

Annuities 101 is for those who don’t know how annuities work

by Jason Alderman (www.practicalmoneyskills.com)

Nervous investors have faced many challenges over the last few years searching for safe havens. That’s one reason many turn to annuities to ensure a steady stream of retirement income. But with so many types of annuities offered – and complex rules, fees and restrictions – it’s not uncommon for investors to buy products not ideally suited to their needs.

Here’s a brief primer on how annuities work:

Annuities are insurance products that pay out income. Typically, you make a lump-sum or series of payments to the seller. In return, they agree to pay you periodically for a definite period (say 20 years) or an indefinite period (until death) in one of two ways:

- Immediate annuities begin

paying benefits the year you deposit your money.

- With deferred annuities, your account grows on a tax-deferred basis until you begin receiving payments at a later date.

There are three basic types of annuities:

- Fixed annuity. You’re paid an agreed-to rate of interest while your account is growing and receive periodic payments of a specified amount.
- Indexed annuity. The seller provides an investment return based on changes in a particular index (such as the S&P 500).
- Variable annuity. You invest your account among a variety of options (typically mutual funds) and your rate of return and payment amounts will depend on their performance.

Many people purchase annuities because they grow tax

deferred – that is, your contributions are not taxed, but any earnings they generate are taxed at your regular income tax rate. Annuities have no annual contribution limit, but you’ll pay a 10 percent federal tax penalty withdrawals before age 59-1/2.

One big tax disadvantage is that, whereas earnings from money invested in stocks, bonds or mutual funds is taxed as capital gains, annuities are taxed at regular income tax rates, which can be significantly higher.

Annuities can be very expensive compared to other types of investments. Before signing any agreement investigate:

- Sales commissions, which initially can run as high as 10 percent, plus ongoing commissions in subsequent years.
- Depending on what type

you buy, you could be charged an additional 2 percent or more per year in various account management fees.

- Most deferred annuities charge an early withdrawal penalty called a surrender charge, which usually starts at 7 or 8 percent and gradually declines to zero. However, they can also be much higher, so read your contract carefully.

A few additional precautions:

- Consider consulting a fee-only financial advisor versus one who earns commissions recommended products.
- Because 401(k) plans and IRAs are already tax-deferred and have lower fees, it may not make sense to roll over those balances into an annuity.
- Before moving an existing annuity into a new account, analyze surrender charges, sales commissions and other fees

you’ll be charged.

- Many annuities end upon your death, so if you want your heirs to continue receiving your benefit, investigate joint and survivor or term-certain annuities.
- Check the insurer’s credit rating with credit bureaus like A.M. Best, Standard & Poor’s and Moody’s.

To learn more about annuities, visit investor websites for the Securities and Exchange Commission (www.investor.gov) and the Financial Industry Regulation Authority (www.fina.org/Investors/index.htm).

Bottom line: Annuities are sometimes a good investment option, but make sure you fully understand the terms, cost-structure and possible penalties before signing on the dotted line.

Community Calendar

VERNONIA

Alcoholics Anonymous	Mondays	6:30 p.m., 410 North Street
Alcoholics Anonymous	Thursdays (Big Book Study)	7:00 p.m., 410 North Street
American Legion Post #119	2nd Tuesday	7:00 p.m., 627 Adams Avenue
Booster Club	2nd Wednesday	7:00 p.m., VHS Library
Boy Scout Troop 201	Tuesdays	7:00 p.m., Scout Cabin
Boy Scout Troop 860	Wednesdays	7:00 p.m., LDS Church
Cemetery Beautification Comm.	2nd Thursday	6:30 p.m., Library
CERT	4th Wednesday	For Info Call 503-429-3018
Chamber of Commerce	2nd Wednesday	For Info Call 503-429-6081
Community Coalition	2nd Monday	12:30 p.m. School District Ofc.
Cub Scout Pack 201	Scout Cabin	For Info Call 503-429-4250
Friends of the Library	1st Tuesday	7:00 p.m., Vernonia Library
Girl Scouts, Neighborhood 4-2		For Info Call 503-819-0143
Izaak Walton League	3rd Thursday	For location call 503-429-7193
Kiwanis Club	2nd & 4th Tuesdays	6:30 p.m., New Hong Kong
Lions Club	1st & 3rd Tuesdays	6:30 p.m., New Hong Kong
Municipal Airport Committee	1t Wednesday	6:30 p.m., City Hall
Pioneer Museum		For Info Call 503-429-3713
Public Works Committee	4th Tuesday	7:00 p.m., City Hall
Vernonia Cares Directors		For Info call 503-429-1414
Vernonia City Council	1st & 3rd Mondays	7:00 p.m., City Hall
Vernonia Community PTA	2nd Wednesday	7:00 p.m., WGS Library
Vernonia Garden Club	2nd Tuesday	1:30 p.m., Vernonia Library
Vernonia Grange	3rd Monday	7:00 p.m., Grange Hall
Vernonia Health Center	3rd Thursday	6:30 p.m., 510 Bridge St.
Vernonia Learning Center	1st Wednesday	6:00 p.m., VLC
Vernonia Parks Committee	3rd Wednesday	6:30 p.m., City Hall
Vernonia Planning Comm.	1st & 3rd Thursdays	7:00 p.m., City Hall
Vernonia Pride	2nd Thursday	1:00 p.m., City Hall
Vernonia Ridge Riders	Last Thursday	7:00 p.m., Senior Center
Vernonia RFPD Board	2nd Tuesday	6:00 p.m., Fire Station
Vernonia School Board	2nd Thursday	6:00 p.m., District Office
Vernonia Sr. Center Board	2nd Friday	10:00 a.m., Senior Center
Vernonia Transfer Station	2nd & 4th Saturdays, 8 a.m.-2 p.m.	Behind VHS
Vern. Volunteer Ambulance Assoc.	1st Tuesday	7:00 p.m., Fire Station
Vernonia Volunteer Firefighters	2nd Monday	7:00 p.m., Fire Station
WOEC Directors	3rd Tuesday	7:00 p.m., WOEC

