to enjoy, you wait for the harvest to reap the benefits. Martha later said, "I'm glad I trusted the process. Now that I'm retired, those payments feel like the reward for my patience."

Elise's suggestion about what you can do: To navigate the complex tax rules around Annuities it's crucial to consult with an annuity specialist

like Elise, along with your tax advisor, your tax advisor understands the law. Well, the Annuity specialist understands the detailed structure of the annuity together they can help you structure your annuity in a way to maximize your tax benefits while aligning with your overall retirement goals. Whether you're considering a qualified or a non-qualified annuity, understanding the tax implications can make a huge difference in how you how much money you are keeping in your pocket over the long-term get expert advice before making any moves to ensure you're making the best decision for your financial future.

CHAPTER 17

CAN I LOSE MONEY IN AN ANNUITY?

“Financial flexibility comes from understanding the rules before you play the game.”
– Elise Roberts

Annuities are often marketed as a safe way to secure retirement income, but the potential for loss varies depending on the type of annuity you purchase. Understanding these risks is essential to ensuring your annuity fits into your overall financial strategy.

Fixed Annuities

Fixed annuities are considered one of the safest types of annuities because they provide a guaranteed interest rate and principal protection. With a fixed annuity, you won't lose money as long as you hold the contract through its surrender period. The insurer is contractually obligated to pay you the agreed-upon interest and return your principal at the end

of the term. The main risk with fixed annuities is inflation, as the fixed rate may not keep up with rising costs of living, but you won't lose any of your initial investment.

Variable Annuities

Variable annuities carry more risk because they are tied to market performance. When you purchase a variable annuity, your money is invested in a selection of sub-accounts that function similarly to mutual funds. If the market performs well, you can see substantial growth in your investment. However, if the market declines, your annuity's value can drop, and you could lose money.

- **Riders and Guarantees:** Many variable annuities offer riders that provide guarantees against market losses, such as a guaranteed minimum income benefit (GMIB) or a guaranteed lifetime withdrawal benefit (GLWB). These riders typically come at an additional cost, but they can help protect your investment from severe losses while still allowing for some growth potential.

Indexed Annuities

Indexed annuities fall between fixed and variable annuities in terms of risk which makes them the best of both worlds. With an indexed annuity, your returns are tied to a market index, such as the S&P 500. These annuities typically offer a minimum guaranteed return, which means you won't lose your initial investment. However, they often cap your potential gains, so if the market performs exceptionally well, you may not see the full benefit. While you won't lose money if the index declines, your returns

can be much lower than expected in a down market. Some newer plans have features with no caps.

Fees and Penalties

While the underlying investment risk varies by type of annuity, there's another way you could lose money: through fees and penalties. Most variable annuities come with additional fees, including administrative fees, mortality and expense risk fees, and investment management fees. These costs can eat into your returns. Additionally, if you withdraw money from your annuity before the end of the surrender period, you may face surrender charges, which can be substantial, especially in the first few years of the contract. Some Indexed Annuities have costs but many today do not.

Elise helped Roger, a real estate agent, structure his annuity to avoid surrender charges by only committing funds he wouldn't need immediately. When an emergency arose, Roger was relieved to have accessible savings elsewhere. "You taught me to plan for the unexpected," he told Elise.

Elise's suggestion about what you can do: Before committing to an annuity, carefully consider the type of annuity you're purchasing and your risk tolerance. If you prefer stability and security, a fixed annuity might be your best bet. If you're open to more risk for potentially higher returns, a variable annuity might be more suitable but understand the market risks involved. Always read the fine print, especially when it comes to fees and surrender periods. Speak with Elise to evaluate whether an annuity is the right option for you, given your retirement goals and overall risk tolerance.

CHAPTER 18

HOW DO I CHOOSE THE RIGHT ANNUITY PROVIDER?

“In a world of uncertainties, the right safeguards turn risks into confidence.”
– Elise Roberts

Choosing the right annuity provider is just as important as selecting the right type of annuity. Annuities are long-term financial products, and your provider’s financial stability, reputation, and customer service can significantly impact your experience. Here are some factors to consider when choosing the best provider.

Elise does not work for any insurance company; she works for the client. She researches all the companies to help her clients choose the best fit for their personal situation, goals and dreams.

Financial Strength and Stability

Annuities are long-term contracts, so you want to ensure that the

company you purchase from will be around to make good on their promises for the duration of your contract, which could be decades. A company's financial strength is one of the most critical factors in choosing an annuity provider. Independent rating agencies such as A.M. Best, Moody's, Standard & Poor's, and Fitch Ratings evaluate the financial health of insurance companies. Look for providers with strong ratings (A or better) to ensure that your annuity is backed by a financially secure institution. Many states offer a second level of protection called the '[STATE] Guarantee Association' up to \$250,000 (similar to FDIC.) Elise is licensed in 20 States.

Product Selection and Features

Different annuity providers offer varying types of annuities and features. Some companies may specialize in fixed annuities, while others may offer a broader range of variable or indexed annuities. You'll want to choose a provider that offers the specific type of annuity and options that align with your financial goals. For example, some providers may offer more flexible income riders, while others focus on competitive payout rates. Make sure the provider you choose offers the features that matter most to you, such as inflation protection, death benefits, or guaranteed withdrawal riders.

Fees and Charges

Some Annuities come with a variety of fees. Variable annuities come with additional charges such as administrative costs, mortality and expense risk charges, and rider fees. It's essential to understand all the costs associated with an annuity before making a decision. Some providers have lower fees than others, which can make a significant difference in your overall returns. Compare fees across different providers and weigh them against the benefits they offer.

Customer Service and Reputation

A company's reputation for customer service can make a big difference to your experience. This is where Elise Roberts prides herself going above and beyond the call of duty. She makes sure to choose providers with strong financial stability, excellent customer service, clear communication and accessibility.

Customization Options

Some providers offer more customization options than others, allowing you to tailor your annuity to your specific needs. Whether it's choosing different payout options, adding riders for guaranteed lifetime income, or adjusting the timing of your payments, the ability to customize your annuity can help you maximize its benefits. For example, if you're concerned about market volatility, a provider offering a rider that guarantees minimum payments even in a down market may be a key consideration. Similarly, if you want to leave a legacy, look for companies that offer death benefit riders. Again, this is where Elise Roberts stands out by taking the time to design with you the perfect plan needed to achieve your hopes and dreams.

