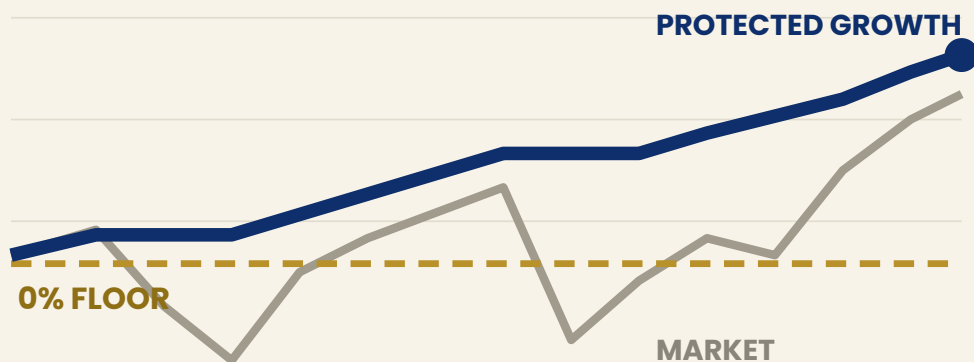


FROM THE AUTHOR OF *The Tax-Free Pivot*

The Protected Pivot

Annuities, IRA & 401(k) Rollovers, Roth Conversions and Tax-Smart Retirement Strategies for Ages 50 to 85



Protect it. Grow it. Convert it to tax-free.

The safe-money companion to your Roth conversion plan

SUBA NARLA

Founder, Wealth Strategies USA

THE PROTECTED PIVOT

Protect It · Grow It · Convert It to Tax-Free

*Annuities, IRA & 401(k) Rollovers, Roth Conversions
and Tax-Smart Retirement Strategies for Ages 50 to 85*

by

Suba Narla

Wealth Strategies USA

From the author of The Tax-Free Pivot and The Wealth Pivot

The Protected Pivot

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First Edition. Printed in the United States of America.

DEDICATION

*To my wife of more than forty years — my constant, in
everything.*

*To our two daughters, whose dedication carried them through
Harvard and Stanford Medical Schools, and whose work makes
us endlessly proud.*

*And above all, to our two grandchildren, who bring us more joy
than we knew a life could hold.*

*For every reader trying to tell the difference
between what a product promises and what it actually
protects.*

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BEFORE YOU BEGIN**A Note Before You Begin**

This book began as a straightforward guide to what annuities are, how they work, and when they make sense. Over years of sitting across the table from families at every stage of retirement planning, I kept seeing the same pattern: the annuity question rarely arrives by itself. It shows up attached to a bigger decision — a 401(k) rollover after a job change, a plan to convert a Traditional IRA to a Roth over several years, a worry about what the next bear market will do to savings that took forty years to build. This book follows the annuity into those real decisions. I titled it *The Protected Pivot* because it is the companion to *The Tax-Free Pivot*: that book explains when to move money into the tax-free bucket; this one explains how to protect it and grow it along the way.

Three new areas of focus run through the chapters that follow. First, the accumulation case for fixed indexed annuities (FIAs) — how a contract that can never lose value to a market decline, yet still participates in part of the market's upside, can serve as the protected growth engine inside a retirement plan. Second, the role annuities can play in 401(k) and IRA rollovers, which is the single moment when most people have the most choice and the most at stake. Third, the role annuities can play alongside a multi-year Roth conversion plan — the subject of my book *The Tax-Free Pivot*, and a theme that runs through *The Wealth Pivot* as well. A new chapter also looks at how ultra-wealthy families use FIAs as precise tools on very large balance sheets, and case

examples throughout the book are now set apart in the same format used in my other two books.

You will find passages from those two books quoted throughout this one, set apart like this:

The government is a silent partner in every Traditional IRA and 401(k) you own — and it hasn't told you yet what its cut will be.

— Suba Narla, *The Tax-Free Pivot*

They are there because the annuity decision and the tax decision are really the same decision viewed from two sides. An annuity decides *how* a dollar grows and pays out; the tax plan decides *which bucket* that dollar lives in and *when* the IRS gets its share. Get both right and the result is more durable than either one alone.

One more framing point. This book still takes the criticisms of annuities seriously — Chapter 5 remains intact, and every new chapter carries its own "watch out for" guidance. The goal has never been to sell you an annuity. It is to help you recognize when one genuinely solves a problem you have, which kind solves it best, and what questions to ask before you sign anything.

Author disclosure: I am an independent insurance broker affiliated with several companies mentioned in this book, including American Equity, Annexus, Athene, Nationwide, North American, Allianz, and Symetra. Their products are discussed to explain concepts and how fixed indexed annuities are changing, not as recommendations. I did not seek permission from any company named in this book to mention it, and none sponsored, reviewed, or endorsed this book. All client names and case examples in this book are composites created for illustration. They do not describe real individuals. Product names, features, rates, and tax figures cited reflect publicly available information as of 2026 and change

frequently; confirm current terms with the issuing carrier and a qualified professional before acting.

PART I

Foundations



CHAPTER 1

Introduction — What Is an Annuity, Really?

Retirement is not the end of the financial project — it is a transition from accumulation to decumulation, from saver to cash-flow manager.

— Suba Narla, *The Wealth Pivot*

At its simplest, an annuity is a contract between an individual and an insurance company. The individual — called the annuitant or contract owner — pays money to the insurer, either as a single lump sum or as a series of payments. In exchange, the insurer promises to do one or both of two things: grow that money on a tax-deferred basis for a period of time, and/or pay it back out on a defined schedule, often for life.

That second feature — the promise to pay an income stream for as long as the person lives, no matter how long that turns out to be — is what makes an annuity fundamentally different from every other financial product a household typically owns. A stock portfolio, a bond ladder, a savings account, even a pension-like target-date fund, can all run out. An annuity, when structured for lifetime income, cannot. The insurance company is contractually obligated to keep paying, even if the annuitant lives to 105 and the original premium was exhausted decades earlier. This is possible because of a mechanism called risk pooling, which we will return to throughout this book: some annuitants in the pool will die earlier than average, and the money that would have gone to them subsidizes the payments to those who live longer than average. This is sometimes called

“mortality credit,” and it is the single most important — and most misunderstood — concept in the entire annuity industry. On the flip side 98% - 99% of people with Term Life Insurance never collect a payout and that 1 to 2% of policy holders unfortunately die while holding the policy, and their families collect the large death benefits (even \$1 Million +) for the paltry sums they paid their insurance company. Their death benefit is subsidized by the 98-99% of other policy holders.

Annuities sit at an uncomfortable intersection of insurance and investing, and that hybrid nature is the source of both their value and most of the confusion and criticism that surrounds them. Because they are insurance products, they are sold by licensed insurance agents, regulated primarily by state insurance departments (with variable annuities also regulated by the SEC and FINRA), and structured with the conservative, contractual guarantees that define insurance. Because they also involve accumulation, market participation (in some variants), and long time horizons, they get compared — often unfairly, sometimes fairly — to mutual funds, ETFs, and other investment vehicles.

This dual identity explains why annuities provoke such strong and divided opinions among financial professionals. Some fee-only financial planners view most annuities, particularly the more complex variable and indexed varieties, as overpriced and oversold products that primarily benefit the agents who earn large commissions selling them. Other credentialed retirement researchers — including prominent academics who spent careers skeptical of insurance products — have concluded that some form of guaranteed lifetime income, often best achieved

through a simple immediate annuity, is one of the few genuinely effective tools for solving the risk that retirees fear most: outliving their money. Both camps are, in a narrow sense, correct. The truth about annuities is not found in a blanket endorsement or blanket dismissal — it is found in matching the right (usually simple) annuity structure to the right problem, for the right person, at the right price. This book is built around that principle.

Over the following chapters we will trace where annuities came from, walk through exactly how they work mechanically, lay out their genuine strengths and genuine weaknesses without editorializing past the evidence, catalog every major type of annuity sold today and how they differ, and then turn to the practical question most readers actually care about:

Given my age and given what I have, does an annuity make sense for me, and if so, which kind?

Two themes deserve a special flag at the outset, because they have become the most common reasons families look at annuities today. The first is **protected accumulation**: using a fixed indexed annuity to keep growing savings in the decade before and after retirement without exposing that money to a major market loss. The second is **tax architecture**: fitting annuities into a plan that moves money out of tax-deferred accounts and into tax-free ones before Required Minimum Distributions force the issue. Chapters 9 and 10 cover the first; Part IV (Chapters 19 through 21) covers the second.

CHAPTER 2

The History of Annuities

Ancient and Roman Roots

The word "annuity" derives from the Latin *annua*, meaning "annual stipends." The concept is far older than the word's common usage in English. Roman citizens could purchase a financial contract called an *annua*, in which they paid a lump sum to a contract-issuer — sometimes the state, sometimes wealthy individuals — in return for an annual payment for either a fixed term or for life. The Roman speculator and jurist Gnaeus Domitius Annius Ulpianus (commonly referred to as Ulpian), writing around 220 AD, is credited with creating one of the first known actuarial life-expectancy tables, used to help value these life-contingent annuity contracts. Roman soldiers were also sometimes paid military pensions structured as annuities, offering income for life after a term of service — an early ancestor of the modern military and government pension.

Medieval Tontines and Municipal Annuities

Annuity-like structures persisted through the Middle Ages in Europe, mostly through municipal and church-issued contracts. Cities and towns, especially in the Netherlands and parts of what is now Germany and France, sold "life rents" (*lijfrentes*) to raise capital for public works and to finance wars. A buyer would hand over money to the town government and receive a stream of payments for life. These were popular because they offered ordinary citizens — not just nobility — a way to convert savings into guaranteed income, and because towns needed financing.

A related but distinct structure, the tontine, emerged in the 17th century, credited to the Neapolitan banker Lorenzo de Tonti, who proposed the idea to the French government around 1653. In a tontine, a group of investors pooled money, and the survivors split the returns as other members of the pool died, with the last survivor(s) sometimes receiving the entire remaining pool. Tontines became genuinely popular financing vehicles for governments in France, England, and elsewhere for roughly two centuries, and some scholars note that tontines directly influenced the mortality-pooling logic used in modern life annuities, even though tontines themselves eventually fell out of favor and were banned or heavily restricted in most countries by the early 20th century, partly due to fraud and mismanagement, and partly because insurers built better-regulated products that achieved similar risk-pooling goals.

The Birth of Actuarial Science

Annuities could not be priced responsibly without a way to estimate how long people were likely to live. This is why the history of annuities is deeply intertwined with the history of actuarial science and probability theory. In 1693, the astronomer Edmond Halley — of Halley's Comet fame — published one of the first true mortality tables, based on birth and death records from the city of Breslau, allowing for the first time a reasonably rigorous calculation of life expectancy at any given age. This work was refined over the following century by mathematicians including Abraham de Moivre and James Dodson, whose work on mortality-based pricing directly led to the founding of the Society for Equitable Assurances on Lives and Survivorship (commonly called "The Equitable") in London in 1762 — widely

regarded as the first true life insurance and annuity company built on sound actuarial principles, rather than guesswork or gambling-adjacent tontine structures.

Annuities in the United States

Annuities crossed the Atlantic early. The Presbyterian Church in Philadelphia sponsored a fund in 1759 to provide life annuities to the widows and children of deceased ministers — often cited as the first annuity-like program in colonial America. The Pennsylvania Company for Insurances on Lives and Granting Annuities, chartered in 1812, is generally credited as the first commercial annuity provider in the United States.

For much of the 19th and early 20th centuries, annuities remained a relatively niche product in America, overshadowed by the explosive growth of life insurance. That changed with the Great Depression. The stock market crash of 1929 and the ensuing collapse of bank deposits and pension trust arrangements devastated the retirement savings of an entire generation, and it pushed both individuals and legislators toward the appeal of guaranteed, insurer-backed income. Sales of fixed annuities rose meaningfully during the 1930s as Americans, badly burned by market losses and bank failures, sought contractual safety.

The modern era of annuities really begins in 1952, with the creation of CREF (the College Retirement Equities Fund) by TIAA, designed to give university professors a way to invest retirement savings in equities while still receiving the annuity's structural benefit of lifetime income — this is generally

regarded as the first variable annuity, the first product to combine market participation with the mortality-pooling and payout structure of a traditional annuity.

The following decades saw rapid product innovation:

- **1970s–1980s:** Deferred annuities grew in popularity as tax-deferred accumulation vehicles, particularly after ERISA (1974) reshaped the retirement landscape and IRAs were introduced, creating new appetite for tax-advantaged savings products.
- **1995:** Keyport Life Insurance Company is widely credited with launching the first fixed indexed annuity (originally called an "equity-indexed annuity"), which linked interest credits to the performance of a stock market index like the S&P 500, while still guaranteeing that principal could not be lost to market declines. This category grew enormously over the following 25 years.
- **2000s:** Living benefit riders — guaranteed minimum withdrawal benefits, guaranteed lifetime withdrawal benefits, and guaranteed minimum income benefits — became standard features on variable annuities, allowing owners to stay invested in the market while insuring against the risk of a bad sequence of returns depleting their income.
- **2010s:** Structured/buffer annuities, more formally called Registered Index-Linked Annuities (RILAs), were introduced, offering a middle ground between fixed indexed annuities and variable annuities — more upside potential than a fixed indexed annuity in exchange for some, but not unlimited, downside risk.
- **2020s:** Qualified Longevity Annuity Contracts (QLACs) grew in relevance following the SECURE Act and SECURE 2.0 Act, which raised QLAC purchase limits and clarified rules, making deferred longevity insurance

inside retirement accounts more attractive (but lot of downside to QLACs too). Annuity sales overall hit record highs in the U.S. in 2022 and 2023, driven by rising interest rates, which made insurers able to offer meaningfully higher guaranteed payout rates than during the prior decade-plus of near-zero rates.

Understanding this arc matters for a practical reason: annuities are not a monolithic, static product. They evolved directly in response to economic conditions — the search for safety after 1929, the demand for tax deferral after major tax-law shifts, the desire for market participation with a floor after the volatility of the 1990s and 2000s, and the hunt for guaranteed payout rates when interest rates finally rose again in the 2020s after over a decade near zero. Every major annuity type in use today was invented to solve a specific problem for a specific generation of buyers, and that context is useful when evaluating whether a given product solves a problem you actually have.

CHAPTER 3**How Annuities Actually Work**

Before evaluating whether annuities are "good" or "bad," it helps to understand the mechanical skeleton common to nearly all of them. Every annuity, regardless of type, has the same basic building blocks, though the details of each vary enormously by product.

The Two Phases: Accumulation and Annuitization

Almost every deferred annuity moves through two possible phases:

1. The accumulation phase. This is the period during which the annuity's value grows, whether through a fixed guaranteed interest rate, index-linked interest crediting, or subaccount investment performance (in variable annuities). During this phase, the owner can typically make additional withdrawals (subject to surrender charges and possible tax penalties before age 59½), add contributions in some products, or simply let the contract grow tax-deferred. Immediate annuities skip this phase entirely — the owner hands over a lump sum and income starts almost immediately, typically within 30 days to 12 months.

2. The annuitization (or payout) phase. This is when the contract converts its accumulated value into a stream of income payments. Annuitization is often irreversible — once you annuitize, you generally trade your lump sum for a stream of payments and can no longer access the underlying lump sum. Because of this irreversibility, many modern deferred annuities are never formally "annuitized" in the traditional sense; instead,

owners use an attached income rider to draw guaranteed lifetime withdrawals while technically retaining access to a shrinking account value, which offers more flexibility than classic annuitization, usually at the cost of a slightly lower payout rate and sometimes an ongoing rider fee.

Premium: Single vs. Flexible

Annuities can be funded with a **single premium** (one lump-sum deposit, common with immediate annuities and many fixed and indexed annuities) or with **flexible premiums** (a series of deposits over time, more common with some deferred annuities, particularly older-style variable annuities used as ongoing savings vehicles).

Qualified vs. Non-Qualified Money

An annuity can be purchased with **qualified money** (funds from a tax-advantaged retirement account, such as an IRA or 401(k) rollover) or **non-qualified money** (ordinary savings, already taxed). This distinction matters enormously for taxation, which we cover in Chapter 18, but it is worth flagging early: buying an annuity inside an IRA does not add a second layer of tax deferral benefit on top of the IRA's own deferral — the annuity's tax-deferral feature is redundant in that context but there are plenty of benefits for annuities within the IRA umbrella. What a qualified annuity purchase *does* add is the insurance-based guarantees (income riders, principal protection, death benefits) — those are separate from, and layered on top of, the tax treatment of the account itself.

Interest Crediting Methods

How an annuity grows during accumulation depends on its type:

- **Fixed annuities** credit a set interest rate, declared by the insurer, often guaranteed for an initial period (1, 3, 5, 7, or 10 years) and then reset annually, usually with a contractual minimum guaranteed rate floor.
- **Fixed indexed annuities** credit interest based on the performance of a market index (commonly the S&P 500), using a crediting formula that includes a cap (maximum credited return), a participation rate (the percentage of index gain credited), and/or a spread (a deduction from the index gain before crediting) — but with a guaranteed floor of 0%, meaning the account value cannot decline due to market performance.
- **Variable annuities** allocate premium into subaccounts, which function much like mutual funds, meaning the account value can rise or fall directly with market performance, with no principal floor unless an optional rider is purchased.
- **RILAs (buffer annuities)** credit interest based on index performance similarly to fixed indexed annuities, but allow for greater upside potential in exchange for accepting a defined amount of downside risk (a "buffer," typically absorbing the first 10-20% of a loss, with further losses borne by the owner, or a "floor," which caps the maximum possible loss).

Payout Options

When income begins — either through annuitization or an income rider — owners typically choose from several payout structures:

- **Life only:** Payments continue for the annuitant's life and stop entirely at death, even if death occurs one month after payments start. This offers the highest payment as the payments stop at death with no guarantee of minimum periods.
- **Life with period certain:** Payments continue for life, but if the annuitant dies before a guaranteed period (e.g., 10 or 20 years) elapses, payments continue to a beneficiary for the remainder of that period.
- **Joint and survivor:** Payments continue as long as either of two people (typically spouses) is alive, usually at a somewhat reduced payment level compared to a single-life payout, since the insurer expects to pay over a longer combined period.
- **Period certain (term certain) only:** Payments continue for a fixed number of years regardless of survival, with no true lifetime guarantee — this is really closer to a structured payout of principal plus interest than a true insurance product.

The Insurer's Side of the Table

It's worth understanding what the insurance company does with the premium it receives, because this explains both how annuities can offer guarantees and why insurer financial strength matters so much when choosing a company. Insurers generally invest premiums conservatively — primarily in investment-grade bonds and commercial mortgages for the general account backing fixed and indexed annuities —

matching the duration of those assets to their expected long-term payout obligations. They also rely on the law of large numbers: across a large enough pool of annuitants, the timing of deaths becomes statistically predictable even though any individual's lifespan is not, which allows the insurer to price and reliably fund lifetime payout guarantees.

Guarantees are only as strong as the insurer providing them. Unlike bank deposits, annuities are not backed by the FDIC. Instead, most U.S. states participate in a state guaranty association system, which provides a backstop (typically in the range of \$250,000 in present value of benefits per contract owner per company, though limits vary meaningfully by state) if an insurer becomes insolvent. This is a real but limited safety net, which is why financial strength ratings from agencies like A.M. Best, Standard & Poor's, and Moody's are an important, non-optional part of due diligence before purchasing any annuity, a point we return to in Chapter 27.

CHAPTER 4

The Good — Genuine Benefits of Annuities

Setting aside marketing hyperbole on one side and blanket dismissal on the other, annuities offer several benefits that are difficult to replicate with any other single financial product. This chapter lays out the case for annuities on its merits.

1. Longevity Protection — Insuring the One Risk You Cannot Diversify Away

A diversified stock and bond portfolio protects against market risk. It does nothing, by itself, to protect against the risk of simply living longer than your money lasts. This is called longevity risk, and it is arguably the single largest financial risk facing retirees, because it is unpredictable at the individual level (you don't know if you'll live to 72 or 102) even though it is highly predictable at the population level. An annuity with a lifetime income feature transfers this specific risk to an insurance company, which can absorb it efficiently across a large pool of policyholders. No self-managed portfolio, no matter how well constructed, can guarantee it will never run out during an unexpectedly long life; a properly structured lifetime annuity can.

2. Mortality Credits — A Return Source Unavailable Outside Insurance

Because annuity pools include people who will die earlier than average and people who will die later than average, insurers can pay income based on average life expectancy rather than

requiring each individual to self-insure for a "worst case" (very long) lifespan. This pooling effect — the mortality credit — means that, particularly at older starting ages, immediate annuities can generate payout rates that are difficult or impossible to replicate safely through a self-managed withdrawal strategy, because a portfolio without pooling must be sized to survive a hypothetical extreme longevity outcome for every single owner, not just the average one.

