Published March 16, 2021 in the *Bradenton Herald*, Bradenton, Florida
By Jim Zientara

Who could be the beneficiary of your annuity?

In simple terms, an annuity is a contract usually with an insurance company. There are generally three parts. Payments to the annuitant are usually monthly.

The Owner. The owner is a person or company who puts up the money for the annuity.
The Annuitant. A human being on whose life and age determines the monthly payments.
The Beneficiary. If the annuitant dies, the beneficiary gets the remaining amount not paid out.

Not every company offers a retirement plan. After 40 years with a major oil company, my father retired in 1975. I can only guess what happened at Human Resources. They presented him with their pension annuity options. The highest paying was a check a month for his lifetime. He selected it.

Joe's annuity probably looked like this:

The Owner. The owner was the major oil company who put up the money for the annuity.
The Annuitant. Joe, a human being, on whose life and age determines the monthly payments.
The Beneficiary. If the annuitant dies, the company is the beneficiary and gets the remaining amount not paid out.

In 1992, Joe died and the monthly checks stopped. The company as beneficiary kept whatever money was left in the annuity. My Mother never received one penny from the company for the next 20 years of her lifetime, because the annuity was a check of month for Joe's lifetime.

Joe was prevented from asking for any amount from the annuity for incidentals, like a new roof. The annuity terms were a check a month for his lifetime with no options.

Let's suppose your pension plan offers a lump sum distribution. After reviewing the various options, the annuitant decides to take the option of a lump sum distribution strategy. The full amount in the pension plan is usually rolled over to his IRA account at Friendly Investments, a fictitious company to illustrate the process. If done properly, this is not a taxable event.

Once the money is in the retiree's IRA account, the retiree can decide what to do with it. He/she may want to take a taxable distribution to pay for a new roof. He may want to have another IRA account as a trading account to buy/sell stocks.

He may want another account that is a managed mutual fund account with Friendly Investments managing the money given the investment objects from conservative to growth. The retiree can have as many IRA accounts as he wants.

He may even want to convert part or all of the IRA to a Roth IRA with its unique advantages. Consult with your tax advisor on all of these strategies.

Let's suppose the retiree decides to open an IRA account specifically to select among the many insurance annuity policies offered by Friendly Investments. He selects one. Let's review the basic three parts of his IRA annuity.

The Owner. The owner is the retiree who puts up the money for the annuity.
The Annuitant. The retiree, a human being on whose life and age determines the monthly payments.
The Beneficiary. If the annuitant dies, the beneficiary gets the remaining amount not paid out.

Our new retiree wisely names as many beneficiaries as appropriate. Suppose the annuity beneficiary list is the retiree, spouse, daughter, then son to receive the monthly income or maybe take a taxable lump sum along the way. Maybe the Cancer Fund or other favorite charities is the ultimate beneficiary.

Suppose all the human beneficiaries are out celebrating the beginning of the retiree's new retired life. In a terrible auto accident, all are killed. The Cancer Fund, the last beneficiary, gets the remaining amount not paid out by the insurance annuity. No money is lost.

Life is full of choices. Make them wisely and consult with people who have an understanding of these options. Pass this information along to others considering retiring so they may become aware of possible choices that may be available.

Jim Zientara is an Investment Consultant and Financial Planner with Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment Advisory Services are offered through Raymond James Financial Services Advisors, Inc.
He can be reached at 941-750-6818 or at www.raymondjames.com/jz with office at 11009 Gatewood Drive, Suite 101, Lakewood Ranch, FL 34211.

WhoCouldBeTheBeneficiaryOfYourAnnuity