History and Reputation

Elise Roberts looks at the history of the providers. She works with companies with long stable track records which are more reliable and stable than the newer companies thereby protecting you and relieving you from the tedious task of looking and choosing on your own.

Access to Financial Advisors

Most annuity providers work through financial professionals like Elise Roberts. Elise can explain your options clearly; help you compare annuities from multiple providers and guide you toward a product that meets your retirement goals.

Transparency

Annuities can be complex financial products, and it's essential that the provider you choose offers transparency. A reliable provider will make sure you understand the terms, conditions, fees, and potential risks before you commit. They should offer clear documentation and be willing to walk you through the fine print. Beware of companies that are vague about costs or how different features work.

Elise reassured Samantha, a cautious retiree, by explaining how the state guaranty associations protect annuities. Samantha said, "Knowing my annuity is backed gives me the courage to trust in its stability." (Not all States offer this extra protection.)

Elise's suggestion about what you can do: Choosing the right annuity provider is a critical step in your retirement planning journey, as you'll likely be partnering with them for decades. Start by researching providers with strong financial ratings from agencies like A.M. Best or Moody's. Compare products, fees, and customer service ratings to find a company that aligns with your financial goals and needs. Make an appointment with Elise Roberts to narrow down your choices and ensure you are selecting a provider that offers both the security and flexibility you need to protect your retirement. Take your time, ask questions, and always choose a provider that offers transparency and strong support for their clients.

CHAPTER 19

WHAT ARE THE DIFFERENCES BETWEEN LIFE-ONLY, JOINT-LIFE, AND PERIOD-CERTAIN ANNUITY PAYOUTS?

“Financial tools work best when they’re aligned with your immediate and long-term needs.”
– Elise Roberts

When purchasing an annuity, one of the most important decisions you will make is selecting how you want your payouts structured. The choice you make can have a significant impact on your long-term financial stability and on the amount of income you and your beneficiaries will receive. The three most common payout structures are life-only, joint-life, and period-certain. Let’s explore the differences between these options.

Life-Only Payouts

A life-only annuity (also known as a single-life annuity) provides

payments for the rest of your life, no matter how long you live. It is designed to protect against the risk of outliving your retirement savings, ensuring you have a steady income stream for the duration of your life. However, once you pass away, the payments stop, and no money is left to your heirs. This option tends to offer the highest monthly payout compared to other types because the insurance company is betting that it won't need to make payments for a long time if you die earlier than expected.

- Pros: Guaranteed income for life; higher payout amounts than other options.
- Cons: No payments to beneficiaries after you die.

Joint-Life Payouts

A joint-life annuity provides payments for the lifetime of two people, typically spouses. The payments continue for as long as either individual is alive. If one person passes away, the surviving spouse continues to receive income, although it's important to note that payments may be reduced upon the first person's death, depending on the contract. This option offers financial security for couples by ensuring that the surviving spouse will have an income for the rest of their life. However, because the insurer is taking on the risk of paying for two lives, the monthly payments are typically lower than with a life-only payout.

- Pros: Provides financial security for both you and your spouse; income continues as long as one of you is alive.
- Cons: Lower payouts than single-life annuities.

Period-Certain Payouts

A period-certain annuity allows you to choose a guaranteed payout period, typically ranging from 5 to 30 years. If you pass away before the end of the guaranteed period, your beneficiaries will continue to receive payments for the remainder of the term. After the period ends, no further payments are made, regardless of whether you or your beneficiaries are still alive. This option strikes a balance between providing income for a specific time while leaving a legacy for your heirs. The payments may be higher than a joint-life annuity but lower than a life-only annuity.

- **Pros:** Provides payments for a fixed period; allows you to leave a financial legacy to your heirs.
- **Cons:** No income if you outlive the guaranteed period.

Elise advised Peter, a 45-year-old executive, to choose an annuity with additional liquidity. When Peter faced unexpected medical expenses, he was able to withdraw funds without penalty. “That decision saved me during one of the toughest times,” Peter later shared.

Elise’s suggestion about what you can do: Choosing the right annuity payout option is critical to ensuring financial security during retirement. Carefully evaluate your personal situation, including your health, life expectancy, and whether you need to provide for a spouse or beneficiaries after your death. Speak with Elise to discuss which option makes the most sense based on your goals and needs. Making an informed decision can mean the difference between a comfortable retirement and running out of income later in life.

CHAPTER 20

HOW DO ANNUITIES COMPARE TO OTHER RETIREMENT INCOME OPTIONS LIKE SOCIAL SECURITY, PENSIONS, OR INVESTMENT PORTFOLIOS?

*“Planning for the future includes protecting it
from the silent thief of time, inflation.”*
– Elise Roberts

When planning for retirement, you have several options for generating income, including Social Security, pensions, investment portfolios, and annuities. Each has its pros and cons and understanding how annuities compare to other income streams can help you create a more comprehensive retirement strategy.

Social Security

Social Security provides a guaranteed, inflation-adjusted income for life, much like an annuity. The payments are based on your work history and the age at which you start claiming benefits. The key advantage of Social Security is that it's backed by the U.S. government, making it one of the most secure retirement income sources. However, for most people, Social Security alone is not enough to cover all living expenses in retirement, which is why supplemental income sources like annuities are often necessary.

Pensions

A pension is another form of guaranteed lifetime income provided by an employer. Like annuities, pensions can be structured to provide single or joint-life payouts. The main difference is that pensions are typically funded entirely by the employer, whereas annuities are purchased by individuals. Unfortunately, pensions are becoming less common in the private sector, making annuities an attractive alternative for those without access to a pension.

Investment Portfolios

Investment portfolios, such as those containing stocks, bonds, and mutual funds, offer more flexibility than annuities or pensions.

You can adjust your investments to align with your risk tolerance and goals, and you're not locked into a fixed payout structure.

However, portfolios come with market risk, and there's no guarantee that your investments will provide a steady income for life. Many retirees choose to use annuities as a way to "lock in" a portion of their portfolio to

guarantee a baseline income, while leaving the rest of their investments in the market for growth.

