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Understanding protected income

Your guide to annuity strategies for a secure retirement

The disclosure below applies to bank distribution entities.

Annuities explained: your path to protected income

If you are in or near a retirement age, you may wonder if your savings will last your lifetime. Unsurprisingly, most people are interested in supplementing their Social Security or pension with another form of guaranteed lifetime income — an annuity.

However, over half of Americans say they do not understand what annuities are, how they work and the benefits they provide.[1] You are not alone if you don't know about or understand annuities, but you may be missing out on a source of protected retirement income.

Retirement income basics and annuities

This guide will give you a better understanding of retirement basics, the role annuities play and the many benefits they may offer. You will learn about an important feature of annuities: how they won't outlive your savings. This is known as protected income.

What is protected lifetime income?

There are three sources of income you cannot outlive: your Social Security check, your pension check and an annuity. Others are considered probable income since they can go up and down based on the markets and other factors.

1 Protected income

Is income you can rely on.

- Social Security
- A pension
- An annuity

2 Probable income

Is income that can vary.

- Interest income
- Stock and whole life dividends
- Alternative investments (options, gold, art)
- Rental income

3 What is an annuity?

An annuity is an insurance product that can help meet various financial goals. One of the most important features is that annuities allow you to turn part of your savings into steady, protected income for the rest of your life. Think of it this way: you insure your home, your health and your cars — annuities allow you to insure your retirement income.

How do annuities work?

You purchase an annuity from a life insurance company. It can be through a lump sum or multiple payments.

Your money can grow tax-deferred until you withdraw it.[2]

You can convert your annuity into protected income for a specified period of time — or you can choose an option for payments to continue as long as you live.

1 Alliance for Lifetime Income, Protected Income and Planning study, 2024.
2 Qualified retirement plans, such as a 401(k) or traditional IRA, also offer tax deferral.

How much income do you need in retirement?

A 3-step framework

1 Identify the cost of your basic needs.
Start by prioritizing expenses into three categories:

- **Needs —** essentials such as a mortgage, utilities and groceries.
- **Wants —** expenses for a comfortable retirement lifestyle (dining out or traveling). Note: it's fine to earmark special passions as a basic need.
- **Wishes —** extras, once basic expenses are covered (charitable giving, a second home, etc.).

Add your monthly expenses based only on your needs, plus any wants that you can't live without.

2 Add your protected income sources together.
(Choose any that apply.)

Social Security + pension + annuity = total protected income

3 Subtract your total expenses from your protected income.
If the results are positive, you have a surplus. If negative, you have a shortfall.

Retirement income – basic monthly expenses = surplus or shortfall

When your retirement expenses and income are clear, you are better prepared to fund your lifestyle and address any shortfall.

Registered index-linked annuities (RILAs)

Growth potential balanced with a level of protection

Those seeking higher returns than fixed annuities and a degree of protection against losses may find value in the blend of growth potential and a level of downside protection offered by registered index-linked annuities (RILAs).

How it works:
RILAs allow for greater participation in the performance of selected market indexes, like the S&P 500, with options to limit your losses if the market drops. You can set a level of protection that aligns with your own risk tolerance, allowing you to control your exposure to possible market declines.

Additional benefits:
Like other annuities, RILAs offer tax-deferral and income options.

Good to know:
While you can balance growth potential with a level of protection from market dips, there is still some risk of loss since RILAs don't fully protect your initial investment amount.

Variable annuities

Growth potential with market exposure

Variable annuities (also known as VAs or variables) offer growth potential through a mix of investment options that are aligned with the stock exchange. If you are comfortable with market variances, seeking tax-deferred growth and/or a beneficiary benefit, variable annuities may be right for you.

How it works:

Variable annuities let you invest in various underlying investments known as subaccounts, which include stocks, bonds, or mutual funds. These investments offer a chance for higher returns and carry a higher risk of losing money. Both your initial contribution and growth will vary with market performance.

Important to know:

Unlike other annuities, variable annuities don't protect your initial investment from loss, so your account value can rise or fall with the market. A level of downside protection can be added for additional fees through insurance companies.

Explore strategies that can help you shape a confident retirement by visiting equitable.com/individuals/annuities.

Contact your financial professional or visit equitable.com.

Many Americans worry they won't have enough income to live on in retirement. That's why Equitable became a founding member of the Alliance for Lifetime Income (ALI), which brings together 24 of the nation's leading financial services organizations to educate Americans on the importance of protected lifetime income.

Variable annuities are long-term financial products designed for retirement purposes. In essence, an annuity is a contractual agreement in which payments are made to an insurance company, which agrees to pay out an income or a lump-sum amount at a later date. Variable annuity contracts are subject to market risk, including loss pf principal. All guarantees provided by annuities are based on and subject to the claims-paying ability of the issuing life insurance company.

If you are purchasing an annuity contract to fund an IRA or employer-sponsored retirement plan, you should understand that such annuities do not provide tax deferral benefits beyond those already provided by the Internal Revenue Code.

Variable annuities are sold by prospectus only, which contains more complete information about the contract, including risks, charges, expenses and investment objectives. You should review the prospectus carefully before sending any money. Contact a financial professional for a copy of the current prospectus.

Variable annuities are issued by Equitable Financial Life Insurance Company (Equitable Financial) (NY, NY) and, depending on the particular contract and its distributor, by Equitable Financial Life Insurance Company of America (Equitable America), an AZ stock company with an administrative office located in Charlotte, NC. Distributed by affiliate Equitable Distributors, LLC. The obligations of Equitable America and Equitable Financial are backed solely by their own claims-paying abilities.

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