— A FIDUCIARY'S GUIDE —

Is an Annuity Right for You?

Wealth protection, growth, and guaranteed income in retirement — weighed honestly



BRUCE J. SMITH III

A FIDUCIARY'S LIBRARY · INSIDEYOURRETIREMENT.COM

INSIDE YOUR RETIREMENT™

A Fiduciary's Library

Inside Your Retirement™ · by Bruce J. Smith III

The Flat Fee Revolution

FlatFeeRevolutionBook.com

The Harsh Reality of Retirement Financial Planning

RetirementRealityBook.com

Retirement Tax Planning — Is It for Me?

RetirementTaxBook.com

Is Your Annuity Any Good?

AnnuityInsiderBook.com

Is an Annuity Right for You?

HonestAnnuityBook.com

Declining Health & Wealth Transfer

HealthAndEstateBook.com

The complete library is available at no cost at InsideYourRetirement.com

Is an Annuity Right for You?

Wealth protection, growth, and guaranteed income in retirement — weighed honestly

Bruce J. Smith III

Elite Wealth Network



INSIDE YOUR RETIREMENT™

Inside Your Retirement™: A Fiduciary's Library · InsideYourRetirement.com



Is an Annuity Right for You?
Wealth protection, growth, and guaranteed income in retirement — weighed honestly

© 2026 Bruce J. Smith III and Elite Wealth Network, Inc. All rights reserved.
No part of this book may be reproduced or distributed in any form without written permission from the publisher, except for brief quotations in reviews.

Published by Elite Wealth Network, Inc.
3319 Barrington Court, The Villages, FL 32162
An Inside Your Retirement™ title · InsideYourRetirement.com · HonestAnnuityBook.com

ISBN 979-8-953332-03-3 (paperback)
First edition, 2026

Questions for the author: InsideYourRetirement.com · 888-888-6001
bruce@insideyourretirement.com

The investment advisory services described in this book are offered by WealthKare.com, Inc. dba The WealthKare Investment Center, an SEC-registered investment adviser, with an office at 10935 SE 177th Pl, Suite 204, Summerfield, FL 34491 (888-888-6001). The author is a principal of that firm and a licensed insurance professional; the resulting conflicts of interest are described in this book and in the firm's Form ADV Part 2A, available at adviserinfo.sec.gov. Elite Wealth Network, Inc., the publisher, does not provide investment advice and does not offer securities or insurance products.

This book is provided for educational purposes and is not investment, insurance, tax, or legal advice. Annuity guarantees are backed solely by the claims-paying ability of the issuing insurer. Illustrations are hypothetical, use stated assumptions, and are not projections of investment results. All people in this book are fictional composites. Past results do not predict future results. Information is current as of September 2026.

Contents

Preface — The Exchange Rate 7

Foreword — Two Lives in One 11

A Note on What This Book Is 13

CHAPTER ONE
The Steak Dinner Argument 15

CHAPTER TWO
What an Annuity Actually Is 17

CHAPTER THREE
The Risk You Cannot Diversify 19

CHAPTER FOUR
The Village That Pooled Its Paychecks 21

CHAPTER FIVE
Price the Gap, Not the Portfolio 23

CHAPTER SIX
The Paycheck Problem 25

CHAPTER SEVEN
The Menu, in Plain English 27

CHAPTER EIGHT
What “No Market Losses” Really Costs 29

CHAPTER NINE
The Honest Cons, All in One Room 31

CHAPTER TEN
Buying It Well 35

CHAPTER ELEVEN
Where It Belongs — When It Belongs 39

Notes and Sources 41

Important Disclosures 47

About the Author 49

The Rest of the Library 50

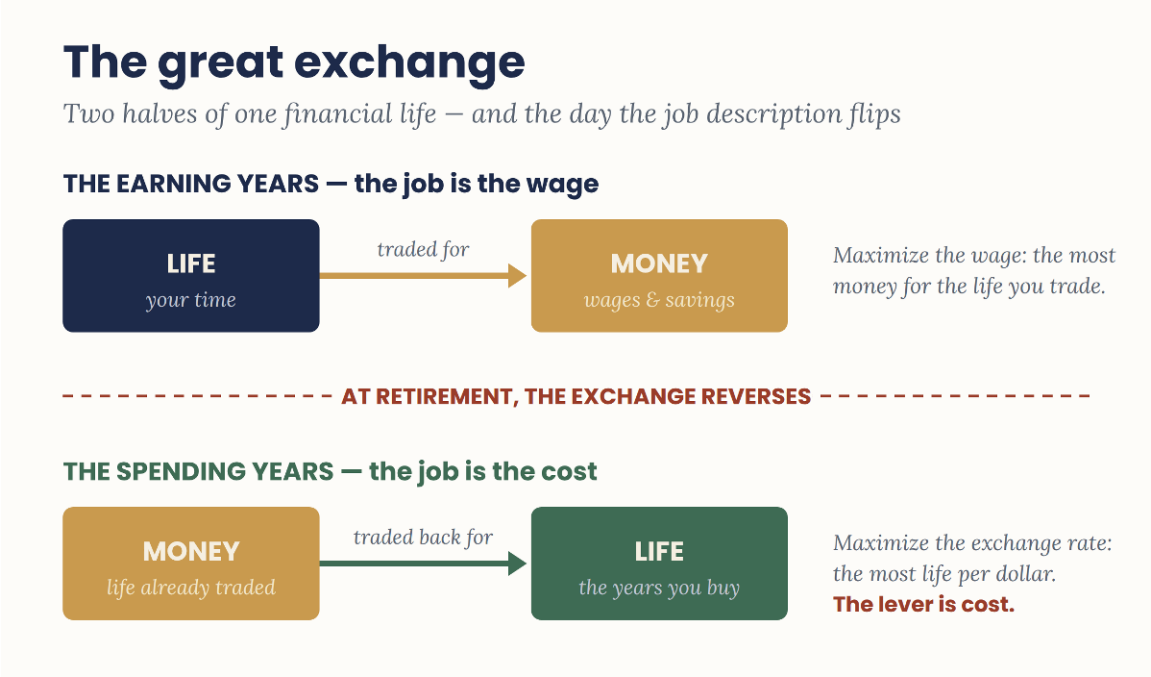
Have Questions for the Author? 51

THE IDEA BEHIND THIS ENTIRE SERIES

Preface — The Exchange Rate

Thirty years as a fiduciary planner, roughly forty-five working weeks a year, forty hours a week — call it 54,000 hours spent inside other people's retirement plans. Not repeating a product sale 54,000 times: a clean sheet of paper every time, crawling inside a family's hopes, pricing their retirement, and working out how the wealth they built would pay for it. When I finally turned that lens on my own retirement, everything I had learned collapsed into one picture, and it is simple enough to fit on this page.

You work your whole life, and for that work you trade life for money. If you earned a wage, you traded your life for money by the hour. If you earned a salary, you traded it by the year. At retirement, you cannot get back one hour of the life you traded — but the excess you managed to keep is still there, and now the exchange runs the other way. For the rest of your life you will trade *money for life*: every month, dollars go out and a month of living comes back. Earning years, spending years. Life for money, then money for life.



One financial life, two exchanges. The job description changes at retirement — this series is about the second half.

While you worked, the right obsession was the **wage** — the most money for the life you traded. In retirement, the right obsession is the **exchange rate** — the most life for the money you trade back. And that is a *cost* question. Here is where I part company with most of my industry: the financial world aims your attention almost entirely at earnings on money — returns, projections, the next hot allocation — while the thing that actually sets your exchange rate goes unexamined. Living inside retirement plans for three decades is where you see **all** of the costs, not just the lifestyle ones: the quiet fees, the silent tax drainage, the escalating cost of required withdrawals, the price of transferring wealth to your children, the cost of declining health, the costs buried inside every product with "no fee." The optimized retirement plan is not the one with the greatest potential to grow. It is the one that manages costs best — because your capital can only compound on what the costs have left behind.

Understand what I am *not* saying. I am not saying growth doesn't matter — inflation over a thirty-year retirement is itself a cost, the erosion cost, and only growth pays that bill. I am saying that every growth decision is, underneath, a cost decision: what a guarantee costs in surrendered upside, what volatility costs a portfolio being drawn down, what timidity costs across decades, what doing

nothing costs most of all. Returns are hoped for; costs are contractual. A dollar of avoided cost is the only return you can lock in before the year happens — and in retirement it is often worth more than a dollar earned, because it arrives free of tax, free of risk, and free of luck. The man on the hundred-dollar bill had it right. He is quoted as saying *a penny saved is a penny earned* — and his words appreciate with age.

Every book in this series — fees, annuities, taxes, estate and health, the whole harsh-reality tour — is one chapter of that single argument, weighed the same way: the honest pros, the honest cons, and the price tag in the open. You traded your life for this money. This series is about trading it back well.