How Annuities Compare

Annuities offer the security of guaranteed income for life, which neither investment portfolios nor Social Security can fully provide. Unlike pensions or Social Security, annuities can be customized to fit your specific needs, such as adding riders for inflation protection, death benefits, or lifetime income guarantees. However, annuities typically come with additional fees than other retirement options, and you may sacrifice some flexibility by locking into a long-term contract.

Karen, a retired nurse chose an Annuity with increasing income protection, “sometimes offered as a ride other times it is built into the Annuity.” Elise explained how important this feature is and, how without it, Rising cost could erode purchasing power. Years into retirement, Karen told Elise, “Because of that rider, I can afford the same quality of life I dreamed of, even as prices go up.”

Elise’s suggestion about what you can do: To build a secure retirement, it’s essential to use a combination of income sources. Annuities can complement Social Security, pensions, and investment portfolios by providing guaranteed lifetime income and reducing the risk of outliving your savings. Speak with Elise to determine how much of your portfolio should be allocated to annuities and how they fit into your overall retirement plan. The right mix of income sources can provide the financial stability and peace of mind you need to enjoy your retirement fully.

CHAPTER 21

WHAT HAPPENS TO MY ANNUITY IF THE INSURANCE COMPANY GOES BANKRUPT?

“Stability isn’t just a number, it’s a foundation for your financial future.”
– Elise Roberts

One of the key concerns people have when purchasing an annuity is the potential risk of the insurance company becoming insolvent. After all, annuities are long-term investments, and it’s natural to worry about what could happen if the company you’re relying on to provide your retirement income faces financial difficulties.

While the thought of an insurance company going bankrupt can be unsettling, there are protections in place to help safeguard your investment.

State Guaranty Associations

In the U.S., each state has an entity called a state guaranty association

that provides protection to annuity holders if an insurance company becomes insolvent. These associations are funded by insurance companies themselves and function similarly to the Federal Deposit Insurance Corporation (FDIC), which insures bank deposits. If your annuity provider goes bankrupt, the state guaranty association steps in to cover a portion of your annuity, typically up to a certain limit.

- **Coverage Limits:** Each state has its own coverage limits, but most states cover between \$250,000 to \$500,000 per person, per insurance company for annuity contracts. It's important to check the specific limits in your state and know whether your annuity falls within those limits.

Regulation of Insurance Companies

Insurance companies are highly regulated, and state insurance departments actively monitor their financial health. Companies are required to maintain a certain level of reserves to ensure they can meet their obligations to policyholders. Additionally, insurance companies are required to submit regular financial reports, and if a company shows signs of financial distress, regulators often intervene early to protect policyholders.

Diversifying Your Providers

To reduce risk, diversify your annuities across multiple insurance companies. By spreading your investments, you limit your exposure to any single company's financial instability. This strategy can be especially helpful if your annuity investment exceeds the coverage limits of your state's guaranty association.

Elise worked with Paul, who feared market volatility. When she

explained the guaranteed minimum interest rate in his fixed annuity, he felt reassured. Years later, Paul called her, saying,

“That guarantee was my safety net during the market crash.”

Elise’s suggestion about what you can do: While the possibility of an insurance company going bankrupt is rare, it’s essential to be proactive. Start by checking the financial strength ratings of your provider through agencies like A.M. Best, Moody’s, or Standard & Poor’s. Always choose companies with strong ratings, as this indicates their financial stability. Additionally, familiarize yourself with your state’s guaranty association and its coverage limits. If your annuity exceeds those limits, consider diversifying your annuity holdings to protect your retirement income. Consult with Elise to ensure that your annuity investments are secure and properly diversified.

CHAPTER 22

CAN I USE AN ANNUITY AS PART OF AN ESTATE PLAN?

“Every investment carries risk; understanding it empowers you to make informed choices.”
– Elise Roberts

Annuities can be a valuable tool in estate planning, providing a way to transfer wealth to heirs or leaving a financial legacy for loved ones. While annuities are traditionally used for retirement income, they offer several features that make them useful in estate planning as well. Whether you want to pass assets to your beneficiaries or ensure that your spouse is financially secure after you're gone, annuities can help accomplish these goals.

Death Benefit

One of the most common ways annuities are used in estate planning is through a death benefit. Many annuities include an optional death benefit rider, which ensures that your beneficiaries will receive the remaining value

of your annuity upon your death. This can be a lump sum or a series of payments, depending on the terms of the contract. In some cases, the death benefit can exceed the amount you've paid into the annuity, providing a way to leave a financial legacy for your loved ones.

- Example: Let's say you purchase an annuity with a death benefit rider, and you pass away after receiving payments for several years. If the total amount of payments received is less than the original purchase amount, the death benefit will make up the difference, ensuring that your beneficiaries receive the full value of your investment.

Avoiding Probate

Another benefit of using an annuity in estate planning is that it can help your heirs avoid the probate process. When you designate a beneficiary for your annuity, the death benefit is paid directly to them without going through probate court. This allows for a faster transfer of wealth and can reduce legal fees and taxes associated with probate.

Spousal Continuation

If you're married, you can structure your annuity to provide ongoing income for your spouse after you pass away. With a joint-life annuity, payments continue as long as either you or your spouse is alive. This can provide peace of mind knowing that your spouse will have a guaranteed income stream, even if you're no longer there to provide for them.

Elise helped Lisa. An adventurous investor, weighing the risk and rewards of all the different types of Annuities Lisa chose a fixed index

with a portion of her assets while leaving the balance of her assets in the market with full risk and exposure.

When the market had gone down and she lost value in her assets that she had left exposed, she felt good about the portion she had protected in a fixed index annuity, though she didn't make money on those years she didn't lose any value and as the market came back, her fixed index Annuity began to grow as well,

Lisa shared with Elise that having the fixed index Annuity during those tough times really gave her peace of mind and allowed her to relax and whether the storm.

Elise's suggestion about what you can do: If you're looking to incorporate annuities into your estate plan, it's essential to work with both an annuity specialist like Elise and an estate planning attorney. They can help you choose the right type of annuity and ensure that it aligns with your overall estate planning goals.

Consider adding a death benefit rider to your annuity to provide a financial legacy for your loved ones. Make sure you name your beneficiaries properly to ensure they receive the proceeds quickly and without going through probate. By taking these steps, you can use annuities to secure your family's financial future.

CHAPTER 23

WHAT TAX IMPLICATIONS SHOULD I BE AWARE OF WITH ANNUITIES?

