

What is an annuity? — An income stream you cannot outlive

Part 6 of 8

Possibly the most popular annuity provision is the ability to choose a payout option you cannot outlive. Within this category, you have several choices including the following:

- **Life only** – This option makes payments as long as you live, but makes no payments to a beneficiary. However, the “life only” option usually pays the highest income possible.
- **Life with period certain** – This option makes payments as long as you live. Should you pass away before the end of the “period certain,” the insurance company will make payments to your beneficiary for the remainder of the period. The period is generally 10 or 20 years.
- **Joint and survivor** – This option makes payments as long as either you or your co-annuitant or beneficiary lives. If you wish, you can specify a reduction in the payout amount after the first death.

Other payout options are available that pay income for specific periods but are not guaranteed for life. Annuitizing prior to age 59½ could cause the annuity payments to be reduced by the 10% federal tax penalty for premature distribution, unless the payments are made over one or more life expectancies.

We'll look at other payout options in part 7.

Annuity contracts are issued by The Variable Annuity Life Insurance Company. Annuities and mutual funds offered by VALIC are distributed by its affiliate, American General Distributors, Inc., 2929 Allen Parkway, Houston, Texas 77019, member FINRA.

VALIC represents The Variable Annuity Life Insurance Company and its subsidiaries, VALIC Financial Advisors, Inc. and VALIC Retirement Services Company.