



Consumer Affairs Division
Arizona Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, Arizona 85018-7269

Phone: (602) 364-2499
Email: consumers@azinsurance.gov

CONSUMER GUIDE

ANNUITIES FOR SENIORS

Frequently Asked Questions:

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, which are taken out of your total funds if you cancel an annuity early, 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 requires that producers ask you for information about your financial matters to determine if the annuity would be a suitable investment for your financial situation.

To determine if an annuity is a good fit for your financial future, the producer must first ask about your insurance objectives, financial needs and circumstances, 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.

Senior citizens are often invited to consider annuity programs. Anyone asked to consider buying an annuity should consult with a trusted advisor prior to making the purchase.

What is an Annuity?

An annuity is a contract. An insurance company agrees to pay 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.

What Types of Annuities Will I Likely Be Offered?

There are several kinds of annuities. Every annuity has its own level of risk and guarantee. It is important to know and understand each type of annuity and what options, benefits and risks each type presents.

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 a rate specified in the contract.

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. If the index decreases, your investment will not decrease. Make sure to ask your producer if there is a guaranteed interest rate.

How can I protect myself if presented with the chance to purchase an annuity?

Annuities are complex contracts and it is easy to misunderstand or be misled about the benefits and risks if you do not carefully evaluate your purchase. Consider having a trusted family member or friend with you during the sales presentation.

- Ask your producer, or the company for an explanation of anything you do not understand. Make sure that the person you talk to answers your questions to your satisfaction.
- Ask for a complete listing of fees and commissions before agreeing to buy anything presented as an “investment product”. Understand contract restrictions, such as surrender penalties or administrative fees.
- Once you think you know what kind of annuity you are interested in purchasing, compare similar products from several companies using the criteria presented above.

- Remember, even though you have a meeting with a producer, you have no obligation to buy anything. Be alert for deceptive sales practices, or a high-pressure sales pitch that requires you to make a decision immediately.
- Avoid repeated or unsolicited contacts from particular groups or producers that make you feel pressured or uncomfortable.
- Contact the Arizona Department of Insurance to verify whether the company offering the annuity and the producer presenting the information are licensed in Arizona, and whether there are any complaints about the company or producer's practices.
- Check the rating of the company's finances through Standard & Poor's, A.M. Best Co., Moody's Investors Services, etc.
- Take notes about what the producer tells you and confirm that the information is in the materials promoting the annuity. Keep copies of all documents, correspondence, notices, special offers and payment receipts.
- Ask for and read Disclosure Statements offered by the producer or the company and make sure you understand what the statements say about the annuity you are considering to purchase.
- If you purchase the annuity, read the contract as early as possible, compare the contract with your notes and understanding of how your annuity is intended to operate. If you are 65 or older, you will have a 30-day Free Look Period to review the annuity, and you can obtain a refund if you are not satisfied with the product and you cancel during this period. If you are under the age of 65, insurance companies are required to provide at least a 10-day Free Look Period.

How can I get help if I think that there is a problem with my annuity?

The Arizona Department of Insurance, Consumer Affairs Division may be able to assist you. Please call us at 602-364-2499 or toll free at 800-325-2548 (within Arizona but outside of the Phoenix area), or visit our website at <https://insurance.az.gov/consumers>.

Persons with disabilities may request materials be presented in an alternative format by contacting the ADA Coordinator at (602) 364-3100. Requests should be made as early as possible to allow time to procure the materials in an alternative format.