“In a world of fluctuations, a fixed annuity stands as your anchor of certainty.”
– Elise Roberts

Annuities offer tax-deferred growth, which is one of their most appealing features for retirement savings. However, it’s important to understand the tax implications when purchasing an annuity, as well as when receiving payments or making withdrawals. The tax treatment of annuities can vary depending on the type of annuity you have and how it is structured.

Tax-Deferred Growth

One of the main advantages of annuities is that the earnings on your investment grow tax-deferred, meaning you don’t have to pay taxes on your gains until you start receiving payments or take withdrawals. This allows

your investment to grow more efficiently over time, as you're not paying taxes on interest or investment gains annually. However, once you begin withdrawing funds or receiving payments, the tax rules come into play.

Taxes on Withdrawals

Withdrawals from an annuity are taxed as ordinary income. If you have a qualified annuity, meaning it was purchased with pre-tax dollars (such as through a traditional IRA or 401(k) rollover), the entire amount of your withdrawal is taxable. With a non-qualified annuity (purchased with after-tax dollars), only the earnings portion of your withdrawal is taxable, as you've already paid taxes on the original principal.

Early Withdrawal Penalties

If you make withdrawals from your annuity before the age of 59 ½, you may be subject to a 10% early withdrawal penalty in addition to ordinary income taxes. This is similar to the penalty imposed on early withdrawals from other tax-advantaged accounts like IRAs or 401(k)s.

Taxation of Payments

When you begin receiving payments from your annuity, they are taxed differently depending on whether you purchased the annuity with pre-tax or after-tax dollars. With a qualified annuity, all of your payments will be taxed as ordinary income. With a non-qualified annuity, a portion of each payment is considered a return of your original investment and is therefore tax-free, while the rest (the earnings) is taxed as income.

Elise met Henry, a conservative investor who had been through multiple market crashes. He needed a safe option for his retirement savings. After

explaining the steady, predictable growth of a fixed annuity, Henry invested. A decade later, he shared, “While others worried about the market, I slept soundly knowing my money was growing steadily.”

Elise’s suggestion about what you can do: Understanding the tax implications of annuities is crucial for effective retirement planning. Make sure you consult with a tax advisor and an annuity specialist like Elise to ensure you understand how your annuity fits into your overall tax strategy. If you’re under 59 ½, be cautious about taking withdrawals to avoid early withdrawal penalties.

Consider the tax advantages of using annuities for long-term retirement income and plan your distributions in a way that minimizes your tax burden.

CHAPTER 24

WHAT ARE THE FEES AND CHARGES ASSOCIATED WITH ANNUITIES?

“An indexed annuity lets you ride the market’s highs without falling with its lows.”

– Elise Roberts

Annuities come with several types of fees and charges, which can significantly affect your investment returns. Understanding these costs is crucial for making an informed decision, as they can impact the overall value of your annuity and the income it provides.

Common Fees in Annuities

1. **Administrative Fees:** These are charged by the insurance company for managing the annuity. Typically, administrative fees are found in variable annuities ranging from 0.10% to 0.30% of your annuity’s total value annually. This covers the operational costs of maintaining your contract.

2. **Mortality and Expense Risk Charges (M&E Fees):** These fees are specific to variable annuities and compensate the insurance company for taking on certain risks, such as guaranteeing your income and providing a death benefit. The M&E fee generally ranges between 0.50% and 1.50% of the annuity's total value annually.
3. **Investment Management Fees:** If you have a variable annuity, the investments within the annuity (often mutual funds or other market-linked instruments) may come with investment management fees. These fees are akin to mutual fund expens ratios and can range from 0.50% to 2% of the annuity's value per year.
4. **Surrender Charges:** These are penalties for withdrawing funds from your annuity within a certain period after purchasing it, usually between 5 and 10 years. Surrender charges typically start high, at around 7% to 10%, and decrease over time. If you plan to access your annuity funds early, this charge can reduce your overall payout.
5. **Rider Fees:** Annuities often come with optional riders, such as a guaranteed minimum withdrawal benefit or enhanced death benefits. While these riders provide additional security, they also come with fees that range from 0.25% to 1.50% of the annuity's value annually.

Rachel, a 50-year-old entrepreneur, was intrigued by the potential of market growth but didn't want to risk her principal. Elise suggested a fixed indexed annuity tied to the S&P 500. When the market surged, Rachel benefited, and during downturns, her principal and all previous gains remained untouched. Rachel later said, "It's like having the best of both worlds, growth without fear of loss."

Elise's suggestion about what you can do: Before purchasing an annuity,

it's essential to ask your insurance provider for a clear breakdown of all the fees associated with the product. Request an illustration that shows how the fees will affect your account balance and income over time. If your goal is to maximize retirement income, consider whether the annuity's benefits outweigh the fees and compare it to other retirement options. Consulting with an annuity specialist like Elise can help you decide if the fees associated with a specific annuity align with your financial goals.

CHAPTER 25

WHAT IS THE BEST AGE TO BUY AN ANNUITY?

“Riders are like the gears of a bike, helping your financial plan adapt to the terrain ahead.”
– Elise Roberts

The optimal age to purchase an annuity depends on your financial situation, retirement goals, and the type of annuity you’re considering. While there isn’t a one-size-fits-all answer, there are some general guidelines that can help you determine the best time to invest in an annuity.

Younger Buyers (Ages 40-55)

If you’re in your 40s or 50s, you may be interested in purchasing a deferred annuity. These annuities allow your investment to grow tax-deferred over time, helping to build wealth for retirement. By buying a deferred annuity early, you can benefit from compounding returns, especially if you don’t need to access the funds immediately.

However, younger buyers should weigh the advantages of an annuity against other types of retirement accounts like IRAs or 401(k)s, which offer more flexibility. Annuities often come with fees and surrender charges that may not be ideal if you anticipate needing liquidity before retirement.

Older Buyers (Ages 55-70)

For individuals in their late 50s and 60s, the focus tends to shift toward securing income in retirement. At this stage, a fixed or immediate annuity may be a better choice, providing guaranteed income that starts as soon as you need it. Fixed annuities are popular for those nearing retirement because they offer predictable, lifelong payments, helping to cover basic living expenses.

If you're looking to cover essential expenses, an immediate annuity is a smart move at this age, as it converts a lump sum into guaranteed payments for life or a set period. This helps mitigate the risk of outliving your savings.

