

# let's make \$ense

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A Newsletter by S&A Financial Strategies & Services, LLC

## Getting Advice to Buy a Variable Annuity? - Not So Fast

by Steven Tambone



**Have you recently received advice to buy a *variable deferred annuity*?** Financial services professionals trying to sell these products will use phrases such as “guaranteed income for life” – “won’t outlive your assets” – “a win-win situation.” While on the surface this may sound very appealing, the fact is they’re extremely complex investments that require a great deal of scrutiny. Many times they land up being better deals for the people who sell them (and receive a commission) because so many investors don’t understand what they’re buying!

If you receive advice to buy one, make sure you take the time to gain a basic understanding of the features and benefits so you can truly decide whether investing in them is worth the **cost**. That’s right, you pay a price – and you pay it annually (deducted straight from your investment account). Traditionally the tab for these products has been quite high, but there’s nothing wrong with paying more – as long as you’re given a **fair chance** to understand what it is you’re buying! You should be given what’s called a prospectus. This is the document that describes all the **details of the annuity, along with the costs**. So if someone tells you that you’re going to get “guaranteed income for life,” - read the prospectus carefully to

understand exactly what this means. For instance look for more details that can help answer some of these questions:

*How big will the income payments be? How are the payments calculated?*

*Can I control the size and timing of my income payments?*

*How much will this feature cost me?*

*What happens to my investment account once I start receiving these payments?*

*What happens to the payments when I die?*

Thumbing through (and trying to make sense of) a 150 page prospectus may not exactly be your idea of a “fair chance” – **but take the time to do it** before you decide to sign on the dotted line – it’s that important! **Do not** rely solely on the explanation provided by the individual trying to sell you the annuity **unless** they can reference it in the prospectus. If you still need (or want) some help, then seek a second opinion from a qualified professional (preferably one not in the business of selling these products). Also, if you don’t receive a written list of **all the costs** (including any applicable surrender charges), refer to the prospectus first and then request written



Remember – it’s your money, so make sure your advisor is taking care of your interests first – not their own.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this newsletter, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from S & A Financial Strategies & Services, LLC. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.

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confirmation from the seller.

Once you start digging and asking some questions (based on the facts detailed in the prospectus) you'll be in a much better position to decide if a variable deferred annuity is really right for you. Remember, products like these generally come at a high price – although you never see the money coming out of your investment account year-after-year; trust me it does – and it adds up.



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