

## What is an annuity? — Fixed or variable?

### Part 3 of 8

#### *Do you need guaranteed return or the potential for growth?*

A **fixed annuity** provides a guaranteed return — generally paying a set amount of interest. During the accumulation period, your money earns interest at rates set by the insurance company. The insurance company, backed by its claims-paying ability, guarantees it will pay no less than a minimum rate of interest. These interest rates are usually reset annually and guaranteed for one year.

A **variable annuity** offers the potential for greater investment growth than a fixed annuity. While the return amount can vary, depending on the performance of the investment options chosen, you could have a better chance that the income stream will stay ahead of inflation.

With a variable deferred annuity, you pay premiums to the insurance company during the accumulation period, and the company places those premiums (less any applicable charges) into a separate account. You select the investment options in which your money is invested according to your tolerance for risk.

Variable option values (stock funds, bond funds) will fluctuate so that your investment units, when redeemed, may be worth more or less than their original cost. So with a variable annuity, you have the opportunity for higher returns, but that comes with a higher risk. In other words, you can possibly lose some of your principal investment with a variable annuity, but generally, fixed annuity principal is guaranteed.

Read about more annuity types in Part 4.

**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.