



## **Annuities vs. Managed Payout Funds**

### **General Differences**

- Annuities offer distinct accumulation and payout phases whereas income/payout funds blur that line by providing distributions within accumulation phase.
- Annuities feature different joint account and death benefit options, providing coverage for a spouse or beneficiaries in case the primary account holder dies before predetermined amounts have been paid out. Remaining premiums in income/payout funds pass on to designated beneficiaries.
- The differences in beneficiary options reflect the distinct objectives of the products and the inherent difference therein. Annuities strive to insure against longevity risk for an individual or joint lifetime while income/payout funds provide a stream of payments while preserving liquidity of premiums.

### **Key Annuity Advantages**

- Annuities utilize the power of tax-deferral during accumulation phase whereas income/payout fund contributions are not tax-deferred.
- Income/payout funds work to prevent loss through reallocation into fixed income markets when maturity draws near while annuities, as insurance products, can offer riders insulating clients against market downturns. Essentially, annuities are able to provide more guarantees in terms of potential retirement income.

### **Key Managed Payout Fund Advantages**

- Payout/income funds offer immediate access to money in the form of monthly distributions that begin right away. Investment can be withdrawn free of charge as well. With annuities, money is locked in for a set surrender period in which clients are hit with stiff charges for premature withdrawals. Surrender charges are determined according to a sliding schedule in which charges decrease over the duration of the surrender period which generally lasts between 7-15 years depending on the product.
- Payout/income fund costs are typically lower. Annuity fees consists of standard mortality and expense (M&E) fees (as high as 2% total) as well as underlying fund expenses. Standard all-in annuity expense ratios fall in the 2-3% range, and all annuities we cover are available for under 3% (most with more expensive investment options available).