



ANNUITIES

An annuity is a product which can provide you with an income for as long as you live.

There are two types of annuities:

The first is when you pay a lump sum to a life insurance company, and they pay it out to you right away in periodic installments. This type is known as an immediate annuity - the payments to you start immediately.

The second, and more common, is where money paid by you is accumulated at interest over a period of time. If you choose, the accumulated amounts will then be paid out to you in periodic installments, usually when you retire, in order to supplement your retirement income. This type is known as a deferred annuity - the payments to you are deferred for a number of years. Currently, a deferred annuity may have tax advantages, in that the interest credited to your funds is deferred from current taxation. That is to say, income tax is not owed until you start receiving distributions from the annuity.

Both types of annuities offer you certain options for receiving your income. It is usually paid to you monthly. The most common options are:

Life Annuity - The company will pay you an income for as long as you live.

Period Certain Annuity - The company will pay you an income for a specified amount of time (5 years, 10 years, 20 years, etc.).

Life Annuity with Period Certain - The company will pay you an income for as long as you live, but if you die before the period certain that you choose, the income will be paid to a survivor you designate until the end of that period.

Joint and Survivor Annuity - The company will pay an income to you during your life, and after your death will pay a percentage of that income (50% or 75%, for example) to a survivor you designate during, his or her life.

DEFERRED ANNUITIES

In recent years, there has been an increasing emphasis on deferred annuities. If you are going to make a good choice when you buy a deferred annuity, you need to understand which kinds are available. If one kind does not seem to fit your needs, find out about the other contracts which are described in this guide. If you need more information than is given here, you should check with a life insurance agent or company, or consult books on life insurance which are available at your public library. Also, the Department of Insurance has a toll-free hotline listed in this brochure to assist you.



CHOOSING THE TYPE OF DEFERRED ANNUITY

There are two basic types of deferred annuities - fixed annuities and variable annuities.

There are several variations on them.

Fixed Annuities guarantee that your money will accumulate at a minimum specified rate of interest. However, the company will pay you a higher rate of interest if its investment experience is better than the minimum guarantee.

Variable Annuities differ from fixed annuities in that contract owners direct the distribution of their money among several different accounts and their accumulated funds reflect the experience of those accounts rather than that of the company. Typical account choices are: common stock, bond, mortgage or money-market accounts. If the value of the accounts increases or decreases, so will the amount accumulated. Variable annuities are more risky to the contract owner than fixed annuities, but there is a possibility of greater returns.

Other types of deferred annuities combine the characteristics of fixed and variable annuities.

Annuities are sometimes sold as alternatives to investment vehicles such as certificates of deposit, money market accounts, mutual funds, etc. There may be differences. You should consult with your investment and/or tax advisor before making any decisions on purchasing this product.

If you die during the accumulation phase of a deferred annuity, an amount usually at least equal to the amount you have accumulated will be paid to your beneficiary. If you cancel the contract, or take some money out of it, there may be surrender charges deducted from the accumulation value. The amount you receive is usually referred to as the cash value. It is not usually a good idea to purchase a deferred annuity unless you are planning to keep it for more than just a few years.

AVAILABILITY OF DEFERRED ANNUITIES

Deferred annuities are available through life insurance agents and, increasingly, through banks and brokerage firms.

Agents

Life insurance agents are licensed by the State, and may represent one or more companies. If you use an agent, choose carefully. Agents earn a commission on your business and should do more for you than just sell you an annuity. They should advise you and answer all your questions. If you are considering the purchase of a variable annuity, the agent should also have a license to sell variable products, which are considered to be securities, and you should receive a prospectus describing the investment alternatives available to you.

Banks and Brokerage firms

Products developed by life insurance companies are sometimes marketed through banks and brokerage firms. The person who sells you the annuity should be a licensed life insurance agent, and, in the case of a variable annuity, a licensed securities dealer. If you purchase an annuity through these sources, you should ask for the name of the insurance company, since they are the ones who will be managing your money.



FINDING A GOOD BUY

Guarantees

A fixed deferred annuity always contains guarantees. For example, it might guarantee that the interest rate on the funds accumulating in your policy will be at least 4%. The guarantees are conservative, so that the company will be able to pay you the guaranteed amounts, even if conditions are very bad. Today, most companies pay greater amounts than they guarantee, but do not promise to continue to do that indefinitely. If you are shown any tables of numbers illustrating how the annuity might grow in the future, you should keep in mind that the non-guaranteed numbers could turn out to be lower or higher than those shown.

You should also ask questions about the amounts you will receive if you decide to surrender your annuity, and find out the difference between the accumulation value and the amount you will receive.

HOW TO PROTECT YOUR MONEY

Be sure to check out the industry rating of any life insurance company you are considering (as provided by independent rating services) before committing your funds. Also make sure that your life insurance company is licensed. Owners of annuities issued by companies licensed in California may be partially protected in the event of the failure of the insurer by the California Life and Health Insurance Guarantee Association. Any portion of the contract not guaranteed by the insurer, or under which the risk is borne by the contract holder is excluded.

INFORMATION SOURCES

Additional information about life insurance companies can be found by reading insurance company rating services reports. Five major insurance rating companies grade insurers on their financial health and ability to pay claims. These companies are:

**A. M. Best,
Standard and Poor's,
Moody's Investor Service,
Duff & Phelps, and
Weiss Research.**

You should check two or three of these services to get a good look at the company's condition. They can usually be found in your local library.

CONTACT US

Do you have a question, comment or concern?

There are several ways to talk to us:

1. **Call** our consumer Hotline at **TOLL FREE 877.255.7585**
2. Callers with the **Miami** area please dial **305.255.7585**
3. E-mail us through our website www.guardianshieldinsurance.com