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Adding Stability in Volatile Times

The share of Americans who reported feeling very confident that they will be able to afford a comfortable retirement fell to less than 18% this year, down from 27% in 2007. The last time that a mere 18% of American workers felt very confident in their retirement outlooks was in 1993.

Given current economic and market conditions, this type of sentiment is not surprising. Although financial markets routinely endure bouts with volatility, not all portfolios react the same way to volatile conditions. Individuals with shorter time horizons or low risk tolerances need to be more wary than the average accumulator. One strategy that can add growth potential to a portfolio, without assuming many of the risks associated with the financial markets, involves purchasing an annuity contract from an insurance company. But this strategy is not limited to investors with conservative objectives. It has the potential to be suitable for anyone who is searching for guaranteed returns and is willing to make some trade-offs to obtain them.

The Trade-Offs

Guaranteed returns in exchange for premiums, fees, and expenses. A fixed annuity essentially offers the opportunity to buy a guaranteed return. In exchange for premium payments and fees, the issuing company guarantees that the contract holder will earn a minimum rate of return during the accumulation phase of the contract.

Protection against losses in exchange for more conservative returns. As you may have already guessed, fixed annuities tend to offer more conservative rates of return than the financial markets. The flip side is that the financial markets can offer no guarantees. No amount of market volatility will relieve the insurance company of the obligation to meet the contract commitments. Of course, the guarantees of fixed annuity contracts are contingent on the claims-paying ability of the issuing company.

The ability to lock in a rate of return in exchange for liquidity. The insurance company will usually require the principal to remain invested for the life of the contract. Most annuities have surrender charges that are assessed during the early years of the contract if the contract owner surrenders the annuity. In addition, withdrawals of annuity earnings are taxed as ordinary income and may be subject to a 10% federal income tax penalty if taken prior to age 59½.

Most people would probably like to add guaranteed returns to their portfolios, but as you can see, these guarantees come at a price. **Jason M. Woodward, MS, J.D.** can help you evaluate whether the trade-offs offered by fixed annuities may be appropriate in your situation. To find out more about how a fixed annuity or any other financial solutions can help secure your financial future, contact **Jason M. Woodward, MS, J.D.** today at (603) 264-7550 or financialattorney@gmail.com.