WHY THESE BOOKS EXIST

Foreword — Two Lives in One

People tell me I've crammed two lives into one, and they're roughly right. I spent months at a time hundreds of feet beneath the ocean, operating the nuclear power plant of a United States submarine. I worked in commercial nuclear power after that. Then I spent forty years in the financial industry, at every level of the investment and insurance worlds. Along the way I became a commercial pilot, a ham radio operator, a competitive pistol shooter, and a hopeless car guy — I've built, rebuilt, raced, and collected them, because there is something special about the things you can do with your hands.

I've been luckier than I deserve, and I know it. An amazing wife of forty-five years — Monica, my girlfriend and my best friend. Two wonderful sons, Bruce IV and Vaughn; a wonderful daughter-in-law, Brittany; and the greatest blessings of all, our grandchildren, Bruce V and Lilly. I could walk away tomorrow and just enjoy the family, the friends, and the hobbies with the time I have left. For me that is important — but it is not enough.

In 1996, after ten years of *selling* financial products as a broker, I became a fiduciary — legally obligated to put my clients' needs and goals ahead of my own. It is a noble pursuit, and I will be honest with you: it is a hard one, because you still practice it inside an industry driven by profit — an industry in which compensation often depends on what is sold — forces that do not align with the true needs of the consumer, and that blur objectivity wherever marketing and advice collide. The job, as I have always defined it, is to research and present the pros *and* the cons of any product, program, or service, in a balanced and unbiased way, so a family can make a truly informed decision about their own situation. The

roadblock most consumers never see is how small the universe of solutions in a typical sales presentation really is — you will find my car-lot version of that argument in *The Harsh Reality of Retirement Financial Planning*.

I am not built for retirement. What I am built for, at this point in my life, is giving back: forty years of the good, the bad, and — yes — the ugly of personal finance, handed to whoever can benefit from it before I shuffle off this mortal coil and what I know is lost to time. That is why this series exists, and why its home on the web is called **InsideYourRetirement.com**. Forty years a student of personal finance. It's time to be the educator. — *Bruce J. Smith III*

BEFORE WE BEGIN

A Note on What This Book Is

This is a short book about a decision, not a product. By the end of it you will know what an annuity actually is, which retirement problems it solves brilliantly, which ones it solves badly, and how to tell — with arithmetic, not adjectives — which kind of household you are.

You should know who is talking. I hold an insurance license, and when a client purchases an insurance or annuity product through us, I am paid a commission on it. That is a real conflict, and it is disclosed at the back of this book; weigh my views on annuities with it in mind. I have recommended annuities, and I have talked many people out of them. Both acts, on the right day, are the same act: putting the client's interest first.

Here is the big picture behind everything that follows. A fiduciary approach to an annuity — understanding it, reviewing it, and seeing its pros *and* its cons laid out in full before any purchase — typically, though not always, serves the buyer better than a sales-focused approach that presents only the upside of a particular product, program, or strategy. That is a difference in approach, not in people: many agents work exactly this way, and do it well. This book is written in that first approach, and it asks you to expect it from whoever helps you.

The people in these pages are composites — patterns from decades of real kitchen tables, with invented names and checkable numbers. The assumptions are stated where they appear. And one promise up front: every chapter that praises annuities is followed by the price of the praise, and every warning is followed by what the warning does *not* mean. Half-truths are common on both sides of this subject. This book is an attempt at the other half.

CHAPTER ONE

The Steak Dinner Argument

> Tom and Linda got the invitation on a Tuesday: heavy cardstock, gold border, a steakhouse they liked. The speaker was charming and the slides were confident: market gains without market losses. Guaranteed income for life. The Wall Street rollercoaster is for suckers. Tom was ready to sign that night. Then Linda mentioned it to her brother-in-law, who sent them an article titled — roughly — *Annuities Are Where Money Goes to Die*. Now they were at my table with the brochure and the article side by side, asking the only sensible question left: "Which one of these is lying?" (Tom and Linda, like everyone in this book, are composites.)

Both. Neither. The brochure and the article are the two halves of the oldest unfinished argument in retail finance, and they stay unfinished because each side is describing a different object. The brochure describes a *guarantee* and hides its price. The article describes the *price* and dismisses the guarantee. Neither will tell you the one thing you need: whether *you* have the problem this contract exists to solve.

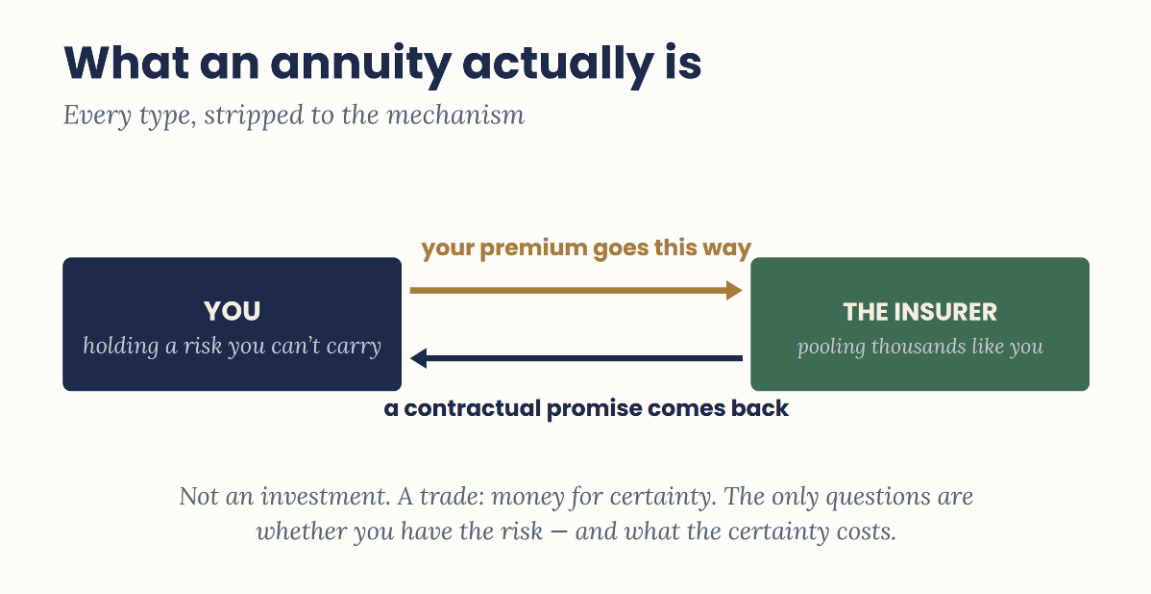
So this book will not argue for annuities or against them. It will do something more useful: finish the argument. Chapter by chapter, we will name the risks annuities genuinely remove, price what the removal costs, tour the whole confusing menu in plain English, and end with a way to decide that does not depend on whose dinner you attended. Tom and Linda's answer, for the record, comes in Chapter Five — and it surprised both the brochure and the brother-in-law.

An annuity is neither salvation nor scam. It is a contract — and contracts are judged by what they cost and what they're for, not by who shouts about them.

CHAPTER TWO

What an Annuity Actually Is

Strip away the brand names, the bonus offers, and the forty-page contracts, and every annuity ever written is the same machine:



Money goes one way; a contractual promise comes back. Everything else is detail.

This is why judging an annuity "as an investment" misses the point in both directions. An investment's job is growth; you judge it by return. An annuity's job is *certainty*; you judge it by what risk it removes and what that removal costs. A SPIA that "underperforms the market" has not failed — underperforming the market is its design; it traded the market's highs for a floor the market cannot promise — a floor backed by the insurer's claims-paying ability. A variable annuity that "beat inflation" may still have failed — if you paid 3% a year for guarantees you never needed.

