

Annuites

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Annuities and Affiliation Annuities Part I a) (b) 2. 3. Part II 2. 3. 4.

Risks and Benefits of Annuities

Immediate annuities can lead to inflation, for instance the income of a person will increase from 4 percent to 6 percent each year (Weisman, 2009).

Income annuities offer flat payments, which mean that people will lose their spending power over time. Another risk is liquidity risk, which occurs when people pay penalties more than 10 percent of their contract value as they access their funds at a younger age than fifty-nine and half years old. The insurance for annuities is not at the federal level, which means that people have to rely on the insurance guarantees at the state level when the insurer becomes bankrupt. Annuities offer a person with competitive interest rates, which is one of the benefits that people experience (Weisman, 2009).

Another benefit is that annuities allow a person's interest to grow until the time when he or she will decide to withdraw money. With annuities people can continue earning income through their life (Weisman, 2009). The best annuity according to my view is the lifetime annuity because it can be a source of income throughout my life. This income will supplement my salary, which will improve my standard of living.

Reference

Weisman, S. (2009). *The truth about buying annuities*. Upper Saddle River, N. J.: FT Press.