3. Principal Protection (in Fixed and Indexed Products)

Fixed and fixed indexed annuities guarantee that the account value will not decline due to market performance — the worst-case index credit in a typical year is 0%, not a loss. For a risk-averse saver, particularly one nearing or in retirement who cannot afford a large drawdown at the wrong time, this is a genuinely valuable structural guarantee that a stock or bond portfolio cannot offer.

4. Tax-Deferred Growth

Non-qualified annuities grow tax-deferred, meaning the owner pays no tax on interest, dividends, or capital gains within the contract until money is withdrawn. This can be valuable for investors who have already maximized contributions to 401(k)s, IRAs, and other tax-advantaged accounts and are looking for an additional tax-deferred savings vehicle, particularly high earners in their peak tax-bracket years who expect to be in a lower bracket at withdrawal.

5. Protection Against Sequence-of-Returns Risk

A retiree who experiences poor market returns in the first few years of retirement, while simultaneously withdrawing income, can permanently damage the sustainability of a portfolio — even if long-run average returns are perfectly fine. This is called sequence-of-returns risk. Because annuity income (whether from immediate annuitization or a lifetime withdrawal rider) is contractually guaranteed and does not depend on market performance in a given year, it is immune to this specific risk and can serve as a stabilizing "floor" that allows the rest of a retiree's portfolio to remain invested for growth without being forced to sell depreciated assets during a downturn.

6. Behavioral Guardrails

Annuities are illiquid by design, with surrender charge periods that typically run 5–10 years. For some savers, this is a bug; for others — particularly those who have demonstrated a pattern of panic-selling during downturns, or who worry about their own future discipline, or a family member's ability to protect assets from fraud or cognitive decline later in life — this illiquidity is a feature. Locking money into a structure that resists impulsive withdrawal can improve real-world financial outcomes even when it looks suboptimal on a spreadsheet. However, in most cases a typical family's unexpected or planned needs can be met with the penalty free withdrawals allowed by the annuity.

7. Simplified, Predictable Retirement Budgeting

Guaranteed income annuities function much like a personal pension, converting a pool of savings into a steady paycheck.

Academic research on retirement satisfaction has consistently found that retirees with a higher proportion of guaranteed, "paycheck-like" income (Social Security, pensions, annuities) report higher spending confidence and satisfaction than retirees relying solely on a fluctuating investment portfolio, even when the portfolio-based retiree has a statistically similar or higher net worth. Removing the cognitive burden of deciding "how much can I safely spend this year" has real psychological value.

8. Optional Riders Can Address Specific Risks

Modern annuities can be customized with riders addressing long-term care costs, enhanced death benefits for heirs, cost-of-living adjustments, and guaranteed minimum accumulation — allowing a buyer to layer in protection against several specific risks within a single contract, rather than purchasing several separate products.

9. Probate Avoidance and Beneficiary Efficiency

Like life insurance, annuities pass directly to named beneficiaries outside of probate, which can mean a faster, more private, and less costly transfer of remaining assets compared to assets that must pass through a will and probate court.

10. Growth With a Floor — Protected Accumulation

The benefits above are mostly about income. But for a growing share of buyers, the most important benefit of a modern fixed indexed annuity is what it does *before* income ever starts. An FIA credits interest linked to a market index when the index rises, locks those gains in, and credits zero — not a loss — when the

index falls. Over a full market cycle that "zero is your hero" asymmetry can produce steady, respectable growth without the drawdowns that derail retirement plans. For money that must be there in five or ten years, this can be a better fit than either a CD (safe, but little growth) or a stock fund (growth, but no floor). Chapter 9 is devoted to this accumulation case.

11. Protection at the Moment of Maximum Choice — Rollovers

When a worker leaves an employer or reaches age 59½, a 401(k) balance that may represent decades of saving becomes portable. That moment is often the first time a household can choose principal protection, a premium bonus, an income guarantee, or an enhanced death benefit for its largest asset. Used thoughtfully, and for the right slice of a rollover, an annuity lets you lock in what you have built at exactly the time a market loss would hurt most. Chapter 19 covers rollovers in depth.

12. A Stable Partner for a Multi-Year Roth Conversion Plan

A Roth conversion plan runs over many years, and it works best when the money waiting to be converted is not whipsawed by the market. An FIA inside a Traditional IRA can act as a protected "on-deck" account for future conversions, and an FIA inside a Roth IRA can give tax-free dollars a floor. A simple immediate annuity bought with non-qualified money can even help keep taxable income low during conversion years. Chapter 20 walks through each of these roles.

Retirement tax planning is not about illegal evasion; it is about strategic avoidance — understanding the tax code well enough to choose when, how, and from which bucket you draw income, so you keep the maximum amount possible.

— Suba Narla, *The Wealth Pivot*

CHAPTER 5**The Bad — Real Drawbacks and Criticisms**

A fair treatment of annuities requires taking the criticisms as seriously as the benefits. Many of these criticisms are well-founded and explain why some financial advisors remain deeply skeptical of the products as commonly sold.

1. Complexity and Poor Disclosure

Variable annuities, fixed indexed annuities, and RILAs in particular can be genuinely difficult to understand, with crediting formulas, cap rates, participation rates, spread fees, rider fees, mortality and expense charges, and surrender schedules layered on top of each other in dense contract language. This complexity makes it hard for even sophisticated buyers to accurately compare products or fully understand what they are purchasing, and it creates room for products to be sold based on illustrated "best case" scenarios that are unlikely to be representative of actual long-term performance.

2. High Costs, Often Opaque

Variable annuities frequently carry mortality and expense (M&E) fees of 1.0–1.5% annually, administrative fees, subaccount management fees comparable to mutual fund expense ratios, and income or death benefit rider fees that can each add another 0.5–1.5% per year. Layered together, all-in costs on some variable annuities can exceed 3% annually — a significant drag that is hard to see clearly because it is rarely

presented as a single combined number. Fixed indexed annuities market themselves as "no fee" products, which is true with respect to explicit account fees in many base contracts, but the cost is instead embedded in the caps, participation rates, and spreads that limit how much index gain the owner actually receives, which is a real cost even though it never appears as a line-item deduction. If your illustration is after all costs, it makes it easier to understand what you are getting.

3. Surrender Charges and Illiquidity

Most deferred annuities impose surrender charges — often starting around 7–10% of the withdrawn amount and declining over a 5–10 year schedule — if the owner withdraws more than a permitted "free withdrawal" amount (commonly 10% of account value per year) during the surrender period. Withdrawals before age 59½ can also trigger a 10% IRS early withdrawal penalty, on top of ordinary income tax on the gain. This combination makes annuities a poor choice for emergency funds or for money that might be needed on short notice. Work with your advisor to see the impact of your liquidity on a likely emergency that you can forecast.

4. Commission-Driven Sales Incentives

Annuities, especially indexed and variable annuities, can carry substantial commissions to the selling agent — sometimes 4–8% of the premium for indexed annuities, occasionally more for certain products. This commission structure has historically created incentive misalignment: an agent may be motivated to recommend the product with the highest commission rather

than the product genuinely best suited to the client, particularly in sales targeting older or less financially sophisticated buyers. Regulatory reforms (including the SEC's Regulation Best Interest and the NAIC's annuity suitability model regulation, adopted in various forms by most states) have pushed sellers toward a stricter "best interest" standard, but the underlying commission incentive structure has not disappeared.

5. Inflation Risk on Fixed Payouts

A level, non-inflation-adjusted immediate annuity payment loses real purchasing power every year that inflation exceeds 0%. A \$3,000 monthly payment that felt generous at the start of retirement can feel meaningfully thinner 15–20 years later. Inflation-adjusted or cost-of-living-adjusted annuity riders exist but are expensive, typically requiring a materially lower starting payment in exchange for the inflation protection, and relatively few buyers elect them.

6. Loss of Control and Liquidity (Once Annuitized)

True annuitization is generally irrevocable. Once a lump sum is converted into a stream of life-only or period-certain payments, the owner typically cannot access the underlying capital, even in a financial emergency, and (for a life-only payout) nothing passes to heirs if the annuitant dies early. This all-or-nothing conversion is one of the most common sources of buyer's remorse, which is part of why modern products increasingly favor income riders (which preserve some access to the underlying account value) over classic annuitization.

7. Counterparty and Credit Risk

An annuity is only as good as the insurance company's ability to pay claims decades into the future. While insurer insolvencies are relatively rare and state guaranty associations offer a backstop, that backstop has real dollar limits (commonly around \$250,000 in present value of benefits, though this varies by state) and is not automatic or unlimited the way FDIC deposit insurance is. Buyers rarely evaluate insurer financial strength as carefully as they evaluate the product's illustrated numbers.

8. Opportunity Cost vs. a Simple Diversified Portfolio

Over long historical periods, diversified stock portfolios have generally outperformed the returns credited by fixed, indexed, or even most variable annuity subaccounts net of fees. A younger, risk-tolerant investor with a long-time horizon and no pressing need for guaranteed income may reasonably conclude that a low-cost index fund portfolio will build more real wealth over decades than tying money up in an annuity, even accounting for annuities' guarantees — because those guarantees have a real cost, and that cost is the return being given up.

9. Exchange and Replacement Abuse ("Churning")

Because a 1035 exchange allows an annuity owner to move value from one annuity contract to another tax-free, some unscrupulous agents have historically encouraged clients to repeatedly exchange older annuities for new ones, restarting surrender charge periods and generating fresh commissions

each time — a practice regulators refer to as "churning." This is now more tightly regulated but remains a known historical abuse pattern that damaged the industry's reputation.

10. Reputational Damage from Historical Bad Sales Practices

Annuities, particularly indexed and variable annuities, have been the subject of extensive regulatory enforcement actions and consumer complaints over aggressive or misleading sales practices, especially when sold to elderly buyers or used to replace assets in ways that generated new commissions without a corresponding client benefit. This history is a legitimate reason for skepticism, even as underlying product design and current regulations have generally improved.

The honest synthesis: Nearly every criticism above is really a criticism of specific implementations — high fees, commission-driven mis-selling, poor product fit, unnecessary complexity — rather than an indictment of the core insurance concept of risk-pooled lifetime income, which retirement researchers broadly agree has real, hard-to-replicate value when used correctly, at a fair price, from a financially strong insurer, for the right portion of a person's assets. The chapters ahead are built to help you tell the difference.

PART II

The Product Landscape



CHAPTER 6**Types of Annuities - The Full Spectrum**

Annuities can be categorized along three independent dimensions, and understanding this three-axis structure is the key to making sense of the dozens of product names used across the industry.

Axis 1: When income begins.

- *Immediate annuities* begin paying income almost right away (typically within 30 days to 12 months of purchase).
- *Deferred annuities* accumulate for a period of time — months, years, or decades — before income begins, if it begins at all.

Axis 2: How the money grows during accumulation (deferred annuities only).

- *Fixed* — a declared interest rate set by the insurer.
- *Fixed indexed* — interest linked to a market index's performance, with a 0% floor and a capped upside.
- *Variable* — direct investment in market subaccounts, with full upside and downside exposure.
- *Registered index-linked (RILA/buffer/structured)* — a hybrid offering more upside than fixed indexed products in exchange for accepting some defined downside risk.

Axis 3: How income, once started, is calculated and guaranteed.

- *Life-contingent* — payments depend on the annuitant remaining alive (single life, joint life, with or without a period-certain guarantee).
- *Period-certain* — payments for a fixed number of years regardless of survival.
- *Qualified longevity* — a specific deferred income annuity structure held inside a qualified retirement account, with special IRS rules (QLAC).

Every named annuity product in the marketplace is really just a specific combination of these three axes, wrapped in a particular insurer's contract, fee structure, and optional riders. A "single premium immediate annuity" is Axis 1 = immediate, Axis 3 = life-contingent or period-certain. A "fixed indexed deferred annuity with a guaranteed lifetime withdrawal benefit rider" is Axis 1 = deferred, Axis 2 = fixed indexed, Axis 3 = life-contingent (via the rider). Keeping this framework in mind will make the next several chapters, which look at each major type in depth, much easier to navigate.

CHAPTER 7**Fixed Annuities**

A fixed annuity is the simplest and oldest of the modern annuity structures. The insurer declares an interest rate — often guaranteed for an initial period of 1, 3, 5, 7, or 10 years (these are sometimes called "MYGAs," or multi-year guaranteed annuities, when the full initial rate guarantee period is emphasized) — and credits that rate to the account value. After the initial guarantee period, the rate resets, typically declining toward (but never below) a contractual minimum guaranteed rate specified in the contract, often in the 1–3% range.

How it works: The owner deposits a single premium (occasionally flexible premiums). The account grows at the declared rate, tax-deferred if non-qualified. At the end of the surrender period, or at any point after paying applicable surrender charges, the owner can withdraw the funds, exchange the contract via a 1035 exchange, or annuitize into an income stream.

Best suited for: Conservative savers who want a CD-like, predictable return with tax deferral and who do not need the funds for the length of the guarantee period. MYGAs are frequently compared directly to bank CDs, and often offer a meaningfully higher rate, particularly when interest rates are elevated, because insurers can invest in longer-duration corporate bonds than banks typically hold against CDs.

Key numbers to compare: the guaranteed rate and its guarantee period, the minimum guaranteed rate after that

period, the surrender charge schedule, and the free withdrawal allowance (commonly 10% per year without penalty).

Watch out for: rate resets after the initial guarantee period that can drop toward the contractual minimum if the insurer chooses not to remain competitive — a practice sometimes called "bait and switch" rate setting, though reputable insurers generally maintain more competitive renewal rates to protect their reputation. But even with reputable insurers their commitment to you is over once the guarantee period is over, so it is your responsibility to make sure your funds are reinvested properly.

CHAPTER 8**Fixed Indexed Annuities (FIAs)**

Fixed indexed annuities credit interest based on the performance of a market index — most commonly the S&P 500, though many insurers now offer proprietary or "volatility-controlled" indices — while guaranteeing the account value cannot decline due to negative index performance. If the index is down, the credited interest for that period is simply 0%; the owner does not lose principal to market declines (fees and rider charges are a separate matter and can still reduce value).

Crediting mechanisms:

- **Cap rate:** the maximum interest that can be credited in a period, regardless of how much the index actually gained. A 7% cap on a year the index returns 15% credits only 7%.
- **Participation rate:** the percentage of the index's gain that is credited. A 60% participation rate on a 10% index gain credits 6%.
- **Spread (margin/asset fee):** a percentage subtracted from the index gain before crediting. A 3% spread on a 10% gain credits 7%.
- Some products combine a participation rate and a cap or use a spread with no participation rate reduction; insurers vary widely, and comparing products requires looking at the actual formula, not just a single headline number.

Best suited for: Savers who want meaningfully more growth potential than a fixed annuity, are willing to accept a capped upside in exchange for a guaranteed 0% floor and have a time horizon that comfortably exceeds the surrender period. FIAs are

especially popular as a core building block for guaranteed lifetime income via an attached withdrawal rider (see Chapter 17).

Watch out for: Caps and participation rates are typically not guaranteed for the life of the contract and can be adjusted (usually downward) by the insurer at renewal, subject to contractual minimums. Proprietary and volatility-controlled indices can be difficult to evaluate because they may have limited track records and complex internal mechanics designed to smooth or dampen returns.

CHAPTER 9

Fixed Indexed Annuities as Accumulation Engines

The \$600,000 household is managing longevity risk and sequence-of-returns risk against a hard ceiling. If you run out of money, there is no second pool of capital behind it.

— Suba Narla, *The Wealth Pivot*

Chapter 8 described how a fixed indexed annuity works. This chapter makes the case for *why* so many savers use one — not primarily for income, but for growth. In the years immediately before and after retirement, the question most families are really asking is not "how do I get the highest possible return?" It is "how do I keep growing this money without risking a loss I can't recover from in time?" That is precisely the problem an FIA was designed to solve, and it is why fixed indexed annuities set a sales record of roughly \$128 billion in the United States in 2025, according to LIMRA — part of a fourth consecutive record year for annuities overall, at about \$464 billion.

Zero Is Your Hero: The Mathematics of Avoiding Losses

The core benefit of an FIA during accumulation comes down to a piece of arithmetic that most investors know in the abstract but underestimate in practice: losses hurt more than gains help. A portfolio that falls 20% needs a 25% gain just to get back to even. A 40% loss requires a 67% gain. And the time spent recovering is time that the money is not growing.

Loss in a Down Year	Gain Needed to Break Even	What It Means Near Retirement
-10%	+11.1%	Usually recovered within a year or two
-20%	+25.0%	Can delay retirement plans by several years
-30%	+42.9%	Often forces a change in spending or retirement date
-40%	+66.7%	Recovery may take most of a decade
-50%	+100.0%	The balance must double just to get back to where it was

An FIA sidesteps this problem entirely. Because the worst an index credit can ever be is 0%, there is never a hole to climb out of. Gains credited in good years are locked in — they become part of the protected account value — and the index "resets" at the start of each new crediting period. After a market decline, the FIA starts its next term from the *lower* index level, which means that when markets recover, the contract can participate in the rebound from the bottom rather than first having to

recover lost ground. Industry practitioners call this the annual reset or "lock-in and reset" feature, and it is one of the most powerful and least understood features of the product.

The Lock-In and Reset in Plain English

Imagine the S&P 500 starts your contract year at 5,000, falls to 4,000 by the anniversary, then climbs back to 4,800 over the following year. A stock index fund is still down 4% from where you started. Your FIA credited 0% in the first year — no loss — and then measured the second year from the new starting point of 4,000. The 20% rise from 4,000 to 4,800 is credited (subject to the cap, participation rate, or spread), so your account shows a gain even though the index never got back to its original level.

A Tale of Two Decades

No honest discussion of FIAs for accumulation can rely on cherry-picked periods, so the illustration below shows two very different ten-year stretches. In each, \$500,000 is placed either in a hypothetical FIA crediting the S&P 500's annual price return with a constant 8% cap and a 0% floor, or in an S&P 500 index fund earning the full total return including dividends. No withdrawals are taken. These are hypothetical calculations using historical index returns; they do not represent any actual product, actual caps varied over these periods, and past performance does not predict future results.

Year	S&P 500 Price Return	FIA Credit (8% Cap)	FIA Value	S&P 500 Fund Value (total return)
2000	-10.1%	0.0%	\$500,000	\$454,500
2001	-13.0%	0.0%	\$500,000	\$400,460
2002	-23.4%	0.0%	\$500,000	\$311,958
2003	+26.4%	8.0%	\$540,000	\$401,428
2004	+9.0%	8.0%	\$583,200	\$445,103
2005	+3.0%	3.0%	\$600,696	\$466,958
2006	+13.6%	8.0%	\$648,752	\$540,691
2007	+3.5%	3.5%	\$671,653	\$570,374
2008	-38.5%	0.0%	\$671,653	\$359,336
2009	+23.5%	8.0%	\$725,385	\$454,416

Over the "lost decade" of 2000–2009, the hypothetical FIA grew \$500,000 to roughly \$725,000, while the index fund — even with dividends reinvested — ended below its starting value at roughly \$454,000. Now look at the following decade:

Year	S&P 500 Price Return	FIA Credit (8% Cap)	FIA Value	S&P 500 Fund Value (total return)
2013	+29.6%	8.0%	\$540,000	\$661,950
2014	+11.4%	8.0%	\$583,200	\$752,571
2015	−0.7%	0.0%	\$583,200	\$762,956
2016	+9.5%	8.0%	\$629,856	\$854,206
2017	+19.4%	8.0%	\$680,244	\$1,040,679
2018	−6.2%	0.0%	\$680,244	\$995,097
2019	+28.9%	8.0%	\$734,664	\$1,308,454
2020	+16.3%	8.0%	\$793,437	\$1,549,209
2021	+26.9%	8.0%	\$856,912	\$1,993,987
2022	−19.4%	0.0%	\$856,912	\$1,632,876

In a strong bull market, the index fund wins decisively — roughly \$1.63 million versus \$857,000. That is the honest trade: an FIA gives up a meaningful share of upside in exchange for eliminating downside. Two conclusions follow. First, an FIA is not a substitute for long-term equity ownership for money with a 20- or 30-year horizon. Second, for money that *must* be there on a specific date — the first decade of retirement income, the funds earmarked for Roth conversion taxes, the portion of a rollover that you simply cannot afford to see fall by a third — the FIA's outcome range is narrower and far more predictable, and

in the years that matter most near retirement, predictability is often worth more than maximum upside.