Post-Retirement Buyers (Ages 70+)

If you're over 70 and have not yet purchased an annuity, you might consider a longevity annuity also known as a deferred lifetime income annuity. These are deferred annuities designed to provide income later in life, typically beginning at age 80 or 85. This type of annuity can be an effective way to ensure you have income during your later years, particularly if you're concerned about outliving your retirement savings.

Elise worked with Sarah, who wanted to ensure long-term care coverage in case of illness. By adding a long-term care rider to her annuity, Sarah felt secure. (some providers offer this at no additional cost or medical questions) Years later, when she required care, the rider covered her expenses. Sarah

told Elise, “You helped me plan for what I hoped wouldn’t happen, but I’m so grateful I listened.”

Elise’s suggestion about what you can do: When deciding the best time to buy an annuity, it’s essential to align the purchase with your retirement strategy. If you’re younger, explore other types of annuities such as accumulation annuities, which will allow freedom to make different decisions as you get older and may need a different type of annuity. If you’re approaching or in retirement, consider how an annuity can provide guaranteed income, protect against market volatility, and ensure financial security. Speak with an annuity specialist like Elise to explore which type of annuity fits your current age and retirement goals, and to understand how it can support your long-term financial well-being.

CHAPTER 26

HOW DO ANNUITIES WORK WITH OTHER RETIREMENT INCOME SOURCES LIKE SOCIAL SECURITY OR PENSIONS?

*“The cost of protection today can
save you from greater costs tomorrow.”
– Elise Roberts*

Annuities are often part of a diversified retirement plan that includes other income sources like Social Security, pensions, and personal savings. The key to using annuities effectively in retirement is understanding how they complement these other streams of income to create a reliable financial foundation.

Complementing Social Security

Social Security provides a guaranteed source of income in retirement,

but for many, it might not be enough to cover all living expenses. This is where annuities can step in. Annuities offer an additional layer of guaranteed income, helping to bridge the gap between what Social Security provides and what you need to maintain your desired lifestyle.

For example, if your Social Security benefits cover only 50% of your monthly expenses, an annuity can be used to generate steady, reliable income that covers the remaining 50%. This ensures you won't have to rely on drawing down other retirement assets too quickly, like your 401(k) or IRA, which could leave you vulnerable to running out of funds later in life.

Supplementing Pensions

Pensions, like Social Security, provide guaranteed income, but not all workers are fortunate enough to have them. Even if you do have a pension, it may not be enough to cover your retirement needs. An annuity can work alongside your pension, providing additional income that helps maintain your financial security.

For those without pensions, annuities serve as a personal pension plan. By purchasing an annuity, you are essentially creating your own stream of guaranteed income that lasts for life, similar to what a pension offers.

Filling in Gaps

Annuities can also help protect against market volatility that might affect your retirement accounts, such as a 401(k), traditional and Roth IRA. While these accounts provide growth potential, they can also be subject to downturns in the market. Annuities, especially fixed or immediate annuities, provide a steady income that isn't dependent on the stock market's performance, offering peace of mind during turbulent times.

Elise explained the fees for a guaranteed income rider to Mark, a retiree

worried about outliving his savings. Mark decided it was worth the cost. Years later, during a market downturn, Mark said, “That rider was my lifeline, worth every penny.”

Elise’s suggestion about what you can do: To effectively incorporate annuities into your retirement plan, it’s important to analyze your current and projected retirement income sources. Make a list of your Social Security benefits, pension payouts, and other income streams to see where you might fall short. Once you identify a gap, consider whether an annuity could provide the guaranteed income needed to fill that space. Speaking with Elise Roberts can help you strategically integrate an annuity into your overall retirement plan.

CHAPTER 27

CAN I USE ANNUITIES TO LEAVE A LEGACY FOR MY HEIRS?

“Taxes are inevitable, but understanding them ensures your income works for you, not against you.”

– Elise Roberts

Annuities can be structured to provide benefits not just during your lifetime but also as part of your estate plan to leave a financial legacy for your heirs. However, the way you structure the annuity will determine how much of your remaining balance will be available to beneficiaries after your passing.

Guaranteed Death Benefit

Many annuities come with a death benefit option. This ensures that any remaining balance in the annuity is paid out to your designated beneficiaries after your death. Some annuities offer a death benefit that equals the amount you initially invested (minus withdrawals), while others might

pass along the current account value. Some even pass more than your initial investment plus your gains. They are called ‘death benefit options.’ This provides a layer of protection to ensure that your heirs receive something, even if you didn’t fully use the annuity during your lifetime.

Joint and Survivor Annuities

A joint and survivor annuity allows you to provide income for a spouse after you pass away. With this option, payments continue to your spouse or another beneficiary for their lifetime. While the payout might be slightly reduced compared to a single-life annuity, this structure ensures that your loved one has a reliable income stream, often making it a good choice for married couples.

Annuities in a Trust

For individuals looking for more control over how their legacy is distributed, annuities can also be placed in a trust. A trust allows you to specify how and when your beneficiaries will receive the funds, offering greater flexibility in estate planning. By using a trust, you can direct annuity payments over time, helping your heirs avoid mismanaging a large lump sum.

Elise guided Thomas, a retired teacher, through the tax implications of his annuity. By structuring withdrawals strategically, he minimized his tax burden. Thomas later said, “You didn’t just manage my finances, you maximized my peace of mind.”

Elise’s suggestion about what you can do: If leaving a legacy for your heirs is important to you, explore annuities with death benefit options or joint and survivor payouts. Consider how these features align with your overall estate planning goals and talk to an estate planning attorney and an annuity specialist like Elise about using annuities to provide for your

loved ones. Remember, structuring your annuity properly can ensure that it not only provides income during your life but also leaves a lasting impact after you're gone.

CHAPTER 28

WHAT ARE THE RISKS ASSOCIATED WITH ANNUITIES?

*“Even in uncertainty, safeguards exist to protect
what you’ve worked hard to build.”*

– Elise Roberts

While annuities can provide guaranteed income and financial security, they are not without risks. Understanding these risks is crucial to making an informed decision and determining whether an annuity fits your retirement plan.

Liquidity Risk

Annuities are long-term financial products, and most come with surrender periods during which you’ll face penalties if you withdraw funds early. These surrender charges can last for several years and often start at 7% to

10%, decreasing over time. If you anticipate needing access to your funds before the surrender period ends, an annuity may not be the best option.

