



Advantages And Uses Of A Fully Liquid Fixed Rate Annuity



A Fully Liquid Fixed Rate Fixed Annuity No Surrender Charge - Flex Premiums

By: Jeff Affronti—November 15, 2017

Here is a fixed annuity that can assist in gathering premiums for use at the most opportune time. A Flexible Premium Deferred Annuity (FPDA) with NO surrender charges. This means a client can withdraw premium anytime without charges or fees. The initial minimum premium is low at \$10,000 and the policy owner must keep at least that much in the product to keep it active. Additionally, premiums of at least \$1,000 + can be added anytime to a maximum of \$600,000. Below are some great ways to incorporate this annuity into retirement planning to help maximize savings growth.

Agent note: Qualified funds have more flexibility when directly transferring premiums in and out of a fixed annuity. Non qualified funds have restrictions and possible penalties regarding 1035 exchanges and partial 1035 exchanges. Always analyze what effects the rules and restrictions will have on the clients plans before opening the policy.

Uncertainty and a looming 30 Day Windows. Many Multi-Year Guarantee Annuities (MYGA's) allow a client only 30 days after the initial guarantee period to decide if they want to renew with a new surrender charge term or exit the contract. If the client does nothing, those policy will renew with the surrender charges recurring and

often at a lower rate than is available elsewhere in the marketplace. A no surrender annuity is a great way to slow down that process and allow the client to review all options without a time restraint.

Clients who feel they would like to use the funds in the next 36 months. Clients that need a parking spot for premiums they would like to use for a large purchase such as a home or a child's education. Other clients may feel rates or other opportunities may rise in the near future and want to be able to use their funds at any moment.

Locking in Market gains. A client who may have substantial gains to protect may use a no surrender annuity to consolidate those gains. This will allow the client a holding account until they decide where to safely invest those gains.

Flexible IRA Contributions. Sometimes clients may have a surprise when they do their taxes and may benefit and offset some taxes if they make a small IRA contribution. Having an open and flexible account for IRA contributions is an advantage should a client need to quickly add to an IRA for the tax deduction. Since the account is already set up, the client only needs to send up the premium before the deadline. Plus, clients can move the funds later to a better rate or product at anytime. Since this no surrender product has a \$10,000 minimum, a transfer/rollover is usually how these policies are initially funded. A combination of a new contribution and a transfer would work as well. From January 1st until April's tax deadline, a client could make two years worth of contributions at once to open this policy if applicable.

Agent compensation note: An accumulation value based trail commission is paid for as long as the contract is in-force. Recognizing the agents could have more client maintenance than other annuities since the clients can move funds in and out.

In the end, this is a very versatile fixed bucket option for any portfolio. A tax-deferred alternative to help diversify liquid funds for use at the most opportune time. As of 11/15/2017 the rate is only 1.00% but, as rates rise, this annuity will become much more valuable and competitive for the uses mentioned above. **Keep it on your radar, we will!**

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