Sequence Risk: Where the Floor Matters Most

The difference becomes even sharper once withdrawals begin. Consider the same two strategies for a retiree who started in 2000 with \$500,000 and withdrew \$25,000 at the beginning of every year.

End of Year	Hypothetical FIA (8% cap) With \$25,000 Annual Withdrawals	S&P 500 Fund With \$25,000 Annual Withdrawals
2002	\$425,000	\$259,726
2005	\$426,997	\$296,043
2008	\$398,600	\$176,210
2009	\$403,488	\$191,220

After ten years and \$250,000 of withdrawals, the hypothetical FIA still held about \$403,000. The equity-only portfolio had fallen to about \$191,000 — not because the average return over the period was catastrophic, but because the losses arrived early, while withdrawals were being taken. This is sequence-of-returns risk in its purest form, and it is the single most compelling reason to hold part of a pre-retirement or early-retirement portfolio in a vehicle that cannot go backward.

The buckets he had built years earlier, not a single clever maneuver in the moment, were what made the down year a non-event.

— Suba Narla, *The Wealth Pivot*

The Accumulation Toolkit: How Modern FIAs Credit Interest

Early FIAs offered one or two crediting methods, usually an annual point-to-point cap on the S&P 500. Today's contracts offer a menu, and understanding it is the key to using an FIA well.

- **Annual point-to-point with a cap:** The index change from one contract anniversary to the next, credited up to a cap. Simple and transparent. As of September 2026, published market surveys show S&P 500 annual caps on 10-year accumulation FIAs ranging roughly from 10% to 13% at the most competitive carriers.
- **Annual point-to-point with a participation rate:** A percentage of the index gain with no cap. Participation rates on the plain S&P 500 are typically below 100%, while rates on volatility-controlled indices can exceed 100% — sometimes well above 200%.
- **Multi-year point-to-point:** The index change is measured over two, three, or more years before being credited. Longer terms allow the insurer to buy longer-dated options more efficiently, so participation rates are usually higher. Athene's BCA 2.0 suite, for example, credits on two-year index terms.
- **Performance trigger:** A declared rate is credited if the index is flat or positive over the period, regardless of how much it rose. Useful in sideways markets.
- **Fixed account:** A declared interest rate with no index link, useful for the conservative slice of an allocation. Market surveys in 2026 show fixed-account rates of roughly 4% to 5% on many accumulation FIAs.
- **Blended strategies:** Newer designs combine a guaranteed fixed rate on part of the allocation with enhanced participation on the rest.

Most modern FIAs let the owner split premium across several of these strategies and reallocate at each anniversary. Diversifying across crediting methods and indices is as sensible inside an FIA as diversifying across asset classes is in a portfolio.

Volatility-Controlled and Hybrid Indices: Read the Fine Print

Many of the highest participation rates today are offered on "volatility-controlled" or "risk-controlled" indices. These indices blend equities with bonds or cash and adjust exposure daily to hold volatility near a target — for example, 5%, 10%, or 15%. Because their returns are smoother, options on them are cheaper, which lets the insurer offer participation rates of 150%, 200%, or more.

Two cautions apply. First, a 200% participation rate on an index engineered to move less than the S&P 500 is not "twice the market." Second, most of these indices are *excess return* indices, which subtract a financing cost from the underlying return. They can still perform well — and several were designed with prominent academics — but the right comparison is the index's own long-term history, not the headline participation rate. Ask for back-tested and live performance, and ask how long the index has actually existed.

Premium Bonuses: Real Value, With Strings

Many accumulation FIAs add a premium bonus — an immediate credit of anywhere from a few percent to more than 10% of the deposit. North American's Secure Horizon Accelerator, for example, was launched with a premium bonus

of up to 13% with no separate charge. A bonus can be genuinely valuable, especially when rolling money out of a plan that just suffered a market decline. But bonuses are paid for somewhere, and buyers should look for:

- **Vesting schedules:** Many bonuses vest over the surrender period, meaning an early full surrender forfeits some or all of the bonus.
- **Longer surrender periods:** Bonus products commonly carry 10- to 12-year schedules.
- **Lower caps or participation rates:** A bonus product may credit less over time than an equivalent no-bonus product. Compare both over the full surrender period, not just year one.

Strategy Fees and "Enhanced" Options

Some FIAs offer enhanced crediting strategies — higher caps or participation rates — in exchange for an annual strategy fee, often around 1% of the amount allocated. The trade-off is straightforward: in good years the enhanced strategy usually credits more, but in a zero-credit year the fee is still deducted, which means the account value *can* decline modestly. That doesn't make these strategies bad, but it does mean "you can never lose money" is only strictly true for strategies without a fee. Know which kind you are choosing.

Liquidity and Protections Built Into Accumulation FIAs

Accumulation FIAs are long-term contracts, but they are not as illiquid as their reputation suggests:

- **Free withdrawals:** Typically 10% of the account value each year after the first year (some allow 5% in year one) with no surrender charge.
- **RMD-friendly provisions:** Most contracts allow Required Minimum Distributions from qualified contracts without penalty, even when they exceed the free withdrawal amount.
- **Health-related waivers:** Many contracts waive surrender charges for nursing home confinement, terminal illness, or chronic illness after a waiting period.
- **Death benefit:** In most contracts, beneficiaries receive the full accumulation value with surrender charges waived.
- **Market Value Adjustment (MVA):** Applies only to excess withdrawals during the surrender period and can be positive or negative, as explained in Chapter 16.

Who the Accumulation FIA Fits Best

The accumulation FIA is at its strongest for:

- Savers roughly 50 to 70 who are within about ten years of needing the money and want growth that cannot be erased by a single bad year.
- Retirees who hold a "safe money" allocation in CDs, money markets, or short-term bonds and want more growth potential without adding market risk.

- 401(k) and IRA rollover dollars earmarked for the first decade of retirement income (Chapter 19).
- Traditional IRA balances waiting to be converted to a Roth over several years (Chapter 20).
- Roth IRA dollars that an owner wants to protect from loss while keeping growth tax-free (Chapter 20).

It fits poorly for emergency funds, for money that may be needed in full within the surrender period, and for long-horizon growth money that the owner is comfortable leaving fully invested in equities through downturns.

Accumulation in Practice

CASE EXAMPLE 1 — CHAPTER 9

Carol, 58 — Moving Safe Money Off the Sidelines

Carol, a 58-year-old engineer, kept \$300,000 of her rollover IRA in a money market fund after a painful market decline years earlier. She liked the stability but realized the money was barely keeping pace with inflation, and she did not want to go back to a fully invested stock portfolio with only seven years until retirement.

She moved the \$300,000 into a 10-year accumulation FIA, splitting it among an S&P 500 annual cap strategy, a two-year participation strategy on a volatility-controlled index, and the fixed account. Her remaining IRA stays in diversified equity funds for long-term growth.

Carol now has a clear division of labor: her FIA is the money she cannot afford to lose, and her equity funds are the money she can leave invested through any downturn.

Starting point	\$300,000 in a money market inside a rollover IRA; seven years to retirement
Strategy	10-year accumulation FIA diversified across three crediting strategies
Result	Index-linked growth potential with a 0% floor; equity sleeve left fully invested

CASE EXAMPLE 2 — CHAPTER 9

Frank and Joyce, 64 — Protecting the Retirement Date

Frank and Joyce planned to retire in two years and knew their first five years of spending — about \$400,000 beyond Social Security — would come from savings. They had seen friends postpone retirement after a market decline in the final years of work.

They placed \$400,000 in an accumulation FIA with a 10% annual free-withdrawal allowance, planning to draw from it for their first several years of retirement. If markets fall before or just after they retire, their spending money is unaffected, and their remaining portfolio can be left alone to recover.

Starting point	\$1.5M portfolio; retirement in two years
Strategy	\$400,000 accumulation FIA funds the first years of retirement spending
Result	Retirement date and early spending protected from a bear market

Accumulation FIA — Questions to Ask Before You Buy

What are the current caps, participation rates, and spreads on each strategy — and what are the contractual minimums? How have renewal rates on this carrier's older products compared with their initial rates? If there is a bonus, how does it vest, and how do this product's crediting rates compare with the same carrier's no-bonus version? Does any strategy carry an annual fee? How long has each index existed live (not back-tested)? What is the free-withdrawal allowance, and are RMDs and health events exempt from surrender charges?

CHAPTER 10

The New Generation of FIAs — Annexus, American Equity, and Their Peers

The fixed indexed annuity of 2026 looks very different from the equity-indexed annuity Keyport introduced in 1995. The most important changes have come from a small number of product-design firms that work with insurance carriers to build contracts around specific consumer problems — higher growth potential, more predictable crediting, stronger income guarantees, and better legacy benefits. Among the most influential of these firms is Annexus, an Arizona-based retirement solutions company that designs FIA and indexed universal life products in partnership with major carriers and distributes them through a network of independent marketing organizations and financial professionals.

It is worth being precise about the relationship. Annexus designs and distributes these products, but the *issuing insurance company* — Athene, Nationwide, North American, Americo, or another carrier — is the party that holds the premium, makes the guarantees, and pays claims. Every guarantee described in this chapter is backed by the claims-paying ability of the issuing carrier, which is why the carrier's financial strength rating matters as much as any product feature (Chapter 27).

The sections below summarize the major Annexus-designed product lines as publicly announced through September 2026, followed by several comparable products from other carriers.

Features, rates, and availability change frequently and vary by state; treat this chapter as a map of *design ideas*, not a rate sheet, and confirm current terms before acting.

Author Disclosure

The author, Suba Narla, is an independent insurance broker. Through Wealth Strategies USA, he is affiliated with several of the companies discussed in this chapter, including American Equity, Annexus, Athene, Nationwide, North American, Allianz, and Symetra, and may receive compensation when clients purchase their products. This chapter is included to help readers understand annuity concepts and how fixed indexed annuities are changing — not to recommend any company or product. The author did not seek or obtain permission from any of the companies named in this book to mention them, and none of them sponsored, reviewed, approved, or endorsed its content. Product descriptions are based on publicly available information as of 2026; confirm current terms with the issuing carrier.

Athene BCA 2.0 Suite (Athene, designed with Annexus)

The BCA 2.0 suite is built around a simple thesis: pair an FIA with indices designed by some of the most recognized names in academic finance, and let the owner choose accumulation, income, or legacy features on top. The suite is offered in several surrender-period versions — 8, 10, and 12 years among them — and credits interest over **two-year index terms**, which allows higher participation rates than one-year terms typically support.

The index menu is its signature. In December 2025, Athene and Annexus announced a major expansion of the lineup, which now includes:

- **Shiller Barclays Global Index** — built on Yale Professor Robert Shiller's CAPE ratio, rotating across U.S., European, and Japanese equity sectors that appear undervalued.
- **WisdomTree Siegel Strategic Value Index** — based on the work of Wharton Professor Jeremy Siegel, selecting the most undervalued sectors among the 500 largest U.S. companies.
- **RAFI Harvey GS Index** — developed with Duke University Professor Campbell Harvey, shifting between growth and value stocks based on market signals to help mitigate downside risk.
- **MSCI MKT MediaStats Multi-Asset Index** — developed with Boston College Professor Ronnie Sadka, using media-narrative data across dozens of topics to guide allocations.
- **S&P 500 Distance Stabilizer TCA Index** — developed with Société Générale to adjust S&P 500 exposure dynamically, supporting higher participation rates.
- The traditional **S&P 500** is also available.

Optional riders let the owner shape the contract for a purpose: a lifetime income rider for guaranteed withdrawals, the Velocity Income Rider, and the Family Endowment Rider (and Family Endowment Rider Max) for legacy planning, which adds a premium bonus and an enhanced death benefit. The product disclosure notes a \$10,000 minimum premium, a free withdrawal allowance of 5% in the first year and 10% thereafter, and a market value adjustment on excess withdrawals during

the withdrawal-charge period. In most states, the Family Endowment Rider bonus vests fully after year 10.

What it's designed for: Accumulation-focused buyers who value index diversification across investment styles and want the option to add income or legacy benefits. **Watch for:** Rider fees, the vesting schedule on any bonus, and strategy charges on specific allocations — and remember that academically designed indices still have limited live track records compared with the S&P 500.

Nationwide New Heights Select (Nationwide, designed with Annexus)

Nationwide's New Heights Select family — available in 8-, 9-, and 12-year versions — combines 100% principal protection with a broad menu of index strategies. In September 2026, Nationwide, Annexus, and Capital Group announced what they described as the first FIA strategy linked to an **actively managed mutual fund**: the American Funds Growth Fund of America (Class F-3). Owners do not own shares of the fund; interest is credited based on the performance of the fund-linked strategy. The launch also added the GS American Funds GFA 15% Index, which applies a volatility-control overlay targeting 15%, alongside the S&P 500 Distance Stabilizer Index. Earlier versions of the product have also offered indices such as the SG Macro Compass Index and the NYSE Zebra Edge II Index.

The product's optional **High Point 365 Select Lifetime Income** rider is among the more aggressive income designs on the market. With the September 2026 update, the rider's income benefit base grows at a **10% compound annual roll-up**

(increased from 9.5%) until withdrawals begin or the roll-up period ends, and earlier versions of the rider added a purchase-payment bonus to the income base at issue. As with every income rider, the roll-up applies to the benefit base used to calculate lifetime income — not to the cash account value you can withdraw as a lump sum.

What it's designed for: Buyers who want a floor under their money today and a strong, predictable lifetime income benefit in 5 to 10 years. **Watch for:** The rider fee, the difference between benefit base and account value, and the terms under which the roll-up stops.

Nationwide and Annexus have carried the same idea into the registered annuity space. In 2025 they announced the first actively managed mutual fund strategy inside a **registered index-linked annuity**, building on the Nationwide Defined Protection Annuity, a RILA that offers floor-based protection levels. Because RILAs can lose money (Chapter 12), they belong in a different part of the plan than an FIA.

North American Secure Horizon Suite (North American, designed with Annexus)

Issued by North American Company for Life and Health Insurance, a member of Sammons Financial Group, the Secure Horizon suite won "Deal of the Year, Annuities" at the SRP Americas 2024 awards. In 2024 the suite added **Secure Horizon Accelerator**, which launched with a premium bonus of up to 13% with no additional charge for the bonus and a Performance Strategy Ladder crediting design that offers higher participation rates on longer crediting strategies. Annexus and North

American also introduced a custom index developed with Deutsche Bank and ICE Data Indices for the suite.

What it's designed for: Accumulation buyers — often in a rollover — who want an immediate bonus and strong participation over longer terms. **Watch for:** Bonus vesting, surrender length, and how crediting on the bonus version compares with non-bonus alternatives.

Americo Benchmark Flex and Benchmark Flex Plus (Americo, designed with Annexus)

Announced in March 2026, the Benchmark Flex suite from Americo Financial Life and Annuity Insurance Company tackles one of the most common complaints about FIAs: renewal-rate uncertainty. Its **S&P 500 Locked Cap Ladder Strategy** offers higher caps that can be guaranteed for up to 10 years, so an owner knows in advance what the cap will be rather than wondering whether it will be lowered at renewal. The suite also offers a **Performance Trigger Strategy**, which credits a declared rate whenever the S&P 500 is flat or up for the year, and a **Blended Performance Strategy**, which pairs a 5% fixed rate on half of the allocation with up to 200% participation on the S&P PRISM Index on the other half, guaranteed for five years. The Plus version adds a premium bonus.

What it's designed for: Savers who prize predictability and want to know their crediting terms years in advance. **Watch for:** The trade-off between locked terms and flexibility, and the bonus vesting terms on the Plus version.

American Equity AssetShield Family (American Equity)

American Equity Investment Life Insurance Company, based in West Des Moines, Iowa, has been one of the largest fixed indexed annuity carriers in the United States for decades, and it was acquired by Brookfield in 2024. Its flagship accumulation line is the **AssetShield** family, which is among the most widely distributed accumulation FIAs in the country.

AssetShield is offered in several surrender-period versions — 5, 7, 9, and 10 years — plus bonus versions (Bonus 5, Bonus 9, and Bonus 10). According to American Equity's product materials, the **AssetShield Bonus 10** adds a first-year premium bonus of 15% of premium, which can be increased to 21% with an optional Enhanced Bonus & Liquidity Rider for an additional fee; the bonus vests over ten years. A newer Bonus 5 version offers a choice of three first-year bonus levels, each paired with different crediting rates — a transparent way of showing the trade-off between bonus size and future crediting.

The crediting menu is broad. Independent 2026 reviews of the AssetShield 7 describe three crediting methods — caps (for example, on the S&P 500), participation rates, and performance triggers that credit a declared rate if the index is flat or up — along with a declared-rate fixed account. Index choices include traditional benchmarks such as the S&P 500, the Nasdaq-100, and the Dow, alongside risk-controlled indices such as the BlackRock Adaptive U.S. Equity family and other proprietary options. The AssetShield 7 carries a 7-year declining surrender schedule, a 10% annual free-withdrawal allowance after the

first year, a market value adjustment on excess withdrawals, a minimum premium of \$5,000, and issue ages up to 85.

What it's designed for: Straightforward accumulation with a wide index menu and a choice of surrender lengths, from a short 5-year commitment to a 10-year bonus version for longer horizons. **Watch for:** Bonus vesting and the optional rider fee on the enhanced bonus, the crediting difference between bonus and non-bonus versions, and the limited live history of proprietary indices. American Equity also offers multi-year guaranteed annuities for savers who prefer a declared rate over index-linked crediting.

Comparable Designs From Other Carriers

Annexus and American Equity are not the only sources of innovation. Several other carriers offer accumulation FIAs that frequently appear on 2026 "best of" lists compiled by independent annuity marketplaces:

Product	Carrier	Term	Design Emphasis
Accumulation Advantage+	Allianz	7 or 10 yr	Participation rates above 100% on proprietary indices
AssetShield 5, 7, 9, 10 / Bonus versions	American Equity	5–10 yr	Wide index menu; caps, participation, and performance triggers; bonus up to 15% (21% with rider) on Bonus 10
Performance Elite 7 / Ascent Pro 10	Athene	7 / 10 yr	Premium bonus; proprietary indices; higher caps on 10-year version
Peak 10	Nationwide	10 yr	Competitive caps; straightforward structure
BenefitSolutions 10	North American	10 yr	Strong crediting; income rider can be added later
OptiBlend 10	Lincoln	10 yr	Multi-index allocation with rebalancing
Observatory Accumulation 10	AuguStar	10 yr	Among the highest S&P 500 annual caps surveyed in 2026
Edge Elite	Symetra	Varies	High caps on Franklin index strategies

Source: publicly available product announcements, carrier product materials, and independent marketplace surveys, 2024–2026. The author is affiliated with several of these companies (see the Author Disclosure at the start of this chapter);

none gave permission to be mentioned or reviewed this book. Inclusion is not a recommendation. Rates and features change frequently and vary by state.

Five Design Trends Worth Understanding

1. **Academic and multi-asset indices.** Carriers increasingly license indices built on published research — valuation, factor rotation, or even media sentiment — to offer higher participation rates than plain equity indices allow.
2. **Actively managed fund links.** The 2025–2026 Nationwide and Annexus launches bring actively managed mutual fund performance into both RILAs and FIAs for the first time.
3. **Locked, multi-year terms.** Two-year index terms and caps guaranteed for up to ten years address the long-standing concern about renewal-rate cuts.
4. **Bonuses without an explicit charge.** Bonuses up to the low teens have returned, generally paired with longer surrender periods and vesting schedules.
5. **Stronger income roll-ups and legacy riders.** Double-digit compound roll-ups on benefit bases and enhanced death benefit riders reflect a market that increasingly uses FIAs for both lifetime income and wealth transfer.

How to Evaluate a "New Generation" FIA

The innovations are real, but the evaluation discipline from Chapter 27 still applies. Four questions matter most:

1. **Is the index credible?** Ask for its live history (not just back-tests), whether it is excess-return, and what its volatility target is.
2. **What is guaranteed, and for how long?** Distinguish between rates guaranteed for the full term and rates declared annually.

3. **What does each feature cost?** Separate rider fees, strategy charges, and bonus-related trade-offs.
4. **Who stands behind it?** Check the issuing carrier's ratings from at least two agencies.

Used with this discipline, the newest FIAs give savers more ways than ever to grow protected money — and they are a meaningful part of why the product category keeps setting sales records.

CHAPTER 11**Variable Annuities (VAs)**

A variable annuity invests premium into subaccounts — essentially insurance-company-wrapped mutual funds — offering full participation in market gains and losses. Unlike fixed and indexed annuities, the account value can decline in a down market, absent an optional guarantee rider.

