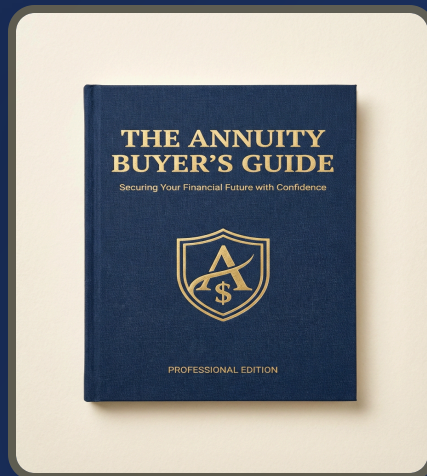




**AZIRS**

ARIZONA INSURANCE & RETIREMENT SERVICES

OFFICIAL AZIRS GUIDE · AZIRS-LG-004



# The Annuity Buyer's Guide

*Choose the Right One — Avoid the Costly Mistakes*

18 PAGES · 14 MIN READ

**Arizona Insurance & Retirement Services**

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THE ANNUITY BUYER'S GUIDE

A NOTE FROM THE AUTHOR

## Welcome

Thank you for downloading *The Annuity Buyer's Guide*. My team and I wrote this guide for one reason: the retirement industry loves jargon, but real families need answers.

Everything inside is based on what we've learned helping hundreds of Arizona families transition from working years to retirement years — calmly, confidently, and without running out of money.

If anything raises a question for you, please don't guess. Call us at **(602) 376-7260** or book a free 30-minute review at **AZIRS.com/schedule**. No sales pitch, no obligation — ever.

— Dana Artzer, Founder & Licensed Insurance Producer (NPN 8965858)

## Key Takeaways

- ✓ The 4 main types of annuities explained
- ✓ How to spot a bad annuity in 60 seconds
- ✓ Living benefits and income riders decoded
- ✓ Surrender charges, fees & the "free look" period
- ✓ Taxation, 1035 exchanges, and inheritance rules
- ✓ Case studies: 3 real annuity decisions
- ✓ A 12-question due diligence checklist
- ✓ Glossary + printable buyer's checklist

**About AZIRS:** We are an independent Arizona-based brokerage specializing in retirement income, annuities, Medicare, and life insurance. We work with 30+ A-rated carriers and have no sales quotas. Our only job is to put the right plan in writing for you.

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## 1 Chapter 1 — The 4 Annuity Types

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Single Premium Immediate Annuity (SPIA) — Hand over a lump sum, start receiving guaranteed income within 12 months. Simple, transparent, low fees. Trade-off: you usually give up access to the principal.

Fixed Annuity — Like a CD with tax deferral. Earns a fixed rate for a fixed term (3, 5, 7, 10 years). Multi-Year Guaranteed Annuities (MYGAs) are the most common version.

Fixed Indexed Annuity (FIA) — Principal-protected, earns interest based on a stock-market index, with caps or participation rates. Most popular for retirement income via an income rider.

Variable Annuity — Money invested in subaccounts (like mutual funds). Highest fees, highest growth potential, no principal protection unless you buy an additional rider.

## 2 Chapter 2 — Red Flags — Walk Away If You See These

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Pressure to sign today. Every legitimate annuity has a free-look period; no legitimate advisor needs you to sign NOW.

No clear written explanation of fees.

Surrender charges longer than 10 years.

A pitch that emphasizes commissions, "free dinners," or agent trips instead of your income plan.

Promises of "guaranteed" double-digit returns (those don't exist).

Pitching a variable annuity inside an IRA with no clear tax or feature benefit.

An agent who works with only ONE carrier — you're getting their best product, not the market's best.

## 3 Chapter 3 — Income Riders Explained

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A Guaranteed Lifetime Withdrawal Benefit (GLWB) rider lets you turn on a guaranteed paycheck for life — even if your account value drops to zero. You maintain access to remaining account value for beneficiaries.

Two key numbers to understand:

- Roll-up rate — how fast the "income base" grows during deferral (7–8% is common, but it's a notional number, not your account value).
- Payout percentage — what percentage of the income base converts to annual lifetime income, based on your age when you turn it on.

Example: \$200K purchase, 7% roll-up for 10 years → income base = \$393K. At age 70, a 6% payout = ~\$23,580/year for life, guaranteed.

Riders cost 0.95%–1.50%/year of the income base. Always ask to see illustrations WITH and WITHOUT the rider to evaluate the value.

## Chapter 4 — Surrender Charges & The Free-Look Period

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Surrender charges are penalties for withdrawing more than the annual free-withdrawal amount (usually 10%) during the "surrender period." Schedules typically decline each year (e.g., 9%, 8%, 7%, down to 0%).

Prefer surrender schedules  $\leq 10$  years. Anything longer is almost always a red flag.

Free-Look: every state mandates a period (10–30 days) during which you can cancel the annuity for a full refund, no questions asked. Use it to take the contract to a second advisor for review.

## Chapter 5 — Taxes, 1035 Exchanges, and Inheritance

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Non-qualified annuities (purchased with after-tax money): gains are taxed as ordinary income when withdrawn; principal is returned tax-free. The LIFO rule applies — withdrawals come from gains first.

Qualified annuities (inside an IRA/401k): the entire withdrawal is taxable, just like any IRA distribution. RMDs apply at 73.

1035 Exchange: IRS rule that allows you to transfer from one non-qualified annuity to another without triggering tax. Useful for upgrading to a better contract — but make sure the benefits outweigh any new surrender schedule.

