Annuity Suitability

First of all, an annuity should be considered as a longer-term investment. If, for example, your objective is to save for retirement and you are already contributing the maximum to an IRA and/or employer-sponsored retirement plan, an annuity might be right for you. But which type of annuity? The answer to that question depends primarily on your investment objectives and risk tolerance.

Fixed interest annuities may be best suited for individuals who:

- Prefer to rely on fixed rates of return
- Focus on preservation of assets
- Want protection from market volatility
- Prefer to delegate investment decisions and risks to the insurance company
- Understand that a fixed rate of return may not provide a good hedge against inflation

Variable annuities may be best suited for individuals who:

- Prefer to invest in equities
- Want to make their own investment decisions
- Understand that assets can decline in value
- Are willing to assume the risk of loss of principal in exchange for the possibility of greater asset growth and a stronger hedge against inflation

Indexed annuities may be best suited for individuals who:

- Are adverse to risk
- Understand that a rate of return linked to stock market performance provides the potential for higher returns than fixed interest investments, together with the risk of losing money if the issuing company does not guarantee 100% of the principal and no index-linked interest is credited, or if the indexed annuity is surrendered while a surrender charge is in effect
- Prefer to delegate investment decisions to others
- Want less market risk than with a variable annuity