Why buy market exposure inside an annuity wrapper at all, rather than just owning a brokerage account? Two reasons dominate: tax deferral on growth (valuable for high earners with maxed-out qualified accounts), and the availability of optional living and death benefit riders — guaranteed minimum withdrawal benefits (GMWB), guaranteed lifetime withdrawal benefits (GLWB), guaranteed minimum income benefits (GMIB), and guaranteed minimum death benefits (GMDB) — which can provide a guaranteed income floor or guaranteed legacy amount even if the underlying subaccounts perform poorly.

Costs: This is where variable annuities draw the most criticism. Typical costs include mortality & expense (M&E) risk charges (roughly 1.0–1.5% annually), administrative fees, underlying subaccount expense ratios (comparable to mutual fund fees, commonly 0.5–2.0%), and rider fees for any optional living or death benefits (commonly 0.5–1.5% each, and riders are often stacked). Combined annual costs of 2.5–4% are not unusual on older or heavily riderized contracts, though a newer generation of "low-cost" or "investment-only" variable annuities (sometimes called IOVAs) has emerged with fewer riders and

significantly lower all-in fees, aimed at tax-deferral-focused buyers rather than income-guarantee-focused buyers.

Best suited for: High-income savers who have exhausted other tax-advantaged accounts and want continued tax deferral with market exposure, or retirement savers who specifically value a guaranteed income or death benefit floor while remaining invested for growth, and who are willing to pay explicitly for that insurance.

Watch out for: Fee stacking, surrender periods that can run 6–9 years, and the fact that living benefit riders are calculated off a separate "benefit base," not the actual account value — a distinction that is frequently misunderstood and can lead to unrealistic expectations about what is actually available to withdraw as a lump sum versus what is guaranteed only as an income stream.

CHAPTER 12**Registered Index-Linked Annuities
(RILAs / Buffer or Structured
Annuities)**

RILAs are the newest major annuity category, introduced in the early 2010s and growing rapidly in popularity since. They sit deliberately between fixed indexed annuities and variable annuities on the risk-return spectrum. Like FIAs, returns are linked to an index's performance over a set period (commonly one year, though some products offer longer terms). Unlike FIAs, RILAs do not guarantee a 0% floor — instead, they offer either a **buffer** (the insurer absorbs the first X% of any loss, commonly 10%, 15%, or 20%, with the owner absorbing losses beyond that) or a **floor** (the owner absorbs losses up to a stated maximum, e.g., a 10% floor means the owner's maximum possible loss in a period is 10%, with the insurer absorbing everything beyond that).

In exchange for accepting this defined downside risk, RILAs typically offer meaningfully higher caps and participation rates than fixed indexed annuities — sometimes uncapped participation up to a point — making them attractive to buyers who want more growth potential than an FIA but more downside protection than a full variable annuity.

Best suited for: Growth-oriented savers with a moderate risk tolerance who understand and accept that they can lose money in a down market (unlike an FIA), but who want that loss capped

at a known, contractually defined maximum (unlike a VA, which has no such cap without an added rider).

Watch out for: Because RILAs are registered securities products (regulated by the SEC, sold with a prospectus, and typically requiring a securities license to sell, unlike fixed and fixed indexed annuities), they are subject to different disclosure and suitability rules than FIAs — worth confirming your advisor is properly licensed to sell them. The buffer or floor applies per contract period (often one year); a sequence of buffer-exceeding losses across multiple periods can still produce meaningful cumulative losses.

CHAPTER 13

Immediate Annuities (SPIAs)

A single premium immediate annuity (SPIA) is the purest, simplest expression of the core annuity concept: hand over a lump sum, receive income almost immediately (typically starting within 30 days to 13 months), for life or for a defined period. There is no accumulation phase, no index-crediting formula, and generally minimal ongoing fees — the insurer's compensation is baked into the pricing of the payout rate itself, not charged as a separate visible fee.

How payout rates are determined: primarily by the annuitant's age and sex (or, increasingly, unisex tables in qualified contracts due to nondiscrimination rules), current interest rates (higher rates generally mean higher payouts), and the payout option selected (life-only pays more than joint life or life with a period-certain guarantee, because it carries less obligation for the insurer).

Best suited for: Retirees, typically in their late 60s through 80s, who want to convert a defined portion of savings into a guaranteed paycheck-like income stream immediately, often to cover essential fixed expenses not already covered by Social Security or a pension. SPIAs are widely regarded by retirement researchers as one of the most cost-efficient ways to purchase guaranteed lifetime income, precisely because of their simplicity and low embedded cost relative to riderized deferred products.

Watch out for: Irrevocability — once purchased, a SPIA generally cannot be undone, and a life-only SPIA leaves nothing

for heirs if the annuitant dies shortly after purchase (period-certain and cash-refund options mitigate this at the cost of a lower payment). No inflation adjustment unless specifically elected, at a meaningfully lower starting payment.

CHAPTER 14**Deferred Income Annuities (DIAs) and QLACs**

A deferred income annuity works like a SPIA in reverse timing: the owner pays a premium (single or sometimes flexible) today but elects to begin receiving income at a specified future date, often 5, 10, 15, or even 20+ years later. Because the insurer holds and invests the premium for longer before paying out, and because a meaningful percentage of the purchasing pool will die before the income start date (further amplifying mortality credits), DIAs can offer very high effective payout rates relative to the original premium — often called "longevity insurance" when purchased specifically to begin payments very late in life (e.g., age 80 or 85), insuring against the specific risk of living unusually long.

Qualified Longevity Annuity Contracts (QLACs) are a special IRS-defined category of DIA that can be purchased inside a traditional IRA or eligible employer plan using funds that would otherwise be subject to Required Minimum Distributions (RMDs). Under the SECURE 2.0 Act, individuals may use up to \$210,000 (as of the 2025 indexed limit; this figure is indexed for inflation and should be verified for the current year) of qualified retirement funds to purchase a QLAC, and the value used to purchase the QLAC is excluded from RMD calculations until the QLAC's income actually begins (which can be deferred up to age 85). This offers a legitimate strategy for reducing near-term RMDs, deferring the associated tax bill, and insuring specifically against the risk of outliving assets into very advanced age.

Best suited for: Pre-retirees and retirees, commonly in their 50s and 60s, planning ahead for a future income need, and retirees with qualified account balances looking to reduce current RMD-driven taxable income while insuring against extreme longevity.

Watch out for: Long deferral periods mean the money is committed for a very long time before any income or (in most designs) any death benefit becomes available; buyers should be certain this is money they will not need in the interim, and should carefully review what, if anything, happens to the premium if the annuitant dies before the income start date (some DIAs offer a return-of-premium death benefit during deferral; others do not, in exchange for a higher eventual payout).

CHAPTER 15**Side-by-Side Comparison of Annuity Types****Table 15A — Fixed, fixed indexed, and variable annuities**

Feature	Fixed (MYGA)	Fixed Indexed (FIA)	Variable (VA)
Principal protection from market loss	Full	Full (0% floor)	None (unless rider)
Growth potential	Low, fixed	Moderate, capped	High, uncapped
Complexity	Low	Moderate-High	High
Typical annual fees	None (built into rate)	None (built into crediting formula)	2–4% combined
Liquidity during accumulation	Limited (surrender charges)	Limited (surrender charges)	Limited (surrender charges)
Lifetime income available	Via annuitization or rider	Via annuitization or rider (common)	Via annuitization or rider (common)
Best time horizon	Short-medium (3–10 yrs)	Medium-long (7–14 yrs)	Long (10+ yrs)
Regulator	State insurance dept.	State insurance dept.	SEC/FINRA + state
Typical buyer profile	Conservative saver, CD alternative	Moderate saver wanting upside + floor	Investor wanting tax deferral + optional guarantees

Table 15B — RILAs, immediate annuities, and deferred income annuities

Feature	RILA (Buffer)	Immediate (SPIA)	Deferred Income (DIA/QLAC)
Principal protection from market loss	Partial (buffer/floor)	N/A — already converted to income	N/A — already converted to income
Growth potential	Moderate-high, capped or bounded	None (income only)	None (income only)
Complexity	Moderate-High	Low	Low-Moderate
Typical annual fees	1–2.5% combined	None (built into payout rate)	None (built into payout rate)
Liquidity during accumulation	Limited (surrender charges)	None — income only	None — income only
Lifetime income available	Via annuitization or rider (less common)	Yes, immediately	Yes, at future date
Best time horizon	Medium-long (7–12 yrs)	Immediate need	Long deferral (10–30 yrs)
Regulator	SEC/FINRA + state	State insurance dept.	State insurance dept.
Typical buyer profile	Growth-oriented, moderate risk tolerance	Retiree wanting income now	Pre-retiree planning ahead / RMD management

A few patterns emerge clearly from these tables. Complexity and fee opacity generally rise as market-linked growth potential rises — the simplest products (fixed, immediate, deferred income) are also the most transparent and typically the lowest-cost, while the products offering the most upside potential

(variable, RILA) require the most careful fee scrutiny. Liquidity is limited across nearly every deferred product during its surrender period, which is why annuity allocation should always be sized as money the buyer is genuinely comfortable committing for years, not an emergency fund or near-term need.

PART III

Costs, Contracts, and Tax



CHAPTER 16**Fees, Surrender Charges, and the Fine Print**

Surrender charges are the most important fee concept to understand before signing any deferred annuity contract. They are a declining-percentage penalty applied to withdrawals above the free withdrawal allowance during an initial "surrender period," typically lasting 5–10 years. A common schedule might look like: Year 1: 9%, Year 2: 8%, Year 3: 7%, Year 4: 6%, Year 5: 5%, Year 6: 4%, Year 7: 3%, Year 8+: 0%. Nearly all contracts allow a **free withdrawal amount**, commonly 10% of account value per year, that can be withdrawn without triggering the surrender charge (though ordinary income tax and, if under 59½, the 10% IRS penalty may still apply on the taxable portion).

Market Value Adjustments (MVAs), found on many fixed and indexed annuities, are a separate mechanism that adjusts the withdrawal amount up or down based on the change in interest rates since purchase — if rates have risen since the contract was purchased, an MVA typically reduces the withdrawal value; if rates have fallen, it can increase it. This is frequently misunderstood by buyers who assume any withdrawal above the free amount only faces the stated surrender charge percentage.

Variable annuity fee stack, revisited in detail: mortality & expense (M&E) charge (~1.0–1.5%), administrative fee (~0.10–0.30% or a flat dollar amount), subaccount expense ratios (~0.5–2.0%, fund-dependent), and any elected rider fees (~0.5–

1.5% each). A contract with a GLWB rider and a GMDB rider, invested in actively managed subaccounts, can easily carry a combined annual cost north of 3%, a drag that compounds significantly over long holding periods and should be weighed carefully against the value of the specific guarantees purchased.

Fixed and indexed annuity "hidden" costs are not charged as explicit fees in most base contracts, but are just as real, expressed instead as the gap between the actual index return and the capped/spread/participation-adjusted credited return, and as below-market caps or participation rates that can be reduced by the insurer at renewal (within contractual floors). Ask directly: what is the current cap/participation rate/spread, is it guaranteed and for how long, and what is the guaranteed minimum floor for that crediting element after any renewal adjustment?

Rider fees, covered in more depth in the next chapter, are typically calculated as a percentage of a separate "benefit base" — which can grow through deferral bonuses or roll-up rates even while the actual cash account value performs differently — not as a percentage of the actual account value, a distinction that causes significant buyer confusion and warrants careful, explicit clarification before purchase.

CHAPTER 17**Riders — Income, Death Benefit, and Long-Term Care**

Riders are optional contract add-ons that customize an annuity's guarantees, almost always for an additional annual cost. Understanding the major categories helps decode almost any modern annuity illustration.

Guaranteed Lifetime Withdrawal Benefit (GLWB):

Guarantees the owner can withdraw a specified percentage of a "benefit base" every year for life, even if the actual account value is fully depleted by withdrawals and poor performance. The benefit base often grows via a contractual roll-up rate (e.g., 6–8% simple or compound growth) during a deferral period before withdrawals begin, distinct from the account's actual investment performance. This is the most common rider used to generate guaranteed lifetime income from a deferred annuity without fully annuitizing.

Guaranteed Minimum Withdrawal Benefit (GMWB):

Similar to a GLWB but typically guarantees withdrawal of a specific total dollar amount (often 100% of premium) over a period of years, rather than for life — a more limited guarantee, usually cheaper.

Guaranteed Minimum Income Benefit (GMIB):

Guarantees a minimum level of income if and when the owner chooses to annuitize using a specified benefit base, often with a required minimum holding period (e.g., 10 years) before it can be exercised.

Guaranteed Minimum Death Benefit (GMDB): Guarantees that beneficiaries receive at least a specified amount (e.g., total premium paid, or premium plus a roll-up rate) even if the account value has declined due to poor market performance, primarily relevant to variable annuities.

Long-Term Care (LTC) / Chronic Illness riders: Some annuities offer a rider that doubles or triples the available withdrawal amount for a period of time (commonly up to 5 years) if the annuitant is certified as unable to perform a specified number of activities of daily living (ADLs) or diagnosed with a qualifying chronic illness, functioning as a partial, lower-cost alternative or supplement to standalone long-term care insurance. These riders generally offer less robust coverage than dedicated LTC insurance but can be a reasonable middle-ground option for buyers who want some LTC protection without purchasing a separate, often expensive, standalone LTC policy.

Key evaluation questions for any rider: What is the annual cost, and is it charged against the account value or the (often larger) benefit base? Is the roll-up/growth rate on the benefit base simple or compound, and for how many years does it apply? Can the rider be canceled later if it turns out not to be needed, and what happens to fees already paid? Is the rider's guarantee actually necessary given the owner's other assets and income sources, or is it redundant insurance layered onto a situation that doesn't need it?

CHAPTER 18

Tax Treatment of Annuities

Non-qualified annuities (purchased with already-taxed money) grow tax-deferred: no tax is owed on interest, dividends, or gains inside the contract until money is withdrawn. Withdrawals follow **LIFO (Last In, First Out)** tax treatment — the IRS treats withdrawals as coming from earnings/gains first, which are taxed as ordinary income, before any withdrawal is treated as a tax-free return of the original (already-taxed) principal. This is an important and often-missed distinction from mutual funds and brokerage accounts, where long-term capital gains typically receive preferential tax rates — annuity earnings are always taxed as ordinary income, never at capital gains rates, regardless of how long the money has been invested or what generated the growth.

Qualified annuities (purchased inside an IRA, 401(k), or similar account) follow the tax rules of the surrounding account, not any special annuity-specific rule — traditional IRA/401(k) annuities are taxed as ordinary income on withdrawal (having never been taxed going in), and Roth-held annuities can be withdrawn tax-free if the Roth's qualification rules are met.

The 10% early withdrawal penalty: Withdrawals of taxable amounts before age 59½ are generally subject to an additional 10% IRS penalty, on top of ordinary income tax, with limited exceptions (death, disability, substantially equal periodic payments under IRS Rule 72(t), and a few others) — the same general framework as early IRA/401(k) withdrawals.

1035 exchanges: Section 1035 of the tax code allows an annuity owner to exchange one non-qualified annuity contract for another (or exchange a life insurance policy for an annuity, though not the reverse) without triggering current taxation on any embedded gain, as long as the exchange is done correctly (funds moving directly between insurers, not through the owner's hands). This is a legitimate and useful tool for moving to a better product or lower-cost insurer — but as noted in Chapter 5, it has also historically been abused to generate unnecessary new commissions through "churning."

Exclusion ratio for annuitized non-qualified contracts: When a non-qualified annuity is annuitized, each payment is split, using an IRS-defined exclusion ratio, into a tax-free return-of-principal portion and a taxable-earnings portion, spread proportionally across the expected payment period — meaning annuitized income is not fully taxable the way ordinary withdrawals under LIFO treatment are, a meaningful and often overlooked tax advantage of formal annuitization versus ad hoc withdrawals.

Estate and beneficiary tax treatment: Non-qualified annuities passed to a non-spouse beneficiary do not receive a step-up in cost basis the way many other inherited assets do; the beneficiary generally owes ordinary income tax on the gain portion as it is withdrawn, though a spousal beneficiary can typically continue the contract in their own name, preserving deferral.

(This chapter is a general overview, not tax advice. Annuity taxation involves numerous edge cases — qualified vs. non-

qualified treatment, state-specific premium taxes, and individual circumstances — and a tax professional should always be consulted before a purchase or withdrawal decision.)

PART IV

**Annuities in the Tax-Smart
Retirement Plan**



CHAPTER 19

Annuities and 401(k) / IRA Rollovers

True tax flexibility requires money in all three buckets. A household entering retirement with \$2 million sitting entirely inside a traditional 401(k) has zero flexibility — it is completely at the mercy of future tax-rate increases and legislative shifts, with no lower-taxed dollars to draw on in a high-income year.

— Suba Narla, *The Wealth Pivot*

For most American households, the single largest financial asset outside the home is an employer retirement plan — a 401(k), 403(b), 457(b), or the federal Thrift Savings Plan. For decades that money sits inside a menu the employer chose. Then, usually at a job change, at retirement, or at age 59½, it becomes portable. The rollover moment is the first time many people get to decide, for themselves, how their largest asset will be protected, how it will grow, and how it will eventually pay them. It is also the moment when mistakes are most expensive. This chapter explains how rollovers work, what an annuity can add at that moment, what you may give up by leaving the plan, and how to decide what portion — if any — belongs in an annuity.

Rollover Mechanics: Get the Plumbing Right

There are two ways to move money from an employer plan to an IRA, and the difference matters.

- **Direct rollover (trustee-to-trustee):** The plan sends the money straight to the IRA custodian or insurance

company. No tax is withheld, nothing is reported as taxable income, and there is no deadline to worry about. This is almost always the right method.

- **Indirect rollover (60-day rollover):** The plan pays the money to you. Federal law requires the plan to withhold 20% for taxes. You then have 60 days to deposit the *full* amount — including the 20% that was withheld, which you must make up from other funds — into an IRA. Whatever isn't deposited in 60 days is taxable, and if you're under 59½, generally subject to the 10% early-withdrawal penalty as well.

The One-Rollover-Per-Year Rule

The IRS allows only one indirect (60-day) IRA-to-IRA rollover in any 12-month period, across all of your IRAs. Direct trustee-to-trustee transfers and rollovers from an employer plan to an IRA do not count toward this limit. The simplest way to avoid the rule entirely is to always use direct transfers.

Always instruct a direct, trustee-to-trustee transfer with 0% withholding.

— Suba Narla, *The Tax-Free Pivot*

When an annuity is the destination, the insurance company typically acts as the IRA custodian for the contract. The paperwork generally includes the carrier's application, an IRA adoption agreement, and a transfer or rollover request that the carrier sends to the employer plan. Qualified money stays qualified throughout — the annuity simply becomes the investment held inside the IRA.

When Can You Roll Over?

- **After separation from service:** Leaving an employer — for any reason, at any age — generally makes the full vested balance eligible for rollover.
- **In-service distributions:** Many plans allow employees who are still working to roll over part or all of their balance once they reach age 59½. This is an underused opportunity for people in their early sixties who want protection or guaranteed income features before they retire. Check your plan's Summary Plan Description.
- **After-tax contributions:** If your 401(k) holds after-tax (non-Roth) contributions, IRS guidance allows the after-tax basis to be rolled directly to a Roth IRA while the pre-tax portion goes to a Traditional IRA — a clean, tax-free way to seed a Roth.
- **Roth 401(k) balances:** These roll to a Roth IRA and, since Roth IRAs have no lifetime RMDs, remain tax-free and distribution-free for the original owner.

What an Annuity Can Add at the Rollover Moment

1. A floor under your largest asset, exactly when you need it most. The years just before and after retirement are when a large loss does the most damage (Chapter 9). Moving part of a rollover into an FIA means that slice can never lose value to a market decline, no matter when the next bear market arrives. For many families, the peace of mind of knowing that "this money is safe, and it is still growing" is the primary reason for the decision.

2. Growth potential beyond typical stable-value or bond options. Many 401(k) menus offer a stable-value fund, a money market, or a bond fund as their "safe" choice. An accumulation

FIA can offer meaningfully higher growth potential — linked to equity or multi-asset indices — while maintaining a 0% floor. Bond funds, by contrast, can and do lose value, as 2022 demonstrated.

3. A premium bonus that can offset recent losses. When a rollover follows a market decline, a bonus product can help replace part of what was lost, immediately and contractually. Bonuses come with trade-offs (Chapter 9), but the timing value is real.

4. Guaranteed lifetime income without annuitizing. An income rider on a rolled-over FIA can turn a portion of the balance into a personal pension — guaranteed withdrawals for life, for one or both spouses — while the owner retains the account value and a death benefit. For workers whose employers no longer offer a traditional pension, this is often the closest substitute available.

