



THE UKRAINIAN NATIONAL ASSOCIATION FORUM

Insurance MATTERS...

by Irene Jarosewich

Annuities – Part 2: Your retirement

When thinking about their future, people are often confronted with the reality that they will be retired, on average, for 20 non-working years, or 25 percent of a typical lifespan. With the rapid disappearance of the traditional pension plan, it is now up to individuals to devise retirement plans on their own.

Weaving together the strands of your own retirement plan includes some Social Security benefits, income from investments, maybe an employer pension fund, a few IRAs and annuities.

What is the best way? There is no one best way. There are different ways. For different people, different solutions are better than others. However, a mainstay of many modern retirement portfolios is the annuity.

The annuity was also the mainstay of retirement back in ancient Rome, when citizens would make a lump-sum payment to a contract called an “annua” in exchange for annual income payments for the rest of their lives.

Annuities first made their mark in America in 1759, when a company in Pennsylvania was formed to benefit Presbyterian ministers and their families. Ministers would contribute to the fund, in exchange for lifetime payments during retirement.

In the late 1930s, the purchase of annuities grew tremendously. Concerns about

***As our UNA insurance secures a future
for your loved ones, let our UNA annuities
secure a future for you.***

– Christine E. Kozak, UNA National Secretary

the overall health of the financial markets prompted many individuals to purchase fixed annuities that guaranteed income for life. In the middle of the Great Depression, as now, insurance companies were seen as

stable institutions that could make the payouts that annuities promised.

Today, the same intuition prevails. The retiring Baby Boomer generation is seeking security for retirement savings. In the United States, annuity sales in 2011 topped \$240 billion. This is a record high, no doubt prompted by the desire for a guaranteed income amidst economic uncertainty during the fragile years of retirement.

The annuities of the 1930s resemble today’s fixed annuities offering tax-deferred compound interest on principal and earned interest for a fixed period. The UNA offers fixed annuities with a variety of terms and two main types: deferred and immediate. An immediate fixed annuity invests a lump sum up front in exchange for income that begins to pay out approximately one month after the annuity is issued; the annuity then continues to pay out for the remaining life span of the recipient (known as the annuitant). The immediate annuity is a popular choice for those who have 401(k) equity investment plans

from employers that need to be rolled over into other form of savings for retirement. The added security of an immediate annuity is that it provides income with the knowledge that it can be set up so that it

will never run out.

Unlike the immediate fixed annuities, which are established with a large sum up front and then begin to pay soon after set up, the deferred, fixed annuities are established so that the payout is expected in the future, often many years in the future. The income in this type of fixed annuity is deferred and the earned interest is compounded and grows tax-free. The savings in the account build up gradually, in time for retirement.

Besides fixed annuities, two other categories of annuities exist – neither of which is offered by the UNA – variable annuities and indexed annuities. Both include options to invest in the stock market. Although the UNA does not offer these annuities, it is important to know about them since criticism about annuities is usually directed specifically at these two types, which should not be confused with fixed annuities. Variable and indexed annuities are criticized at times as being neither fish nor fowl – more expensive than a mutual fund and not as secure as a fixed annuity. However, these annuities are designed for those who want more security than a mutual fund, yet are still willing to take a risk.

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”. To help determine a retirement annuity that fits your particular needs, 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.