What is a Single Premium Immediate Annuity?

An immediate fixed annuity is an annuity for which the annuitant pays a one time deposit to an insurance company who converts the assets into a stream of guaranteed[1] payments paid either monthly, quarterly, semi-annually, or annually for the life of the annuitant or joint life of joint annuitant, or for a specified fixed period of time. As the name implies, an immediate annuity provides income immediately after the premium is received, which is usually 30 days from the date of deposit, though the maximum deferral is 12 months after the purchase date.

A **Single Premium Immediate Annuity (SPIA)** offers a variety of options so you may tailor your income schedule to suit your needs. You can choose to receive payments monthly, quarterly, semi-annually, or annually. The payment options include:

- **Period Certain Only** - Guaranteed annuity payments will be paid for a certain period of time which typically ranges from 5-20 years. If the annuitant dies before the guaranteed annuity payments have been paid, annuity payments will continue to be paid to the beneficiary as scheduled until the guaranteed annuity payments have all been paid, at which time annuity payments stop and no further benefits are payable.

- **Life Only -** The annuity payment is paid while the annuitant is living on the date payment is scheduled to be paid. Upon the death of the annuitant, annuity payments stop and no further benefits are payable.

- **Life with Period Certain -** The annuity payment is paid while the annuitant is living on the date payment is scheduled to be paid. If the annuitant dies before guaranteed payments have been paid, the beneficiary will receive the annuity payments as scheduled until the remaining payments have been paid. Annuity payments then stop and no further benefits are payable.

- **Life with Installment Refund -** The annuity payment is paid while the annuitant is living on the date payment is scheduled to be paid. If the annuitant dies before the sum of annuity payments paid equals or exceeds the single premium, the beneficiary will receive annuity payments until the sum of all annuity payments paid equals the single premium. Annuity payments then stop and no further benefits are payable.

- **Life with Cash Refund -** The annuity payment is paid while the annuitant is living on the date payment is scheduled to be paid. If the annuitant dies before the sum of annuity payments paid equals or exceeds the single premium, the beneficiary will receive a commuted lump sum amount. Annuity payments then stop and no further benefits are payable.

- **Joint and Survivor -** Payments are guaranteed during the lifetime of two people. After the death of one, payments continue for the lifetime of the surviving person. You can choose to have either full payments or a percentage you choose to continue for the lifetime of the survivor. You can also specify a period certain, and if both individuals were to die within the period certain, payments would continue to the named beneficiary for the remainder of the period certain.

Benefits of a SPIA

- Safety of principal
- Guaranteed[1] income
- Tax advantaged income
- Convenience and simplicity
- Asset Preservation
- Portfolio Diversification

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[1]Subject to the claims paying ability of the issuing insurer.

CASE STUDY[2]

Lifetime Income: The Advantages of an Income Annuity

MEET TOM

Tom is a recent 65-year-old retiree in good health. He has no dependents and wants to travel and spend time with his friends in his early years of retirement. He has two sources of fixed income: his pension, which pays him $1,200 per month, and Social Security, which pays $1,300 per month. He has longevity within his family history (his parents lived until their mid-90s); therefore, he is concerned about outliving his assets, as well as health care costs, as he gets older. In addition to his fixed income sources, Tom has $75,000 in liquid cash, $150,000 in an existing annuity he purchased five years ago, $650,000 in his 401k, and a brokerage account valued at $380,000, which is invested 50/50 in equities and bonds.

Tom reviewed various options, including taking annual withdrawals from his 401k, existing annuity, or his brokerage account, and he could certainly withdraw an additional $1,000 per month to bridge the shortfall of income. However, he wanted to simplify his lifestyle so he knows that he has a guaranteed amount of income being paid to him monthly to cover his fixed expenses and not worry about market volatility with his brokerage accounts and 401k.

After meeting with his insurance and financial professionals to review his options, Tom chose a SPIA to provide him a lifetime income of $1,000 per month with a cash refund option, so that if he died early, it would pay the remainder of the premium to his beneficiary. The cost of the SPIA is $193,412, which he will transfer from his brokerage account. He will receive a monthly paycheck, in addition to his pension and Social Security, and will now be able to enjoy his retirement more fully, knowing that he has income insurance to help alleviate his concerns about running out of money. He also realized that he should update his plan on a periodic basis and review other areas, such as healthcare planning and wealth transfer planning.

Contact your insurance professional for additional information about Single Premium Immediate Annuities.

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[1]Subject to the claims paying ability of the issuing insurer.

[2]Case studies are offered to show how Tellus can provide valuable assistance to clients in meeting their insurance needs. Results may vary. This is a hypothetical example and does not guarantee a similar result.

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