5. Control, choice, and consolidation. Leaving several old 401(k)s scattered across former employers makes planning harder. Consolidating into a small number of IRAs — including an annuity for the protected portion — simplifies RMD calculations, beneficiary designations, and Roth conversion planning.

6. Beneficiary control and legacy features. IRA annuities pass directly to named beneficiaries, and many modern FIAs offer enhanced death benefit riders. A surviving spouse can generally continue the contract as their own.

7. RMD-friendly design. Most qualified FIAs allow RMDs to be taken without surrender charges, and some carriers offer tools to calculate and automate them.

What You May Give Up by Leaving the Plan

A responsible rollover decision weighs these carefully, because some cannot be undone.

- **Low institutional costs:** Large employer plans can offer index funds with expense ratios of a few hundredths of a percent. If your plan is excellent and low-cost, the case for moving everything out is weaker.
- **The Rule of 55:** If you separate from service in or after the year you turn 55 (50 for certain public safety workers), you can generally take penalty-free withdrawals from *that employer's* plan. Once the money is rolled to an IRA, that exception no longer applies — IRA withdrawals before 59½ generally carry the 10% penalty unless another exception applies.
- **Net Unrealized Appreciation (NUA):** If your 401(k) holds highly appreciated employer stock, distributing those shares in-kind to a taxable account can allow the growth to be taxed at long-term capital gains rates. Rolling the shares into an IRA forfeits that opportunity permanently. Evaluate NUA before any rollover.
- **The still-working exception for RMDs:** If you work past your RMD age and own 5% or less of the company, you can generally delay RMDs from your current employer's plan. IRAs have no such exception.
- **Creditor protection differences:** Employer plans covered by ERISA enjoy broad federal protection from creditors. In bankruptcy, amounts rolled over from employer plans into IRAs remain fully protected, while contributory IRAs are protected up to an inflation-

adjusted cap of roughly \$1.7 million. Outside bankruptcy, IRA and annuity protection depends on state law — and many states provide specific protection for annuities. Ask an attorney if this matters in your situation.

- **Plan loans:** 401(k)s may allow loans; IRAs never do.
- **The pro-rata rule for backdoor Roth contributions:** Pre-tax IRA balances are aggregated when you convert after-tax IRA contributions. Rolling a large pre-tax 401(k) into an IRA can complicate a backdoor Roth strategy.

One workaround worth knowing: some employer 401(k) plans accept an incoming rollover from an IRA. Rolling pre-tax IRA balances into a 401(k) that accepts them (before doing a backdoor Roth) can remove those balances from the pro-rata calculation entirely, since 401(k) balances aren't included in the IRA aggregation.

— Suba Narla, *The Tax-Free Pivot*

The Partial Rollover: Usually the Right Answer

The rollover decision is rarely all-or-nothing. A common and sensible structure is to divide a rollover by *job*:

Slice	Purpose	Possible Vehicle
Growth slice	Long-term growth for money not needed for 10+ years	Low-cost index funds in an IRA (or left in a strong 401(k))
Protected accumulation slice	Money needed in 3–10 years, or waiting to be converted to Roth	Accumulation FIA or MYGA inside an IRA
Income slice	Guaranteed lifetime income to cover essential expenses	FIA with income rider, SPIA, or DIA
Liquidity slice	Near-term spending and emergencies	Money market or short-term Treasury funds

This structure keeps the benefits of each vehicle where they matter most, and it avoids the single biggest rollover mistake: moving an entire retirement balance into one complex product.

A Note on Regulation and Advice

Rollover recommendations receive heightened regulatory attention. Most states have adopted the NAIC's best-interest standard for annuity recommendations, and securities regulators apply Regulation Best Interest to brokers. Financial professionals acting as fiduciaries under Department of Labor rules are generally expected to document why a rollover is in your best interest, including a comparison with staying in the plan. Welcome that analysis. A good advisor will show you, in writing, what your plan costs today, what you gain by moving, and what you give up.

CASE EXAMPLE 1 — CHAPTER 19

Denise, 61 — The In-Service Rollover

Denise, 61, is a hospital administrator planning to retire at 65. Her 403(b) holds \$780,000, about 70% in stocks. After watching her balance fall sharply in a prior bear market, she worries about a repeat just before retirement. Her plan allows in-service distributions after 59½.

Working with her advisor, Denise moved \$350,000 via direct transfer into an accumulation FIA inside a new Traditional IRA, allocating across an S&P 500 cap strategy, a volatility-controlled index strategy, and the fixed account. She left \$430,000 invested in her 403(b), where she continues to receive her employer match.

When she retires, the FIA will serve two jobs: a protected source for her first several years of spending, and the "on-deck" account for a series of Roth conversions in her low-income years before Social Security (Chapter 20). A down market in the next four years may still dent her 403(b) — but it cannot touch the money she will need first.

Starting balance	\$780,000 in a 403(b), 70% equities
Strategy	In-service direct rollover of \$350,000 to an accumulation FIA; \$430,000 stays invested
Result	The first years of retirement spending are protected from a pre-retirement bear market

CASE EXAMPLE 2 — CHAPTER 19

Marcus and Elena, 66 and 64 — Replacing the Pension They Never Had

Marcus is retiring from a technology company with \$1.3 million across two old 401(k)s. Neither spouse has a pension. Their essential expenses exceed their combined Social Security by about \$36,000 a year.

They consolidated both plans via direct rollover. They placed \$450,000 into an FIA with a lifetime income rider, deferring income for five years while the benefit base grows at a contractual roll-up rate; when activated, the rider is projected to provide guaranteed joint lifetime income that — together with Social Security — covers their essential expenses. The remaining \$850,000 went into a diversified IRA portfolio for discretionary spending, legacy, and inflation protection.

The income rider turns the hard ceiling the *Wealth Pivot* describes into a guaranteed floor.

Starting balance	\$1.3 million across two old 401(k)s; no pensions
Strategy	\$450,000 to an FIA with a joint lifetime income rider; \$850,000 diversified IRA
Result	Social Security plus guaranteed annuity income covers essential expenses for both lives

CHAPTER 20

Annuities and Multi-Year Roth Conversions

A Roth conversion is how you buy out that silent partner today, at a price you can see on paper, instead of leaving an open bar tab for your future self, or worse, for your kids.

— Suba Narla, *The Tax-Free Pivot*

Money in a Traditional IRA or 401(k) is tax-deferred, not tax-free. Every dollar that eventually comes out is taxed as ordinary income, at rates set by laws that have not yet been written. A Roth conversion moves money from the tax-deferred bucket to the tax-free bucket: you pay ordinary income tax on the amount converted in the year you convert, and from then on, qualified growth and withdrawals are tax-free, with no lifetime Required Minimum Distributions for the original owner.

My book *The Tax-Free Pivot* is devoted entirely to this strategy across the 25-year window from age 50 to 75. This chapter does not repeat that playbook. Instead, it asks a narrower question: **what roles can annuities play inside a multi-year Roth conversion plan?** The answer turns out to be "several," and some of them are among the most valuable uses of an annuity in the entire planning toolkit.

A Quick Refresher: Why Conversions Are a Multi-Year Project

A conversion is simply moving money from the first bucket to the second and paying the toll on the way across the bridge. The entire game is picking the years when the toll is cheapest.

— Suba Narla, *The Tax-Free Pivot*

For most families, the cheapest years to pay that toll come in a predictable window: after paychecks stop but before Social Security and RMDs begin. With the current bracket structure, a married couple filing jointly in 2026 can have roughly \$100,800 of taxable income before leaving the 12% bracket, and roughly \$211,400 before leaving the 22% bracket — on top of a standard deduction of \$32,200. Filling those lower brackets with deliberate conversions, year after year, steadily drains the tax-deferred bucket at a discount.

The discipline that makes this work is spreading conversions across many years rather than converting in one large, expensive lump. The *Tax-Free Pivot* frames the stopping point as the **Break-Even Tax Rate (BETR)**: convert up to the point where your current conversion tax rate equals — or beats — your projected future tax rate once RMDs, Social Security, and everything else layers on top.

Three other tax thresholds shape how much to convert each year:

- **IRMAA:** Medicare Part B and D surcharges are triggered when Modified Adjusted Gross Income crosses set thresholds, based on your tax return from two years

earlier. A conversion at 63 can raise Medicare premiums at 65.

- **Social Security taxation:** Once benefits begin, added income can make up to 85% of benefits taxable, raising the effective marginal rate on conversions.
- **The senior deduction:** Under the 2025 tax law, taxpayers 65 and older may claim an additional deduction of up to \$6,000 each for 2025 through 2028, phasing out as MAGI rises above \$75,000 (single) or \$150,000 (married filing jointly). Large conversions can shrink or eliminate it.

Medicare premiums are not flat. They are a strict, cliff-edged tax on income you may have earned two years before the bill arrives.

— Suba Narla, *The Wealth Pivot*

A multi-year plan is therefore a sequence of carefully sized annual decisions. And every one of those decisions is easier when the money waiting to be converted is stable, when the cash to pay the taxes is protected, and when your other income is predictable. That is where annuities come in.

Role 1: The Protected "On-Deck" Account

Picture a Traditional IRA that will be converted to a Roth over eight years. The money scheduled for conversion in years five through eight is sitting and waiting. If it is invested in stocks and a bear market arrives in year three, the plan is disrupted: the balance falls, the family is tempted to pause conversions, and the tax-deferred bucket that remains is smaller but no less taxable.

Holding the "on-deck" portion of a Traditional IRA in an accumulation FIA changes that picture. The on-deck money

can't lose value to a market decline, it continues to earn index-linked interest in good years, and the conversion schedule can proceed exactly as planned. The FIA becomes a staging area: protected, growing, and ready to convert in measured annual amounts.

There is a related, subtler benefit. In a stock portfolio, a down market is sometimes described as a conversion *opportunity* — converting the same dollar amount moves more shares into the Roth, and the recovery happens tax-free.

Converting the same dollar amount moved a larger number of shares into the Roth account. When markets recovered over the following eighteen months, that larger share count grew entirely inside the tax-free bucket instead of the tax-deferred one — recovery gains the IRS would never tax.

— Suba Narla, *The Wealth Pivot*

A well-designed plan can use both ideas at once: keep the conversion reserve in a protected FIA so the schedule never breaks, while keeping a separate growth allocation in equities that can be converted opportunistically when prices fall. The FIA provides the reliability; the equity slice provides the opportunism.

Role 2: Converting the Annuity Itself

An annuity held inside a Traditional IRA can generally be converted to a Roth IRA *in-kind*: the contract is re-registered from Traditional IRA to Roth IRA ownership, and the owner

pays tax on the value converted. Many carriers allow full or partial conversions of a qualified FIA without triggering surrender charges, because the money never leaves the insurance company. The surrender schedule typically continues where it left off rather than restarting. Always confirm the carrier's procedure, whether partial conversions are permitted, and how any income rider or bonus is treated after conversion.

The key tax rule to understand is valuation. Under Treasury Regulation §1.408A-4 (Q&A-14), the amount treated as distributed when an annuity contract is converted is the contract's **fair market value** — not simply its cash surrender value. The regulations and related IRS guidance describe acceptable valuation methods, and for a contract with valuable riders or an unvested bonus the fair market value may be higher than the amount you could surrender for. The practical implications:

- A surrender charge schedule is not a loophole for converting "at a discount." Expect to be taxed on at least the accumulation value, and possibly more.
- The carrier will usually calculate the fair market value and report it on Form 1099-R. Ask for the figure *before* you convert, so your CPA can size the conversion to your bracket.
- If the contract carries a costly income rider you no longer need, discuss with your advisor whether the rider's value affects the conversion amount.

Once converted, the FIA continues to do what it did before — protect principal and credit index-linked interest — except that every dollar of future growth is now tax-free.

Role 3: Protected Growth Inside the Roth

A Roth IRA is the most valuable account most families will ever own: every dollar of growth is tax-free forever, it has no lifetime RMDs for the original owner, and it passes to heirs as tax-free money. Because it is so valuable, some owners want part of it protected from market losses — especially money they expect to draw on in the next five to ten years, or money earmarked for a surviving spouse.

An FIA inside a Roth IRA offers exactly that combination: a 0% floor, index-linked growth, and tax-free treatment of everything credited. If the FIA carries an income rider, the lifetime income it generates can be **entirely tax-free** once the Roth's five-year and age-59½ requirements are met. A guaranteed, tax-free paycheck for life does not add to taxable income, does not raise IRMAA surcharges, and does not make Social Security benefits taxable. For many retirees, that is one of the most efficient income sources available anywhere in the tax code.

The Wealth Pivot's three-bucket framework already places Roth accounts — and, for some families, fixed indexed universal life policies — in the tax-free bucket. An FIA inside a Roth simply adds a principal floor to that bucket.

Role 4: Keeping Taxable Income Low While You Convert

The best conversion years are low-income years. Anything that fills the lower tax brackets with *other* income leaves less room for conversions. This is where the choice of income source during the conversion window matters.

Non-qualified immediate annuities and the exclusion ratio. When an annuity bought with after-tax (non-qualified) money is annuitized, each payment is split between a tax-free return of principal and taxable earnings using the IRS exclusion ratio (Chapter 18). For a SPIA or period-certain annuity purchased at 62 or 63, a large share of each payment can be tax-free return of basis. A household can therefore receive a meaningful, guaranteed monthly income during the conversion window while reporting only a small amount of taxable income — leaving the low brackets open for conversions.

Delaying Social Security. Many families would like to delay Social Security to 70 for the larger, inflation-adjusted lifetime benefit, but need income in the meantime. A period-certain annuity funded with non-qualified money — or systematic withdrawals from a protected FIA — can bridge those years. Delaying Social Security also keeps taxable income low during the conversion window, giving the plan more room.

Contrast with IRA-based income. Income drawn from a Traditional IRA annuity is fully taxable and uses up the same bracket space you want for conversions. In conversion years, it is often better to take spending from non-qualified sources and use the qualified dollars for conversions instead.

Role 5: Paying the Conversion Tax From the Right Place

Pay the resulting tax bill with money from outside the retirement system — a high-yield savings account, a taxable brokerage account, whatever's sitting on the sidelines. This keeps 100% of your Traditional balance moving into the Roth intact, rather than shrinking it to cover its own tax bill.

— Suba Narla, *The Tax-Free Pivot*

A multi-year plan needs a predictable tax reserve — often tens of thousands of dollars a year for several years. The reserve should be safe and liquid for the year it is needed. A laddered set of short MYGAs (or CDs and Treasuries) maturing each spring can align the reserve with each year's tax bill. Keep in mind that earnings withdrawn from a *non-qualified* deferred annuity are taxable as ordinary income, so the ladder's interest adds modestly to the very income you are trying to manage; a short-term, maturity-matched ladder keeps that effect small and predictable.

What *not* to do: don't have the IRA or annuity withhold the tax from the conversion itself. If you're under 59½, withheld amounts are treated as early distributions subject to the 10% penalty, and at any age, withholding reduces the dollars that reach the tax-free bucket.

Role 6: The Premium Bonus "Tax Offset" — Handle With Care

A common marketing pitch pairs a Roth conversion with a bonus annuity: roll the IRA into a product with, say, a 10% premium bonus, then convert, and "the bonus pays the tax."

There is a kernel of truth here — a bonus does add value to the account — but the framing is incomplete:

- The bonus is usually subject to vesting and a long surrender schedule.
- The fair market value used to tax the conversion may include the bonus, so part of the bonus is itself taxed.
- Bonus products often credit less over time than otherwise identical non-bonus products.

A bonus can be a legitimate component of a well-built plan, especially for a household that intends to hold the contract for its full term. It should be evaluated on the full-term math, not on the promise that the tax bill disappears.

Role 7: Shrinking the RMD Landmine

Draining one bucket at a time feels tidy. It is also how undisciplined savers back themselves into the highest tax bracket of their lives at 73.

— Suba Narla, *The Wealth Pivot*

Every dollar converted before RMD age is a dollar that will never generate a forced distribution. The illustration below shows a hypothetical married couple, age 62, with a \$900,000 Traditional IRA held in an FIA assumed to credit an average of 5% per year. They convert \$90,000 a year from age 62 through 69, paying the tax (estimated here at a flat 22% for simplicity) from outside funds. Their RMD age is 75.

Age	Amount Converted	Traditional IRA (year-end)	Roth IRA (year-end)	Est. Tax Paid From Outside Funds
62	\$90,000	\$850,500	\$94,500	\$19,800
63	\$90,000	\$798,525	\$193,725	\$19,800
64	\$90,000	\$743,951	\$297,911	\$19,800
65	\$90,000	\$686,649	\$407,307	\$19,800
66	\$90,000	\$626,481	\$522,172	\$19,800
67	\$90,000	\$563,305	\$642,781	\$19,800
68	\$90,000	\$496,971	\$769,420	\$19,800
69	\$90,000	\$427,319	\$902,391	\$19,800
70	—	\$448,685	\$947,510	—
71	—	\$471,119	\$994,886	—

Under these assumptions, the first RMD at 75 would be roughly \$22,000 instead of roughly \$69,000 had no conversions been made — while nearly \$1 million sits in a Roth that will never force a distribution on the original owner and will pass to heirs tax-free. The FIA's role in this illustration is quiet but important: because the account could not lose value to a market decline, the

schedule never had to pause, and the family never faced the temptation to abandon the plan in a bad year.

Hypothetical illustration only. It assumes a constant 5% crediting rate, a flat 22% tax rate, and no withdrawals, and it ignores IRMAA, state taxes, and Social Security interactions. Actual FIA crediting varies and can be zero in some years. Run your own numbers with a qualified professional.

Role 8: Fitting QLACs Into a Conversion Plan

A Qualified Longevity Annuity Contract (Chapter 14) removes up to \$210,000 (2026 limit) of a Traditional IRA from the RMD calculation until income begins, as late as age 85. QLACs and Roth conversions are two different ways to reduce RMDs, and they can complement each other: conversions reduce the tax-deferred balance permanently, while a QLAC defers taxation on a specific slice and converts it into late-life longevity insurance. A household that cannot convert its entire Traditional balance at attractive rates may use a QLAC for part of what remains. Note that QLAC income, when it begins, is fully taxable, so it belongs in the long-term tax projection.

Conversion Plans in Practice

CASE EXAMPLE 1 — CHAPTER 20

Raj and Anita, 64 and 62 — Converting the FIA In-Kind

Raj and Anita hold a \$600,000 FIA inside Raj's Traditional IRA, purchased at his retirement three years ago. Their taxable income in these pre-Social Security years is low, so their advisor projected room to convert about \$95,000 a year while staying within the 22% bracket and below the first IRMAA threshold two years out.

Rather than surrender the FIA, they asked the carrier to process partial in-kind conversions each December. The carrier provides the fair market value of the portion being converted, their CPA confirms the amount fits the bracket, and taxes are paid from a MYGA ladder in their brokerage account. The converted portion keeps its index strategies and surrender schedule, now inside a Roth IRA.

Starting point	\$600,000 FIA in a Traditional IRA; low-income years before Social Security
Strategy	Annual partial in-kind conversions sized to the 22% bracket; tax paid from a MYGA ladder
Result	No surrender charges; protected growth continues, now tax-free

CASE EXAMPLE 2 — CHAPTER 20

Gloria, 66 — A Tax-Free Paycheck for Life

Gloria converted most of her Traditional IRA to a Roth over her early sixties. Inside her Roth, she placed \$350,000 in an FIA with a lifetime income rider and deferred withdrawals for four years.

When she turns her income on, the rider will pay a guaranteed amount every year for life. Because the payments come from a qualified Roth IRA, they are tax-free, do not count toward the income that determines her Medicare IRMAA surcharges, and do not make more of her Social Security taxable.

Starting point	Roth IRA built through six years of conversions
Strategy	\$350,000 Roth FIA with a lifetime income rider, deferred four years
Result	Guaranteed lifetime income that is entirely tax-free and IRMAA-neutral

The Rules That Still Apply

Annuities do not change the underlying Roth rules, and a few of them trip up conversion plans involving annuities:

- **The first-dollar rule:** In any year an RMD is due, the RMD must be satisfied before any amount can be converted. Take the RMD from the annuity (or from another IRA, using the aggregation rule) first, then convert.
- **The five-year rules:** The Roth's five-year clock for tax-free earnings starts January 1 of the year of your first Roth contribution or conversion. Separately, each

conversion has its own five-year period for the 10% penalty if you are under 59½.

