

What you Should know before you buy an Annuity

Read the fine print. Look carefully at the annuity you are considering. Check the interest rate, find out how quickly the annuity will grow in value and when you can reap its benefits. Some annuity rates can change over time, so make sure that you understand the difference between the guaranteed minimum rate, the current rate and any first-year or so called "bonus" rates. Also make sure you know whether the annuity is tax-deferred, meaning that you will not have to pay taxes until you receive payments from the annuity.

Try before you buy. Many states have "free look" laws that give you a set number of days – typically 30 to 60 days – to review an annuity contract after you buy it. You can back out of the contract at any time within the "free-look" period; a refund is required to be issued within an allotted time period, as stated in your contract. Take advantage of this review period to make sure you understand what you are purchasing.

Don't get caught by surrender charges. Withdrawing your money from an annuity before it has matured might subject you to fees, known as surrender charges, as well as other administrative fees and acquisition costs. There could be high penalties if you make a withdrawal prior to the maturation date provided in the policy. Be sure you are aware of these provisions so that you don't inadvertently incur such costs.

Don't judge a financial professional by title alone. Designations such as "certified senior adviser," "certified retirement financial adviser," "chartered senior financial planner" and "certified financial gerontologist," might seem to imply expertise in providing investment advice to senior citizens. However, such titles don't always guarantee that the financial professional actually has specialized knowledge or education in that area. Ask them what the designations mean to them and what they had to do to earn them. Ask them if they have ever lost or given up a designation and, if so, why.

Ask for help. Many people have been harmed by annuity scams. If you are concerned that you might have been misled by a fake company or fraudulently sold a misrepresented product, call your state insurance department to get assistance and/or to file a complaint. You can file a complaint directly with your state insurance department via the NAIC's Web site at www.naic.org/cis/fileComplaintMap.do.

Check the insurance company's credit rating. Through resources such as Standard & Poor's, A.M. Best Co. or Moody's Investors Services, you can see whether the annuity company you are considering has a solid credit rating. An "A+++" or "AAA" rating is a sign of strong financial stability.

Check the NAIC's Consumer Information Source (CIS). The NAIC provides a database for consumers to research an insurance company's financial information and complaint data. The information in the CIS is supplied voluntarily by state insurance departments. Not all states provide the data, nor are all companies listed within the directory.