FREE RETIREMENT INCOME GUIDE

How Annuities Work

A simple guide to creating monthly retirement income

Inside this guide

- Understand why retirement income may feel uncertain, even with savings.
- See how annuities work and how some can provide lifetime payments.
- Explore possible benefits, important trade-offs, and your next steps.

Discover how a portion of retirement savings may help create a more predictable income stream.

PREPARED FOR YOU BY

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02 / THE RETIREMENT CHALLENGE

When Working Income Stops, the Bills Continue

A comfortable retirement takes more than having a savings balance. For years, employment income helped make everyday life predictable. Once you leave work, that regular deposit may stop, but groceries, housing, insurance, and healthcare do not. Your retirement income may come from Social Security, pensions, and personal retirement savings. The challenge is making those sources work together for as long as you need them.

Four concerns many people face

Outliving savings

What if retirement lasts 25 or 30 years, or even longer than planned?

Market uncertainty

What happens when investments fall just as regular withdrawals begin?

Rising living costs

Healthcare, housing, and everyday expenses may increase over time.

A monthly income gap

Social Security or a pension may not cover every essential expense.

The question worth asking

How much predictable income will I have every month, and what happens if I live longer than expected?

This guide explores annuities as one possible answer. It is designed to help you understand your options, not push you into a purchase.

03 / THE BASICS

What Exactly Is an Annuity?

An annuity is an insurance contract, not a bank account or a guaranteed investment return. An annuity is an agreement between you and an insurance company. You pay money into the contract, either all at once or through payments allowed by the contract. In return, the insurer provides certain benefits, which may include income payments now or in the future.

Think of three moving parts

Your contribution. Money you set aside to purchase or fund the contract.

The contract. Rules that describe timing, income options, guarantees, access to money and possible charges.

Your benefits. Depending on the annuity, these may include credited interest, future income or scheduled payments for a stated period or for life.

In plain English

Some annuities can turn a portion of retirement savings into payments you receive regularly, as an additional retirement income source.

A simple illustration

Suppose someone considers using $100,000 of retirement savings to purchase an annuity. That contribution alone does NOT tell us the monthly income. The actual amount depends on the person's age, the annuity selected, when payments begin, whether a spouse is covered and the insurer's contract terms. There is no universal annuity payout rate. A specific quote is needed before estimating payments.

04 / HOW IT WORKS

How Can an Annuity Pay You Monthly?

Four decisions explain the basic journey from savings to a possible income stream.

Set aside a portion of savings. Choose how much to contribute while keeping enough accessible funds for emergencies and other needs.

Choose when income should start. An immediate annuity generally starts payments within one year; a deferred annuity provides benefits later.

Choose how payments are structured. Depending on the contract, you may select payments for life, for two lives, or for a specified period.

Receive income under the contract. Eligible payments may be monthly or on another schedule. The amount and guarantees depend on the selected product and terms.

Two common ways income may be offered

Income approach	What it means
Income annuity / annuitization	A contribution or contract value is converted into regular payments under a selected payout option.
Lifetime withdrawal benefit	Some deferred annuities offer a rider allowing qualifying lifetime withdrawals, subject to limits and fees.

One important distinction

An annuity can provide scheduled payments without ongoing work, but those payments are funded through the insurance contract; they are not "free money" or necessarily investment profits.

05 / COMMON PRODUCT CHOICES

Different Annuities Serve Different Purposes

The first question is **when** you need income. The second is **how** the contract works.

When income begins

Immediate annuity | Start sooner

Often purchased with a lump sum. Income generally begins within one year; payout terms determine the length of payments.

Deferred annuity | Start later

Generally lets you plan for income later. Contract value may accumulate first; some options offer future payments.

How value and risk can differ

Annuity type	Key features and trade-offs
Fixed annuity	Provides contract-specified interest guarantees or payment terms, subject to the insurer's obligations.
Fixed indexed annuity	Credits interest using an index-linked formula. Caps, spreads, or other terms can limit credited interest.
Variable annuity	Value can rise or fall based on investments. Some contracts offer optional income guarantees for added cost.
Registered index-linked annuity	Some contracts provide index exposure with limited downside protection, but investment loss is still possible.

A "guaranteed" feature may apply only to a specific contract benefit. Review the actual illustration, charges, payout rules, and limitations.

06 / A GROWING CONVERSATION

Why Are More Americans Exploring Annuities?

The search for predictable retirement income is becoming an important planning conversation. For many people, the goal is not to chase the highest possible return. It is to understand how their savings may help cover everyday expenses without depending entirely on market performance.

What recent U.S. research shows

Finding	What it suggests
74%	Of pre-retirees surveyed wanted to learn more about protected lifetime income options.
Only 25%	Of pre-retirees surveyed believed protected income sources would cover essential retirement expenses.
$464.1 billion	Total U.S. retail annuity sales in 2025, a record according to final LIMRA data.

LIMRA's 2026 Retirement Income Readiness research surveyed 486 U.S. pre-retirees and 804 retirees aged 45 and older; pre-retirees planned to retire within 10 years. The sales figure measures total annuity sales, not the proportion of retirees who purchased annuities.

