

How much do annuities cost and are there fees involved?

It's good to understand that an annuity transfers the risk of you outliving your assets to an insurance company. In turn, they guarantee a stable income for a specific length of time, or for as long as you live. Depending on the type of annuity you purchase, there may be fees involved in providing this guarantee.

How costs are calculated: An insurance company prices its guarantee based upon your life expectancy at the time of application, and the payout period you desire. Generally, the more risk you transfer to the insurance company, the higher the fees.