

How do annuities work?

Written by Lawrence Castillo Guest Columnist
Friday, 13 January 2023 00:57



Annuities are financial products that provide a guaranteed income stream in exchange for a lump sum payment or series of payments. There are several different types of annuities, including fixed, variable, and indexed, each with its own features and benefits.

Here is an overview of how annuities work:

An individual enters into a contract with an insurance company to purchase an annuity.

The individual makes a lump sum payment or a series of payments to the insurance company.

The insurance company invests the payments and earns a return on the investment.

The individual can choose to receive the income from the annuity in a number of ways, such as:

A fixed amount each month, quarter, or year

A variable amount that depends on the performance of the underlying investments

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A combination of the two

The income payments from the annuity are guaranteed for a specified period of time or for the remainder of the individual's life.

One common type of annuity is a fixed annuity, which provides a guaranteed rate of return and a guaranteed income stream for a specified period of time. The income stream can be received all at once in a lump sum, or it can be received in installments over a period of time.

Before making a purchase, it is important to carefully review the terms of the annuity contract, including the fees, surrender charges, and any restrictions on withdrawing funds.

Lawrence Castillo is a member of *Syndicated Columnists*, a national organization committed to a fully transparent approach to money management.

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Interested in additional information? Register for my FREE Newsletter at 888-998-3463 or click my newsletter link: <https://annuity.com/lawrence-castillo-newsletter/>

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