Why people consider this approach

- They want a clearer picture of how to cover recurring bills.
- They are concerned about how long retirement savings may need to last.
- They want to compare contractual income with withdrawals from investments.
- They may be looking for income that can continue for one or two lifetimes.

Growing interest does not mean the same solution fits everyone

An annuity makes sense only if the specific benefits, costs, restrictions and income terms fit your circumstances.

Sources: LIMRA, Retirement Income Readiness Report (Aug. 5, 2026); LIMRA, Final U.S. Retail Annuity Sales (Mar. 23, 2026). Full links on final page.

07 / REAL-WORLD APPLICATION

How Could an Annuity Help Fill a Monthly Income Gap?

Start with expenses. Then look at which income is already dependable. Imagine a hypothetical retired household that wants $4,500 each month to support normal living expenses.

Monthly retirement expenses	Amount
Housing, food and transportation	$2,450
Healthcare and insurance	$850
Utilities, personal and other costs	$1,200
TOTAL MONTHLY NEED	$4,500

Now compare that with regular income already expected:

Monthly income sources	Amount
Social Security	$2,650
Pension	$550
TOTAL BASELINE INCOME	$3,200

The estimated income gap: $1,300 per month

$4,500 in expenses minus $3,200 in existing income leaves a potential $1,300 monthly shortfall.

A qualifying income annuity might be considered to cover PART of that gap, alongside other options such as planned withdrawals, spending adjustments or additional work. The amount of savings needed to create any particular payment can be determined only with an actual annuity illustration. Illustration only: no premium amount, annuity payment or investment outcome is promised. Your actual retirement needs may include taxes and inflation.

08 / THE POTENTIAL BENEFITS

How Can an Annuity Support Retirement?

The right contract may help create a foundation of more predictable cash flow.

Scheduled income. Certain annuities provide regular payments that may help with recurring monthly expenses.

Potential lifetime income. Qualifying payment options can continue for life, helping address the risk of outliving savings.

Income alongside Social Security. Annuity payments can complement Social Security, pension benefits and other income sources.

Less reliance on selling investments for bills. Contractual payments may cover some expenses even during a market downturn, though investment risks may remain elsewhere in your plan.

Options for a surviving spouse. Some joint-life or survivor arrangements continue payments after one spouse dies; these usually affect the amount paid.

Potential tax deferral. Earnings in many deferred annuities are generally tax-deferred until distributed. An annuity held in a tax-deferred retirement savings arrangement generally adds no extra tax-deferral benefit.

What about “passive income”?

Once eligible payments begin, a qualifying annuity can deliver scheduled income without ongoing work. But the payments come from the contract you funded, and their duration, tax treatment and guarantees vary. "Passive" does not mean risk-free or cost-free.

09 / IMPORTANT TO UNDERSTAND

Benefits Are Only Half the Picture

A sound income decision considers flexibility, cost, and protections, not simply an advertised payout.

Access | Money may be restricted

Some annuities include surrender periods or charges. Annuitization can permanently reduce access to the money used for payments.

Fees | Costs differ by product

Riders, investment-related expenses, contract charges, or embedded crediting terms may affect results.

Inflation | Income may lose buying power

A fixed monthly payment typically will not rise automatically when living costs increase.

Insurer | Guarantees are conditional

Contractual guarantees depend on the insurer's claims-paying ability; annuities are not FDIC-insured bank deposits.

Taxes | Payments may be taxable

Taxes depend on the funding arrangement. Certain early distributions may also trigger additional federal tax.

Family | Legacy terms matter

Beneficiary benefits, survivor payments, and death benefits vary by contract and payout selection.

Before you make a decision

Compare a real product illustration with your monthly income needs, emergency reserves, healthcare expenses, family situation, and long-term goals. Ask what is guaranteed, what is not, and what you would give up in exchange for income.

The goal is an informed choice

A good retirement income strategy may use an annuity, other financial tools, or both. The best answer depends on your own situation.

10 / YOUR NEXT STEP

Let's See What Your Retirement Income Could Look Like

Understanding an annuity is a great start. Your actual retirement numbers are what matter next. A complimentary retirement strategy analysis gives you an opportunity to discuss how your savings, expected income, and financial goals fit together, without needing to figure out every detail on your own.

What we can explore together

Your retirement income picture. Review estimated monthly expenses and expected income sources such as Social Security and pensions.

Any possible monthly shortfall. Identify how much additional income you may want to plan for.

Available strategies. Explore potential approaches, including whether an annuity deserves consideration, while reviewing key trade-offs.

Book Your Free Retirement Strategy Analysis

Speak with a licensed financial professional about your retirement income options. There is no requirement to purchase an annuity to request a review.

Reserve My Complimentary Analysis

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NAIC: Annuities consumer overview · Investor.gov: Annuity basics
LIMRA: 2026 Retirement Income Readiness findings
LIMRA: Final U.S. annuity sales for 2025