



SCOTTSDALE  
*Wealth Advisory*

# THE 7 BIGGEST MISCONCEPTIONS ABOUT ANNUITIES

Annuities are one of the most misunderstood tools in retirement planning. If you've ever Googled the word "annuity," you know the results can be overwhelming—conflicting ads, confusing jargon, and opinions that seem to contradict each other. It's no wonder so many people are left unsure whether annuities are a good fit.

The truth is, annuities can play a crucial role in a retirement strategy when used effectively. They can provide something few other products offer: guaranteed income for life. However, due to the myths surrounding them, many families either avoid annuities altogether or make decisions based on half-truths.

This guide is designed to clear the air. We'll walk through seven of the biggest misconceptions I hear most often from clients and set the record straight, so you can make confident, informed choices about your retirement income.

**01**

## **Annuities are only for retirees.**

Many people think annuities only make sense once you stop working. That's not true. Deferred annuities can be a smart tool well before retirement. They allow your money to grow tax-deferred, which is especially helpful if you've already maxed out your 401(k) or IRA. For individuals in their 50s or even 40s, annuities can provide stability and predictability while still allowing for growth elsewhere in the portfolio.

**02**

## **All annuities are expensive / carry hidden fees.**

This myth comes from variable annuities, which often have higher costs attributed to an Administration Fee, Mortality & Expense Fee, Sub-Account Fee, Income Rider Fee, and Death Benefit Rider Fee. But fixed and indexed annuities work differently. Many of them have no annual fees at all, unless you add optional features, such as a guaranteed income rider. The key is working with someone who will walk you through exactly what you're paying for and ensure it aligns with your goals.

**03**

## **Buying an annuity means you lose access to your money forever.**

Annuities are less liquid than a brokerage account, but that doesn't mean you can't touch your money. Most annuity contracts allow for partial withdrawals each year without penalty, and after the surrender period ends, you typically have full access. The goal is to use annuities for income you'll rely on, not for every short-term need. That's why they should be one piece of a broader retirement plan.



**04**

## **When you die, the insurance company keeps all your money.**

This is one of the most common fears about annuities, but it's rarely the case. Unless you choose a "life-only" payout, most annuities let you name beneficiaries so your spouse, children, or other loved ones continue receiving payments or a lump sum. Options like joint-life, period-certain, or refund provisions can make sure your family is protected. It all comes down to choosing the right structure.

**05**

## **Annuities don't keep up with inflation.**

It's true that a plain fixed annuity may not rise with inflation. However, many annuities offer riders that adjust income over time or "step-ups" that lock in higher payout levels when the market performs well. Indexed annuities, for example, can give you market-linked growth without direct exposure to losses. In other words, there are ways to build inflation protection into an annuity strategy—you just need the right contract.

**06**

## **Annuities are tied to the stock market, so I could lose all my principal.**

Not all annuities are alike. Variable annuities do carry market risk, but fixed and indexed annuities protect your principal from losses. Even when markets fluctuate, your foundation remains secure. That's why many retirees use annuities as a safety net alongside their investments—they provide stability when everything else feels uncertain.

**07**

## **Insurance companies backing annuities are unsafe / could go bankrupt, and I'd lose everything.**

Insurance companies are heavily regulated and must keep large reserves on hand. Additionally, there are multiple layers of protection, including surplus capital, parent company backing, and state guaranty associations. While no financial product is 100% risk-free, the idea that you'll lose everything if a carrier struggles is more myth than reality. Working with strong, established companies makes all the difference.



Annuities aren't a one-size-fits-all solution. They're a powerful tool in the right situation, but not the answer for everyone. By separating fact from fiction, you can start to see where an annuity might (or might not) fit in your plan.

Annuities can provide security, predictable income, and peace of mind, but only when chosen carefully and integrated into a larger financial strategy. That's where guidance from a fiduciary financial advisor matters.

If you'd like to review how an annuity could work in your retirement plan, or to get a second opinion on one you already own, I offer a [complimentary annuity coaching session](#). It's an easy way to understand your options and ensure your retirement income strategy is built for the long term.

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