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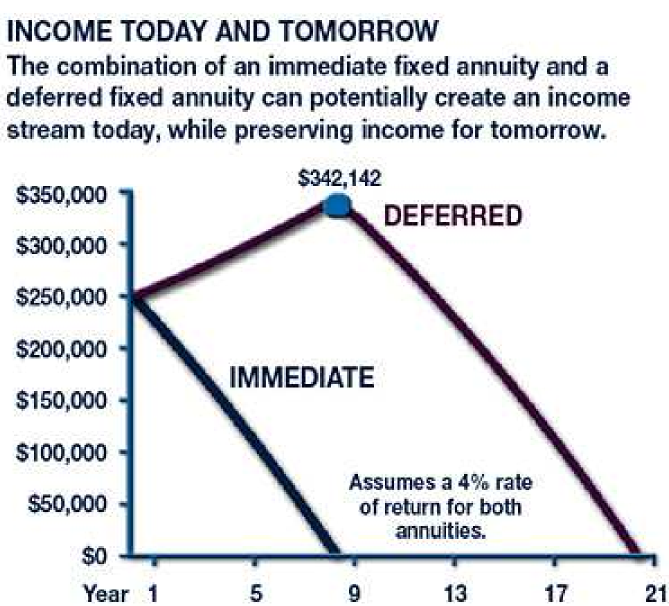
For Income, Pick Up This Split

Are you confident that you will have enough money to live a long retirement? Many workers are at least somewhat confident that they'll have enough saved to live comfortably in retirement, but only 27% are very confident. Unfortunately, 29% of workers are not confident that they'll have sufficient retirement savings.[1]

A split-annuity strategy can help you begin receiving an income stream that has the potential to last well into the future.

Split Up to Cover More Ground



This hypothetical example assumes $500,000 divided evenly between an immediate fixed annuity and a deferred fixed annuity. The immediate annuity provides a $35,000 annual income for eight years. The deferred annuity accumulates tax deferred. This example assumes a 4% annual return for both annuities. Withdrawals from the deferred investments could begin after the immediate annuity pays out all its value. This hypothetical illustration does not reflect the performance of any specific financial vehicles. Taxes and product fees and charges are not considered in this example and would reduce the performance shown if they were included. Actual results will vary.

A split-annuity strategy involves dividing a lump-sum contribution into two contracts: an immediate fixed annuity and a deferred fixed annuity. The immediate annuity begins paying the contract holder an income right away, while the deferred annuity accrues interest to help provide income in the future.

In the example shown below, a hypothetical individual splits $500,000 between these two types of annuity contracts. He puts $250,000 in the immediate annuity and allocates the other half to a deferred annuity. Because the immediate annuity guarantees a 4% annual rate of return, the contract holder is able to collect a $35,000 annual income for eight years.

During this time, the $250,000 in the deferred annuity is also earning a 4% annual return, which accumulates on a tax-deferred basis. By the time the immediate annuity is exhausted, the deferred annuity has grown to over $342,000. The contract holder can then begin collecting an income from the deferred annuity.

If the contract holder were to die during the accumulation phase of the deferred annuity (before annuity payments commence), the designated beneficiary would collect the principal plus any interest that had accumulated during the life of the contract.
An annuity is a contract between an individual and an insurance company. In exchange for a promise of current or future payments from the insurance company, the individual makes one or more payments to the insurance company. Annuities have contract limitations, fees, and expenses. Any guarantees are contingent on the claims-paying ability of the issuing insurance company.

Most annuities have surrender charges that are assessed during the early years of the contract. Annuity earnings are taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty.

When gauging your retirement readiness, consider the benefits of a split annuity. For more information on how a split annuity and other financial solutions can fit into your overall financial plan or to discuss strategies to pursue a steady income stream throughout your retirement, contact **Jason M. Woodward, J.D.** today at (603) 264-7550 or financialattorney@gmail.com.

1) 2007 Retirement Confidence Survey, Employee Benefit Research Institute