Annuities 101 A Foundation for Protected Income

For accomplished professionals and business owners, protecting the income that funds your lifestyle deserves the same discipline as growing it. This overview breaks down, in plain terms, how annuities work and where they can fit inside a comprehensive retirement income strategy.

What Is an Annuity?

An annuity is a contract between you and an insurance company: you contribute money — as a lump sum or in a series of payments — and, in exchange, the company agrees to pay you an income stream later, which can last for a set period or for the rest of your life. It is one of only three sources of income you cannot outlive, alongside Social Security and a pension.

Three Reasons to Consider Protected Income

1 **Tax-Deferred Growth.** As with other tax-deferred vehicles, you owe no taxes on an annuity's growth until you begin taking income — and unlike many qualified accounts, annuities typically carry no annual contribution limit, which is valuable for executives catching up on retirement savings later in their career.

2 **No Risk of Losing Value.** With a fixed-rate annuity, the insurance company commits to a predetermined return over a set period. Even when markets decline, your annuity income stays steady — a valuable counterweight to a portfolio that's otherwise fully exposed to market risk.

3 **Income for Life.** Annuities can provide protected income every month for as long as you live, even if your cumulative payments eventually exceed what you originally invested.

> *"An annuity is one of only three sources of retirement income you can never outlive — alongside Social Security and a pension."*

The Executive's Advantage

Business owners and professionals often build wealth through concentrated, illiquid, or market-linked assets — equity comp, a closely held business, a taxable brokerage account. That makes the protected portion of a retirement income plan disproportionately important: it's the piece that keeps essential expenses covered no matter what the market or the business cycle is doing.

The extent to which protected lifetime income is guaranteed depends upon the claims-paying ability of the insurer that issues the annuity.

Is an Annuity Right for You?

Annuities aren't right for everyone — but for the right investor, they can be a valuable part of a diversified portfolio, especially if you want to lock in protected lifetime income to cover your essential monthly expenses. An annuity may be worth exploring if:

- Social Security alone won't be enough to cover your essential expenses in retirement.
- You expect to live a long time and want protection against the possibility of outliving your savings.
- You want to reduce risk and protect a portion of your portfolio from market volatility.

How Annuities Work

You can fund an annuity from a variety of sources, including:

- A 401(k) or similar employer plan
- An IRA
- A savings account
- An inheritance
- Proceeds from the sale of a home or business

The income you ultimately receive is shaped by several factors, including:

- Your age when income begins
- Your gender
- The income option you select
- The value of the annuity when you start taking income

Like any financial or insurance product, annuities carry fees and costs, and guarantees are backed by the issuing insurance company's financial strength — not by the FDIC or any government agency. A financial professional can help you weigh the trade-offs against your specific goals.

> *“The goal isn't to protect every dollar — it's to protect the dollars your lifestyle actually depends on.”*

A Second Opinion Is Worth the Conversation

If you already work with a CPA, an estate attorney, or an investment advisor, an annuity strategy should complement — not complicate — that team. A short conversation is usually enough to tell whether protected income belongs in your plan at all, and if so, how large a role it should play.

Annuities Can Meet a Variety of Needs

Annuities come in a variety of types, with many ways to structure them around your goals, time horizon, and appetite for risk — from how you receive income to how your legacy is protected.

How You Receive Income

You choose when income begins and how often it's paid — monthly, quarterly, or annually. An **immediate annuity**, funded with a lump sum, can begin paying income within a year of purchase — a useful way to layer additional guaranteed income on top of Social Security and any pension you may have. A **deferred annuity**, better suited to those with a longer time horizon, grows tax-deferred and delays payments until later, often producing a larger income stream down the road.

Immediate Annuity

- Funded with a lump sum
- Income can begin within a year
- Layers on top of Social Security or a pension
- Best suited to those near retirement

Deferred Annuity

- Grows tax-deferred before income starts
- Payments delayed to a future date you choose
- Greater potential for growth over time
- Best suited to a longer time horizon

Legacy and Family Protection

Similar to an IRA or 401(k), the remaining account balance generally transfers to your heirs after your death even if you have been receiving income payments. Enhanced death benefit options are also available on many fixed and fixed indexed annuities — often for an additional cost — giving you more control over how your legacy is passed on.