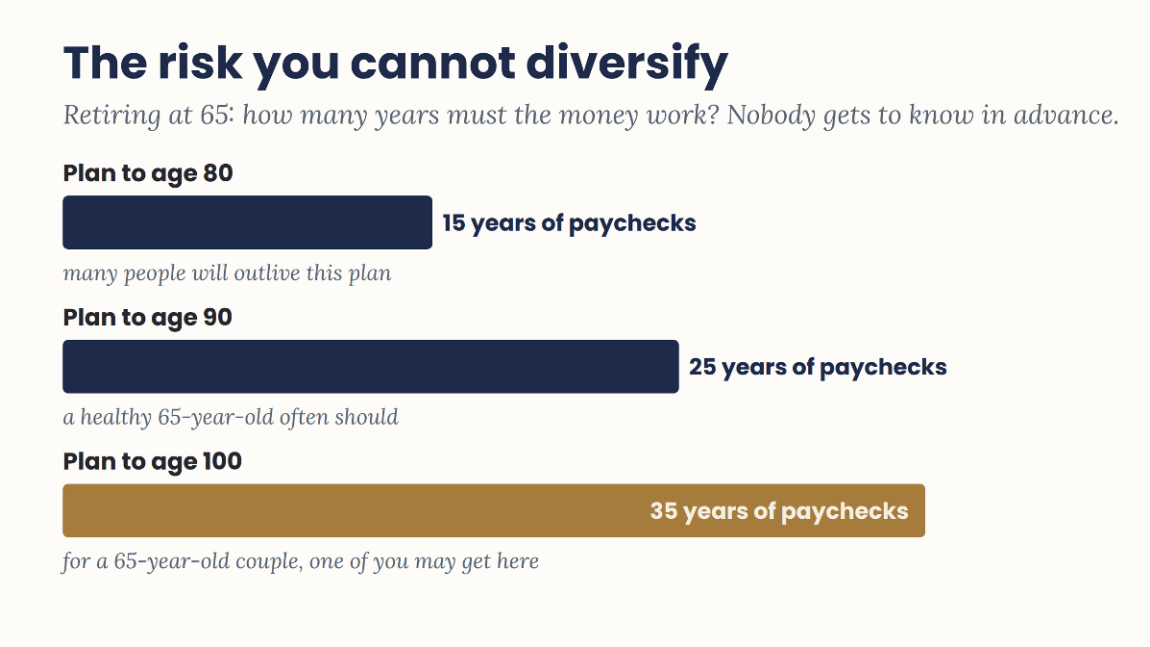
So the two questions that govern this entire book, and any honest annuity conversation you will ever have, are these: **Do I actually have the risk this contract removes?** And **is the price of removing it fair?** Every chapter from here is one of those questions wearing work clothes.

One more definition, because the next chapter leans on it. The risks that matter in retirement come in two kinds: risks you can diversify away (one bad stock, one bad year) and risks you cannot (how long you live, what order the bad years arrive in). Markets handle the first kind beautifully. Insurance exists for the second. Keep that boundary in mind and half the annuity industry's confusion — and half its critics' — disappears.

CHAPTER THREE

The Risk You Cannot Diversify

Ask a room of sixty-five-year-olds how long their money needs to last and most will quietly price in "fifteen, maybe twenty years." Now look at the arithmetic of couples: for two healthy sixty-five-year-olds, it is routinely prudent to plan for one of them reaching the mid-nineties. That is not optimism or pessimism. It is a die you roll once, blind — and the outcomes range from eight years to thirty-five.



Planning horizons for a 65-year-old, illustrative. You do not get to know your row in advance — which is the entire problem.

Every other retirement risk can be blunted with diversification, patience, or budgeting. This one can't, because it multiplies all the others: the longer you live, the more bad markets you meet, the more inflation compounds, the longer your

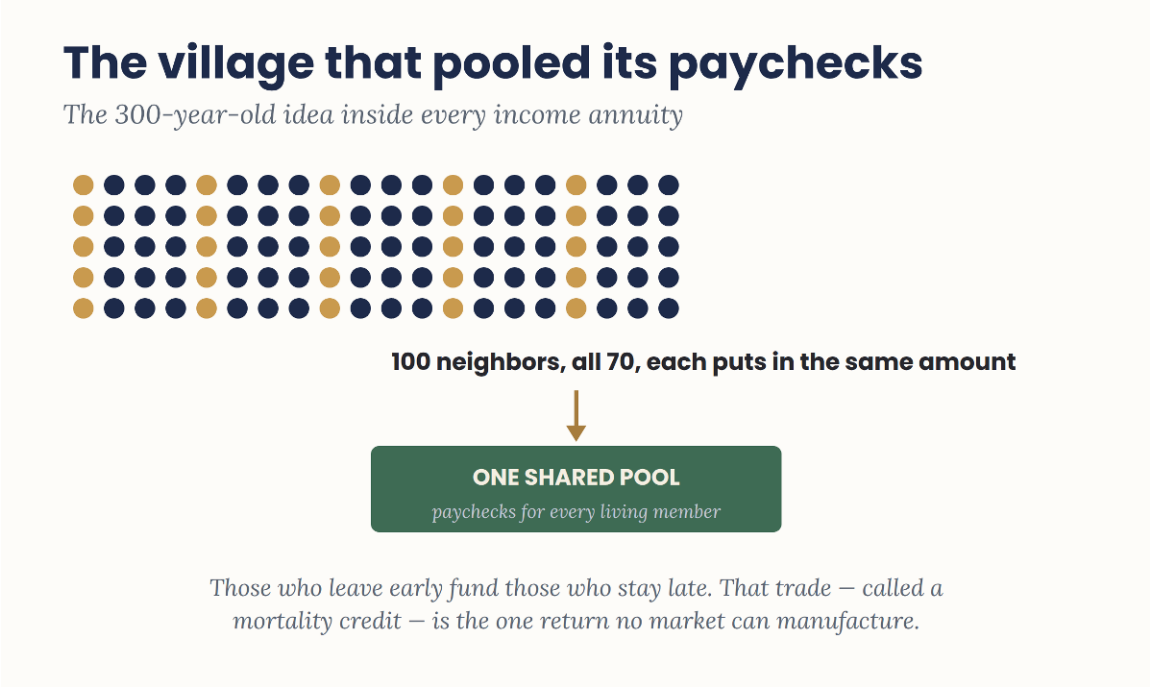
withdrawals must keep coming. Financial planners call it **longevity risk**. Retirees experience it as a quieter thing: the fear of being ninety-two with a spreadsheet that stopped at ninety.

There are exactly three ways to handle a lifespan you cannot predict. **Self-insure**: save enough to fund the longest plausible life — the surest way, and the most expensive, since most people will die with most of that cushion unspent. **Underplan and hope**: the default American strategy, priced at sleepless nights. Or **pool the risk** with other people, so that nobody has to fund age 100 alone. That third way has existed for three centuries, and it is the subject of the next chapter — because pooling is the one thing an annuity does that no investment portfolio can.

CHAPTER FOUR

The Village That Pooled Its Paychecks

Forget insurance companies for a moment. Imagine a village of one hundred neighbors, all seventy years old, each with the same savings and the same worry: *what if I live longer than my money*? One evening someone proposes a deal. Everyone puts the same amount into one pot. The pot pays every living member the same yearly paycheck — larger than anyone could safely pay themselves — for as long as they live.



The oldest idea in retirement finance, drawn as a village. An insurance company is the village at industrial scale, with a legal guarantee bolted on.

Why can the pot pay more than any member could pay themselves? Because a person spending alone must budget for the *longest* life they might live — while the pot only has to fund the *average* of a hundred lives. The difference between "longest possible" and "average" is released as extra income for everyone, every year. Economists call the extra **mortality credits**. The village calls it what it is: the neighbors who leave early treating the neighbors who stay late.

Notice two honest things about the village. First, the deal has a price: money committed to the pot is committed — it is not on deposit, and it will not go to your children (unless the pot sells that feature back to you, at a cost, which modern contracts do). Second, the deal is not for everyone: a member who already has far more money than any lifespan could spend gains little from pooling. The village is for people whose worry is real — which is most people, but not all. Hold both of those thoughts; they are the honest halves of every chapter that follows.

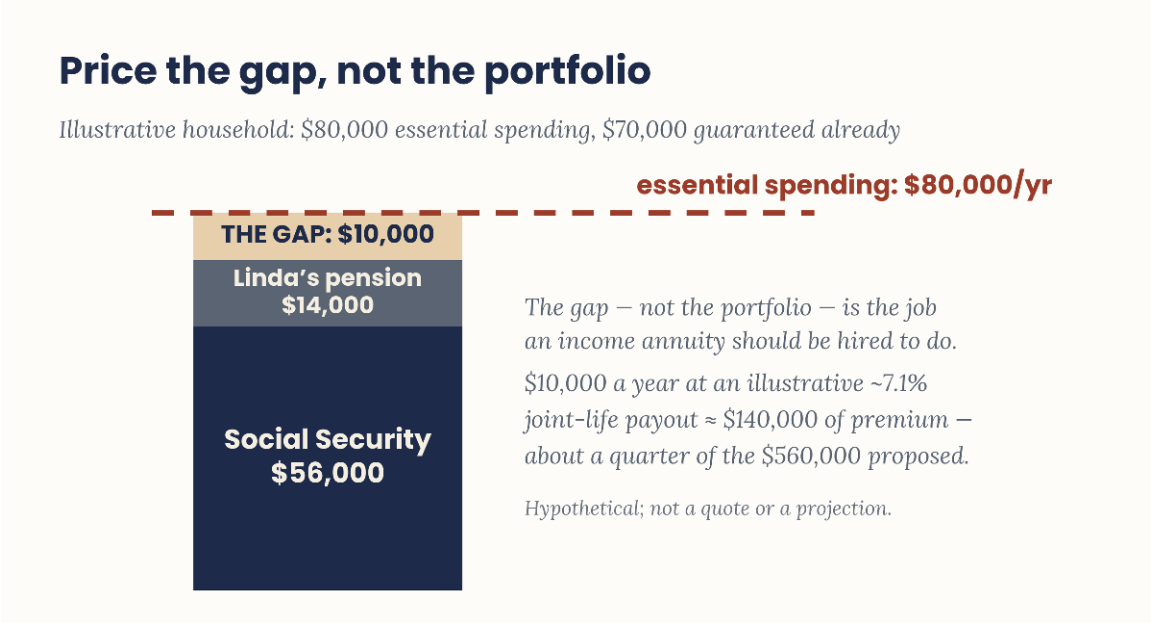
Mortality credits are the one return that markets cannot manufacture at any risk level. Outside Social Security and a traditional pension, an annuity is the only place a retiree can buy them.