- **No recharacterization:** Since 2018, conversions cannot be undone. Size each year's conversion carefully — ideally in the fall, when the year's income is mostly known.
- **The pro-rata rule:** All of your Traditional, SEP, and SIMPLE IRAs — including IRA annuities — are aggregated for the purpose of taxing conversions that involve after-tax basis.

Once you're in an RMD-eligible year, you cannot convert any money to a Roth until that year's RMD has been fully satisfied.

— Suba Narla, *The Tax-Free Pivot*

Putting the Roles Together

The table below summarizes where each type of annuity fits in a multi-year conversion plan.

Annuity Type	Where It Sits	Role in the Conversion Plan
Accumulation FIA	Traditional IRA	Protected "on-deck" account; keeps the conversion schedule on track
Accumulation FIA	Roth IRA	Principal protection for tax-free dollars; converted in-kind or funded after conversion
FIA with income rider	Roth IRA	Guaranteed, tax-free lifetime income that doesn't raise IRMAA or Social Security taxation
SPIA or period-certain annuity	Non-qualified	Low-taxable income during conversion years via the exclusion ratio; Social Security bridge
Short-term MYGA ladder	Non-qualified	Predictable reserve for each year's conversion tax
QLAC	Traditional IRA	Defers RMDs on up to \$210,000; complements conversions for what remains

Every year you let that valley sit unused is a year of cheap tax brackets you'll never get back.

— Suba Narla, *The Tax-Free Pivot*

CHAPTER 21

Annuities, RMDs, and Legacy Planning

A traditional IRA is not a private vault. The government has a firm deadline.

— Suba Narla, *The Wealth Pivot*

Accumulation and income get most of the attention in annuity discussions, but two later-life issues deserve their own chapter: how annuities interact with Required Minimum Distributions, and how annuities pass to the next generation. Both have changed significantly under the SECURE Act and SECURE 2.0, and both are areas where the right annuity structure — or the wrong one — can make a meaningful difference.

RMDs From Annuities: The Basics

Required Minimum Distributions apply to annuities held inside Traditional IRAs and employer plans exactly as they apply to any other IRA investment. Under current law, RMDs generally begin at age 73 for those born from 1951 through 1959, and at 75 for those born in 1960 or later.

For a deferred annuity that has not been annuitized, the RMD is generally calculated on the contract's value — including, under Treasury regulations, the actuarial present value of certain additional benefits such as enhanced death benefits or income riders — divided by the IRS life-expectancy factor. Carriers typically calculate and report this "entire interest" value for you. Once a qualified annuity is annuitized or begins guaranteed lifetime payments that satisfy the regulatory requirements, the

payments themselves generally satisfy the RMD for that contract.

Three practical points make qualified annuities RMD-friendly:

- **Aggregation:** RMDs for all Traditional IRAs (including IRA annuities) can be totaled and taken from any one or combination of them. Many retirees take the entire RMD from a liquid IRA and leave the annuity untouched to keep compounding.
- **Surrender-free RMDs:** Most FIAs allow RMDs from the contract without surrender charges, even above the normal free-withdrawal amount.
- **Income that exceeds the RMD:** SECURE 2.0 clarified that certain lifetime annuity payments exceeding the RMD for that contract can be counted toward the RMDs of other accounts in the same aggregation group, which can help retirees who hold a lifetime income annuity alongside other IRAs.

Defusing the Landmine Early

Every dollar converted during the fifties and sixties is a dollar that will never generate a mandatory RMD later and never force this stacked-tax-bill problem in the first place.

— Suba Narla, *The Tax-Free Pivot*

The RMD divisor shrinks every year, so the required percentage rises with age. A balance that is comfortable at 75 can force much larger distributions by 85, stacking on top of Social Security, making more of it taxable, and triggering IRMAA surcharges. The most effective defenses, discussed in Chapter 20, are Roth conversions in the years before RMDs begin and, for

part of the balance, a QLAC. For the charitably inclined, Qualified Charitable Distributions from an IRA (available from age 70½) can satisfy RMDs without adding to taxable income — and IRA annuities can often be used as the source.

Annuities and the SECURE Act's Ten-Year Rule

The SECURE Act ended the "stretch IRA" for most non-spouse beneficiaries. An adult child who inherits a Traditional IRA — including an IRA annuity — generally must empty it within ten years of the owner's death, and if the owner had already begun RMDs, must also take annual distributions during those ten years. For heirs in their peak earning years, a decade of forced distributions stacked on top of their own salaries can push much of the inheritance into high brackets.

An inherited Roth IRA is subject to the same 10-year emptying rule, but because the money comes out tax-free, the 10-year window is just a distribution schedule, not a tax event.

— Suba Narla, *The Tax-Free Pivot*

Here the Roth conversion and the annuity work together. An FIA inside a Roth IRA that passes to a child keeps its principal protected up to the owner's death, and the child then has ten years of tax-free distributions. The same contract left in a Traditional IRA passes as fully taxable income.

Spousal Continuation

A surviving spouse named as sole beneficiary generally has much more flexibility. With most annuities — qualified or non-qualified — a spouse can elect to continue the contract as the

new owner, preserving tax deferral, the crediting strategies, and often the surrender schedule already in place, and (for IRA annuities) delaying RMDs according to the spouse's own age. Many income riders on joint-life contracts continue guaranteed payments to the survivor. Confirm the continuation rules and beneficiary designations when the contract is issued, not after a death.

Non-Qualified Annuities and Heirs

A non-qualified annuity does not receive a step-up in basis at death. The beneficiary owes ordinary income tax on the gain as it is withdrawn. Non-spouse beneficiaries typically must choose between a lump sum, distribution within five years, or — if elected within the required time — distributions over their own life expectancy (sometimes called a "non-qualified stretch"), which spreads the tax over many years. Ask whether your contract supports that option, because not every contract does.

Legacy-Focused Annuity Features

- **Enhanced death benefit riders:** Riders such as Athene's Family Endowment Rider add a premium bonus and an enhanced death benefit designed specifically for families whose primary goal is wealth transfer.
- **Return-of-premium features:** Some DIAs and QLACs include a return-of-premium death benefit during deferral, at the cost of a lower eventual payout.
- **Annuity-to-life-insurance repositioning:** For households that do not need an annuity's income, using required or voluntary withdrawals to fund a life

insurance policy can turn a taxable annuity legacy into an income-tax-free death benefit (Chapters 23 and 24).

- **Beneficiary designations and probate avoidance:** Annuities pass by beneficiary designation outside probate. Keep designations current after every major life event — and after every Roth conversion or rollover, since a new contract means a new beneficiary form.

CASE EXAMPLE 1 — CHAPTER 21

Ruth, 76 — Spousal Continuation, Then a Roth Legacy

When Ruth's husband died, she was the sole beneficiary of his \$500,000 IRA FIA. She elected spousal continuation, keeping the contract's crediting strategies and delaying RMDs under her own schedule rather than taking a lump sum.

Her two sons are high-earning professionals. With her advisor, Ruth now satisfies her RMD each year first, then converts a modest amount to a Roth FIA, paying the tax from savings. Each dollar she converts will reach her sons as tax-free money under the ten-year rule rather than as taxable income stacked on top of their salaries.

Starting point	\$500,000 inherited IRA FIA; sons in top brackets
Strategy	Spousal continuation; RMD first, then annual Roth conversions into an FIA
Result	A growing, protected, tax-free legacy for the next generation

Legacy Checklist for Annuity Owners

Is every contract's beneficiary designation current, with contingent beneficiaries named? If the primary beneficiary is a spouse, does the contract permit spousal continuation? If the beneficiaries are adult children in high tax brackets, has a multi-year Roth conversion been considered? For non-qualified contracts, does the contract allow a life-expectancy payout to non-spouse beneficiaries? If legacy is the primary goal, would an enhanced death benefit rider or a life insurance repositioning deliver more to heirs?

PART V

Applying Annuities to Real Life



CHAPTER 22**Annuities by Age Group**

Annuities are not a one-size-fits-all product, and the right question is never simply "should I buy an annuity?" but rather "does an annuity solve a problem I actually have at this stage of life, and if so, which type and how much?" This chapter walks through each major life stage.

Ages 20s–30s: Early Accumulation

General posture: Annuities are rarely appropriate for the large majority of savers in this age range. With decades until retirement, the priority should almost always be maximizing tax-advantaged retirement accounts (401(k), Roth IRA, HSA) and building a diversified, low-cost, growth-oriented investment portfolio. Annuities' core value propositions — longevity insurance and principal protection — are largely irrelevant to someone with 30–40 years of runway and high capacity to recover from market volatility.

Narrow exceptions: A high-income earner who has already maxed out every available tax-advantaged account and has a demonstrated pattern of over-trading or panic-selling in taxable brokerage accounts might reasonably consider a low-cost variable annuity purely for its tax-deferral and behavioral-guardrail benefits — but this is a narrow case, and the tax deferral benefit must be weighed carefully against the annuity's added costs and reduced liquidity relative to simply holding a tax-efficient index fund in a regular brokerage account.

General guidance: For the vast majority of people in this age bracket, the answer is: not yet, keep building the base.

Ages 40s–50s: Peak Accumulation

General posture: Still generally too early for lifetime-income-focused annuities, but this is the stage where two narrower use cases start to become genuinely relevant for the right household.

Tax deferral for high earners: A 40s or 50s saver in a high tax bracket who has maxed out 401(k), backdoor Roth, and HSA contributions and wants additional tax-deferred growth may reasonably use a low-cost, no-load variable annuity or a MYGA as a supplemental savings vehicle, understanding the tradeoff of reduced liquidity versus a comparable taxable account.

Longevity planning ahead of time: This is the classic window for purchasing a Deferred Income Annuity (DIA) or QLAC, locking in future income at a young enough age to benefit from decades of tax-deferred, insurer-managed growth before payments begin at, say, 70 or 80. Buying longevity insurance early is typically far more cost-efficient than waiting until the buyer is already in their late 60s or 70s, because the insurer has a longer runway to grow the premium and can price mortality more favorably.

Protected accumulation for the late-50s saver: For savers in their mid-to-late fifties who are within about ten years of retirement, an accumulation FIA can become relevant for the portion of savings that will fund the first years of retirement. This is also the decade to start a small "seed" Roth conversion to begin the Roth's five-year clock, as described in Chapter 20.

The thing your fifties actually offer isn't a low tax bracket — it's time. And time is the one ingredient a Roth conversion can't do without.

— Suba Narla, *The Tax-Free Pivot*

General guidance: Consider a DIA/QLAC allocation only if retirement income planning is already well underway and this fits as a specific, deliberate piece of a broader plan — not as a default recommendation for this age group as a whole.

Ages 60–65: Pre-Retirement / Retirement Red Zone

General posture: This is where annuities become genuinely relevant for a much larger share of savers, because sequence-of-returns risk is at its most dangerous in the years immediately before and after retirement — a market downturn in this window, combined with the start of withdrawals, can do lasting damage to a portfolio in a way the same downturn wouldn't if it occurred 20 years earlier or 20 years later.

Common uses at this stage:

- Purchasing a fixed indexed annuity with a GLWB rider several years before retirement, allowing the benefit base to grow through a deferral/roll-up period before income is actually needed, so that guaranteed income is contractually locked in and ready by the target retirement date.
- Using a portion of savings for a MYGA as a bridge — a safe, CD-like holding for money earmarked to cover the first several years of retirement spending, insulating that near-term spending need from market risk while the rest of the portfolio stays invested for growth.

- Beginning to model, but not necessarily yet purchase, an immediate annuity (SPIA) to be triggered at actual retirement, once Social Security claiming age and total income needs are finalized.
- Rolling part of a 401(k) or 403(b) into an accumulation FIA through an in-service distribution at 59½ or at retirement, so the money needed first is protected through the retirement "red zone" (Chapter 19).
- Using an FIA inside a Traditional IRA as the protected "on-deck" account for a multi-year Roth conversion plan during the low-income years before Social Security and RMDs (Chapter 20).

General guidance: This is the single best window to seriously evaluate deferred annuities with income riders, because the buyer can lock in favorable terms and let a benefit base grow before income is actually needed, converting market uncertainty in the most vulnerable years into contractual certainty.

Ages 65–75: Early Retirement

General posture: This is the classic window for purchasing immediate annuities (SPIAs) or activating income riders on previously purchased deferred contracts, to convert a defined slice of the portfolio into guaranteed paycheck-like income covering essential expenses not met by Social Security.

A widely cited framework among retirement researchers is to size guaranteed income (Social Security + pension + any annuity income) to cover essential, non-discretionary expenses (housing, food, healthcare, utilities), leaving the remaining, market-invested portfolio to cover discretionary spending and legacy goals — because a market downturn affecting

discretionary spending is a lifestyle inconvenience, while a shortfall in essential-expense coverage is a genuine hardship.

General guidance: This is a very common and often appropriate window to annuitize a defined portion (not the entirety) of retirement savings — commonly cited rules of thumb suggest something in the range of 15–40% of investable assets, depending on the strength of other guaranteed income sources, though this is highly individual and should be modeled against actual expenses, not applied as a rigid formula.

Ages 75–85+: Later Retirement

General posture: By this stage, remaining life expectancy is shorter and more predictable in aggregate, which materially improves the payout economics of an immediate annuity purchased at this age — mortality credits are larger, and payout rates as a percentage of premium are meaningfully higher than at 65. This is also the stage at which a previously purchased QLAC or DIA, if structured to begin payments at 80–85, starts paying out.

Common uses at this stage:

- Purchasing a new SPIA at this age specifically to address extreme longevity risk with a relatively modest premium outlay, given the higher payout rates available.
- Activating deferred income annuities or QLACs purchased years or decades earlier.
- For those with significant remaining assets, this can also be a period to prioritize liquidity, legacy planning, and long-term-care cost coverage over further annuitization,

since new surrender-charge-bearing deferred products are generally a poor fit for very advanced ages given the long commitment periods involved relative to remaining life expectancy — deferred annuities with long surrender schedules are rarely appropriate for buyers in their 80s, a concern regulators specifically flag in annuity suitability reviews.

General guidance: Favor simple, immediate, low-commitment structures (SPIAs, previously-purchased DIA/QLAC activation) over new long-surrender-period deferred products at this stage.

CHAPTER 23

Annuities by Net Liquid Asset Level

Age determines *when* an annuity might make sense; the size and composition of a household's liquid net worth determines *how much*, and *which structure*. This chapter organizes guidance by approximate net liquid asset (investable, non-real-estate) categories. These bands are illustrative, not rigid, and should be adapted to individual circumstances, expenses, and other guaranteed income sources.

Under \$250,000 in Liquid Assets

General posture: Liquidity and flexibility are paramount at this level — there is often little room for error, and locking up a large share of assets in a multi-year surrender period can be genuinely risky if an emergency arises. Annuities are usually not the first priority; an emergency fund, debt management, and maximizing employer-matched retirement contributions typically come first.

If an annuity is considered: A modest SPIA or DIA allocation covering a narrow, specific essential-expense gap (e.g., supplementing a small pension or Social Security shortfall) can still make sense even at this asset level, precisely because SPIAs require no ongoing liquidity and their mortality-pooling efficiency is not asset-level dependent — but large allocations to complex, long-surrender-period deferred products are generally a poor fit, since they can leave too little liquid emergency reserve.

Caution: This asset band is unfortunately also where some of the more aggressive and poorly-suited annuity sales have historically occurred, sometimes replacing a client's entire liquid net worth into a single, complex, high-commission product. Any recommendation to annuitize a large majority of assets at this level warrants a second opinion from a fee-only fiduciary advisor with no commission stake in the outcome.

\$250,000–\$1,000,000 in Liquid Assets

General posture: This is the range where a deliberate, partial annuity allocation most commonly makes sense, because there is enough total capital to meaningfully diversify — carving out a slice for guaranteed income while keeping a substantial invested portfolio for growth and liquidity.

Typical structure: A common approach is to size Social Security plus any pension plus a moderate annuity allocation to cover essential expenses, leaving the remainder (often 60–85% of liquid assets) invested in a diversified portfolio. Within the annuity allocation itself, a fixed indexed annuity with a GLWB rider, or a ladder combination of MYGAs and a SPIA, are common structures at this asset level, balancing cost, simplicity, and guaranteed income.

Caution: Avoid concentrating the entire annuity allocation with a single insurance company; spreading larger allocations across two or more financially strong carriers reduces single-insurer credit risk, particularly for amounts approaching or exceeding state guaranty association limits.

\$1,000,000–\$3,000,000 in Liquid Assets ("Mass Affluent")

General posture: Households at this level typically have enough assets that essential expenses can often already be covered by Social Security, pensions, and modest portfolio withdrawals without an annuity — but annuities can still play a valuable, more targeted role: insuring specifically against tail-risk longevity (very advanced age) or reducing sequence-of-returns risk in the first decade of retirement, rather than serving as the primary income source.

Typical structure: A QLAC funded from IRA assets to defer a slice of future RMDs and insure against extreme longevity is common at this level, often paired with a bond/cash bridge or MYGA ladder to cover the first 5–10 years of retirement spending, allowing the remaining equity-heavy portfolio to stay invested through market cycles without forced liquidation during a downturn.

Caution: At this asset level, buyers can often self-insure a meaningful portion of longevity and market risk simply through diversification and a well-constructed withdrawal strategy; annuities should be evaluated as one tool among several (not a default), and cost scrutiny becomes increasingly important since fee drag matters more in absolute dollar terms as account size grows.

\$3,000,000–\$10,000,000+ in Liquid Assets ("High Net Worth")

General posture: At this level, most households can self-insure typical longevity risk through diversified assets alone — few people at this asset level are at genuine risk of outliving a well-managed portfolio under normal circumstances. Annuities here are typically used for narrower, more strategic purposes rather than as a core retirement-income solution.

Typical structures:

- **Tax-deferral vehicles** for high earners still accumulating, using low-cost variable annuities or MYGAs as a supplemental tax-deferred holding once other tax-advantaged accounts are maxed out, particularly relevant in high-tax states or peak-earning years before an anticipated move to a lower tax bracket or lower-tax state in retirement.
- **QLACs for RMD management**, even at this asset level, since the tax deferral and RMD reduction can be valuable regardless of overall net worth, up to the statutory QLAC dollar cap.
- **Legacy and estate-planning structures**, occasionally pairing an annuity with life insurance in a "asset repositioning" or "annuity maximization" strategy, where annuity income during life funds premiums on a life insurance policy that ultimately provides a larger, income-tax-free legacy to heirs than the annuity's death benefit alone would have.
- **Extreme longevity/tail-risk insurance** for a specific concern (e.g., family history of unusually long lifespans, or a strong desire for guaranteed income independent of market performance for psychological comfort), even when not strictly financially necessary.

Caution: At this level, the case for a large annuity allocation is weaker on pure financial-efficiency grounds, since the household usually has sufficient assets and diversification to weather market and longevity risk without insurance. Annuities used here should typically be small relative to total net worth and tied to a specific, articulable purpose (a tax strategy, an RMD strategy, a legacy strategy, or a genuine psychological preference for contractual certainty) rather than purchased simply because the buyer "has more than enough to spare."

General Cross-Cutting Principle

Regardless of asset level, a widely cited rule of thumb among retirement income researchers is to avoid committing more than roughly 25–50% of total investable assets to any combination of annuity products, preserving meaningful liquidity and market-growth exposure for the remainder — though this range should flex based on the strength of other guaranteed income sources (a household with a large traditional pension needs less annuity income than one relying solely on Social Security and savings) and the specific goals being addressed.

CHAPTER 24

How the Ultra-Wealthy Use Fixed Indexed Annuities

The \$60 million family is managing tax efficiency, generational transfer, control, and governance — running out of money is no longer realistic.

— Suba Narla, *The Wealth Pivot*

It is fair to ask why a family with \$20 million, \$50 million, or more would own a fixed indexed annuity at all. They will not outlive their money. They do not need an insurance company to guarantee a paycheck. And they have access to private investments, institutional managers, and a team of attorneys and accountants.

The answer is that the ultra-wealthy rarely buy an FIA for the reasons most retirees do. They use FIAs as *tools* — narrow, specific instruments chosen for one job on a very large balance sheet. Understanding those jobs is useful even for readers with far smaller portfolios, because the logic scales down. This chapter describes the most common ways very high-net-worth families use FIAs and related contracts, along with the cautions their advisors apply.

1. The Fixed-Income Sleeve Without the Mark-to-Market Loss

Large portfolios typically hold a meaningful allocation to bonds for stability and liquidity. In 2022, that stability failed: the broad U.S. investment-grade bond market fell roughly 13%, its worst year in decades, at the same time stocks fell. Many wealthy

families learned that "safe" fixed income can lose value when rates rise.

