



3 Drawbacks of Annuity Rollovers

If you're like many people, your 401(k) assets will be your primary source of retirement income, which can be a mental pivot: Your investment goals change from trying to grow your retirement account toward a balance between growth and capital preservation. While it's easier to weather market downturns during your accumulations years, a drop right as retirement begins can throw a wrench in the best-laid plans.

One solution to this problem can be an annuity, an insurance product designed to generate income. Annuities can play an important role in a well-positioned retirement income strategy, but guarantees cost money. The more guarantees you put in place, the higher the potential cost.

What should you know about annuity rollovers to make an informed decision about whether one might work well as part of your retirement plan?

Potentially Higher Fees

The two most common annuity types are fixed and variable. Fixed annuities provide a fixed benefit amount, whereas variable annuities can provide a variable income that may be tied to the market through a sub-account. The fees for either type depend on the contract.

Fewer Investment Options

Typically, variable annuities provide income by investing a portion of your assets in the market. Like your 401(k), the annuity company may offer a list of potential investment options to consider. Often they'll cap the risk and return profile for each investment option to limit the variability of your potential income.

Increased Risk of Loss

Huh? Isn't the point of an annuity to help protect against loss? In this case, we're not referring to risk during the payout period, we're referring to the risk of loss when you die.

With your 401(k), your assets transfer to your named beneficiary when you pass away. That's NOT always the case with an annuity. As an insurance product, the annuity company often keeps whatever assets are leftover in your annuity. That's not uniformly the case, but it's possible if not spelled out specifically in the contract!

An annuity might be for you if you're seeking a guaranteed source of income in your golden years, but the evaluation is different for everyone. Contact our team today to learn whether an annuity is the right choice for your retirement assets.