CHAPTER FIVE

Price the Gap, Not the Portfolio

> Back to Tom and Linda. The steakhouse proposal wanted 70% of their savings — $560,000 of $800,000 — moved into an indexed annuity with an income rider. The brother-in-law's article said zero. Here is what an afternoon of arithmetic said instead.

> Their essential spending — the must-pays, not the cruises — came to about $80,000 a year. Social Security, claimed sensibly, would cover $56,000, and Linda's small pension another $14,000 — $70,000 guaranteed before anyone sold them anything. The real problem, the one worth solving with a guarantee, was $10,000 a year. Not $800,000. Not even $560,000. Ten thousand dollars a year of paycheck that must arrive no matter how long they live and no matter what markets do.



The gap is the job. Hypothetical numbers, not a projection — yours take one page: essential spending on one line, guaranteed income on the next, subtraction on the third.

This is the sizing rule that protects you from both dinners: **an income annuity should be sized to close the gap between guaranteed income and essential spending — and no more.** A proposal sized as a percentage of your assets is sized to your balance sheet. A proposal sized to your gap is sized to your life. The difference for Tom and Linda was enormous: at an illustrative joint-life payout of about 7% a year, closing a $10,000 gap took roughly $140,000 — about a quarter of what the steakhouse wanted to move — leaving the rest of their savings invested, liquid, and pointed at growth and heirs. And the $10,000 arrives for as long as either of them lives.

Treat that 7% as an illustration, not a verdict. How much guaranteed income a household needs, and what a lifetime payout buys, depend on total income from all sources — Social Security, pensions, the portfolio, work or rental income — on ages and life expectancy (mortality), on whether one life or two is covered, and on health, taxes, and the rest of the plan. No payout rate is right or wrong on its own; it can only be right or wrong for a particular household, and Tom and Linda's arithmetic worked because it started from everything they already had coming in.

And sometimes the page does the opposite: the gap comes out at zero — the pension and Social Security already cover the essentials — and the honest conclusion is that no income annuity belongs in the plan at all. That sentence has ended a lot of steak dinners early. It is also the sentence that tells you the arithmetic was done.

CHAPTER SIX

The Paycheck Problem

> Carol retired at sixty-six with $900,000, no pension, and a habit built over forty-three working years: she spent paychecks, and only paychecks. Her advisor told her that a withdrawal of about $36,000 a year (4%) from the portfolio was a reasonable starting point. She drew $11,000. Not because she was frugal — because every withdrawal felt like breaking something. She skipped the trip to her granddaughter's graduation the same year her account grew by six figures. "It felt," she said later, "like spending the seed corn."

Researchers call this the **retirement consumption puzzle**: a large share of retirees with ample savings systematically underspend them, living leaner lives than their money requires. It is the least discussed argument in the annuity debate and often the most human one. A pile of money, it turns out, is not a paycheck. A pile asks you to decide, every month, how much of your future to consume. A paycheck asks nothing. It just arrives, with permission built in.

Guaranteed income changes behavior in ways spreadsheets do not capture: retirees with income floors spend their essentials without flinching, stay invested through bad markets with less panic (the groceries were never in the market), and — ask any adviser who has watched it — argue about money less. For a Carol, an income annuity is not really a financial instrument. It is a machine that converts savings back into the thing she always knew how to spend.

The honest other half: permission has a price — the same price as always: committed money, less flexibility, less legacy. A disciplined spender with no anxiety about drawing down a portfolio gets little from the machine. The behavioral case for annuities is real, but it is a case about *you*, not about products. Know which spender you are. Your spouse already does.

CHAPTER SEVEN

The Menu, in Plain English

Everything so far has been about *whether* and *how much*. Now the menu — because once the job is named and sized, you still have to pick the tool, and the menu is long. Here it is, stripped to what each type really is, with its honest pro and its honest con side by side.

Type	What it really is	Honest pro	Honest con
MYGA	A CD-like fixed rate for a set term, from an insurer	Simple; often out-yields bank CDs; tax-deferred	Locked up for the term; not FDIC-insured — backed by the insurer's claims-paying ability
SPIA (income now)	You hand over a sum; lifetime payments start immediately	Highest guaranteed income per dollar of any payout that starts now	Irreversible; little or no legacy; fixed checks meet rising prices
DIA / QLAC (income later)	Payments that start years from now	Low-cost insurance against very old age; QLACs defer some IRA taxes	You may not live to collect; the money is spoken for
Fixed	Insurer-declared interest, reset annually	Principal protected by the insurer (surrender charges still apply); boring in the good way	Renewal rates drift toward the floor (see *Is Your Annuity Any Good?*, Chapter Six)
Fixed indexed	Interest linked to an index's gains, with caps — never invested in the market	No index losses credited (surrender charges and rider fees can still reduce value); some upside participation	Caps are the price and can be cut; complexity hides costs
Variable	Real market funds inside an insurance wrapper	Full market upside; guarantees available via riders	Layered costs, often among the highest in retail finance once riders are added; you can lose money

Type	What it really is	Honest pro	Honest con
RILA / buffered	Market exposure with partial, explicit downside protection	A genuine middle path; the protection is defined	A buffer absorbs only a set level of loss; losses beyond it are yours, and all protection depends on the insurer's claims-paying ability. RILAs and variable annuities are securities sold by prospectus — read it.

A useful compression: the further down the menu you go, the more market you keep and the more complexity you accept. The further up, the more certainty you buy and the more flexibility you surrender. There is no row without a trade.

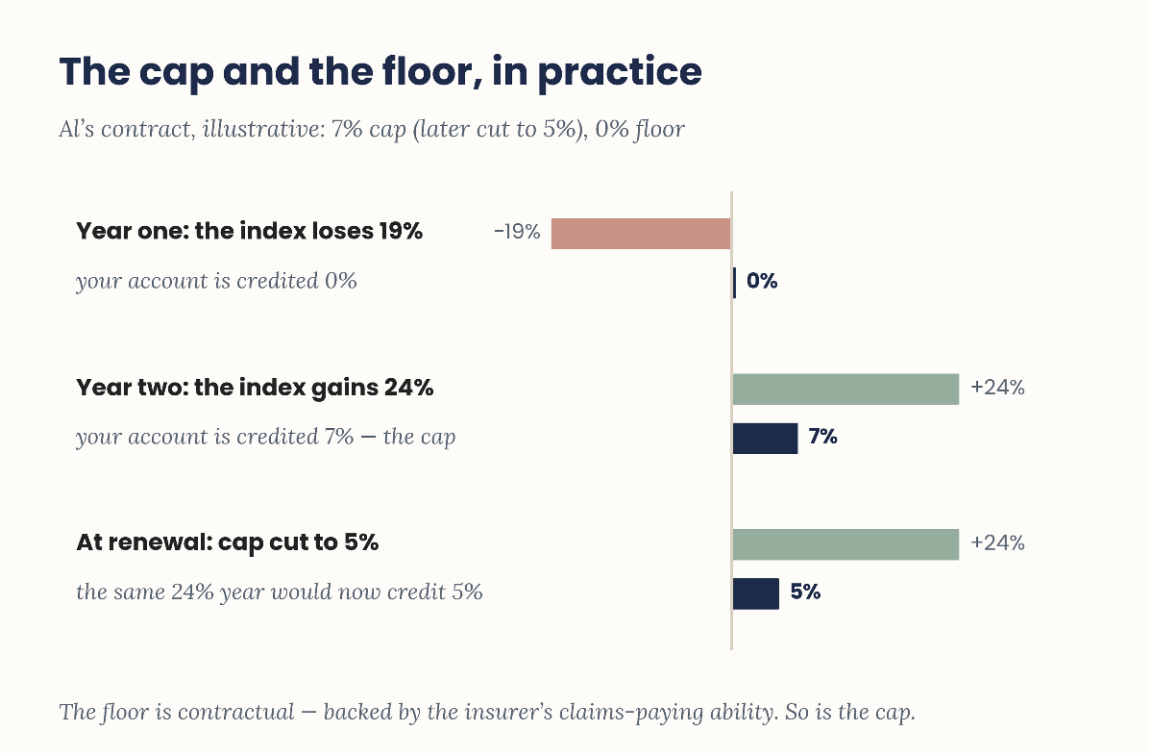
Three footnotes to the menu. A MYGA's rate is a promise from the insurer, not a bank: it is not FDIC-insured, and it is backed by the insurer's claims-paying ability. And for the QLAC row: up to $210,000 of IRA money (the 2026 limit, unchanged from 2025) can be placed in a QLAC and excluded from required minimum distributions until as late as age 85. And on who watches over the menu: every annuity is an insurance contract, and insurance is regulated by your state's insurance department, which licenses both the company and the agent. MYGAs, fixed, fixed indexed and income annuities are, in most cases, insurance products regulated by the states rather than securities. Variable annuities and RILAs are securities as well as insurance contracts, so the SEC and FINRA oversee them too. Federal and state regulators alike publish plain-English consumer guides to annuities, and they are worth reading.