A portion of that fixed-income sleeve can be held in FIAs and MYGAs instead. The contracts cannot lose value to a market or interest-rate decline (outside of a market value adjustment on early surrender), the index-linked crediting provides upside potential that bonds do not, and the insurer's general account — mostly investment-grade bonds and mortgages — is doing the fixed-income investing inside the contract. For a family that holds bonds primarily as ballast, this can be an attractive substitute for a slice of the allocation.

2. Tax Deferral at the Top Bracket

A wealthy family's bond and CD interest is typically taxed every year at the top federal rate of 37%, plus the 3.8% Net Investment Income Tax, plus state income tax — in high-tax states, a combined rate above 50%. A non-qualified FIA defers that tax until money is withdrawn. For a family that does not need the income, deferral lets the full pre-tax credit compound year after year.

Two refinements make deferral more powerful. First, the timing of withdrawals can be planned — for example, after a move to a state with no income tax, or in lower-income years after a business sale is complete. Second, deferral preserves flexibility: the gain can later be taken as income, used to fund gifts or insurance premiums, or left for heirs.

The cautions are equally important. Annuity gains are taxed as ordinary income, never at capital-gains rates, and non-qualified

annuities receive no step-up in basis at death. For long-horizon equity money, a tax-managed brokerage account is usually more efficient. The FIA's deferral advantage is strongest for money that would otherwise sit in taxable bonds.

3. Turning Taxable Annuity Value Into Tax-Free Legacy

The tax code is not a footnote to the plan. It is the plan.

— Suba Narla, *The Wealth Pivot*

For families whose estates exceed the federal estate tax exemption — \$15 million per person in 2026 under current law, indexed for inflation — and even for many below it, a large deferred annuity can be an inefficient asset to leave to heirs: its gain is taxable as income to the beneficiaries and may also be subject to estate tax.

A widely used alternative is **annuity-to-life repositioning**. The family takes systematic withdrawals from the FIA (or turns on an income rider) and uses the after-tax cash to pay premiums on a survivorship life insurance policy, often held in an irrevocable life insurance trust (ILIT). If the ILIT is properly structured, the death benefit passes to heirs free of income tax and outside the taxable estate. The annuity's value is converted, over time, into a larger, tax-advantaged legacy — while the annuity itself protected principal along the way.

4. Asset Protection

Physicians, business owners, and others with liability exposure often care about which assets are shielded from creditors.

Several states — Florida and Texas among the best known — provide strong statutory protection for annuity contracts, and many others provide partial protection. For a family in a protective state, repositioning part of a liquid portfolio into annuities can add a layer of creditor protection that a brokerage account lacks. The rules vary widely by state, fraudulent-transfer laws apply, and planning must be done well before any claim arises; this is always a job for an asset-protection attorney.

5. Pension-Like Income After a Liquidity Event

Business owners who sell a company often trade a steady salary for a large pool of capital. Some want part of their lifestyle to rest on a guaranteed paycheck rather than on market returns. An FIA with an income rider, a SPIA, or a ladder of DIAs can recreate a salary — for example, enough to cover the family's fixed costs — while the rest of the proceeds are invested for growth. Business owners who have maximized a cash balance or defined benefit plan also often roll those assets into IRA annuities when the plan is terminated.

6. Roth Conversions at Scale

For families with very large Traditional IRAs, Roth conversions are often worth doing even at the 32%, 35%, or 37% bracket, because the alternative is leaving heirs a fully taxable account under the ten-year rule — and, for taxable estates, paying the conversion tax during life also removes those dollars from the estate. The roles described in Chapter 20 apply here at scale: FIAs as protected on-deck accounts, in-kind conversions, and Roth FIAs as protected, tax-free legacy assets.

7. Ownership Structure: Trusts and the Non-Natural Person Rule

Wealthy families often want trusts or entities to own assets. Under Internal Revenue Code §72(u), an annuity owned by a "non-natural person" — such as a corporation or many non-grantor trusts — generally loses its tax deferral, and the annual gain becomes taxable. There is an important exception when the trust holds the contract as an agent for a natural person, and grantor trusts are generally treated as owned by the grantor. The ownership, annuitant, and beneficiary designations must be coordinated with the family's estate attorney before purchase.

8. Advanced Charitable Strategies

Some charitably inclined families use deferred annuities inside a net-income charitable remainder unitrust (a NIMCRUT), where the timing of distributable income can be managed through the annuity's deferral. These structures can be powerful but are technical and have drawn IRS attention; they require specialized counsel and a trustee experienced with them.

9. Diversifying Across Carriers

Carriers commonly limit the premium they will accept in a single contract — often a few million dollars — and state guaranty association coverage is limited. Ultra-wealthy families therefore spread annuity allocations across several highly rated carriers, and they review ratings from at least two agencies each year.

A Note on Institutional Cousins: PPVA and PPLI

At the very top of the wealth spectrum, families sometimes use private placement variable annuities (PPVA) and private placement life insurance (PPLI) — institutionally priced insurance wrappers around hedge funds or other investments, available only to qualified purchasers. These are different products from FIAs, with different risks and regulatory treatment, but they reflect the same underlying idea: using the insurance tax framework deliberately as one part of a larger plan.

Keeping It in Proportion

Even among the ultra-wealthy, annuities are usually a modest share of the balance sheet — commonly a single-digit to low-teens percentage of liquid assets — and always tied to a specific job. The families that use them well can name that job in one sentence.

CASE EXAMPLE 1 — CHAPTER 24

The Whitfield Family Office — FIAs as the Bond Sleeve

The Whitfields, with about \$60 million in liquid assets, held roughly \$15 million in investment-grade bonds as portfolio ballast. After a year in which both their stocks and bonds declined, their investment committee reviewed the role of fixed income.

They kept most of the bond allocation for liquidity and rebalancing, but repositioned \$4 million into non-qualified FIAs and MYGAs spread across four highly rated carriers. The contracts cannot decline with rising rates, the index-linked strategies add upside potential, and the interest is no longer taxed each year at a combined rate above 50%.

Liquid assets	≈ \$60 million; \$15 million in bonds
Strategy	\$4 million of the bond sleeve to FIAs and MYGAs across four carriers
Result	Rate-proof principal, tax deferral, and index-linked upside on part of the ballast

CASE EXAMPLE 2 — CHAPTER 24

Dr. Anand, 60 — Deferral and Asset Protection in Florida

Dr. Anand, a surgeon in Florida with \$12 million in liquid assets, carried significant liability exposure and held several million dollars in taxable bonds.

With her attorney and advisor, she moved \$2.5 million into non-qualified FIAs issued by three carriers. The contracts provide a principal floor and tax deferral, and — under Florida law as her attorney applied it to her situation — an added layer of creditor protection that her brokerage account did not have. She plans to draw on the contracts after she stops practicing, in lower-income years.

Liquid assets	\$12 million; high professional liability exposure
Strategy	\$2.5 million to non-qualified FIAs across three carriers, coordinated with an asset-protection attorney
Result	Principal floor, tax deferral, and state-law creditor protection

CASE EXAMPLE 3 — CHAPTER 24

The Castellanos, 72 and 70 — Turning an Annuity Into an Estate-Tax-Free Legacy

The Castellanos, with a \$38 million estate, owned a \$3 million non-qualified deferred annuity with a large embedded gain. Left to their children, it would generate taxable income for the heirs and could also be included in their taxable estate.

Their advisors structured systematic withdrawals from the annuity and used the after-tax proceeds to fund premiums on a survivorship life insurance policy owned by an irrevocable life insurance trust. Over time, the annuity's taxable value is converted into a substantially larger death benefit that, if the trust is properly administered, passes to their children free of income and estate tax.

Estate	≈ \$38 million; \$3 million deferred annuity with a large gain
Strategy	Annuity withdrawals fund a survivorship policy owned by an ILIT
Result	A taxable annuity legacy repositioned into a larger, tax-advantaged death benefit

CHAPTER 25**Putting It Together — Composite Case Studies**

Use them as a mirror to check your own situation against, not as a script to copy line for line.

— Suba Narla, *The Tax-Free Pivot*

The chapters so far have examined each tool on its own. Real plans combine them. The seven composite cases below show how accumulation FIAs, rollovers, Roth conversions, and income annuities fit together for households at different ages and asset levels. Every case is an illustrative composite, not a real client, and none is a recommendation for any individual.

CASE EXAMPLE 1 — CHAPTER 25

Priya, 55 — Starting Early

Priya, a 55-year-old physician assistant earning \$180,000, has \$620,000 in her 401(k) and plans to retire at 63. She is in the 24% bracket and has never made a Roth contribution or conversion.

What she did: Priya began redirecting new contributions to her plan's Roth 401(k) option and made a modest \$15,000 "seed" conversion from an old rollover IRA to start her Roth's five-year clock. She left her 401(k) invested for growth. At 59½, she plans to use an in-service rollover to move about a third of her balance into an accumulation FIA, which will serve as the protected source for her first years of retirement spending and as the staging account for larger conversions after she stops working.

Why it works: She uses her fifties for what they offer — time — and waits to add protection until the red zone, when it matters most.

Starting point	\$620,000 in a 401(k); 24% bracket; no Roth dollars
Strategy	Roth 401(k) contributions, a \$15,000 seed conversion, in-service FIA rollover planned at 59½
Result	Roth five-year clock started eight years before retirement

CASE EXAMPLE 2 — CHAPTER 25

Tom and Rachel, 63 and 61 — The Golden Window

Tom and Rachel retired this year with \$1.1 million in Traditional IRAs, \$250,000 in a taxable brokerage account, and no pensions. They plan to delay Social Security to 70.

What they did: They placed \$400,000 of their IRA assets in an accumulation FIA to serve as the on-deck account for Roth conversions over the next seven years. They used \$180,000 of their brokerage account to buy a seven-year period-certain annuity, which provides a steady monthly paycheck while reporting relatively little taxable income thanks to the exclusion ratio. Each fall, their CPA sizes a conversion to fill the 12% bracket and part of the 22% bracket, staying below the first IRMAA threshold two years out. The conversion taxes are paid from a short MYGA and Treasury ladder built from the rest of the brokerage account.

Why it works: Their spending comes from a low-tax source, their conversions come from protected money, and their tax payments come from outside the IRA. By 70, most of their tax-deferred money will have moved to the Roth, and their larger Social Security benefits will begin.

Starting balance	\$1.1M Traditional IRAs; \$250,000 brokerage
Strategy	\$400,000 FIA as on-deck conversion account; \$180,000 period-certain annuity; MYGA tax ladder
Result	Most tax-deferred money in the Roth by 70; Social Security maximized

CASE EXAMPLE 3 — CHAPTER 25

Linda, 67 — Protecting a Widow's Income

Linda, recently widowed, has \$900,000 across a rollover IRA and a small Roth, plus Social Security of \$2,900 a month. Her essential expenses are about \$5,500 a month.

What she did: Linda placed \$400,000 of the rollover IRA in an FIA with a lifetime income rider, deferring withdrawals for three years while the benefit base grows. When activated, the guaranteed income, combined with Social Security, is projected to cover her essential expenses. She moved her existing Roth IRA into an FIA to protect the money she thinks of as her emergency and legacy reserve. The remaining IRA assets stay in a diversified portfolio for discretionary spending and inflation protection.

Why it works: Her essential spending no longer depends on the stock market, and the part of her money she can least afford to lose is protected and tax-free.

Starting balance	\$900,000 rollover IRA and Roth; \$2,900/month Social Security
Strategy	\$400,000 FIA with lifetime income rider; Roth moved to an FIA
Result	Essential expenses covered by guaranteed income for life

CASE EXAMPLE 4 — CHAPTER 25

David and Mei, 70 and 68 — Defusing RMDs for the Next Generation

David and Mei have \$2.4 million in Traditional IRAs, a pension, and Social Security that already cover their spending. Their two children are high-earning professionals.

What they did: They satisfy each year's RMD first, then convert an additional amount sized to the top of the 24% bracket, paying tax from their brokerage account. They used \$210,000 of David's IRA to buy a QLAC that begins income at 85, removing it from the RMD calculation. The Roth accounts they are building are held partly in FIAs with enhanced death benefits and partly in equity funds. Their beneficiary designations were updated after each change.

Why it works: Every converted dollar will pass to their children as tax-free money under the ten-year rule instead of as taxable income stacked on top of the children's salaries.

Starting balance	\$2.4M Traditional IRAs; pension and Social Security cover spending
Strategy	RMD first, then 24%-bracket conversions; \$210,000 QLAC; Roth FIAs with enhanced death benefits
Result	Heirs inherit tax-free Roth dollars instead of taxable IRA income

CASE EXAMPLE 5 — CHAPTER 25

Jorge, 58 — A Job Change and a 401(k) Decision

Jorge left a manufacturing company after 26 years with \$540,000 in his 401(k), including \$90,000 of highly appreciated company stock, and \$40,000 of after-tax contributions.

What he did: Before rolling anything, Jorge's advisor and CPA evaluated Net Unrealized Appreciation. He distributed the company stock in-kind to a taxable account, paying ordinary income tax only on its cost basis. He rolled the \$40,000 of after-tax contributions directly to a new Roth IRA. Of the remaining pre-tax balance, he rolled \$250,000 into an accumulation FIA with a premium bonus and the rest into a low-cost diversified IRA.

Why it works: He captured tax advantages that a simple "roll everything over" would have lost forever, seeded a Roth, and protected the portion of his savings he'll need first.

Starting balance	\$540,000 401(k): \$90,000 company stock, \$40,000 after-tax
Strategy	NUA distribution; after-tax to Roth IRA; \$250,000 to a bonus FIA; remainder diversified
Result	Capital-gains treatment on stock growth, a seeded Roth, and a protected first-decade bucket

CASE EXAMPLE 6 — CHAPTER 25

Sam and Grace, 52 and 50 — High Earners With Every Account Maxed

Sam and Grace earn a combined \$620,000, max out their 401(k)s, fund backdoor Roth IRAs, and still save about \$150,000 a year in a taxable brokerage account, where interest and bond income are taxed at their top marginal rate every year.

They moved the conservative portion of their taxable savings — about \$400,000 they had held in bond funds and CDs — into a non-qualified accumulation FIA. Credited interest now grows tax-deferred instead of being taxed annually, and the money can never lose value to a market decline. Their equity index funds stay in the brokerage account, where long-term gains keep their capital-gains treatment and a step-up at death.

They plan to draw on the FIA in their early sixties, after retirement, when their bracket is lower, and to coordinate those withdrawals with their Roth conversion plan.

Starting point	\$400,000 of taxable "safe money" in bonds and CDs
Strategy	Non-qualified accumulation FIA for the safe-money sleeve; equities stay in brokerage
Result	Annual tax drag on fixed income removed; principal floor; withdrawals timed to lower-bracket years

CASE EXAMPLE 7 — CHAPTER 25

Beatrice, 81 — Knowing When a New Deferred Annuity Is the Wrong Answer

Beatrice, 81, was offered a new 10-year surrender-period FIA with a large bonus to replace a contract that had just come out of its surrender period. Her daughter asked for a second opinion.

The review concluded that a new 10-year commitment at 81 made little sense. Instead, Beatrice used part of the matured contract to buy a small SPIA that, together with Social Security, covers her essential expenses, and kept the rest in a liquid account for care costs and gifts to her grandchildren.

The lesson is the other side of every case in this book: the right annuity decision is sometimes a simpler annuity, or none at all.

Starting point	Matured deferred annuity; age 81
Strategy	Declined a new long-surrender product; bought a small SPIA; kept the rest liquid
Result	Guaranteed income for essentials and full liquidity for care and legacy

CHAPTER 26

Common Mistakes, Misconceptions, and Red Flags

Misconception: "Annuities are always a rip-off." As covered in Chapters 4 and 5, this is an overcorrection. Simple, low-cost products like SPIAs and MYGAs, purchased from financially strong insurers for a well-defined purpose, are broadly endorsed by academic retirement researchers as efficient tools for specific problems. The valid criticism is aimed mostly at high-fee, high-commission, poorly explained variable and indexed products sold without regard to suitability — not at the underlying insurance concept.

Misconception: "Annuities always beat the market" or "annuities never lose money." Fixed and indexed annuities cannot lose value to market declines, but they can still underperform a diversified portfolio over time, and fees/caps/rider charges can still erode value. Variable annuities and RILAs absolutely can lose value. No annuity is a guaranteed way to "beat" anything — its guarantees are about certainty and risk transfer, not about maximizing returns.

Mistake: Annuitizing 100% of retirement savings. Full annuitization sacrifices all liquidity and legacy flexibility. A partial allocation, sized to cover a specific income gap, is almost always more appropriate than converting an entire portfolio.

Mistake: Buying an annuity inside an IRA for "tax deferral." As noted in Chapter 3, an IRA already provides tax deferral; adding an annuity for that reason alone is redundant.

Annuities inside IRAs should be purchased for their insurance features (guaranteed income, principal protection, accumulation), not for a tax benefit the account already provides.

Mistake: Not checking insurer financial strength ratings. A generous-looking payout rate or cap from a lower-rated insurer carries more counterparty risk than a slightly less generous offer from a top-rated carrier. Always check ratings from A.M. Best, S&P, and/or Moody's before purchasing, and understand your state's guaranty association coverage limits.

Mistake: Replacing an existing annuity without a clear net benefit. As covered in Chapter 5, exchanging an older contract for a new one restarts the surrender period and often generates a new commission. Any replacement recommendation should be scrutinized for a clear, quantified benefit to the client — not just "the new product is better" in vague terms.

Mistake: Judging an FIA against the S&P 500 in a bull market. An FIA is not designed to beat stocks in a strong up-market; it is designed to never lose value while still participating in part of the upside. Compare it with the alternatives for *safe money* — CDs, bond funds, stable value — over a full market cycle.

Mistake: Chasing the highest headline participation rate. A 250% participation rate on a volatility-controlled excess-return index is not comparable to a 10% cap on the S&P 500. Compare index history and design, not headline numbers.

Mistake: Rolling over an entire 401(k) without checking what you give up. Net Unrealized Appreciation, the Rule of 55, low institutional fees, and the still-working RMD exception can all be lost in a rollover. Evaluate them first (Chapter 19).

Mistake: Letting the conversion pay its own tax. Withholding tax from a Roth conversion shrinks what reaches the tax-free bucket and, before 59½, can trigger a 10% penalty.

Mistake: Assuming a surrender charge lowers the tax on converting an annuity. Conversions of IRA annuities are taxed on fair market value, not surrender value (Chapter 20).

Mistake: Forgetting beneficiary forms after a rollover or conversion. A new contract needs a new beneficiary designation. An outdated or missing designation can send assets through probate or to the wrong person.

Red flag: High-pressure sales tactics, particularly "free lunch" seminars aimed at retirees. Regulators have repeatedly flagged aggressive seminar-based annuity sales, especially those pushing large, complex indexed annuities to elderly attendees, as a persistent source of consumer complaints. A legitimate recommendation should hold up under a cooling-off period, a second opinion, and a careful, unhurried read of the actual contract — not just the illustration.

Red flag: An illustration showing only "best case" or historical average index performance, without clearly showing worst-case (0% credit years) scenarios. Ask specifically to see how the product would have performed, and

what fees would have been charged, during historically bad market periods.

Red flag: An advisor who cannot clearly explain, in plain language, exactly how fees are calculated, what the surrender schedule is, and what happens to the rider's "benefit base" versus the actual cash account value. If these cannot be explained simply, that is itself useful information.

CHAPTER 27

A Due-Diligence Framework for Evaluating Any Annuity

Before purchasing any annuity, work through the following checklist:

1. **What specific problem am I solving?** (e.g., longevity risk, sequence-of-returns risk near retirement, tax deferral, principal protection with growth, legacy planning, LTC cost coverage). If you cannot answer this clearly, pause before proceeding.
2. **What type of annuity actually matches that problem**, using the taxonomy in Chapter 6? Resist letting a salesperson's preferred product define the problem backward.
3. **What is the insurer's financial strength rating**, from at least two of A.M. Best, S&P, and Moody's? Is it consistent with the size of the commitment being made?
4. **What are ALL the fees**, including M&E charges, administrative fees, subaccount expenses, and every rider fee, expressed as a single combined annual percentage, not just individually?
5. **What is the full surrender charge schedule**, in years and percentages, and what is the free withdrawal allowance?
6. **For indexed products: what are the current cap, participation rate, and/or spread**, are they guaranteed and for how long, and what is the guaranteed minimum floor after any renewal adjustment?
7. **For income riders: is the "benefit base" the same as the actual account value?** How does the benefit base

- grow during deferral, and is that growth rate simple or compound, and for how many years does it apply?
8. **What happens to my money if I die** before or during the income phase — is there a death benefit, and does it differ from a period-certain or life-only choice?
 9. **How does this fit relative to my total liquid net worth?** Does this allocation leave adequate liquidity and diversification, per the general cross-cutting principle in Chapter 23?
 10. **Have I gotten a second, non-commissioned opinion** — ideally from a fee-only fiduciary advisor with no stake in the sale — particularly for any allocation representing a substantial share of total assets?
 11. **Have I compared this specific product against at least two competing offers** from different, financially strong insurers, rather than evaluating it in isolation?
 12. **Do I fully understand the illiquidity commitment**, and am I certain this is money I will not need access to during the surrender period?
 13. **For rollovers: have I evaluated NUA, the Rule of 55, the still-working exception, and my plan's fees** before moving money out of an employer plan?
 14. **For Roth conversion plans: how will this annuity be valued if I convert it**, can I convert part of it, and does conversion affect any rider or bonus?
 15. **For bonus products: how does the bonus vest**, and how do the crediting rates compare with the same carrier's no-bonus version over the full surrender period?
 16. **For indexed strategies: which strategies carry an annual fee**, and how long has each index existed with live (not back-tested) performance?

