

# Immediate Annuity Guide

*Luck is not a Retirement strategy.....Careful planning is.*

The biggest challenge facing retirees is figuring out how to make their retirement nest egg last as long as they do. The problem is – most Americans don't have a plan to make that happen. Not having a plan for sustainable lifetime income can often lead to financial difficulties later in life.

So how do you make your money last a lifetime? While there are rarely “one size fits all” solutions available for any financial dilemma, an immediate annuity might be appropriate for part of your retirement nest egg. So what is an immediate annuity? It's a policy offered by an insurance company where you exchange of a lump sum of money for a promise to pay a lifetime income. The promise is backed by the claims paying ability of the issuing insurance company.

That's why Potomac Financial Group developed the *Immediate Annuity Guide* - to help clients and their advisors determine if an immediate annuity is appropriate for their long term financial needs. While there are many different combinations of income annuity solutions available, two of the most widely used are the Single Life Annuity and the Joint & 100% Survivor Annuity. Both are illustrated in the charts below.

**Single Life Annuity:** Income is paid for your entire lifetime. You can never outlive this income. At your death payments stop. There are no payments to your beneficiaries unless a certain period is selected.

## Lifetime Monthly Income – Per \$100,000 Deposit

Age 65	Base Annuity	5 Year Certain	10 Year Certain	15 Year Certain	20 Year Certain	Installment Refund
Monthly -	\$633	\$628	\$609	\$583	\$552	\$599
Annually -	\$7,596	\$7,536	\$7,308	\$6,996	\$6,624	\$7,188
Distribution Rate	7.60%	7.54%	7.31%	7.00%	6.62%	7.18%

Age 70	Base Annuity	5 Year Certain	10 Year Certain	15 Year Certain	20 Year Certain	Installment Refund
Monthly -	\$725	\$714	\$677	\$627	\$575	\$667
Annually -	\$8,700	\$8,568	\$8,124	\$7,524	\$6,900	\$8,004
Distribution Rate	8.70%	8.57%	8.12%	7.52%	6.90%	8.0%

Age 75	Base Annuity	5 Year Certain	10 Year Certain	15 Year Certain	20 Year Certain	Installment Refund
Monthly -	\$851	\$823	\$747	\$659	\$586	\$748
Annually -	\$10,212	\$9,876	\$8,964	\$7,908	\$7,032	\$8,976
Distribution Rate	10.21%	9.88%	8.96%	7.91%	7.03%	8.98%

Age 80	Base Annuity	5 Year Certain	10 Year Certain	15 Year Certain	20 Year Certain	Installment Refund
Monthly -	\$1,054	\$986	\$830	\$694	\$603	\$870
Annually -	\$12,648	\$11,832	\$9,960	\$8,328	\$7,236	\$10,440
Distribution Rate	12.65%	11.83%	9.96%	8.33%	7.24%	10.44%

Age 85	Base Annuity	5 Year Certain	10 Year Certain	15 Year Certain	20 Year Certain	Installment Refund
Monthly -	\$1,299	\$1,145	\$879	\$704	N/A	\$1,000
Annually -	\$15,588	\$13,740	\$10,548	\$8,448	N/A	\$12,000
Distribution Rate	15.59%	13.74%	10.55%	8.45%	N/A	12.0%

Source: [www.immediateannuities.com](http://www.immediateannuities.com) (6/21/10)

**Joint & 100% Survivor Annuity:** Income is paid for the lifetimes of both annuitants. You can never outlive this income. The payment stops at the death of the second annuitant. There are no payments to your beneficiaries unless a certain period is selected.

### Lifetime Monthly Income – Per \$100,000 Deposit

Age 65/65	Base Annuity	5 Year Certain	10 Year Certain	15 Year Certain	20 Year Certain	Installment Refund
Monthly - Annually -	\$508 \$6,096	\$508 \$6,096	\$507 \$6,084	\$503 \$6,036	\$496 \$5,952	\$504 \$6,048
Distribution Rate	6.10%	6.10%	6.08%	6.04%	6.00%	6.05%

Age 70/70	Base Annuity	5 Year Certain	10 Year Certain	15 Year Certain	20 Year Certain	Installment Refund
Monthly - Annually -	\$569 \$6,828	\$569 \$6,828	\$566 \$6,792	\$556 \$6,672	\$534 \$6,408	\$561 \$6,732
Distribution Rate	6.83%	6.83%	6.79%	6.67%	6.40%	6.73%

Age 75/75	Base Annuity	5 Year Certain	10 Year Certain	15 Year Certain	20 Year Certain	Installment Refund
Monthly - Annually -	\$643 \$7,716	\$642 \$7,704	\$631 \$7,572	\$600 \$7,200	\$556 \$6,672	\$624 \$7,488
Distribution Rate	7.72%	7.70%	7.57%	7.20%	6.67%	7.49%

Age 80/80	Base Annuity	5 Year Certain	10 Year Certain	15 Year Certain	20 Year Certain	Installment Refund
Monthly - Annually -	\$787 \$9,444	\$782 \$9,384	\$744 \$8,928	\$668 \$8,016	\$591 \$7,092	\$742 \$8,904
Distribution Rate	9.44%	9.38%	8.93%	8.02%	7.09%	8.90%

Age 85/85	Base Annuity	5 Year Certain	10 Year Certain	15 Year Certain	20 Year Certain	Installment Refund
Monthly - Annually -	\$952 \$11,424	\$934 \$11,208	\$825 \$9,900	\$690 \$8,280	N/A	\$859 \$10,308
Distribution Rate	11.42%	11.21%	9.90%	8.28%	N/A	10.31%

Source: [www.immediateannuities.com](http://www.immediateannuities.com) (6/21/10)

**Distribution Rate:** This is not the rate-of-return (ROR) on the annuity. ROR is based on a number of factors including how long you live. The distribution rate is merely the annual payout rate based on a \$100,000 deposit.

**Certain Period (5, 10, 15 & 20 Years):** Income is paid for your entire lifetime. You can never outlive this income. However, if you die before the end of the certain period, say 10 years, your beneficiary will continue to receive income for the balance of the 10 year period.

**Installment Refund:** Income is paid for your entire lifetime. You can never outlive this income. If however, you die before receiving an amount equal to the premium deposit, the balance will be paid out to your beneficiaries.

**Inflation Adjusted Annuities:** They typically reduce the initial income amount by about 25% and it usually takes about 10 years to equal the original base income amount.

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