



## At a glance

Annuities can offer guaranteed income payments for the rest of your life or a specified time period.

Annuity benefits provide your beneficiary a level of protection because he or she is guaranteed to receive your retirement assets in case of your death.

Annuity earnings grow tax free until the payout phase begins, which may offer you tax advantages.

Variable annuities may offer the potential for growth because subaccounts invest in equity or fixed-income securities – with investment styles ranging from conservative to aggressive.

## Annuities

### Generating income for life with asset growth potential

Life goes on even if your money doesn't. Life expectancies are increasing and retirement periods are stretching into the 30-year range. So it's important to know every option available for building a retirement income strategy. Even if you are maximizing your 401(k) and IRA contributions, you could still outlive your savings – leaving you with inadequate retirement funds. If you are saving for or living in retirement, annuities may be a suitable product to buy because they are designed to help grow assets and ensure income for life.

### What is an annuity?

An annuity is a product offered by an insurance company that offers guaranteed income for life or for a defined period. Any guarantee is subject to the ability of the issuing company to pay. When you buy an annuity, you enter into a contract and in return are entitled to certain product benefits.

There are three parties identified in the annuity contract:

1. The contract owner or person who pays the premiums
2. The annuitant, upon whose life annuity payments are based (can also be the contract owner)
3. The beneficiary or person designated to receive payments upon the death of the contract owner or annuitant

### What are the primary benefits of owning an annuity?

- **Living benefits.** For additional fees and expenses, many annuities offer optional riders or benefits that guarantee a lifetime income stream. This can be a critical component of retirement planning given today's longer life expectancies.
- **Guaranteed death benefit.** If the owner or annuitant dies, the designated beneficiary will receive any payments that may be due.
- **Tax deferral.** Interest, dividends and capital gains earnings accumulate tax deferred until the payout phase begins when they are taxed as ordinary income.
- **Growth potential.** Underlying investments – called subaccounts – can offer growth potential because they invest in equity or fixed-income securities that range from conservative to aggressive investment styles. Typically, transfers from one subaccount to another don't trigger a taxable event. Subaccounts are subject to market fluctuations which may result in a gain or loss.

### What types of annuities are available?

- **Immediate annuities** are designed to make payments right away and are generally purchased with a single premium or lump sum. There is no accumulation phase.

- **Deferred annuities** enable you to accumulate savings until withdrawals are made, usually during retirement. Taxes on earnings are deferred until your income payments begin. Deferred and immediate annuities can be either fixed or variable.
- **Fixed annuities** offer a set rate of return for a defined period of time and the option of regular, fixed-income payments. When you purchase a deferred fixed annuity, you are guaranteed a minimum interest rate on payments you made during the accumulation phase. For the payout phase, the dollar amount of the annuity income payments is based on rates guaranteed at the time the deferred annuity was issued (or the insurer's current payment rates if higher). Payments are guaranteed for either life or a specified number of years.
- **Variable annuities** allow you to invest in a variety of subaccounts that invest in stocks, bonds and/or money market portfolios. The investment return of a variable annuity will fluctuate and is not fixed. During the accumulation phase, the contract value is based on the performance of your selected subaccounts. During the payout phase, annuity payments may also change based on how the underlying investments are performing. For additional fees, many variable annuities offer optional living benefits that provide principal protection against downside market risk and a variety of guaranteed income options.

### Is an annuity right for you?

Before purchasing an annuity, consider the following:

- Do you understand all the features of the annuity?
- Do you understand the fees and expenses? Annuities typically charge fees such as mortality and expense, surrender and underlying fund fees.
- Do you understand the tax consequences of an annuity and the surrender charges if you withdraw money early?
- Have you compared annuities with other types of retirement investments?
- Have you researched the insurance company offering the annuity to make sure it's financially secure?

### Important information

Annuity benefits and features vary, so you should carefully consider if this product is right for you. Some benefits may incur additional costs.

Any guarantee associated with an annuity is subject to the claims-paying ability of the issuing life insurance company.

If you are investing in a variable annuity through a tax-advantaged retirement plan such as an IRA, you will receive no additional tax advantage from the variable annuity.

Withdrawals are subject to ordinary income tax and a possible 10% federal tax penalty if taken before 59½.

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### Talk to your financial advisor

One of the best ways to help reach your goal is to partner with a strong team: a financial advisor who can provide sound guidance based on your individual needs and an investment company that can deliver a broad range of diversified strategies. Talk to your financial advisor about how an investment plan and Invesco Aim can help you pursue your financial goals.

Source: NAVA's 2008 Annuity Fact Book

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**Consider the investment objectives, risks and charges and expenses carefully. For this and other information about AIM funds, obtain a prospectus from your financial advisor and read it carefully before investing.**

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