*"Annuities have a lot going for them, including the ability to create guaranteed streams of lifetime income. But what happens to your annuity if you die sooner than expected?"*

One common argument against annuities comes from people who say that if you die sooner than anticipated, your family will get none of your annuity money. That could be true in some cases. However, if you correctly structure an annuity, you can leave something to your family if you die too soon while still providing yourself with lifetime income.

**Two basic categories of annuities**

There are two categories of annuity products.

One type of annuity helps you **accumulate** money for retirement, and the other type gives you **predictable income** when you retire.

Suppose you are using an annuity for wealth accumulation and have not started taking payments (annuitization). In that case, a named beneficiary will determine who receives the value of your annuity when you die.

If you have activated the income portion of your annuity, other provisions can be added to transfer the balance to your heirs.

There are numerous ways to structure an income annuity. Some of these options make it so that a beneficiary can receive any unused funds in a lump sum or in payments after you die. With an income annuity, you select the time period for receiving the Income.

**Life only option.** As indicated by the name, life only pays as long as you are alive. This benefit will provide income as long as you live, but all payments stop at your death.

But you can also have what are called **“joint-life payments**.” Joint life is when the income stream continues until the second person, such as a spouse, dies. Frequently, married couples employ an option that decreases the payments to the second person when the first person dies. This option results in higher payments when both people are living.

**Life with Refund.** Your annuity income will continue for you for as long as you live. However, you or your beneficiary are guaranteed to get at least the amount you invested. Suppose you pass away before that amount of money is paid out. In that case, your beneficiary gets continued payments or a lump sum, depending on the annuity contract, up to the amount you initially paid for the annuity.

**Life with period certain.** If you choose a **life with a period certain option,** your payments will continue until your death (or until your spouse dies if you choose joint-life payments). However, your payouts will continue for a minimum period, even if you die. If an annuitant dies before the end of the period certain, a beneficiary will get the payments.

**Period certain only.** This selection means income is paid for a certain number of years and then stops. If you live longer than the period certain, all payments stop. If you die before the period ends, your beneficiary receives the payments.

These different annuity structures have various consequences of which you must be aware. For example, a life-only annuity will provide a higher monthly payout than a joint-life option with a period certain for the same premium. It would help if you consulted a retirement income specialist to understand the nuances of each option.

Summing up, the money you invest in an annuity doesn't have to die with you. It is possible to create a legacy for loved ones using annuities. However, you must know how each payout option can affect your payments.

It's a good idea to partner with an annuity specialist who can help you find the structure that works best in your situation.

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

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'Layin' it on the line'
By Lawrence Castillo
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