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Immediate Annuities

Primary Benefit:  Get Income Now

An immediate annuity, also called an income annuity or single premium immediate annuity (SPIA), is a type of annuity designed to provide guaranteed income payments that must begin between one month and one year after purchase. The purchase of an immediate annuity is usually an irrevocable decision that cannot be undone once the free-look period has expired following contract issue.

Immediate annuities are considered by many to be the original and oldest form of annuity contract on the planet, with the earliest recorded uses dating back thousands of years. They are also straightforward and efficient in delivering their benefits.

The buyer of an immediate annuity makes a lump sum payment to an insurance company in exchange for that company's contractual obligation and guarantee to make income payments for the term specified in the annuity contract, creating a type of personal pension.

To learn more about this worry free retirement income alternative, please watch this short video which provides additional details as well as an overview of using immediate annuities to create your own private pension:



One of the many advantages of immediate annuities is that the payment term can be customized in numerous ways to fit the individual needs of the buyer. Some of the payment term options available include:

Single Life Annuities

Single Life Only – Payments are made for the annuitant's lifetime and cease upon the annuitant's death.

Single Life with Period Certain – Payments are made for the annuitant's lifetime. However, if the annuitant should die before the end of the specified period certain term (typically 5 – 20 years), payments would continue to the designated beneficiary until the specified period certain term had ended.

Single Life with Installment Refund – Payments are made for the annuitant's lifetime. However, if the annuitant should die before receiving an amount equal to the original premium paid to purchase the annuity, payments would continue to the designated beneficiary until the total of payments made equaled the original premium deposit.

Single Life with Cash Refund – Payments are made for the annuitant's lifetime. However, if the annuitant should die before receiving an amount equal to the original premium paid to purchase the annuity, the difference between the original premium deposit made and the total of payments received would be paid in one lump sum to the designated beneficiary.

Joint Life Annuities

Joint Life Only – Payments are made for as long as either the annuitant or joint annuitant (typically a spouse) is alive.

Joint Life with Period Certain – Payments are made for as long as either the annuitant or joint annuitant (typically a spouse) is alive. However, if both annuitants should die before the end of the specified period certain term (typically 5 – 20 years), payments would continue to the designated beneficiary until the specified period certain term had ended.

Joint Life with Installment Refund – Payments are made for as long as either the annuitant or joint annuitant (typically a spouse) is alive. However, if both annuitants should die before receiving an amount equal to the original premium paid to purchase the annuity, payments would continue to the designated beneficiary until the total of payments made equaled the original premium deposit.

Joint Life with Cash Refund – Payments are made for as long as either the annuitant or joint annuitant (typically a spouse) is alive. However, if both annuitants should die before receiving an amount equal to the original premium paid to purchase the annuity, the difference between the original premium deposit made and the total of payments received would be paid in one lump sum to the designated beneficiary.

Period Certain Only Annuities

Payments are made for a specified and pre-determined period of time (typically 5 – 20 years). If the annuitant should die before the end of the certain period, payments would continue to the designated beneficiary for the remainder of the term. At the end of the period certain term, payments cease, regardless of whether the annuitant is still living or not. It is possible that you may outlive this type of payment option.

Source of Funds – Qualified vs Non-Qualified

Immediate Annuities can be purchased with either qualified or non-qualified funds. Qualified funds are those contained within a tax qualified account, such as an IRA. Non-qualified funds encompass everything else, except those funds held within a tax qualified account.

When an immediate annuity is purchased with qualified funds, the entire payment received each month from the qualified annuity is fully taxable as income, because taxes have never been paid on those funds. However, when an immediate annuity is purchased with non-qualified funds, a portion of each monthly income payment is considered a return of previously taxed principal (cost basis) and therefore excluded

from taxation. The amount excluded from taxation is called the exclusion ratio, represented as a percentage that is calculated by the issuing insurance company.

Summary

If creating a guaranteed retirement income stream that you cannot outlive is appealing to you, and you are prepared to commit a portion of your assets to that purpose, an immediate annuity may be an excellent solution. The best way to review, compare and shop for an immediate annuity is by using the free AnnuityAdvantage quoting service. Learn more by visiting our [Immediate Annuity Quote](#) page.

Rates are based on current interest rates and are subject to change at any time. Some first year yields/rates reflect the fixed rate plus a premium bonus or interest rate enhancement. Not all annuities are available in all states. Surrender charges may apply to withdrawals during the surrender period. A 10% IRS penalty may apply to withdrawals prior to age 59 ½. Annuity product guarantees rely on the financial strength and claims-paying ability of the issuing insurer. Annuities are not guaranteed by any bank or credit union and are not insured by the FDIC or any other federal government agency. Information presented on this website is not intended as tax or legal advice. You are encouraged to seek tax or legal advice from a qualified professional.