

Sample article for organizations and employers (369 word count)

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Annuities – a brief description

Many people view the amount of their retirement savings as a number, rather than the amount of annual income it will provide when they retire. You want to save as much as you can for retirement, but you also want to carefully manage the use of the funds during retirement so you don't outspend your savings.

One option you may have when you retire is an annuity — a contract that provides you with regular payments for more than a year. You can buy an annuity contract alone or with the help of your employer, and an annuity may be an optional way to receive benefits from your employer-sponsored retirement plan.

Common Types of Annuities

Fixed-period annuities – You receive a payment amount at regular intervals for a definite length of time.

Variable annuities - You receive payments varying in amount for a definite length of time or your lifetime. The amounts paid may depend on variables, such as profits earned by the pension or annuity funds or by cost-of-living indexes.

Single-life annuities – You receive a payment amount at regular intervals during your life that end at your death.

Joint and survivor annuities – You receive a payment amount at regular intervals for your lifetime. After your death, it pays a fixed amount at regular intervals to a second person for their lifetime. The amount of each payment paid for the life of the second person may be the same or different from the amount of each payment paid to you during your lifetime.

Qualified employee annuities - A retirement annuity purchased by your employer for you under a plan that meets certain Internal Revenue Code requirements.

Tax-sheltered annuities - A special annuity plan or contract purchased for an employee of a public school or tax-exempt organization.

Carefully consider all your options when you retire, and choose the one that will help your retirement savings last. If you do decide to purchase an annuity contract, make sure you understand all the terms of that contract. There may be tax implications associated with retirement benefits received in the form of pension or annuity payments from a qualified employer retirement plan, all or some portion of the amounts you receive may be taxable.

NOTE TO EDITOR: Below are helpful resources on retirement plans and IRAs on IRS.gov.

- [Publication 575, Pension and Annuity Income](#) – discusses the tax treatment and reporting of distributions from pension and annuity plans.
- [Tax Topics 410: Pensions and Annuities](#) – explains when all or some of your annuity payments may be taxable income.

- [Paying Retirement Plan Benefits](#) – describes how employer-sponsored retirement plans pay benefits and options for plan participants on how to receive plan benefits.

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