

What exactly is an annuity?

Written by 'Layin' it on the line' By Lawrence Castillo Guest Columnist
Friday, 02 September 2022 03:42



I get asked this question a lot. “What is an Annuity?”

Most people I talk to when it comes to retirement planning either do not understand annuities or have heard much negative press regarding annuities.

I feel the simplest way to explain what an annuity is and why they play a significant role in any well-laid retirement plan is analogous to building a house. What is the first and most important part of a new home? It's the foundation, of course!

The foundation is the first part of the home to be built. It is the bedrock and basis for the actual home that will be anchored to it. The foundation provides the crucial stability that this new home will rely on to stay anchored and not easily fall apart.

We all know that the foundation is not the most attractive part of the house, but it is of great importance to its future. Without a great, well-built foundation, the house will be susceptible to future threats like the weather.

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Let's compare this to annuities when it comes to a retirement plan. Let's say that your retirement plan is just like the new house being built. You would require that your retirement plan has a rock-solid foundation, correct? The annuity is your financial foundation.

An annuity anchor is an anchor to the retirement plan, just as a house foundation is an anchor to a new home.

Most people I talk to have a financial advisor or stockbroker giving them advice. Very few of these people actually have a solid foundation on which to anchor their retirement plan. In many situations, many retirement plans have no foundation and are very susceptible to market storms and stock market crashes.

Unfortunately, many retirement plans rely on risky investments to reach their goals without a solid foundation. An annuity will provide that solid foundation, and I recommend my clients place enough money into a guaranteed annuity plan to provide them security in case of market storms.

The other factor is many people misunderstand annuities; annuities have come a long way since they were first introduced way back in 1812. Modern-day annuities can capture the upside of the markets, lock in those gains for life, and give you an income stream you cannot outlive! Can your risky investments do that?

Don't risk your financial house by building your plan absent a solid foundation. I recommend my clients use approximately 30% of their retirement funds to fund a guaranteed annuity that will grow only when the markets grow and never lose money when the markets crash.

This is the definition of an annuity; safe, solid, secure, and necessary for any retirement plan.

Lawrence Castillo is a member of *Syndicated Columnists*, a national organization committed to a fully transparent approach to money management.

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Interested in additional information? Register for my FREE Newsletter at 888-998-3463 or click my newsletter link: <https://annuity.com/lawrence-castillo-newsletter/>

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