Two notes on reading the menu. First, how often a row is advertised tells you nothing about how much longevity protection it buys: the plain SPIA, arguably the purest longevity tool on the menu, is rarely the subject of a dinner seminar. Ask what a contract's job is before you ask how it performs. Second, "bonus" products — contracts that credit an upfront percentage, sometimes 10% or more, at purchase — deserve a careful read: bonuses are typically paid for through longer surrender schedules, lower caps or crediting rates, higher fees, or a recapture of the bonus if you leave early. A bonus is part of the price, not a gift.

CHAPTER EIGHT

What "No Market Losses" Really Costs

> Al bought his indexed annuity in a year the market fell 19%, and his statement credited 0% instead of a loss. He told everyone at the golf course. The next year the market roared back 24% — and Al's statement credited 7%, his cap. He told no one at the golf course. Two years later, at renewal, the insurer quietly cut the cap to 5%. Al found out when we read his anniversary letter together — the one he'd filed, unopened, in the blue folder.



Illustrative, using Al's years — not a projection: a 7% cap (later cut to 5%) and a 0% floor, backed by the insurer's claims-paying ability. Both are real. The trade is the best years for the worst ones — which can be a fine trade, if you know you are making it.

Indexed annuities are neither the miracle of the brochure nor the scam of the article. They are a mechanism: the insurer takes your money, invests it mostly in high-grade bonds, and spends a sliver of the interest buying options on an index. Good years, the options pay off and you get some of the gain — up to the cap. Bad years, the options expire and you get zero — not a loss. The floor is contractual — backed by the insurer's claims-paying ability. So is the ceiling. What you own is a bond-like asset with a lottery ticket stapled to it — not the market with the losses erased.

Judged as what it is, the product has real uses: money that must not go down, held by someone who would otherwise keep it in cash, earns a fair shot at beating CD returns. Judged as what the slides claim — "market gains without market losses" — it will disappoint you in exactly the years your neighbors are celebrating. And caps, remember, can typically be reset at each anniversary or term, at the insurer's discretion, down to the contract's guaranteed minimum: the companion to this book, *Is Your Annuity Any Good?* (Chapter Six), shows how caps and renewal rates can change in the years after purchase.

CHAPTER NINE

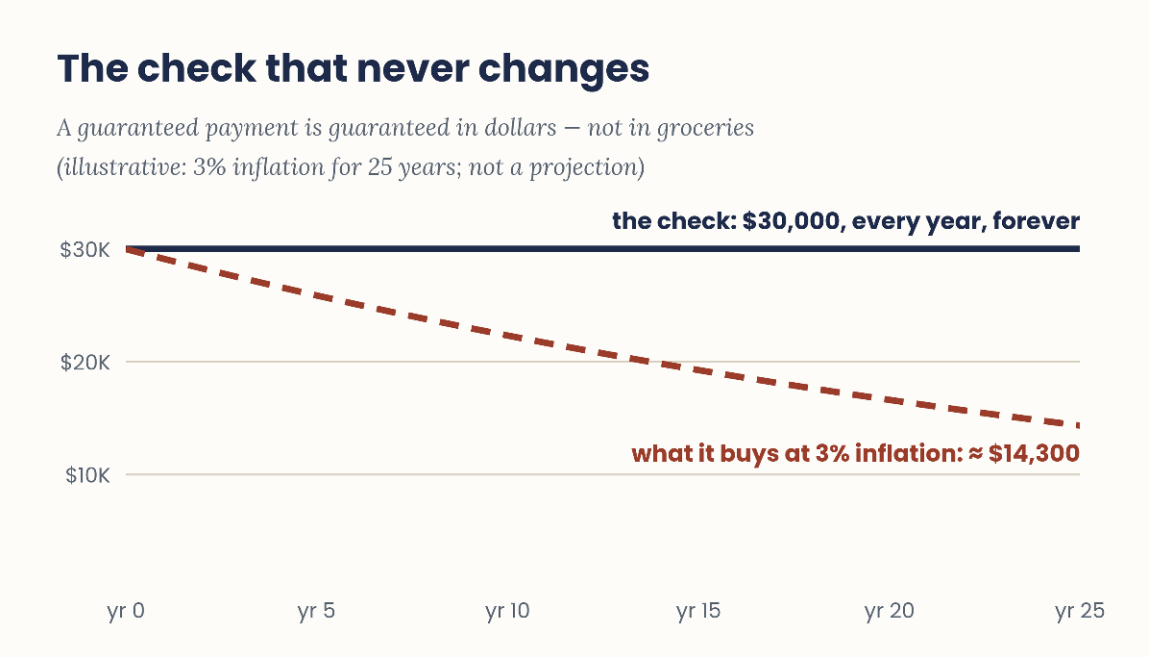
The Honest Cons, All in One Room

Scattered warnings are easy to shrug off, so here they all are, together, the way they belong on the table before any signature.

Your money gets locked. Surrender schedules commonly run six to ten years — sometimes longer, and as short as three on some fixed contracts. (In Florida, for buyers 65 and older, a surrender charge may not exceed 10% of the amount withdrawn and must end by the tenth policy year.) *Grace, four years into a ten-year contract, needed a roof and then a hip. Her "safe money" charged her* $5,100 *to be rescued.* Never put emergency money into an annuity; never sign past your liquidity.

Costs compound against you. A variable annuity with an income rider at 3%-plus, all in, consumes a third of a 9% year — and in a flat year, more than all of it. Cost is not a detail of the decision. Over twenty-five years it *is* the decision.

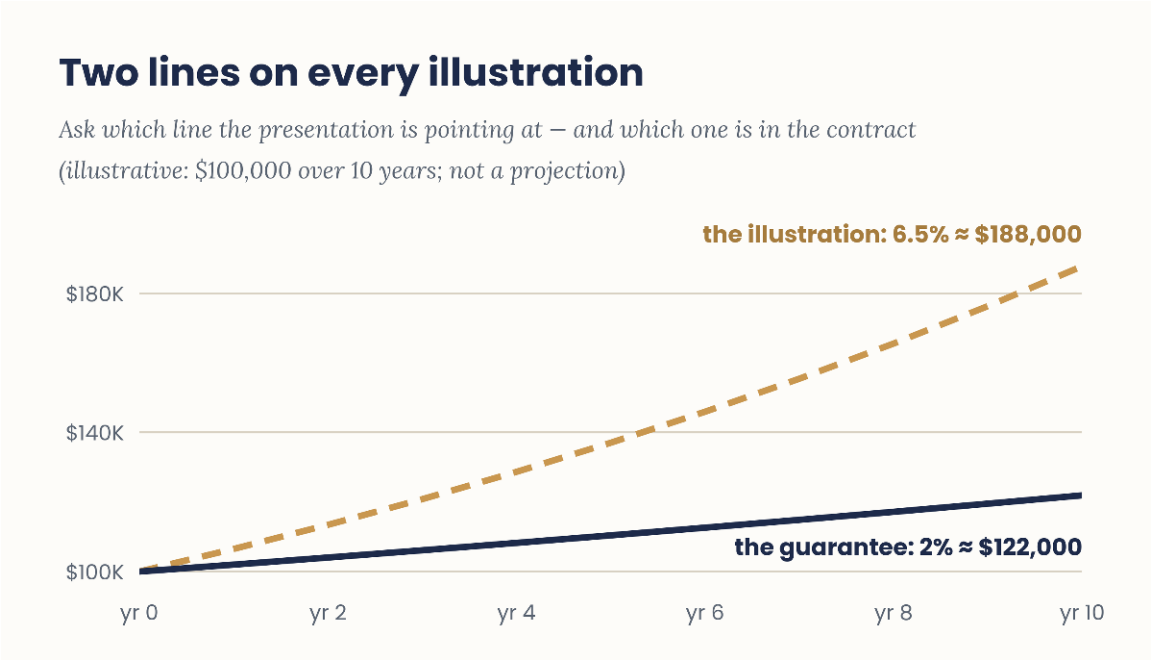
Fixed checks meet rising prices.



