

A PLAIN-ENGLISH GUIDE · 2026 EDITION

The Annuity *Owner's* Guide

Seven common mistakes, and the questions worth asking before you renew, withdraw, or exchange a contract.



PREPARED BY

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Retirement Income Advisor · Serving clients since 2001

A note from Jason

Thank you for taking the time to read this guide.

Since 2001, I have sat across the table from people who own annuities but are no longer sure what they own. Most bought for good reasons. Years later, the details have faded: the surrender schedule, how interest is credited, who is named as beneficiary, what happens at renewal.

That gap is where most of the mistakes in this guide come from. They are rarely dramatic. They are quiet: a renewal rate that drifted lower, a beneficiary form never updated after a life change, an exchange that restarted a surrender clock without adding enough value to justify it.

I wrote this guide so you can spot those issues on your own, in plain English. Keep your most recent annual statement nearby and use the worksheet on page 7 as you read.

If something looks unclear, I am glad to review it with you; the back cover has a code to book a time online. There is no cost for an initial review and no obligation to make a change. Sometimes the right answer is to keep exactly what you have.



Jason lives in Murrieta with his wife, Kayleigh, and coaches youth soccer.

“The same patience I try to bring to a team on a Saturday morning is what I bring to every client: clear explanations, steady follow-through, and decisions you understand before you make them.”

Warm regards,

Jason

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Know what you own

“Annuity” describes a family of insurance contracts that work very differently. Before judging whether yours is doing its job, confirm which kind it is. The contract’s first pages and your annual statement will say.

TYPE	HOW IT EARNS	MARKET-LOSS EXPOSURE	OFTEN USED FOR
Fixed / MYGA	A declared interest rate, often guaranteed for a set number of years	None from the market; surrender charges can still apply	Predictable, tax-deferred growth
Fixed indexed	Interest linked to an index, limited by caps, participation rates, or spreads	No index-related loss; rider fees and surrender charges can reduce value	Growth potential with principal protection; optional income riders
Immediate income (SPIA)	Converts a lump sum into payments for life or a set period	None from the market; generally no cash value once payments begin	Income that cannot be outlived
Variable	Market subaccounts, similar to mutual funds	Yes; values rise and fall with the market	A registered security sold by prospectus; review with a securities-licensed professional

FIND THESE ON YOUR STATEMENT

- 1 • Accumulation value vs. surrender value
- 2 • Current rate, cap, or participation rate
- 3 • The date your surrender period ends

THE SEVEN MISTAKES

- 1 • Not knowing your surrender schedule
- 2 • Letting a renewal rate drift
- 3 • Exchanging without a full comparison
- 4 • Misreading indexed crediting
- 5 • Overlooking how withdrawals are taxed
- 6 • Mismatched owner, annuitant, beneficiary
- 7 • Setting it and forgetting it

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MISTAKE ONE

Not knowing your surrender schedule

Most deferred annuities charge a surrender fee if you withdraw more than a set amount during the first several years. The charge usually steps down each year until it reaches zero. Many contracts also allow a penalty-free withdrawal each year, often around 10% of the value, though the amount and timing vary by contract.

Some contracts add a market value adjustment, which can raise or lower what you receive on an early withdrawal depending on how interest rates have moved since you bought.

DO THIS INSTEAD

Find the year your surrender period ends and this year's free-withdrawal amount. Write both on the front of your annual statement so they are in front of you before any withdrawal.

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MISTAKE TWO

Letting a renewal rate drift

A fixed annuity's starting rate is often guaranteed for a limited period. When that period ends, the insurer sets a renewal rate, which may be lower. Indexed annuities work similarly: caps and participation rates can be reset each year, within the minimums stated in the contract.

Renewal notices are easy to set aside. Some contracts offer a short window after a guarantee period ends to move money without a surrender charge. Missing it can mean another stretch at a rate you did not choose.

DO THIS INSTEAD

Put a reminder on your calendar 60 days before each anniversary or guarantee-period end date. Compare the renewal offer to what is available now before the window closes.

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MISTAKE THREE

Exchanging without a full comparison

A Section 1035 exchange lets you move an annuity to a new annuity without current income tax. It can make sense, but a new contract often starts a new surrender period, and a bonus can come with lower caps or a longer schedule. You may also give up a death benefit or income value you have already built.

Ask before any exchange:

- What surrender charge do I pay to leave?
- How long is the new surrender period?
- What benefits would I give up?
- What does each rider cost per year?
- Do I need the new features at all?
- What is the total cost of moving?

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MISTAKE FOUR

Misreading how an indexed annuity credits interest

A fixed indexed annuity is not invested in the stock market. The insurer credits interest based partly on an index, limited by a cap, participation rate, or spread. Index dividends are generally not counted. In a down year, a 0% floor means no index-related loss, but also no interest.

HYPOTHETICAL EXAMPLE · 8% ANNUAL CAP, 0% FLOOR		
Index change	Interest credited	Why
+12%	8%	Limited by the cap
+5%	5%	Below the cap
-15%	0%	Protected by the floor
For illustration only. Not a projection of any product. Rider fees, if any, may reduce value in any year.		

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MISTAKE FIVE

Overlooking how withdrawals are taxed

For a non-qualified annuity bought with after-tax dollars, withdrawals generally come from earnings first and are taxed as ordinary income. Before age 59½, an additional 10% federal tax may apply unless an exception fits. Annuity payments that are annuitized are taxed differently: part of each payment is treated as a return of your cost. Annuities held inside an IRA are generally fully taxable and subject to required minimum distributions.

Worth a conversation: interest left to accumulate is generally not reported until withdrawn, which can affect how much of your Social Security is taxed. Review timing with your tax professional.

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MISTAKE SIX

Mismatched owner, annuitant, and beneficiary

Every annuity names an owner, an annuitant, and one or more beneficiaries. When those roles do not line up with your plan, the death benefit can pay out at the wrong time, to the wrong person, or with fewer options than you intended. Naming your estate can limit choices, and a trust as beneficiary should be reviewed with your attorney. A surviving spouse may be able to continue the contract; other beneficiaries face specific distribution rules.

Do this: confirm all three roles, plus contingent beneficiaries, after any marriage, divorce, birth, or death in the family.

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MISTAKE SEVEN

Setting it and forgetting it

An annuity is usually one part of a larger income plan. As your needs, health, and other assets change, the right time to turn on an income rider, take withdrawals, or simply leave it alone can change too. A short annual review keeps the contract working for the plan, not the other way around.

Annuity review worksheet

Complete one worksheet per contract, using your latest annual statement and contract pages. Leave blank anything you cannot find; that is useful to know too.

Insurance company

Contract number

Type (fixed, indexed, income, variable)

Qualified (IRA) or non-qualified

Owner · Annuitant

Primary · Contingent beneficiaries

Accumulation · Surrender value

Surrender period ends

Free withdrawal available this year

Current rate, cap, or participation

Next anniversary or renewal date

Riders and annual rider cost

When I expect to need income

BRING TO YOUR REVIEW

☐ This worksheet

☐ Contract or policy pages

☐ Most recent annual statement

☐ Your most recent tax return

YOUR NEXT STEP

Let's look at what you own, *together.*

A complimentary annuity review, with no obligation to make a change.

01 • Book

Scan the code below or call to choose a time that works for you.

02 • Review

Bring your statement and worksheet. We meet in Murrieta or by video.

03 • Decide

You receive a written summary. Keep, adjust, or replace: your call.



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