Inflation Risk

With fixed annuities, there's a risk that the purchasing power of your payments will erode over time due to inflation. While your annuity payments may remain constant, the cost of living may increase, reducing the real value of the income you receive. Some annuities offer inflation-adjusted payments, but this typically comes at the cost of lower initial payments.

Investment Risk (Variable Annuities)

If you invest in a variable annuity, your returns are tied to the performance of the underlying investments, such as stocks or bonds. This means your annuity's value can fluctuate based on market conditions, and in a downturn, you could see a decrease in your account value. While variable annuities offer potential for growth, they also carry investment risk and, in most cases, higher cost and fees.

Counterparty Risk

Annuities are contracts with insurance companies, so there's a risk that the insurer could become insolvent and unable to fulfill its payment obligations. While state-guaranty associations provide some protection, it's important to choose an insurer with a strong financial rating to minimize this risk.

Elise reassured Monica, a cautious investor, by explaining state guaranty associations' protection limits. Monica felt secure and moved forward with

her annuity. Years later, she said, “You helped me see that even worst-case scenarios have a safety net.”

Elise’s suggestion about what you can do: Before purchasing an annuity, carefully assess these risks and determine whether you are comfortable with the potential downsides. If liquidity, inflation, or investment risk is a concern, consider alternative retirement products or look for annuities with features that mitigate these risks, such as inflation protection or a shorter surrender period.

Elise is the perfect advisor to evaluate your risk tolerance and choose an annuity that aligns with your financial needs.

CHAPTER 29

HOW DO TAXES AFFECT ANNUITIES?

“Your financial journey deserves a plan as unique as your dreams.”

– Elise Roberts

Taxes play a significant role in how annuities are treated, both during the accumulation phase and when you start receiving payments. Understanding how annuities are taxed can help you plan better and avoid surprises when it comes to your income.

Tax-Deferred Growth

One of the key benefits of annuities is tax-deferred growth. During the accumulation phase, your investment earnings grow without being taxed, allowing for more compounding over time. This tax deferral can be especially valuable if you're in a high tax bracket while working and expect to be in a lower tax bracket in retirement.

Taxes on Withdrawals

Once you start receiving payments from your annuity, the tax treatment depends on whether you purchased the annuity with pre-tax or after-tax dollars.

- **Pre-Tax Dollars (Qualified Annuities):** If you purchased the annuity with pre-tax dollars, such as in a 401(k) or IRA, the entire withdrawal will be taxed as ordinary income.
- **After-Tax Dollars (Non-Qualified Annuities):** If you bought the annuity with after-tax dollars, only the earnings portion of your withdrawals will be taxed as ordinary income. The amount you initially invested (your principal) is not taxed again, as you already paid taxes on it.

Tax Penalties for Early Withdrawals

If you withdraw from your annuity before age 59½, you may face a 10% early withdrawal penalty from the IRS, in addition to paying ordinary income taxes on the amount withdrawn.

Elise spent hours understanding Linda and Tom's goals: travel, supporting their grandchildren, and enjoying retirement. She recommended a combination of fixed and indexed annuities to balance safety and growth. Years later, Linda said, "You didn't sell us a product—you gave us a solution for our life."

Elise's suggestion about what you can do: Understanding the tax implications of annuities is essential for planning your retirement income strategy. Be sure to consult with an annuity specialist like Elise and a tax advisor to determine how an annuity fits into your broader tax plan and

what strategies you can use to minimize your tax liability in retirement. They can help you decide whether a qualified or non-qualified annuity is right for you and ensure you're prepared for any potential tax consequences.

CHAPTER 30

CAN I LOSE MONEY WITH AN ANNUITY?

“Transforming your savings into guaranteed income ensures your hard work continues to reward you.”
– Elise Roberts

While annuities are designed to provide security and guaranteed income, there are scenarios where you can lose money depending on the type of annuity and its structure.

Variable Annuities and Market Risk

With a variable annuity, your returns are tied to the performance of underlying investments such as mutual funds. If the market performs poorly, the value of your annuity can decrease, and in some cases, you can lose money. While some variable annuities offer guarantees to protect against losses, these typically come with higher fees and usually only protect the

lifetime income value or death benefit. The account value is always subject to potential losses.

Surrender Charges

If you need to withdraw funds during the surrender period, you may face significant penalties if you take out more than your free withdraw allows, which can result in losing money. Surrender charges can last from 5 to 10 years and typically start high before gradually decreasing. Withdrawing too much money early can eat into your investment returns.

Inflation Risk

Fixed annuities provide a guaranteed income, but there's a risk that inflation will outpace the fixed payments. If your annuity doesn't adjust for inflation, the purchasing power of your payments can decline over time. This means that while you may not technically "lose" money, the real value of your income can diminish, making it harder to cover living expenses as costs rise. Some annuities offer inflation protection, but this feature often comes with a trade-off in the form of lower initial payouts.

Fees and Charges

Many annuities come with fees that can eat into your returns over time. For example, variable annuities may include management fees, mortality and expense fees, and rider charges, which can reduce the overall value of your investment. If your annuity's underlying investments don't perform well, high fees can further reduce your returns, potentially leading to a loss when compared to other investment options. It's important to fully

understand the fee structure before purchasing an annuity and weigh whether the guarantees or potential returns justify the costs.

Insurance Company Solvency

Annuities are contracts with insurance companies, which means your payments are only as secure as the financial stability of the issuing insurer. While rare, there is always a risk that the insurance company could face financial difficulties or even go bankrupt.

Most states have guarantee-associations that provide some level of protection, but coverage limits may not be enough to cover large annuity balances. To mitigate this risk, it's essential to choose an annuity from a company with strong financial ratings and a solid track record.

Opportunity Cost

While you may not technically “lose” money with a fixed annuity, there is an opportunity cost to consider. Because annuities typically lock your money into long-term contracts, you may miss out on potentially higher returns from other investments, such as stocks, bonds, or real estate. In periods of strong market performance, the relatively modest returns from a fixed or low-risk annuity may feel like a loss in comparison.

Robert, a 60-year-old accountant, had a sizable 401(k) but worried about outliving it. Elise showed him how a rollover to an annuity with a lifetime of increasing income would provide that peace of mind. Robert embraced the idea and later said, “That decision turned my savings into security and added inflation protection, I never worry about running out.”