If every question on this list can be answered clearly, specifically, and in writing, the annuity under consideration has cleared a meaningfully higher bar of scrutiny than the large majority of policies sold through high-pressure or poorly explained sales processes.

CHAPTER 28**Conclusion — Putting It All Together**

Annuities are neither the retirement panacea their most enthusiastic sellers sometimes suggest, nor the uniformly predatory products their harshest critics describe. They are insurance contracts, purpose-built to transfer a specific set of risks — chiefly, the risk of outliving one's savings — from an individual to a large, professionally managed risk pool. That transfer has real, quantifiable value in the right circumstances, and real, quantifiable cost in the wrong ones.

The throughline across this book's history, mechanics, and practical-application chapters is consistency: the simplest products (SPIAs, MYGAs, DIAs/QLACs) tend to deliver the core insurance value most efficiently and transparently, while the more complex, market-linked products (variable annuities, fixed indexed annuities, RILAs) can be valuable for the right buyer but require substantially more scrutiny of fees, crediting formulas, and rider structures before purchase. Age and asset level both matter enormously: a 30-year-old maxing out a Roth IRA and a diversified index fund portfolio has little use for most annuity products, while a 68-year-old with \$900,000 in savings and a modest pension may find that a carefully chosen, partial annuity allocation meaningfully improves both the safety and the psychological comfort of their retirement income plan.

The most durable, evidence-based conclusion in the retirement research literature is a modest one: guaranteed lifetime income, purchased thoughtfully and in the right proportion, tends to improve retirement outcomes and retiree satisfaction more

reliably than either "no annuities, ever" or "annuitize everything" extremes. The goal of this book has been to equip you to find that right proportion for your own circumstances — informed by an honest accounting of the good and the bad, grounded in how these products actually work, and applied with appropriate skepticism toward anyone eager to sell you a specific answer before understanding your specific problem.

This book adds three threads to that conclusion. For accumulation, a well-chosen fixed indexed annuity can give the money you'll need first a floor that the stock market cannot break, while still growing in good years. At the rollover moment, an annuity can protect the portion of a lifetime of savings that you can least afford to lose. And inside a multi-year Roth conversion plan, annuities can keep the schedule on track, keep taxable income low, and give tax-free dollars a floor of their own.

Start early, fill cheap brackets, mind the Medicare cliffs, defuse RMDs before they defuse you, and execute cleanly.

— Suba Narla, *The Tax-Free Pivot*

None of these strategies is complicated in isolation. What makes them powerful is combining them deliberately and revisiting them every year.

Either answer is fine, as long as it's a decision you made on purpose rather than a window that closed while you weren't looking.

— Suba Narla, *The Tax-Free Pivot*

As stated at the outset: this book is educational in nature and not a substitute for personalized advice from a licensed, and ideally fee-only or fiduciary, financial professional, along with a qualified tax advisor, before making any annuity purchase or replacement decision.

APPENDIX A**Glossary of Annuity Terms**

Accumulation phase — The period during which a deferred annuity grows in value before income payments begin.

Accumulation value — The actual cash value of a deferred annuity, including premiums, credited interest, and any vested bonus, less withdrawals and charges; distinct from the benefit base.

Annual reset (lock-in) — An indexed-annuity feature in which credited gains are locked in and the index starting point resets each period, so later credits are measured from the new level.

Annuitant — The individual whose life is used to measure and calculate annuity payments; often, but not always, the same person as the contract owner.

Annuitization — The irrevocable conversion of an annuity's accumulated value into a stream of periodic income payments.

Benefit base — A value, separate from the actual account value, used to calculate guaranteed withdrawal or income amounts under a living benefit rider; often grows via a contractual roll-up rate during deferral.

Break-Even Tax Rate (BETR) — The point at which the tax rate on a Roth conversion today equals the projected tax rate on the same dollars in the future; a guide for sizing conversions.

Buffer — In a RILA, the percentage of index loss the insurer absorbs before the owner bears any loss.

Cap rate — The maximum interest rate that can be credited to an indexed annuity in a given period, regardless of actual index performance.

Deferred annuity — An annuity with an accumulation phase before income begins, as opposed to an immediate annuity.

Direct rollover — A trustee-to-trustee transfer from an employer plan or IRA to another IRA or plan, with no tax withholding and no 60-day deadline.

Excess return index — An index that subtracts a financing cost from the underlying return; common in volatility-controlled indices used in FIAs.

Exclusion ratio — The IRS-determined formula used to divide each payment from an annuitized non-qualified annuity into a taxable (earnings) portion and a tax-free (return of principal) portion.

First-dollar rule — The rule that, in any RMD year, the RMD must be satisfied before any Roth conversion is made.

Fixed indexed annuity (FIA) — A deferred annuity that credits interest based on the performance of a market index, subject to a cap, participation rate, and/or spread, with a guaranteed floor (commonly 0%) against market-driven loss.

Free withdrawal amount — The percentage of account value (commonly 10% per year) that can be withdrawn from a deferred annuity without triggering a surrender charge.

Guaranteed Lifetime Withdrawal Benefit (GLWB) — A rider guaranteeing withdrawals of a specified percentage of the benefit base for life, regardless of actual account value performance.

Immediate annuity (SPIA) — An annuity that begins paying income almost immediately after a single premium payment, with no accumulation phase.

In-kind conversion — Converting an annuity from a Traditional IRA to a Roth IRA by re-registering the contract rather than surrendering it.

In-service distribution — A withdrawal or rollover from an employer plan while still employed, commonly permitted at age 59½.

IRMAA — Income-Related Monthly Adjustment Amount; a surcharge on Medicare Part B and D premiums based on income from two years earlier.

Market Value Adjustment (MVA) — An adjustment to excess withdrawals during the surrender period based on changes in interest rates; can be positive or negative.

Mortality credit — The additional return available to annuity owners because the pool includes participants who die earlier than average, whose forfeited value subsidizes payments to longer-lived participants.

Multi-year guaranteed annuity (MYGA) — A fixed annuity offering a guaranteed interest rate for a specified multi-year period, often compared to a bank CD.

Net Unrealized Appreciation (NUA) — The gain on employer stock held in a qualified plan, which can be taxed at capital-gains rates if the stock is distributed in-kind in a qualifying lump-sum distribution.

Non-qualified annuity — An annuity purchased with after-tax money, outside a tax-advantaged retirement account.

Participation rate — The percentage of an index's gain that is credited to an indexed annuity's account value.

Premium bonus — An amount credited by the insurer at issue, typically a percentage of premium, often subject to vesting and a longer surrender period.

Pro-rata rule — The rule that aggregates all Traditional, SEP, and SIMPLE IRAs when determining the taxable portion of a conversion involving after-tax basis.

Qualified annuity — An annuity purchased with pre-tax money inside a tax-advantaged retirement account, such as an IRA or 401(k).

Qualified Longevity Annuity Contract (QLAC) — A specific type of deferred income annuity, purchased with qualified retirement funds up to an IRS-defined dollar limit, whose value is excluded from RMD calculations until income begins (no later than age 85).

Registered Index-Linked Annuity (RILA) — Also called a buffer or structured annuity; a deferred annuity offering index-linked returns with a defined amount of downside risk (via a buffer or floor), positioned between fixed indexed and variable annuities on the risk spectrum.

Required Minimum Distribution (RMD) — The IRS-mandated minimum amount that must be withdrawn annually from most tax-advantaged retirement accounts beginning at a specified age.

Rider — An optional add-on to an annuity contract, usually for an additional fee, providing a specific guarantee such as lifetime income, a death benefit, or long-term care cost coverage.

Roll-up rate — The contractual rate at which an income rider's benefit base grows during deferral; applies to the benefit base, not the account value.

Rule of 55 — An exception allowing penalty-free withdrawals from an employer plan after separating from service in or after the year you turn 55; does not apply to IRAs.

Sequence-of-returns risk — The risk that poor investment returns early in retirement, combined with ongoing withdrawals, permanently damage a portfolio's sustainability, even if long-run average returns are otherwise adequate.

Spread (margin/asset fee) — A percentage deducted from an index's gain before interest is credited to an indexed annuity.

Strategy fee — An annual charge on certain enhanced indexed-annuity crediting strategies in exchange for higher caps or participation rates.

Surrender charge — A declining-percentage penalty applied to withdrawals above the free withdrawal amount during a deferred annuity's initial surrender period.

Ten-year rule — The SECURE Act requirement that most non-spouse beneficiaries empty an inherited IRA within ten years of the owner's death.

Variable annuity (VA) — A deferred annuity that invests premium into market-based subaccounts, offering full upside and downside market exposure, often paired with optional living or death benefit riders.

Vesting schedule — The schedule over which a premium bonus becomes fully owned by the contract holder.

Volatility-controlled index — An index that adjusts exposure to its underlying assets to target a specific level of volatility.

1035 exchange — A tax code provision allowing an annuity (or life insurance policy) to be exchanged for another annuity contract without triggering current taxation on embedded gains.

APPENDIX B

Quick-Reference Tables

B.1 — Suggested Starting Point by Age (General Framework, Not Individualized Advice)

Age Range	Typical Annuity Relevance	Common Product Fit (if any)
20s–30s	Low	Rarely — focus on tax-advantaged accounts and diversified investing
40s–50s	Low-Moderate	Supplemental tax deferral (high earners); early DIA/QLAC purchase
60–65	Moderate-High	FIA + GLWB rider; MYGA bridge for early retirement years
65–75	High	SPIA; activation of income riders; essential-expense coverage
75–85+	Moderate (structure shifts)	New SPIA for tail-risk coverage; activation of prior DIA/QLAC

B.2 — Suggested Starting Point by Liquid Net Worth (General Framework, Not Individualized Advice)

Liquid Assets	Typical Annuity Role	Caution Level
Under \$250K	Narrow, targeted essential-expense gap only	High — protect liquidity first
\$250K–\$1M	Partial allocation for core guaranteed income	Moderate — diversify insurers
\$1M–\$3M	Targeted tail-risk/longevity and sequence-risk tools	Moderate — cost scrutiny matters
\$3M–\$10M+	Tax, RMD, legacy, and niche strategic uses	Lower financial need — purpose-driven only

B.3 — Fee Comparison Snapshot

Product	Typical All-In Annual Cost
SPIA / DIA / QLAC	Embedded in payout rate; no separate ongoing fee
MYGA	Embedded in declared rate; no separate ongoing fee
Fixed Indexed Annuity (no rider)	Embedded in cap/participation/spread; no separate fee
Fixed Indexed Annuity + GLWB rider	0.5–1.5% rider fee, charged on benefit base
Variable Annuity (base contract)	1.0–2.5% (M&E + admin + subaccount expenses)
Variable Annuity (with living/death riders)	2.5–4.0%+ combined
RILA / Buffer Annuity	1.0–2.5% combined, product-dependent

B.4 — FIA Crediting Methods at a Glance

Crediting Method	How It Works	Best Environment
Annual point-to-point cap	Index gain credited up to a cap each year	Moderate, steady gains
Participation rate (uncapped)	Percentage of the index gain, no cap	Strong up-years
Multi-year point-to-point	Gain measured over 2+ years, often higher participation	Long-term growth
Performance trigger	Declared rate if index is flat or up	Sideways markets
Fixed account	Declared interest, no index link	Rising or high rates
Blended strategy	Fixed rate on part, enhanced participation on the rest	Uncertain markets

B.5 — Rollover Decision Snapshot

Consideration	Favors Staying in the Plan	Favors Rolling to an IRA / Annuity
Costs	Very low-cost institutional funds	High plan fees or limited menu
Age and access	Separated at 55+ and need penalty-free access (Rule of 55)	Over 59½ or no need for early access
Employer stock	Large NUA opportunity (distribute first)	No company stock
Protection needs	Comfortable with market risk	Want principal protection or guaranteed income
Roth planning	Using a backdoor Roth (pro-rata)	Planning multi-year conversions from an IRA
Still working past RMD age	Still-working exception applies	Retired

APPENDIX C

Annual Annuity and Roth Conversion Worksheet

Use this worksheet each fall, when your income for the year is mostly known but there is still time to act before December 31.

1. **Income floor:** What is my taxable income this year before any conversion (pensions, Social Security, RMDs, annuity income, interest, dividends)?
2. **Bracket ceiling:** Which bracket am I willing to fill (12%, 22%, 24%), and how much room remains before its top?
3. **Threshold check:** Will a conversion push my MAGI over an IRMAA threshold two years from now, reduce the senior deduction, or increase Social Security taxation?
4. **Conversion source:** Which account or contract will I convert from? If it is an annuity, what fair market value will the carrier report, and is a partial conversion available?
5. **Tax payment source:** Where will the tax come from — a MYGA or Treasury ladder, savings, or a brokerage account — without withholding from the conversion?
6. **RMD first:** If I am RMD-age, have I satisfied this year's RMD in full before converting?
7. **Protection check:** Is the money waiting to be converted in future years protected from a major market loss?
8. **Income check:** Is my guaranteed income (Social Security, pension, annuity income) still covering my essential expenses?

9. **Beneficiaries:** Have I updated beneficiary designations on every new or converted contract?
10. **Next year:** What changes (retirement, Social Security start, RMD age, a spouse's income) will affect next year's conversion room?

This worksheet is an educational framework, not tax advice. Work through it with a CPA or financial professional who can model your actual numbers.

APPENDIX D**Questions to Ask Before Any Rollover**

1. Is this a direct, trustee-to-trustee transfer with no tax withholding?
2. What does my current plan cost in total, and what will the new arrangement cost, including any rider fees or strategy charges?
3. Do I hold employer stock that could qualify for Net Unrealized Appreciation treatment?
4. Did I separate from service in or after the year I turned 55, and might I need penalty-free access before 59½?
5. Am I still working, and could I use the still-working exception to delay RMDs?
6. Do I have after-tax contributions that could be rolled directly to a Roth IRA?
7. Will rolling pre-tax money into an IRA interfere with a backdoor Roth strategy?
8. What portion of the rollover actually needs protection or guaranteed income, and what portion should remain invested for long-term growth?
9. What is the issuing carrier's financial strength rating from at least two agencies?
10. What is the full surrender schedule, the free-withdrawal allowance, and the treatment of RMDs and health events?
11. If the product has a bonus, how does it vest, and how do crediting rates compare with the no-bonus version?
12. Has my advisor documented, in writing, why this rollover is in my best interest compared with staying in the plan?

APPENDIX E

Selected Passages From the Author's Other Books

The following passages are drawn from *The Tax-Free Pivot* and *The Wealth Pivot*. They are included here because each one bears directly on how annuities fit into a tax-efficient retirement plan.

From The Tax-Free Pivot

Here's something nobody puts in a brochure: the government is a silent partner in every Traditional IRA and 401(k) you own, and it hasn't told you yet, what its cut will be. Money in those accounts is tax-deferred, not tax-free — you owe on it eventually, you just don't know the rate, because tomorrow's tax law hasn't been written.

This book is about the 25-year stretch between age 50 and 75 — probably the single most consequential tax-planning window most people will ever have. It is not a "do one big conversion and move on" strategy. It's a multi-year decision tree, and the right move at 52 can be the wrong move at 68.

In this valley, your taxable income might drop to near zero or be limited to modest dividends and interest. That's not a problem to solve — it's an opportunity to exploit. Every year you let that valley sit unused is a year of cheap tax brackets you'll never get back.

How do you know when to stop filling a bucket? Use the Break-Even Tax Rate, or BETR: convert up to the point where your current conversion tax rate equals — or beats — your projected future tax rate once RMDs, Social Security, and everything else layers on top.

Think of that outside cash as a second, informal retirement contribution: you're effectively using after-tax dollars to supercharge the amount growing tax-free inside the Roth, above and beyond what the conversion itself would have delivered.

A good plan responds to the year you're having, not the year you originally projected on a spreadsheet three years ago.

From The Wealth Pivot

For forty years, the goal was simple: one metric, the balance at the bottom of the statement. You saved, you watched compound interest do its work, and you crossed the finish line believing the hard part was over. But retirement is not the end of the financial project — it is a transition from accumulation to decumulation, from saver to cash-flow manager.

Retirement planning is often taught as one discipline with one set of rules — and taxes are treated as an afterthought. In practice, the discipline forks sharply as liquid assets grow, and

the tax code is not a footnote to the plan. It is the plan.

To build an efficient retirement tax strategy, stop looking at net worth as a single number and start looking at it as three distinct buckets, each with its own tax treatment. Where your assets sit across these buckets — not just how much you have — determines your annual tax flexibility for the next thirty years.

The years between your last paycheck and your first RMD are often the lowest tax-bracket years of your entire life. This chapter is about not wasting them.

A \$1.5 million traditional 401(k) at 73 generates a first RMD of roughly \$56,600, stacked automatically on top of investment income, Social Security and any pension income. The domino effect can push a household into a higher bracket, subject up to 85% of Social Security benefits to tax, and trigger IRMAA surcharges — a compounding penalty for having saved successfully.

End of book.

ABOUT THE AUTHOR



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Suba Narla is a Financial Advisor, Wealth Strategist, and Founder of Wealth Strategies USA, as well as a writer and educator focused on retirement income and tax strategies across the full spectrum of household wealth. His work centers on a simple premise: the mechanics of a good retirement plan — how withdrawals are sequenced, when Roth conversions make sense, how guaranteed income is built, how estate structures are designed — are the same regardless of net worth, even as the tools available and the risks that dominate change dramatically as assets grow. He especially enjoys converting clients' tax-deferred incomes to tax-free incomes.

The Protected Pivot brings together two of his core areas of focus — the insurance-based products that can turn savings into protected growth and guaranteed lifetime income, and the tax mechanics that determine how much of that income a family actually keeps. This book connects the two directly: fixed indexed annuities for accumulation, annuities in 401(k) and IRA rollovers, and the role annuities can play in a multi-year Roth conversion plan.

He is an independent insurance broker affiliated with several carriers and firms discussed in this book, including American Equity, Annexus, Athene, Nationwide, North American, Allianz, and Symetra. The information in this book is provided to explain concepts and how

fixed indexed annuities are evolving, not to recommend any company or product.

He lives and writes in the United States and continues to research and publish on retirement income, tax-efficient wealth transfer, and family financial governance.

Also by Suba Narla

The Tax-Free Pivot — Your Plain-English Playbook for Roth Conversions, Ages 50 to 75. *"The single most consequential tax-planning window for most people."*

The Wealth Pivot — Retirement Tax Strategies and Wealth Design for Financial Freedom, From \$250,000 to \$100 Million and Beyond. *"Six wealth tiers. Seven tax strategies. One playbook."*

www.WealthStrategiesUSA.com

Protect it. Grow it. Convert it to tax-free.

Every Traditional IRA and 401(k) carries a silent partner — the IRS — and the next bear market can arrive at exactly the wrong time. **The Protected Pivot** shows adults 50 to 85 how to keep growing their savings without risking a loss they can't recover from, and how to move that money into tax-free Roth accounts on their own schedule.

Inside, you'll learn:

- ◆ How fixed indexed annuities grow savings with a 0% floor
- ◆ What to do — and avoid — in an IRA or 401(k) rollover
- ◆ How annuities support a multi-year Roth conversion plan
- ◆ The newest FIA designs, explained in plain English
- ◆ How the ultra-wealthy use annuities as precise tools
- ◆ A due-diligence checklist to use before you sign anything

"The government is a silent partner in every Traditional IRA and 401(k) you own — and it hasn't told you yet what its cut will be."

— from *The Tax-Free Pivot*



Suba Narla is a Financial Advisor, Wealth Strategist, and Founder of Wealth Strategies USA. He is the author of all six books in *The Pivot Series*.

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