INVESTMENT CONCEPTS, INC.
SAGEPOINT FINANCIAL

Retirement Planning with Annuities: Immediate vs. Deferred Annuities

Immediate annuities	Deferred annuities
Payout begins shortly after the premium is paid.	Payout begins at some specified future date, allowing time for accumulation.
Purchase with a single premium.	Purchase with either a single premium or periodic premiums.
Contract is usually irrevocable—after you enter into the contract, it can't be changed.	Contract can be surrendered or exchanged for another annuity (Section 1035 exchange[2]).
Assets do not accumulate on a tax-deferred basis. They are distributed using a predetermined formula, such as for life, for a fixed period, in a fixed amount, and so on.	Assets accumulate on a tax-deferred basis. When distributions begin, they are made using a predetermined formula, such as for life, for a fixed period, in a fixed amount, and so on.
Each distribution is part tax-free return of premium and part ordinary income, depending on age and the distribution method.	Distributions are first made from any gains/interest earned and taxed at ordinary income tax rates; tax-free return of premium is distributed last.
No tax penalty on lifetime payments started before age 59½.[1]	A 10 percent nondeductible tax penalty is assessed on the gains (or interest) withdrawn before the annuitant reaches age 59½, unless an exception applies.

[1] Unless the immediate annuity is purchased with the proceeds from a deferred annuity.

[2] A Section 1035 exchange into another insurance product may result in new or increased surrender charges or higher charges, such as annual fees, associated with the new product. Features and benefits of the new product may result in higher costs associated with them and may not be necessary.

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