



THE UKRAINIAN NATIONAL ASSOCIATION FORUM

Insurance MATTERS...

by Irene Jarosewich

Annuities – Part 1: What makes them so great?

Annuities, from the Latin word “annua,” which means yearly, traditionally provide a guaranteed income over a specific period. An annuity contract is purchased either with a series of payments over several years, or with a lump sum upfront. Then, in return, at a future date the money is received back, again either through a series of payments, or also in a lump sum, but this time with interest. Annuities are tax-deferred, therefore they offer a way to pay forward now in order to get back later, but with a bonus.

Annuities and life insurance products frequently are offered by the same company, as is the case with the Ukrainian National Association. Annuities and life insurance both offer guarantees of payment, and both offer flexibility. Often heirs can inherit money in an annuity, and in turn, a policyholder can take out the cash value in a whole-life insurance policy. So, people wonder, what makes the two products that different? Why not use life insurance as an annuity, or an annuity as life insurance? The short answer is that the products best serve different purposes.

The key difference between the two is that the basic purpose of an annuity is to be a savings vehicle that will provide income for you and loved ones during your lifetime – most often for retirement, while the purpose of life insurance is to provide income for your beneficiaries after your lifetime.

Then, you may wonder, with so many ways to save - what makes the annuity so great?

A simple way to remember the advantages offered by annuities is the popular mnemonic phrase “Annuities have STYLE!”

S is for safety, a hallmark of annuities. Fixed annuities, the only type sold by the UNA, have guaranteed rates of interest (different from variable and indexed annuities, which are not offered by the UNA). So, no matter what happens in the stock market, the money in a fixed annuity is safe, earning compound interest. Additional safety comes from the strict laws that regulate the companies that sell the annuities, as well as the financial strength of the insurance industry, all of which helps protect the annuity.

T is for tax deferral, which goes hand-in-glove with compound interest. Since taxes on earned interest are deferred, annuity savings grow in three ways: the interest earned on the principal, the interest earned on accumulated interest and the interest earned on the money not paid in taxes. Although taxes are

paid on earned interest when money is withdrawn, the annuity offers the chance to build up a substantially larger account in the meantime than savings plans that do not offer tax-deferral. Moreover, since annuities do not have

income or contribution limits, as do many other tax-advantaged savings plans, there is no annual limit on the amount that can be contributed to an annuity.

Y is for yield, the amount of money the account makes. Annuities consistently outperform CDs, as well as many other taxable savings plans. Fixed annuities, historically, offer a one-to-two percentage point advantage over CD rates. These higher yields, when aligned with the benefits of tax deferral, make annuities an excellent choice to accumulate savings.

L is for liquidity, the ability to access to your money in ways not available in other savings plans. Generally, annuities have provisions that offer penalty-free access to some of the value in an account. Most annuities also offer bene-

fits that provide access to all or part of the annuity’s value in the event of terminal illness, nursing home care or extended unemployment.

E is for estate planning, the cost and time of probate is avoided since most annuities allow for the immediate transfer of benefits to designated beneficiaries.

With more than a century of service as a fraternal benefit society, the UNA continues to live by its motto “The UNA and the Community: Partners for Life.” Let a UNA representative help you choose an annuity option for you and your family. Contact the UNA Home Office at 1-800-253-9862 or the UNA sales staff directly at 1-888-538-2833, or find your local UNA branch secretary through the UNA website at www.ukrainiannationalassociation.org.

Tax-deferred annuity vs. taxable account (CD) \$10,000 Deposit										
Tax-deferred annuity					Taxable Account CD (Certificate of Deposit)					
Year	Beginning Value	4% interest	Interest	Value	Beginning Value	4% interest	28% tax bracket	Net Interest After Tax	Value	Taxable vs deferred
1	10,000.00	400.00	0%	10,400.00	10,000.00	400.00	112.00	288.00	10,288.00	112.00
2	10,400.00	416.00	0%	10,816.00	10,288.00	411.52	115.23	296.29	10,584.29	231.71
3	10,816.00	432.64	0%	11,248.64	10,584.29	423.37	118.54	304.83	10,889.12	359.52
4	11,248.64	449.95	0%	11,698.59	10,889.12	435.56	121.96	313.61	11,202.73	495.86
5	11,698.59	467.94	0%	12,166.53	11,202.73	448.11	125.47	322.64	11,525.37	641.16
6	12,166.53	486.66	0%	12,653.19	11,525.37	461.01	129.08	331.93	11,857.30	795.89
7	12,653.19	506.13	0%	13,159.32	11,857.30	474.29	132.80	341.49	12,198.79	960.53
8	13,159.32	526.37	0%	13,685.69	12,198.79	487.95	136.63	351.33	12,550.12	1,135.58
9	13,685.69	547.43	0%	14,233.12	12,550.12	502.00	140.56	361.44	12,911.56	1,321.55
10	14,233.12	569.32	0%	14,802.44	12,911.56	516.46	144.61	371.85	13,283.41	1,519.03
11	14,802.44	592.10	0%	15,394.54	13,283.41	531.34	148.77	382.56	13,665.97	1,728.57
12	15,394.54	615.78	0%	16,010.32	13,665.97	546.64	153.06	393.58	14,059.55	1,950.77
13	16,010.32	640.41	0%	16,650.73	14,059.55	562.38	157.47	404.92	14,464.47	2,186.27
14	16,650.73	666.03	0%	17,316.76	14,464.47	578.58	162.00	416.58	14,881.05	2,435.71
15	17,316.76	692.67	0%	18,009.43	14,881.05	595.24	166.67	428.57	15,309.62	2,699.81
16	18,009.43	720.38	0%	18,729.81	15,309.62	612.38	171.47	440.92	15,750.54	2,979.27
17	18,729.81	749.19	0%	19,479.00	15,750.54	630.02	176.41	453.62	16,204.16	3,274.85
18	19,479.00	779.16	0%	20,258.16	16,204.16	648.17	181.49	466.68	16,670.84	3,587.32
19	20,258.16	810.33	0%	21,068.49	16,670.84	666.83	186.71	480.12	17,150.96	3,917.53
20	21,068.49	842.74	0%	21,911.23	17,150.96	686.04	192.09	493.95	17,644.91	4,266.32

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3%*

5 year**

4%*

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5%*

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*All annuity rates are subject to change. Not available in all states. **Guaranteed first year rate.

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