



Annuities in Plain Language

An annuity is a contract with an insurance company. You give the company money (either a lump sum or a series of payments), and in return the company promises to pay you income — either right away or in the future. The goal is usually reliable income you cannot outlive.

Common Types (Simplified)

Immediate Annuity

You pay a lump sum and income payments begin within a year. Useful when you need income right away and want the certainty of a lifetime paycheck.

Deferred Annuity

You put money in now and income begins later (often at retirement). The money can grow tax-deferred until you start taking payments.

Fixed Annuity

The insurance company credits a declared interest rate. Principal is protected from market loss. Simple and predictable.

Fixed Indexed Annuity

Interest is linked to the performance of a market index (with caps or participation rates). You do not lose principal due to market declines, but upside is limited.

Variable Annuity

Money is invested in sub-accounts similar to mutual funds. Value can go up or down with the market. Higher potential return, higher risk, and usually higher fees.

When an Annuity May Help

- You want income you cannot outlive
- You have already covered basic expenses with Social Security / pension
- You are concerned about sequence-of-returns risk in retirement
- You want a portion of savings protected from market downturns
- You value simplicity and predictability over maximum growth

Important Caveats

- Annuities are long-term contracts — surrender charges often apply if you exit early
- Fees and riders can reduce returns
- Not every annuity is suitable for every person
- Shop carriers carefully — financial strength matters
- Always understand liquidity, fees, and how income is calculated before buying

HOW HUGS CAN HELP

Annuities can be useful tools, but only when they fit the rest of your plan. We can help you understand whether an annuity makes sense for your income needs, risk tolerance, and legacy goals. At HUGS we have no greater joy than to hear that our clients are walking with confidence.