

What Are Annuities?

Annuities can be used to help you increase your savings, protect what you've saved, or generate a stream of income.

Annuities generally fall into two categories: deferred and income. Each works differently and offers unique advantages.

Tax-deferred annuities: for retirement savings

Deferred annuities can be a good way to boost your retirement savings once you've made the maximum allowable contributions to your 401(k) or IRA.¹ Like any tax-deferred investment, earnings compound over time, providing growth opportunities that taxable accounts lack.

Deferred annuities have no IRS contribution limits,² so you can invest as much as you want for retirement. You can also use your savings to create a guaranteed³ stream of income for retirement. Depending on how annuities are funded, they may not have minimum required distributions (MRDs).

Bear in mind that withdrawals of taxable amounts from an annuity are subject to ordinary income tax, and, if taken before age 59½, may be subject to a 10% IRS penalty. Annuities also come with annual charges not found in mutual funds, which will affect your returns.

Deferred variable annuities have funds that may have the potential for investment growth. However, this can involve some market risk and could result in losses if the value of the underlying investments falls. Variable annuities are usually appropriate for those with longer time horizons or those who are better able to handle market fluctuations. Some variable annuities allow you to protect your investment against loss, while still participating in potential market growth.

Deferred fixed annuities offer a guaranteed³ rate of return for a number of years. Fixed deferred annuities may be more suitable for conservative investors or for those interested in protecting assets from market volatility. In this way, they're similar to certificates of deposit (CDs).

However, deferred fixed annuities differ from CDs in that:

Annuities are not FDIC-insured.

Withdrawals from annuities prior to age 59½ may be subject to a 10% IRS penalty.

Deferred fixed annuities may offer more access to assets than a CD.

Annuity earnings compound on a tax-deferred basis.

Income annuities: for income in retirement

Income annuities may be appropriate for investors in or near retirement because they offer guaranteed³ income for life or a set period of time. They may allow you to be more aggressive with other investments in your portfolio, since they provide a lifetime income stream.

Keep in mind that you may have limited or no access to the assets used to purchase income annuities.

Immediate variable income annuities offer an immediate income stream with growth potential, which may help keep pace with inflation. This income is guaranteed³ for life, but the amount of each income payment is not guaranteed—the payment amount will vary based on the performance of the annuity's underlying investments.

Immediate fixed income annuities offer a guaranteed,³ predictable payment for life, or for a certain period of time. Your guaranteed income payment cannot be affected by market volatility, helping shield your retirement income from market risk.

A cost-of-living increase is available at an additional cost to help your buying power keep pace with inflation.

Deferred income annuities⁴ are fixed income annuities that have a deferral period before income payments start. Because of the deferral period, you may get a higher income payment amount than you would from a comparable immediate fixed income annuity with the same initial investment. The cost-of-living increase is also available at an additional cost for deferred income annuities.

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1. Each individual's situation is unique and therefore seeking additional guidance from a tax advisor is suggested. Although variable annuities offer tax-deferral, if you are considering one to fund a qualified retirement plan or IRA, you should do so for the variable annuity's features and benefits other than tax deferral. In such cases, tax deferral is not an additional benefit of the variable annuity. References throughout this material to tax advantages, such as tax deferral and tax-free transfers, are subject to this consideration.
2. Insurance companies reserve the right to limit contributions.
3. **Guarantees apply to certain insurance and annuity products and are subject to product terms, exclusions and limitations and the insurer's claims-paying ability and financial strength.**
4. **Deferred Income Annuity contracts are irrevocable, have no cash surrender value and no withdrawals are permitted prior to the income start date.**

Investing in a variable annuity involves risk of loss—investment returns, contract value, and, for variable income annuities, payment amount are not guaranteed and will fluctuate.

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Before investing, consider the investment objectives, risks, charges and expenses of the annuity and its investment options. Call or write to Fidelity or visit Fidelity.com for a free prospectus and, if available, summary prospectus containing this information. Please read the prospectus and consider this information carefully before investing. Product availability and features may vary by state. Please refer to the contract prospectus for more complete details regarding the living and death benefits.

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