Elise’s suggestion about what you can do: To minimize the risk of losing money with an annuity, it’s crucial to fully understand the type of annuity you’re purchasing, the fees involved, and the potential risks

associated with each product. Ask yourself: “What am I willing to trade for guarantees?” If inflation protection is a concern, look for annuities that offer cost-of-living adjustments such as increasing income for life. Additionally, ensure the insurance company you choose has high financial ratings to protect your investment in the long term.

If you’re considering a variable annuity, weigh the risks of market exposure against your retirement goals and tolerance for volatility. An annuity specialist like Elise can help you analyze the trade-offs and determine if an annuity is the right choice for your portfolio.

Always read the fine print, ask questions about fees and charges, and make sure the annuity’s features align with your financial objectives.

CHAPTER 31

TAXES FOR ANNUITIES

Disclaimer: This document is for informational purposes only and is not intended as financial, legal, or tax advice. Always consult with a licensed tax professional and an annuities specialist like Elise to understand how tax laws apply to your specific situation.

The Current State of Taxes for Annuities

Annuities are a popular investment vehicle designed to provide a steady income stream, often used for retirement planning. While they offer significant benefits, understanding their tax implications is crucial for maximizing financial advantages and avoiding unnecessary liabilities. The taxation of annuities depends on several factors, including the type of annuity, the source of funding (qualified or non-qualified), and the timing of distributions. In this essay, we will explore the current tax treatment of annuities in the United States and provide key questions to ask a tax advisor before making any decisions.

Taxation of Annuities: Key Considerations

1. Taxation of Contributions

Annuities can be funded with pre-tax or after-tax dollars, and the taxation of distributions depends largely on this distinction:

- **Qualified Annuities:** Funded with pre-tax dollars, often through employer-sponsored retirement plans both traditional IRA and after-tax Roth. Contributions are tax-deferred, meaning taxes are paid upon withdrawal.
- **Non-Qualified Annuities:** Funded with after-tax dollars. Contributions are not tax-deductible, but earnings grow tax-deferred until withdrawn.

2. Tax Treatment of Withdrawals

Withdrawals from annuities are subject to different tax treatments depending on how the annuity was funded:

- **Qualified Annuities:** Since contributions were made pre-tax, both principal and earnings are taxed as ordinary income when withdrawn.
- **Non-Qualified Annuities:** Only earnings are taxed as ordinary income upon withdrawal, while the principal is returned tax-free.

- **LIFO (Last-In, First-Out) Rule:** Withdrawals from non-qualified annuities follow the LIFO rule, meaning earnings (taxable portion) are withdrawn before principal.

3. Early Withdrawal Penalties

If annuity withdrawals are taken before age 59½, they may be subject to a 10% early withdrawal penalty in addition to regular income tax. Exceptions exist, such as disability, death, or certain structured payments.

4. Tax Implications for Annuitization

When an annuity is converted into a stream of periodic payments (annuitization), a portion of each payment is considered a return of principal (tax-free), and the remaining portion is taxed as ordinary income. The IRS uses an “exclusion ratio” to determine the taxable and non-taxable portions of annuity payments.

5. Required Minimum Distributions (RMDs)

For qualified annuities, RMDs must begin by April 1 of the year following the account holder’s 73rd birthday (as per SECURE Act 2.0). Failure to take RMDs results in significant penalties.

6. Inheritance and Estate Taxes

Annuities can have significant estate tax and income tax consequences for beneficiaries:

- If the annuity owner dies before annuitization, the beneficiary typically receives a lump sum or structured payments, which may be subject to income tax on the earnings portion.
- Spousal beneficiaries may have the option to continue the annuity tax-deferred.
- Non-spousal beneficiaries may need to withdraw funds within ten years under the SECURE Act.

Changes and Trends in Annuity Taxation

Recent tax laws have impacted annuities, particularly with the SECURE Act and its updates. The requirement for non-spousal beneficiaries to withdraw inherited annuities within ten years can accelerate tax liabilities. Additionally, there is ongoing discussion about potential changes to tax rates and capital gains treatment, which could impact annuity taxation in the future.

Ten Essential Questions to Ask Your TAX Advisor

1. How will my annuity be taxed based on its type (qualified or non-qualified)?
2. What are the tax implications of withdrawing funds before age 59½?
3. How does the LIFO rule impact my taxable withdrawals?

4. **What strategies can I use to minimize the tax burden on my annuity income?**
5. **How does annuitization affect my tax situation compared to lump-sum withdrawals?**
6. **What are the RMD requirements for my annuity, and how do they impact my tax liability?**
7. **How will my beneficiaries be taxed when inheriting my annuity?**
8. **Are there any tax benefits or penalties associated with transferring or exchanging annuities?**
9. **How do state taxes affect my annuity income, and should I consider moving to a tax-friendly state?**
10. **What potential tax law changes should I be aware of that might impact my annuity strategy?**

Elise's personal opinion: Understanding the tax implications of annuities is essential for making informed financial decisions.

While annuities provide valuable retirement income and tax deferral benefits, improper planning can lead to unexpected tax liabilities. By consulting with a Tax Advisor and asking the right questions, investors can develop strategies to optimize tax efficiency and maximize retirement savings.

Conclusion

A Journey of Trust, Transformation, and Truth

When I first set out to write this book, I knew one thing for sure: I didn't know enough about annuities.

For someone who has spent years mastering the art of public speaking, coaching high-performing entrepreneurs, and helping people build legacies through trust and legal protection, money itself, the root of it all, still held mystery for me. I was never taught about money growing up. I didn't learn how to save it, grow it, or protect it. And for a long time, I didn't ask. I was too busy building, giving, doing. But when the question finally hit me, "*What if I lose it all?*" I knew it was time to start asking the right people the right questions.

That's when Elise Roberts entered my life in a way only divine timing can orchestrate.

Elise isn't just an annuity expert. She's a woman of grace, grit, and grounded wisdom. A powerhouse in her own right, yes, but what struck me most was how deeply she *cares*. In a world that often reduces financial planning to cold calculations and impersonal spreadsheets, Elise brought warmth, clarity, and a sense of empowerment to every conversation we had. She doesn't sell annuities. She *illuminates* them. She doesn't push products. She opens eyes and unlocks peace of mind.