Inherited annuities: non-spouse beneficiaries generally must withdraw within 5 years (lump sum) or "stretch" over their life expectancy (if the contract permits). Spousal beneficiaries can continue the contract as their own.

## Chapter 6 — Case Study: SPIA for Essential Income Floor

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Harold, 70, single. Social Security = \$29,000/year. Essentials = \$46,000/year. Gap = \$17,000/year.

Harold has \$500K in savings. He allocates \$200K to a SPIA paying \$17,400/year for life. The remaining \$300K stays invested for growth and emergencies.

Pros: guaranteed floor is locked in, no market risk to essentials, no more withdrawal-rate anxiety.

Cons: the \$200K is illiquid. If Harold dies early (no cash-refund option), remaining payments are lost.

Solution: he chose a 10-year period certain rider, ensuring at least 10 years of payments go to his niece if he dies prematurely.

## Chapter 7 — Case Study: FIA with Income Rider (Deferred)

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Bridget and Ken, both 60. They want to retire at 67 but don't want market risk on the portion covering essentials.

Plan: \$250K into a Fixed Indexed Annuity with a GLWB rider. 7% roll-up for 7 deferral years. At age 67, they turn on 5.5% joint-life payout.

Income base at 67: ~\$401K. Joint-life annual income: ~\$22,055 guaranteed for as long as either spouse lives.

Their account value continues to participate in index credits (capped). If either spouse needs long-term care, a care-enhanced doubler on the rider boosts income 2x for up to 5 years.

## Chapter 8 — Case Study: MYGA vs. CD

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Eleanor, 72, has \$150K in a 1-year CD paying 4.5%. She's frustrated with rolling it every year and paying tax on the interest each April.

Options: (a) Renew the CD. (b) Move to a 5-year MYGA paying 5.35% with tax deferral until withdrawal.

Over 5 years, the MYGA earns more per year AND defers all taxes. If Eleanor is in the 22% bracket, the after-tax equivalent yield is meaningfully higher than the CD.

Caveat: MYGAs have a surrender schedule. Eleanor only committed funds she didn't need for 5 years. The rest stayed liquid.

## Chapter 9 — The 12-Question Due Diligence Checklist

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1. What is the carrier's AM Best rating? (A or higher)
2. What are ALL the fees, in writing?
3. What is the surrender schedule?
4. Is there a free-look period? (Required by law in most states.)
5. What does the income payout look like at age 65, 70, 75?
6. Are gains tax-deferred or taxed annually?
7. Is there a death benefit for my spouse/heirs?
8. Can I take penalty-free withdrawals each year?
9. What happens if I need long-term care?
10. Who is the agent appointed with — one carrier or many?
11. How is the agent compensated?
12. Will the agent put their recommendation in writing?

## Worksheet — Is an Annuity Right for You?

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1. What problem am I trying to solve? (circle) Income floor / Tax deferral / Principal protection / Legacy
2. How much of my portfolio am I considering allocating? \$\_\_\_\_\_ ( \_\_\_% of total )
3. When would I need income to start? Immediately / In \_\_\_ years / Never (accumulation only)
4. How long can I leave these funds untouched without needing more than 10%? \_\_\_ years
5. If markets drop 30% next year, how would I feel about this portion of my money? \_\_\_\_\_
6. Am I comfortable with a product whose cap/participation rate can change annually? Y / N
7. Do I already have 6 months of liquid emergency savings OUTSIDE this annuity? Y / N
8. Have I compared illustrations from at least 3 A-rated carriers? Y / N

## Printable Buyer's Checklist

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- Identified the specific problem the annuity is meant to solve
- Confirmed I have emergency savings outside the annuity
- Reviewed illustrations from at least 3 A-rated carriers
- Verified surrender schedule is 10 years or less
- Confirmed all fees in writing
- Understood the difference between income base and account value
- Reviewed the death benefit and beneficiary designations
- Confirmed free-look period in my state
- Asked how the agent is compensated
- Received the recommendation in writing
- Had a second set of eyes review before signing

## Glossary — Annuity Terms

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SPIA — Single Premium Immediate Annuity.

DIA — Deferred Income Annuity. Like a SPIA but income starts later.

MYGA — Multi-Year Guaranteed Annuity. Fixed rate for a fixed term.

FIA — Fixed Indexed Annuity. Principal-protected, index-linked crediting.

VA — Variable Annuity. Subaccount investments, market risk.

GLWB — Guaranteed Lifetime Withdrawal Benefit. Lifetime-income rider.

Cap — Maximum interest credited in a period on an FIA.

Participation Rate — % of an index's gain credited to your contract.

Roll-Up — Guaranteed growth of the income base during deferral.

Surrender Charge — Penalty for early withdrawal above the free-withdrawal amount.

1035 Exchange — Tax-free transfer between non-qualified annuity contracts.

Free-Look — State-mandated cancellation window after contract delivery.

## How AZIRS Helps

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We're an independent brokerage appointed with 30+ top-rated carriers. We have no quotas and no preferred-carrier bonuses. We compare illustrations side-by-side and put our recommendations in writing — every time.

Our process: (1) Free 30-minute discovery call to understand your situation. (2) Custom illustration comparison across multiple carriers. (3) A written recommendation you can take to any second advisor. (4) Ongoing annual reviews for as long as you own the contract.

Visit [azirs.com/schedule](http://azirs.com/schedule) or call the number on the back cover.