Illustrative, not a projection: 3% inflation for 25 years turns a $30,000 check into about $14,300 of groceries. Inflation-adjusted annuities exist — they start smaller. Ask to see both.

Taxes are ordinary, and heirs get no step-up. Gains come out as ordinary income, not capital gains, and an annuity in an IRA adds no extra deferral — if one is proposed inside your IRA, the guarantee alone must justify it, because the tax story is already spent.

The guarantee is a promise from a company. Not from a market, not from the government. The issuing company's claims-paying ability and financial strength — independent ratings from more than one agency — belong in every proposal; Chapter Ten puts them first among the four things that make any annuity worth buying. Your state's guaranty association provides limited protection that varies by state and is worth one phone call to understand — before, not after — but it is a backstop, not a reason to buy, and should not be relied on when purchasing an annuity.

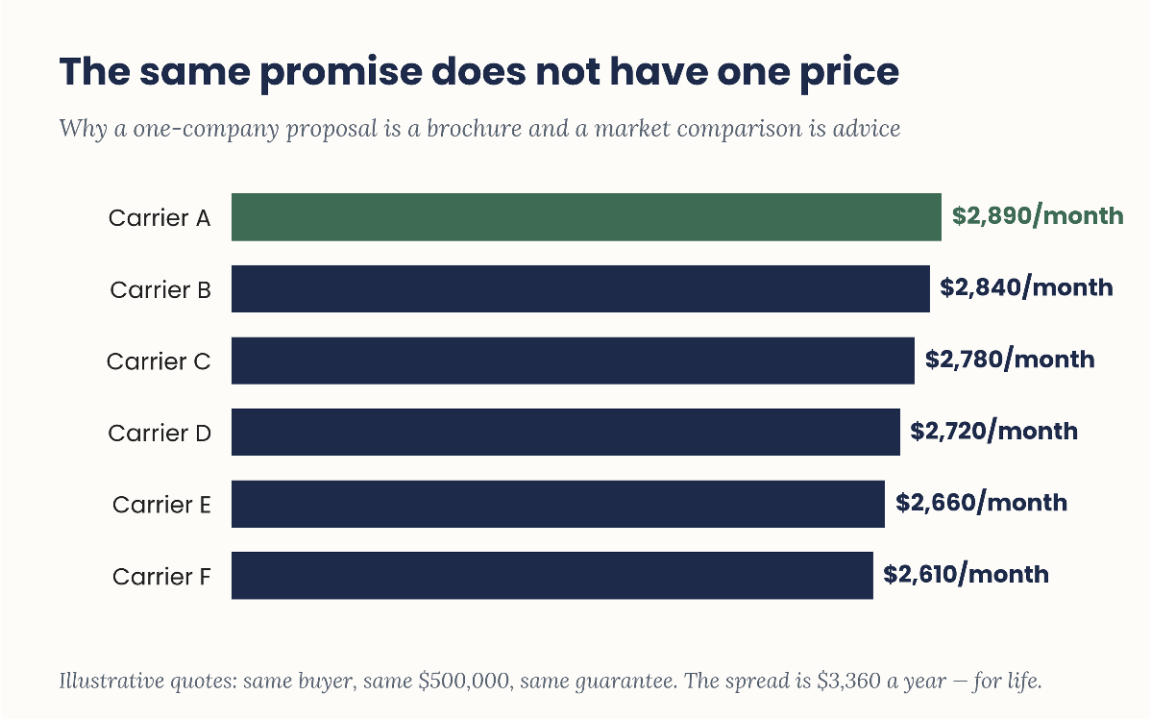


And the master warning that contains the others: every illustration has two lines. The dashed one is a hope. The solid one is a contract. Ask which line each number you were shown lives on. (Illustrative, not a projection.)

CHAPTER TEN

Buying It Well

> Sam — retired plant manager, congenitally suspicious, my kind of client — decided an income annuity belonged in his plan and then did something almost nobody does: he shopped for it like a truck. Same guarantee, same $500,000, quoted across the market. The best monthly check and the worst differed by $280 a month. “That’s my golf budget,” Sam said. “For life. For a few phone calls.”



Illustrative quotes, not a projection. The spread between carriers for the identical promise is common, meaningful, and invisible inside a one-company proposal.

Before the shopping trip, know what you are shopping for. The value of any annuity — of any insurance contract — rests on four things. None of them is the brochure, and none of them is the way it was sold.

The four things that make an annuity worth buying

- **The company behind the promise.** Its claims-paying ability and financial strength, judged by independent ratings — AM Best, S&P, Moody's, Fitch — from more than one agency, in writing. (The Comdex, published by VitalSigns — now part of Zinnia — and usually seen in insurers' materials or an agent's software, blends those ratings into a single 1-to-100 score — ask for it.) You are choosing a counterparty for a thirty-year promise; act like it.
- **The guaranteed minimums.** The contract's guaranteed minimum rate structure — the minimum interest rate, the minimum cap or participation rate, the guaranteed payout. These are the numbers that hold in the worst case, the solid line from Chapter Nine.
- **The current crediting rates.** Today's rate, cap, participation rate, or payout — compared across carriers for the same guarantee, because they vary more than most buyers imagine.
- **The history.** The company's consistency of competitiveness over time: what it has actually credited on existing contracts at renewal, year after year — not just the first-year rate on the new one.

Then three disciplines put those factors to work:

- **Make the market compete.** Payout rates and crediting rates for identical guarantees vary by carrier and change constantly. Ask any proposer: *how many carriers did you compare, and can I see the list — with each company's ratings, guaranteed minimums, current rates, and renewal history?* One company's product is a brochure. The market is advice.
- **Read the guaranteed column, sign on the guaranteed column.** Chapter Nine's two lines, forever.
- **Ask how the person helping you is paid.** In dollars, in writing. It is a plain disclosure question, and you are owed a plain answer. The answer tells you nothing about whether the contract is a good one — a higher commission does

not make a product worse, and a lower one does not make it better. The four factors do that.

And the discipline above all of them: the annuity arrives as a *line item in a written plan* — sized by Chapter Five's gap, placed after Social Security timing is decided, coordinated with taxes and the portfolio. A product without a plan around it is an answer without a question.

One piece of context for the shopping trip: since April 2025, every state has adopted the NAIC "best interest" rule for annuity sales — a real improvement over the old suitability standard, though by the NAIC's own description not a fiduciary standard. Your state insurance department licenses the company and the agent; it is worth a look at both.

CHAPTER ELEVEN

Where It Belongs — When It Belongs



The architecture this book has been building one chapter at a time. The annuity, when one belongs at all, is part of the bottom layer — never the building.

Here is the whole book in one structure. The **floor** guarantees the essentials for life: Social Security first (delaying it is often the least expensive inflation-adjusted income you can buy), a pension if you have one, and — only if a gap remains — an income annuity sized to close it. The **engine** is the invested portfolio, which the floor liberates: with the groceries guaranteed, the engine can ride out bad markets, fund the good years, and grow. The **legacy** is what the first two layers never consume.

Read the architecture and the checklists write themselves. An annuity deserves a serious look when the floor has a hole in it: essential spending exceeds guaranteed income, retirement is near or here, sleep is being lost to markets, or a Carol-shaped spender needs savings turned back into permission. It deserves a polite pass when the gap is zero, when the money might be needed inside the surrender period, when the pitch is growth rather than certainty, when the proposal wants most of your assets, or when you cannot yet restate how it works in your own words.

Tom and Linda, one last time. They closed a $10,000 gap with roughly $140,000 — about a quarter of what the steakhouse proposed — using a carrier the steakhouse never mentioned, at a monthly payout the steakhouse never matched, and kept the rest of their money invested and liquid. The payout was illustrative of their situation, not a rule for yours: it fit because it was sized against their total income from every source. Their essentials are now covered for as long as either of them lives. The brochure called annuities the answer to everything. The article called them the answer to nothing. The answer, as usual, was a number — theirs.

Name the job. Price the gap. Make the market compete. Read the guaranteed column. And know exactly how whoever helps you decide is paid — in dollars, in writing.

That last sentence, and the whole book, come down to one conviction. A fiduciary approach — understanding the contract, reviewing it against the four things that make an annuity worth buying, and seeing its pros and cons side by side before any signature — typically, though not always, serves a buyer better than a sales-focused approach that shows only the upside of a particular product, program, or strategy. Many agents work exactly that way. Whoever helps you, ask for the approach. For the contract already in your drawer, this book's companion, *Is Your Annuity Any Good?*, applies the same review.

If you'd like a second set of eyes on an annuity you own or are considering, a no-cost review is available at HonestFeeReview.com.

Notes and Sources

Figures are current as of September 2026. Hypothetical illustrations are the author's arithmetic on the stated assumptions.

Preface — The Exchange Rate

"*call it 54,000 hours*" — Author's illustration; assumptions: 30 years × 45 weeks × 40 hours = 54,000.