MIST-BIRKENFELD

M-BRFPD Board Business Mtg.	2nd Tuesday	7:00 p.m., Main Fire Station
M-BRFPD Board Workshop	4th Tuesday	7:00 p.m., Main Fire Station
M-B Ambulance Drill	1st & 2nd Thursdays	7:00 p.m., Main Fire Station
M-B Fire Drill	1st & 2nd Wednesdays	7:00 p.m., Main Fire Station
M-B Helping Circle	2nd Monday	7:00 p.m., Main Fire Station
M-B SAR Drill	3rd Wednesday	7:00 p.m., Main Fire Station
M-B Volunteer Assoc.	1st Tuesday	7:00 p.m., Main Fire Station
Natal Grange	2nd Wednesday	7:30 p.m., Natal Grange Hall
T.O.P.S.	Mondays	9:00 a.m., Main Fire Station
Upr Nehalem Watershed Council	For date call 429-0869	7:00 p.m., Main Fire Station

BANKS

Alcoholics Anonymous	Friday	7:30 p.m., Methodist Church
Alcoholics Anonymous	Wednesday	7:30 p.m., Methodist Church
American Legion Post #90	2nd Tuesday	7:30 p.m., Main Street Post
Banks City Council	2nd Tuesday	7:30 p.m., City Hall
Banks Fire District #13	2nd Wednesday	7:00 p.m., Station 13
Banks Library Commission	3rd Tuesday	7:00 p.m., City Library
Banks Planning Commission	Last Tuesday	7:00 p.m., City Hall
Banks School Board	2nd Monday	7:30 p.m., Jr. High Library
Banks Youth Group	Sunday, Wednesday	7:00 p.m., UMC Youth Bldg.
Chamber of Commerce	1st Thursday	12:30 p.m., Fire District Office
CPO 14	3rd Monday	7:00 p.m., City Library
Everybody’s Hometown Band	Tuesdays	7:00 p.m., BHS Music Room
Friends of the Library	2nd Tuesday	7:00 p.m., City Library
Lions Club	1st & 3rd Mondays	7:00 p.m., Brown Derby
Sunset Park Assoc.	3rd Wednesday	8:00 p.m., Gun Club
T.O.P.S.	Wednesday	7:00 p.m., Administration Bldg.

COLUMBIA COUNTY (All meet in St. Helens unless otherwise noted.)

Board of Commissioners	Wednesday	10:00 a.m., Courthouse
Citizens for Senior Justice	2nd Tuesday	7:00 p.m., Sunset Park Church
Columbia Comm Mental Health	1st Tuesday	5”30 p.m., 58646 McNulty Way
Columbia Soil & Water District	3rd Wednesday	7:30 p.m., NRCS , 2514 Sykes
County Fair Board	2nd Monday	6:00 p.m., Fairgrounds 4-H Bldg.
County Parks Commission	3rd Tuesday	Times vary, 1054 Oregon St.
Mental Health Advisory Comm.	Quarterly	For Info call 503-397-7211
Comm. on Children & Families	3rd Thursday	5:30 p.m. OSU Ext., 505 N. Hwy. 30
Local Alcohol & Drug Plan. Comm.	Quarterly	For Info call 503-397-7211

Organizations and meeting dates not listed may be included by calling 429-9410 or by mail to The INDEPENDENT, 725 Bridge Street, Vernonia, OR 97064.