Keep in mind: like all investment and savings products, annuities carry fees and costs and are not right for every person or situation. Be sure to discuss the details with your financial professional before making any decisions.

Two Ways to Structure Protection

Byrer Wealth Management focuses on two primary categories of annuities, each offering a different balance of predictability, growth potential, and risk.

1. Fixed Annuities

- Pay a designated, guaranteed rate of return over a specific time period.
- Protected from market downturns, with a high level of predictability.
- Flexible payment choices, including the option for lifetime income.
- No taxes owed on interest earned until you withdraw money.

2. Fixed Indexed Annuities

- Return is tied to a market index, such as the S&P 500 — offering upside participation with downside protection.
- Regardless of index performance, fixed indexed annuity contract values cannot be impacted by negative index returns.
- Guaranteed withdrawal benefit riders guarantee that your retirement income will increase every year that you wait to begin lifetime withdrawals.
- Once your guaranteed lifetime withdrawals begin, they are guaranteed for your lifetime and the lifetime of your spouse and cannot be reduced by negative index performance.
- No taxes owed on income earned until money is withdrawn.

"We focus exclusively on fixed and fixed indexed annuities — the structures built for protection, not speculation."

Why We Specialize in Fixed and Fixed Indexed Annuities

Byrer Wealth Management is licensed exclusively in fixed insurance and annuity products. We intentionally do not recommend variable annuities, which involve securities-based investment risk and are typically sold through a securities license. That focus means every strategy we bring you is built around principal protection and guaranteed income — not market-linked speculation.

Charges and tax penalties may apply to early or excess withdrawals from any annuity type. Your financial professional can help match the right structure to your income timeline and risk tolerance.

Weeding Out the Myths About Annuities

Misconceptions can get in the way of a sound decision. Here's the reality behind five of the most common myths about annuities.

Myth 1: They're Too Expensive

Some annuities have no direct costs; others carry fees tied to optional features.

- Costs vary by the type of annuity and features you select.
- Your financial professional can walk you through exactly what you're paying for.

Myth 2: They Have Hidden Fees

Federal and state rules require that plan fees be made transparent.

- Fees are listed in the annuity's prospectus and plan statements.
- Ask your financial professional to walk through them line by line.

Myth 3: They Carry High Commissions

Commissions are typically paid by the insurer, not deducted from your contract.

- Ask your financial professional how they are compensated.
- Compare the unique benefits an annuity offers against other investments.

Myth 4: I Can't Touch That Money

Most annuities allow you to withdraw some funds penalty-free each year.

- Many plans allow withdrawals up to 10% of the invested amount or earnings annually.
- Focus on the features that apply to your specific situation.

Myth 5: They're Too Confusing

It's easier than it sounds — and your advisor is there to translate the fine print.

- Work with your financial professional to understand the details.
- Shopping for the right annuity is like shopping for a refrigerator: choose the basics, or upgrade with additional features.

> *“Every myth has a fact behind it. The only way to know which apply to you is to run the numbers on your own situation.”*

None of this is a substitute for a conversation about your specific situation — but it's a solid starting point for one.

Where to Go From Here

Whether you're evaluating annuities for the first time or refining an existing income plan, the resources below are a good starting point — and a conversation with a dedicated advisor is the fastest way to turn general information into a plan built around your numbers.

Helpful Resources

Social Security Benefit Estimator
ssa.gov/benefits/retirement/estimator.html

Measure Your Retirement Income Security
RISE Score™ —
protectedincome.org/retirement-tools/rise-calculator

AARP Retirement Calculator
aarp.org/work/retirement-planning/retirement_calculator.html

Life Insurance Ratings Agencies
AM Best (ambest.com), Moody's (moodys.com), S&P Global (spglobal.com)

General Annuity Information
Alliance for Lifetime Income — protectedincome.org

Why Work With Byrer Wealth Management

As a dedicated fixed annuity and insurance specialist — not tied to a single carrier — Byrer Wealth Management is built to help you cut through product complexity and identify the strategy that actually fits your income needs, time horizon, and legacy goals. If protecting a portion of your portfolio from market risk and sequence-of-returns risk is part of your plan, let's talk.

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"The right annuity strategy isn't about the product — it's about matching your protected income to your plan."