"*a penny saved is a penny earned*" — A popular paraphrase; Franklin's own wording was "A penny saved is two pence clear" (*Poor Richard's Almanack*, 1737). "Did Ben Franklin Say 'A Penny Saved Is a Penny Earned'?", Snopes. https://www.snopes.com/fact-check/ben-franklin-penny-saved-penny-earned/

Chapter Two — What an Annuity Actually Is

"*if you paid 3% a year for guarantees*" — "What Are Living Benefit Riders for Annuities?", Annuity.org (2026): a variable annuity with a living benefit rider can have total expenses of approximately 3% a year. https://www.annuity.org/annuities/riders/living-benefit/

Chapter Three — The Risk You Cannot Diversify

"*plan for one of them reaching the mid-nineties*" — "American Academy of Actuaries, SOA Update Longevity Illustrator", PLANADVISER: for a couple retiring in their 60s there is a high likelihood that at least one will live well into their 90s. https://www.planadviser.com/american-academy-actuaries-soa-update-longevity-illustrator/ ; Actuaries Longevity Illustrator, American Academy of Actuaries and Society of Actuaries. https://www.longevityillustrator.org/

"*from eight years to thirty-five*" — Author's illustration; planning horizons to ages 80, 90 and 100 from 65 are 15, 25 and 35 years.

Chapter Four — The Village That Pooled Its Paychecks

"*mortality credits*" and "*existed for three centuries*" — Michael Kitces, "Tontines — How They Work and Are They Legal?" (review of M. Milevsky, *King William's Tontine*), describing England's 1693 tontine and the redistribution of deceased members' shares to survivors.

https://www.kitces.com/blog/tontine-agreement-instead-of-annuity-lifetime-income-mortality-credits-and-book-review-of-milevsky-king-williams-tontine/ ; M. A. Milevsky and T. S. Salisbury, "Optimal Retirement Tontines for the 21st Century: With Reference to Mortality Derivatives in 1693", Society of Actuaries (2014). https://www.soa.org/globalassets/assets/files/resources/essays-monographs/2014-living-to-100/mono-li14-1a-milevsky.pdf

Chapter Five — Price the Gap, Not the Portfolio

"*an illustrative joint-life payout of about 7% a year*" — Joint-life quotes per $100,000 averaged about $536 a month (≈6.4% a year) for a couple both 65 and $620 (≈7.4%) for a couple both 70, "How Much Does a $100,000 Annuity Pay Per Month?", Annuity.org (April 2026). https://www.annuity.org/annuities/how-much-does-a-100000-annuity-pay-per-month/ ; the most competitive 65/65 joint-life quotes reached about $598 a month (≈7.2%), "Joint Annuity Rates 2026", LifeAnnuities.us (September 2026). https://lifeannuities.us/rates/joint/

"*Treat that 7% as an illustration*" — Author's framing; payout rates vary with ages, whether one or two lives are covered, and the insurer, as the quotes above show.

"*closing a $10,000 gap took roughly $140,000*" — Author's illustration; assumptions: $80,000 essential spending, $56,000 Social Security, $14,000 pension; $10,000 ÷ 7.1% ≈ $140,800; $560,000 = 70% of $800,000.

Chapter Six — The Paycheck Problem

"*a withdrawal of about $36,000 a year (4%)*" — W. P. Bengen, "Determining Withdrawal Rates Using Historical Data", *Journal of Financial Planning* (1994). https://www.financialplanningassociation.org/sites/default/files/2021-04/MAR04%20Determining%20Withdrawal%20Rates%20Using%20Historical%20Data.pdf

"*retirement consumption puzzle*" — "Exploring the Retirement Consumption Puzzle", *Journal of Financial Planning*, Financial Planning Association (2014). https://www.financialplanningassociation.org/article/journal/MAY14-exploring-retirement-consumption-puzzle

"*retirees with income floors spend their essentials without flinching*" — D. Blanchett and M. Finke, "Retirees Spend Lifetime Income, Not Savings", Retirement Income Institute (2025): retirees spend about 80% of lifetime income but draw roughly 2% a year from savings. https://www.protectedincome.org/wp-content/uploads/2025/03/RP-30_BlanchettFinke_v3.pdf

Chapter Seven — The Menu, in Plain English

"*often out-yields bank CDs*" — "Best Fixed Annuity Rates", Annuity.org (September 2026): best 5-year MYGA about 6.30% versus roughly 4.50%–4.60% for top 5-year CDs. https://www.annuity.org/annuities/rates/

"*not FDIC-insured*" — "Annuities", FINRA: annuities are not guaranteed by the FDIC, SIPC or any other federal agency. https://www.finra.org/investors/investing/investment-products/annuities

"*up to $210,000 of IRA money (the 2026 limit, unchanged from 2025)*" — IRS Notice 2025-67 (2026 limitations). https://www.irs.gov/pub/irs-drop/n-25-67.pdf

"*until as late as age 85*" — Instructions for Form 1098-Q, IRS: payments must begin no later than the first day of the month after the 85th birthday. https://www.irs.gov/instructions/i1098q

"*RILAs and variable annuities are securities sold by prospectus*" and "*the SEC and FINRA oversee them too*" — "Annuities", FINRA: all annuities are regulated by state insurance commissioners; variable annuities and RILAs are also regulated by the SEC and FINRA. https://www.finra.org/investors/investing/investment-products/annuities

"*insurance is regulated by your state's insurance department*" — "Annuities", NAIC Insurance Topics: "Life insurance and annuities are regulated by state insurance commissioners." https://content.naic.org/insurance-topics/annuities ; "Updated Investor Bulletin: Indexed Annuities", SEC Investor.gov: "Not all indexed annuities are regulated by the SEC. The SEC regulates only indexed annuities that are securities." https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-investor-bulletin-indexed-annuities

"*often among the highest in retail finance once riders are added*" — "Updated Investor Bulletin: Variable Annuities", SEC Investor.gov: M&E charges typically about 1.25% a year plus administrative fees, fund expenses and rider charges. https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-5

"*sometimes 10% or more*" and "*longer surrender schedules, lower caps or crediting rates*" — "Top 20 Bonus Annuity Rates", My Annuity Store (September 2026). https://myannuitystore.com/annuity-rates/bonus-annuity-rates/ ; "Annuities", Utah Insurance Department (quoting the SEC: "there's no such thing as a free bonus"). https://insurance.utah.gov/consumers/life-annuity/annuities

Chapter Eight — What "No Market Losses" Really Costs

"*the market fell 19%… roared back 24%*" — S&P 500 price return −19.44% (2022) and +24.23% (2023), Slickcharts. https://www.slickcharts.com/sp500/returns/details

"*invests it mostly in high-grade bonds, and spends a sliver of the interest buying options*" — "Fixed Indexed Annuities — Product Mechanics and Risk Management", American Academy of Actuaries (February 2026). https://actuary.org/wp-content/uploads/2026/02/life-FIA-policypaper.pdf

"*caps, remember, can typically be reset*" — "Updated Investor Bulletin: Indexed Annuities", SEC Investor.gov. https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-investor-bulletin-indexed-annuities ; "The Complicated Risks and Rewards of Indexed Annuities", FINRA. https://www.finra.org/investors/insights/complicated-risks-and-rewards-indexed-annuities

Chapter Nine — The Honest Cons, All in One Room

"*commonly run six to ten years — sometimes longer*" — "Updated Investor Bulletin: Indexed Annuities", SEC Investor.gov (surrender period "typically lasts six to ten years, or even longer"). https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-investor-bulletin-indexed-annuities

"*may not exceed 10% of the amount withdrawn and must end by the tenth policy year*" — Section 627.4554, Florida Statutes (2025). https://www.flsenate.gov/Laws/Statutes/2025/0627.4554

"*3%-plus, all in, consumes a third of a 9% year*" — Annuity.org, living benefit riders (above); SEC variable annuity bulletin (above). Arithmetic: 3% ÷ 9% = one third.

"*a $30,000 check into about $14,300 of groceries*" — Author's illustration; $30,000 ÷ 1.03^25 ≈ $14,330.

"*Gains come out as ordinary income*" and "*an annuity in an IRA adds no extra deferral*" (also the disclosures' 10% additional tax before 59½ and Section 1035 exchanges) — "Updated Investor Bulletin: Variable Annuities", SEC Investor.gov. https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-5

"*heirs get no step-up*" — 26 U.S.C. § 1014(b)(9)(A), Legal Information Institute. https://www.law.cornell.edu/uscode/text/26/1014

"*independent ratings from more than one agency*" — "Consumer's Guide to Understanding Annuities" (PI-214), Wisconsin Office of the Commissioner of Insurance (rev. September 2025): A.M. Best, Standard & Poor's, Moody's, Fitch Ratings and others publish ratings; check at least two. https://oci.wi.gov/Documents/Consumers/PI-214.pdf

"*state's guaranty association provides limited protection that varies by state*" — "FAQs: Product Coverage", NOLHGA (typical limit $250,000 in present value of annuity benefits; varies by state). https://nolhga.com/policyholders/faqs-product-coverage/

"*every illustration has two lines*" — Author's illustration; $100,000 × 1.065^10 ≈ $188,000; $100,000 × 1.02^10 ≈ $122,000.

