

**Get all your DVD's and entertainment equipment at wholesale prices and GET PAID at the same time! For a limited time, you can get a FREE LIFETIME MEMBERSHIP with NO Monthly Fees ... ever!**

[Click here to know more](#)

## **How to purchase an annuity**

**By Jakob Jelling**

### **How to purchase an annuity by Jakob Jelling**

An annuity is a contract with an insurance company to make periodic payments for retirement income and sometimes other purposes.

There are basically two types of annuities.

#### **Fixed Annuities**

A fixed annuity earns a guaranteed interest rate over a specific period of time. When this period of time expires a new interest rate is set for the next period of time. Is important to note that a fixed annuity is not backed by the Federal Deposit Insurance Corporation (FDIC).

#### **Variable Annuities**

Variable annuities offer a much greater range of investment funding options than fixed annuities. Because their performance depends on the investment options your principal and return are not guaranteed. Some variable annuities offer a fixed accounts alternative that guarantees principal and interest a lot like fixed annuities. You can then divide your funds between the low-risk option as well as high-risk options such as stocks.

#### **Purchasing Annuities**

There are two ways to purchase annuities. You can either pay the premium using one lump sum or you can make ongoing contributions to what is called a flexible payment annuity. With a flexible payment annuity you can contribute money pretty much any time you want. Another benefit of variable annuities is that they allow you to transfer money from one account to the other without having to pay taxes on any earnings you make as a result of the transfer. The disadvantage of variable annuities is that you will most likely pay higher fees than you would with a fixed annuity.

If you are wanting to save money for retirement a fixed tax deferred annuity may be the best option for you. With a tax-deferred annuity you don't pay taxes until you make a withdrawal or begin receiving annuity income. This can allow you to accumulate a greater amount of money over an extended period of time. You should think carefully though before putting money into a tax-deferred annuity. If the money is needed before age 59 and you withdrawal the money the IRS may apply heavy penalties. In addition the insurer may also impose its own withdrawal penalties which are often cause surrender fees.

You can also purchase what is called an immediate annuity. When you purchase an immediate annuity you make a one-time payment and distributions usually begin within 30 days. Immediate annuities can be fixed or variable. Because an immediate annuity can provide stable income payments guaranteed for a selected period of time, this is a good option if you need a financial vehicle that can provide guaranteed income for life.

Before purchasing an annuity is important to speak with a professional financial adviser so you have an understanding of the various tax consequences of an annuity as well as the expenses which may be associated with the contract.

Jakob Jelling is the founder of <http://www.cashbazar.com>. Visit his website for the latest on personal finance, debt elimination, budgeting, credit cards and real estate.

**Avoid Annuity Tax Problems**

**By Tony Novak**

**Avoid Annuity Tax Problems by Tony Novak**

Millions of investors own retirement annuity accounts but few are aware of the tax implications when the annuity is passed to an heir or beneficiary. A little known tax fact is that income tax on an individually owned annuity can be postponed only if the account owner's spouse is named as the sole beneficiary. If the annuitant is not married, the same treatment may be obtained through the use of a trust account. Any other designation of the account beneficiary will cause the proceeds to be immediately taxable in the year of the account owner's death. The results can be financially devastating, triggering huge current tax liabilities that would have otherwise been avoided. Most beneficiary designations are made at the time that the annuity account is opened, often without the advise of a professional tax adviser. The investment representatives who typically open these annuity accounts give the blanket recommendation to investors to "seek advise from your own tax adviser" but few investors ever bother to seek separate tax advice. Investors often assume that the financial planner opening the annuity account is incorporating tax advice into the service provided, but usually this is not the case. By the time the tax problem is discovered by the executor or the estate, it is too late to make any correction.

Tony Novak is an independent writer and financial adviser in Narberth PA who provides OnlineAdviser services through MedSave.com and FreedomBenefits.org

Related eBooks:

[Avoid Annuity Tax Problems](#)

[Annuity FAQ: Answers To Some Basic Annuity Investing Questions](#)

[Love The Thrill of Risk? Invest in an Annuity!](#)

[Why Bad Credit People Pay Higher Rates](#)

[The Civil Service Retirement System](#)

Get more Free PDF eBooks at [FreePDFeBooks.com](http://FreePDFeBooks.com)

Related Products:

[Home Vegetable Garden](#)

[Palmistry](#)

[Dream Psychology](#)

[Clickbank Automation System](#)

[Clickbank Search Engine](#)

[Malamaal.com](http://Malamaal.com): A genuine resource center for Quality Ebooks and Softwares

Co-Sponsored Advertisement:

**This PDF eBook is for free Distribution only, it cannot be SOLD**  
**Get free rebrandable ebooks, and unleash your viral marketing strategy.**

[Click here to know more](#)

**Powered By [FreePDFeBooks.com](http://FreePDFeBooks.com)**

[ReBrand this PDF eBook with your Name / URL / ClickBank Affiliate ID for Free](#)