And she did that for me.

Through the process of interviewing her, learning from her, and watching her explain with passion the tools that can change people's financial future, I was transformed. And in that transformation, I knew I had a responsibility. A responsibility to not just absorb what I was learning but to *amplify* it. To use my platform, my voice, and my influence to bring Elise's message to those who, like me, were never taught this side of the story.

This book is the result of that calling.

I didn't write it to sell anything. I didn't write it to sound smart. I wrote it because I believe too many people are living in silent fear about their financial future, and they don't have to. I wrote it because knowledge should be accessible, especially when it comes to something as crucial as protecting your retirement, your savings, your loved ones, and your legacy.

I wrote it because Elise made it *clear*.

There are few people who can take a topic as misunderstood and, frankly, as intimidating as annuities, and make you feel empowered rather than overwhelmed. Elise did that. Her patient explanations, her personal stories, her refusal to compromise on integrity, all of it gave me not just information, but *confidence*. I learned about fixed index annuities, income riders, growth potential without exposure to market loss, and legacy planning strategies I never even knew existed. And through it all, I realized something deeper: This isn't just about money.

It's about *freedom*.

It's about not having to worry about outliving your income. It's about knowing your future is secure no matter what happens in the market. It's

about creating stability for your family and peace in your own heart. That's what Elise brings to the table, and that's what I pray this book brings to you.

Throughout these pages, you've seen how annuities work, who they're for, and how they can be part of a smart, stable, and customized financial plan. But more than that, I hope you've felt the *care* that went into this work. Because this wasn't just a project, it was a *partnership*. And it was built on trust.

Elise trusted me with her knowledge. She trusted me to carry her message to people who need it most. And I trusted her to tell me the truth, to not sugarcoat the risks, to not pitch a product, but to educate with honesty and clarity. That kind of mutual trust is rare. And I do not take it lightly.

To Elise, thank you. Thank you for being generous with your wisdom. Thank you for being fierce in your advocacy for people's financial safety. Thank you for choosing to do this work in a way that honors the people behind the portfolios. Thank you for giving me, and all the readers of this book, *peace of mind*.

You have given voice to something many fear to ask about. You have brought light to an area where most people walk in darkness. And you have reminded us all that it's never too late to learn, to protect, to plan, and to prosper.

To the reader, thank *you* for taking this journey with us. Whether you've come here out of curiosity, concern, or a call to take action, I hope this book has left you more informed, more inspired, and more empowered. I hope it's helped you start asking new questions, braver questions. And most of all, I hope it's given you the tools to finally build the financial future you deserve.

Because you *do* deserve it.

You deserve to retire without worry. You deserve to live with dignity.

You deserve to leave behind a legacy that reflects the love you gave and the life you lived.

So, take this knowledge. Take these insights. And take *action*.

Don't wait for the perfect moment. Don't wait for another crisis to wake you up. Don't wait until it's too late. You now have the keys to unlock peace of mind. Use them.

Let Elise's words be your guide. Let this book be your roadmap. Let your *future self* be your motivation.

And if you ever doubt whether it's possible, remember this: If someone like me, who was never taught about money, who once avoided the conversation entirely, could take that first step and find clarity, *so can you*.

This is your invitation.

Your next chapter starts now.

Live boldly. Protect wisely. And never underestimate the power of knowledge shared from the heart.

Because when wisdom is honored, when trust is mutual, and when voices are lifted, **we all win.**

And that, my friend, is the true annuity.

A guaranteed return, on trust.

Orly

About The Author

Orly Amor is a powerhouse entrepreneur and legacy builder who has founded five thriving companies and transformed the lives of over 200,000 people across the globe. As a corporate trainer, international public speaker, and bestselling author, she's known for helping business owners triple and even quadruple their revenue with proven strategies and no-nonsense execution.

A Certified Behavior Analyst, Orly has been a trusted advisor to influential corporate leaders throughout North America and beyond. With 18+ years of experience as a master networker and business strategist, she's built a reputation for guiding Public Speakers, Coaches, and Entrepreneurs to create powerful, profit-generating business models. Her rare ability to decode the monetization process of public speaking makes her a go-to expert in the industry.

Orly is the only Public Speaking Business Coach in the world who **guarantees** her clients will earn multiple six figures or she keeps working with them until they do, in writing. That's not just a promise; it's a commitment backed by results.

She is also the author of *A Journey to Financial Freedom*, a deeply personal and empowering book born out of her own realization that, like many, she was never taught how money really works.

Orly has deep admiration for Elise Roberts, who's opinions and teachings are in this book. Determined to break the cycle of financial uncertainty, Orly wrote the book to help others gain clarity, confidence, and control over their financial future no matter their starting point.

Whether she's on stage, behind the scenes, or coaching one-on-one,

Orly Amor is on a mission to empower others to speak up, stand out, and step into a life of financial and personal freedom.

<http://MeetOrlyAmor.com>

About The Expert

Elise Roberts – Certified Financial Fiduciary® | Financial Professional Specializing in Annuities

Elise Roberts is a highly respected Financial Professional and Certified Financial Fiduciary® who specializes in helping individuals protect and grow their retirement income through smart, secure annuity strategies. With over a decade of experience, Elise has built a reputation for simplifying complex financial concepts and empowering her clients to make confident, informed decisions about their future.

What truly sets Elise apart is her heart-centered approach. She leads with integrity, empathy, and education, always putting her clients' best interests first. As a Certified Financial Fiduciary®,

she is legally and ethically committed to acting in the highest good of those she serves. Her clients trust her not just because of what she knows, but because of how deeply she cares.

Elise is passionate about showing people that financial security doesn't have to be complicated or risky. She specializes in fixed index annuities, helping her clients create guaranteed income for life, protect their savings from market volatility, and leave lasting legacies for their families. She believes annuities, when used properly, are one of the most powerful and underutilized tools in retirement planning.

Inspired by the wisdom of her late father and driven by a calling to educate and serve, Elise has helped countless individuals shift from fear and uncertainty to clarity and control over their financial future. She is also a sought-after speaker and advocate for financial literacy, especially among women and underserved communities.

Whether you're approaching retirement or just beginning to plan ahead, Elise Roberts is the trusted expert to help you secure your future with confidence, clarity, and care.

