

# Annuities: Understanding the Risks and Fees

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**1 Liquidity:** Find out how long your money will be tied up. Many annuities have expensive surrender charges if you try to withdraw money before the maturity date, which may be many years from the purchase date.

**2 Product Knowledge:** Make sure you understand how the annuity works, the benefits it provides, and the fees and charges you will pay, including commissions. Always demand written information about the company offering the annuity and read and understand the prospectus before investing. Remember annuities are not bank deposits and are not F.D.I.C. insured.

**3 Suitability:** Make sure an annuity is suitable and affordable for you. If you are over 65 years old, annuities are more likely to be UNSUITABLE due to long time horizons and expensive surrender fees.

**4 Rate of Return:** Watch out for introductory or teaser rates that may be significantly higher than the rate of return specified in the contract.

**5 Volatility:** Some annuities involve a risk that the account value may decline if the underlying investment performs poorly.

**6 Professional Advice:** Before making a commitment to purchase an annuity, discuss the investment with your stockbroker, attorney, accountant, trusted family member, or financial adviser.

**7 Rollover:** Before cashing in one annuity to purchase another, make sure the benefits of the purchase outweigh the costs, including surrender costs, penalties, and tax liabilities.

**8 Optional Features:** Some annuities offer additional features such as long term care insurance that may cost you extra. Consider whether you can purchase the additional benefit as a separate product at a better price.

**9 Death Benefit:** Not all annuities provide a death benefit. Understand what happens to the proceeds of your annuity upon death.

**10 Know your salesperson:** Unscrupulous salespeople will try to scare or pressure you to buy. **DO NOT DO BUSINESS WITH ANYONE WHO EMPLOYS THESE TACTICS.** You have the right not to buy. You should be completely comfortable with the product and the salesperson before committing any of your hard earned money to any investment.

**Remember, if it sounds too good to be true, it probably is.**

