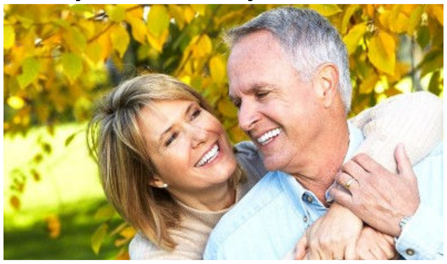
3 Ways to Diversify with Annuities



Thinking back over many conversations I've had with clients seeking advice about annuities, a major concern I've heard is that people want to make sure they're not putting all their "eggs in one basket." This time-honored advice has followed most of us throughout our lives, a reminder of the wisdom to diversify.

Counting on one source of retirement income may have made more sense in the days when a company pension meant you were securely covered for life. Or, for those of us who imagined that Social Security would completely take care of us in our golden years. Of course, those times have long gone.

Now, we've become wiser about planning for our future and diversifying – not putting all your eggs in one basket – may be a great strategy for you in your retirement plan. There are several important ways to accomplish diversification with annuities:

1. **Use an annuity to fund a portion – but not the entirety – of your retirement budget.**

An income annuity can be a reliable source of retirement income. Think of it as the secure, concrete footing on which your retirement plans are built.

Let's say you choose to purchase an immediate annuity but also keep a portion of your retirement savings in the stock market. This strategy would give you the potential for a higher rate of return with stocks by investing for the longer term, while ensuring that you can depend upon regular income from your annuity when you need to wait out a bear market.

2. **Spread your annuity purchases out over more than one insurance company.**

When you choose an income annuity, you should always buy from a well-rated insurance company, one that has been in business and provided stable service to their customers through good and bad economic times. Nevertheless, even after finding a strong company to do business with, many of my clients have chosen to split their premium between two or more insurance companies to have that extra assurance that should one company fail, all will not be lost.

3. **Choose more than one annuity for laddering.**

There are a number of effective ways to combine the strengths of various indexed annuity income riders to meet your retirement goals. With the lifetime income riders becoming more popular, many individuals are dividing their money in more than one annuity in order to increase income over different time frames. A combination of strategies can allow you to leverage the strengths of more than one annuity to build the right plan for you.

Important Notice: This information is not intended to be a recommendation to purchase an annuity. You should consult with a financial planner to determine if an annuity is a suitable product in your situation. Also, be advised that tax information published at this site is written to support the promotion of annuities. It is based on limited facts and should not be relied upon. You should consult with your own tax and legal advisors for an opinion about what could or should be done in your particular situation.