Chapter Ten — Buying It Well

"*differed by $280 a month*" — Author's illustration ($2,890 − $2,610 = $280 a month, $3,360 a year). For scale, September 2026 joint-life quotes at 65/65 ranged from about $492 to $598 a month per $100,000 across eight carriers, LifeAnnuities.us. https://lifeannuities.us/rates/joint/

"*The company behind the promise*" — "Buyer's Guide for Deferred Annuities", NAIC (2022): buy from a financially sound company and review its rating from an independent rating agency. https://content.naic.org/sites/default/files/publication-anb-lp-consumer-annuities-fixed.pdf ; Wisconsin OCI PI-214 (above).

"*The Comdex blends those ratings into a single 1-to-100 score*" — A 1-to-100 percentile composite of an insurer's ratings from AM Best, S&P, Moody's and Fitch; a company needs at least two ratings to be scored. Published by VitalSigns (formerly part of Ebix Exchange, now part of Zinnia) and usually seen through insurers' materials or agent software. VitalSigns became part

of Zinnia when Zinnia acquired Ebix's North American life and annuity software business (closed April 1, 2024): https://iireporter.com/zinnia-closes-acquisition-of-ebixs-north-american-life-and-annuity-assets/ Example of a VitalSigns Company List report as distributed in carrier materials: https://www.riversource.com/binaries/content/assets/riversource/C/COMDEXFULLREPORT.PDF ; plain-language explainer: "What Is a Comdex Score?," My Annuity Store (2026). https://myannuitystore.com/comdex-score/

"*The guaranteed minimums*" — NAIC Buyer's Guide (above): fixed deferred annuities have a guaranteed minimum interest rate, "the lowest rate the annuity can earn"; "Annuities", FINRA (indexed annuities' guaranteed minimum values). https://www.finra.org/investors/investing/investment-products/annuities

"*The history*" — Author's guidance. The NAIC Buyer's Guide (above) lists the initial rate, how long until it changes, and how the renewal rate will be set and announced among the questions to ask before buying.

"*since April 2025, every state has adopted the* NAIC *'best interest' rule*" — "All 50 States Adopt NAIC Best Interest Rule for Annuity Sales", 401(k) Specialist (April 2025). https://401kspecialistmag.com/all-50-states-now-on-board-with-naic-best-interest-annuity-rule/

"*not a fiduciary standard*" — Suitability in Annuity Transactions Model Regulation (#275) FAQ, NAIC (2021): "an enhanced standard of conduct … but not a fiduciary standard." https://content.naic.org/sites/default/files/inline-files/Final%20FAQ%20July%202021.pdf

Chapter Eleven — Where It Belongs — When It Belongs

"*delaying it is often the least expensive inflation-adjusted income you can buy*" — "Delayed Retirement Credits", Social Security Administration: benefits rise 8% a year (for those born 1943 or later) for each year claiming is delayed past full retirement age, up to age 70. https://www.ssa.gov/benefits/retirement/planner/delayret.html

BEFORE YOU RELY ON ANY OF THIS

Important Disclosures

This book is educational material, not individualized investment, insurance, tax, or legal advice, and not a recommendation to buy, keep, exchange, or surrender any product. Whether any annuity suits a particular household is a specific question with a specific answer; decisions should be made with your own documents, numbers, and professional advisers.

The people in this book are fictional composites built from patterns in real reviews; no real person is depicted, and no story describes the outcome of any particular client. Numbers in the stories and charts are arithmetic on stated illustrative assumptions. Illustrations are hypothetical, are not guarantees, and do not represent any specific product or future result. Actual products, rates, caps, fees, schedules, and tax results differ by contract, insurer, and state.

All annuity guarantees, including income riders and death benefits, are backed solely by the claims-paying ability of the issuing insurance company — not by any bank, not by the FDIC, and not by any adviser. State guaranty associations provide limited protection that varies by state; ask your state insurance department for details. Guaranty association coverage should not be relied on when purchasing an annuity. Variable annuities and RILAs are sold by prospectus; read it carefully before investing.

Withdrawals of gains are generally taxed as ordinary income, and withdrawals before age 59½ may incur an additional 10% federal tax. Annuities held inside IRAs receive no additional tax deferral. Exchanging one annuity for another (a "Section 1035 exchange") can preserve tax deferral but may start a new surrender-charge schedule and forfeit existing benefits; compare in writing before acting.

Advisory services are offered through WealthKare.com, Inc. dba The WealthKare Investment Center, an SEC-registered investment adviser; registration does not imply any particular level of skill or training. Bruce J. Smith III is a licensed insurance professional and is paid commissions on insurance and annuity products placed through American Assets Financial Corp., an affiliated insurance agency. This is a conflict of interest. These relationships are described in WealthKare's Form ADV Part 2A, available at adviserinfo.sec.gov.

The sources for the figures in this book are listed in "Notes and Sources." Information current as of September 2026.

About the Author



Bruce J. Smith III is the founder of WealthKare.com, Inc. dba The WealthKare Investment Center, an SEC-registered investment adviser with offices in Pennsylvania and Florida, and co-founder, with his wife Monica, of American Assets Financial Corp.

A Navy submarine nuclear plant operator turned forty-year veteran of the investment and insurance worlds, he started his career as a broker and became a fiduciary adviser in 1996; he remains a licensed insurance professional. A lifelong student of John Bogle, he has built his practice around a clean sheet of paper for every family and a deliberately small number of client households per advisor.

He is the author of Inside Your Retirement™: A Fiduciary's Library, a series of books published by Elite Wealth Network. The library lives at InsideYourRetirement.com — because after forty years as a student of personal finance, it's time to be the educator.

INSIDE YOUR RETIREMENT™: A FIDUCIARY'S LIBRARY

The Rest of the Library

This book is one part of a single argument about the costs of retirement. The companion books price the rest, weighed the same way: honest pros, honest cons, and the price tag in the open. Every title is available at no cost.

The Flat Fee Revolution

Why the way you pay for financial advice matters more in retirement than it ever has.

FlatFeeRevolutionBook.com

The Harsh Reality of Retirement Financial Planning

An honest tour of the no-paycheck years, and what they really cost.

RetirementRealityBook.com

Retirement Tax Planning — Is It for Me?

The tax drain on retirement accounts, and when planning around it pays.

RetirementTaxBook.com

Is Your Annuity Any Good?

How to evaluate a contract you already own: what it does, and what it costs.

AnnuityInsiderBook.com

Declining Health & Wealth Transfer

The costs of declining health and of passing wealth on, with a Florida focus.

HealthAndEstateBook.com

INSIDE YOUR RETIREMENT™

The complete library, free, at **InsideYourRetirement.com**



Have questions for the author?

Every book in this series ends the same way: with an open door. If something in these pages raised a question about your own situation, I would like to hear it. Call 888-888-6001, or scan below.

Ask the author

Scan to visit Inside Your Retirement, where you can reach the author and find every book in the series.

InsideYourRetirement.com

Request an Annuity Review

Scan to request a no-cost, no-obligation review of an annuity you own or are considering — its guarantees, rates and issuing company, pros and cons.

HonestFeeReview.com

INSIDE YOUR RETIREMENT™

Inside Your Retirement is an educational library and offers no products. Annuity reviews are educational, are provided by the author in his capacity as a licensed insurance professional, and carry no charge and no obligation to purchase. Insurance products are regulated by state insurance departments; guarantees are backed by the claims-paying ability of the issuing insurer.

Price the gap. Not the portfolio.

Annuities are among the most misunderstood tools in retirement finance — sometimes pitched to people who don't need them, and never shown to some who do. *Is an Annuity Right for You?* starts where the seminar never does: with the one number an income annuity should be hired against.

INSIDE, YOU WILL LEARN

- The gap — what it is, how inflation widens it, and why it is the entire assignment
- What annuities do brilliantly, what they do badly, and how to tell which you're buying
- The two lines on every illustration — and which one is in the contract
- The four things that make an annuity worth buying — and the questions to ask before you sign

An annuity is a tool, not a verdict — and tools are sized to jobs.



BRUCE J. SMITH III

A Navy submarine nuclear plant operator turned forty-year veteran of the investment and insurance worlds, Bruce J. Smith III became a fiduciary adviser in 1996 and remains a licensed insurance professional. This series lives at InsideYourRetirement.com — because after forty years as a student of personal finance, it's time to be the educator.

INSIDE YOUR RETIREMENT™ INSIDEYOURRETIREMENT.COM

PERSONAL FINANCE / RETIREMENT PLANNING

$19.95
ISBN 979-8-953332-03-3
51995>
9 798953 332033