Variable Annuities in an IRA, The Argument For

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What could be the reasons for putting a variable annuity in an IRA? Variable annuities are products that offer some unique features that appeal to people's financial concerns such as the guaranteed minimum income benefit.

The death benefit

If you die before the insurer has made all payments to you, your beneficiary is guaranteed to receive a specified amount – typically at least the amount of your purchase payments minus an amount you have received. Your beneficiary will get a benefit from this feature if, the money you have put into the annuity (the purchase payments) at the time of your death is greater than your account value (due to performance of the subaccounts).

There is a variation on this theme, for an extra charge your beneficiary can receive a stepped up value. A stepped up value is the greater of the account value on a predetermined date or the amount of purchase payments. The logic is your beneficiary will at least receive the amount you invested and, at most, get the value of the account equal to its value on a day the value exceeded purchase payments.

The guaranteed minimum income benefit

Again for an additional fee, the guaranteed minimum income benefit feature guarantees a particular minimum level of annuity payments even if you do not have enough money in your account (perhaps because of investment losses) to support that level of payments.

Long term care insurance

Another feature available for purchase with some variable annuities is the long-term care insurance feature. It pays for home health care or nursing home care if you become seriously ill.