I Don't Want an Annuity Because I Can't Get My Money Out

Retirees often want to know how quick they can get to their money in case they need to cover extraordinary expenses such as a medical emergency, or a home or an auto repair. And this need for liquidity may cause them to avoid annuities. But when you look closely, you'll see that annuities can possibly provide access to funds that can accommodate many circumstances.

For instance, what if you need to take out money before the annuity matures? Most companies will let you remove a portion of your account's value each year without paying a withdrawal charge. This is usually 10%. And once the surrender charge period expires, you'll be able to withdraw as much as you want without paying any penalties to the issuer. But annuities also can allow for other circumstances.

Suppose you are worried about money for future long-term care or a medical emergency? Some annuity companies will give you penalty-free access to your funds if you have to go to a nursing home or come down with a critical illness.

And what about income?

If your situation changes and you need income from an annuity, you will have the opportunity to annuitize the contract and receive payments for a fixed period. You can also get payments that will last your lifetime or even as long as you and your spouse live. And once you annuitize the contract, the annuity is not considered includable for Medicaid qualification purposes (the income could be, however).

What happens when you die? Will your survivor get the money he or she might need?

The annuity company will transfer the account's value to your designated beneficiary without any surrender charges, penalties, or probate fees.
Do you think that there is a chance that creditors might come after your money? Many states' laws protect annuities from creditors.

So before you decide that annuities don't offer the ease of access that you might need to your funds, look at the complete picture. Examine what you might need this money for-what situations would you consider potential emergencies? It's possible that an annuity company has just the right option for you.

I always recommend investors to consult with their own qualified tax and financial advisors prior to making any investment decisions. Please note, however, that annuities are designed for long-term investing and ordinary federal income taxes and a 10% tax penalty could apply to withdrawals taken prior to age 59½.

Annuity benefits and guarantees are based upon the claims-paying ability and financial strength of the underlying insurance company and are not government insured. Additionally, one should remember that annuity surrender charges are often based upon the time the insured has been invested in the annuity and surrender schedules vary from company to company.