

## Tips for protecting yourself

Annuities are complex contracts and it is easy to misunderstand or be misled about the benefits and risks if you don't carefully evaluate your purchase. Protect yourself:

- ☑ Consider having a trusted family member or friend with you during the sales presentation.
- ☑ Ask your agent (or producer) or the company for an explanation of anything you don't understand.
- ☑ Ask for a complete listing of fees and commissions before buying any investment product.
- ☑ Understand contract restrictions, such as *surrender penalties*.
- ☑ Compare similar products from several companies before you sign.
- ☑ Contact the *Arizona Department of Insurance* to verify company and agent licensure and ask about complaints.
- ☑ Check the company's financial rating: Standard & Poor's, A.M. Best Co., Moody's Investors Services, etc.
- ☑ Take notes and get key information in writing. Keep copies of all documents, correspondence, notices, special offers and payment receipts.
- ☑ Ask for and read *Disclosure Statements*.
- ☑ Read the contract promptly upon receipt; if dissatisfied, use your 30-day Free Look period to obtain a refund.

## Be alert for deceptive sales practices

- **High-pressure sales pitch.** Steer clear of repeated or unsolicited contacts from particular groups or agents that make you feel pressured or uncomfortable.
- **Quick-change & Drop tactics.** Someone may try to convince you to change or drop coverage quickly without giving you the opportunity to do adequate research.
- **Unwilling or unable to prove credibility.** A licensed agent or producer should willingly verify their credentials.

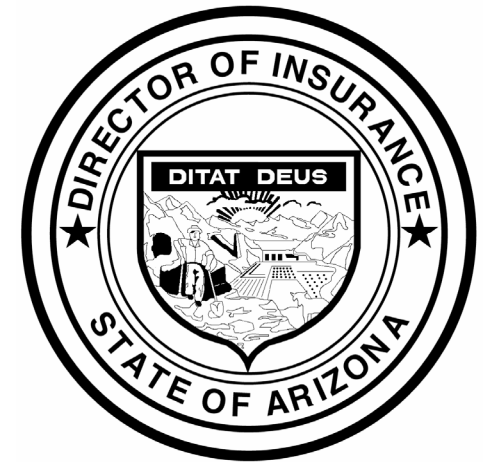
If it seems too good to be true, it probably is!

If you suspect you were a victim of deceptive sales practices, or if you have a question and can't get answers from the agent or insurer, contact the Department of Insurance for free assistance.

**State of Arizona**

## **Consumer Guide**

# **Annuities for Seniors**



## **DEPARTMENT OF INSURANCE**

2910 N. 44<sup>th</sup> Street, Ste. 210  
Phoenix, AZ 85018  
(602) 364-2499 or  
(800) 325-2548  
outside Phoenix

[www.id.state.az.us](http://www.id.state.az.us)

# Consumer Guide: Annuities for Seniors

**A**nnuity sales to senior citizens have increased in recent years, so if you are considering buying an annuity product, arm yourself with information, make informed decisions and avoid deceptive sales practices.

## What is an Annuity?

An annuity is a contract in which an insurance company pays you income at regular intervals in return for premium payments. Individuals often purchase annuities for retirement purposes as certain types of annuities may pay a guaranteed income as long as you live.

## Different Types of Annuities

There are several kinds of annuities, each with varying levels of risk and guarantees. It is imperative to know the options, benefits and risk of each type:

- **Single Premium Annuity:** An annuity in which you pay the insurance company only one premium payment.
- **Multiple Premium Annuity:** An annuity in which you make multiple premium payments to the insurance company.
- **Immediate Annuity:** An annuity in which you begin to receive income payments no later than one year after you pay the premium.
- **Deferred Annuity:** An annuity in which you begin to receive income payments many years after you pay the premium.
- **Fixed Annuity:** An annuity in which your money, less any applicable charges, earns interest at an insurance company or annuity contract specified rate.
- **Variable Annuity:** An annuity in which the insurance company invests your money, less any applicable charges, into a separate stock, bond, or other investment type account - based upon your selected risk option - without guarantee on returns or investment.
- **Equity-Indexed Annuity:** A variation of a fixed annuity in which the paid interest rate is based on an outside index, such as a stock market index. The annuity pays a base return that may increase if the selected index increases.

## Is an annuity right for you?

To determine if a particular annuity product is right for you, think about your financial goals, investment amounts, timing and length of investment, and most importantly, the amount of risk you're willing to take.

Be aware that annuities are *not* liquid investments and may tie up your money for several years. Surrender penalties are often harsh - if you change your mind and get out of an annuity contract in the first few years, the surrender penalties may cause you to lose a significant portion of your investment.

Arizona law prohibits agents/producers from recommending an annuity sale or replacement, unless they first determine **suitability**. To determine if an annuity is suitable for you, the agent must first make a reasonable inquiry about your insurance objectives, financial needs and circumstances, age, and other relevant information.

Contact your tax professional to identify any negative consequences of buying or switching to an annuity from another type of investment; or if the annuity interferes with your eligibility for medical care or housing assistance programs.