The Advantages of Annuitization

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Annuitization can serve as a great source of retirement income.

An often-overlooked benefit of annuities is **annuitization:** the process of converting an annuity investment into a stream of payments. Although annuitization generally involves giving up control over one's assets, in that once annuitization starts it cannot be stopped and investment options cannot be changed, the stream of payments that result from annuitizing can be beneficial during retirement. What might annuitization offer you?

Monthly Income—With fixed annuitization, you know the amount of money you will receive and for what length of time you will receive it. You may even choose an option that gives you payments for as long as you live. A steady income stream in retirement can be important, especially if you will not have a pension from your employer.

Growth potential—With variable annuitization, you receive income payments based on a fixed number of units whose value fluctuates.* The value depends on the investment results of the underlying portfolios, as well as the applicable charges and the selected income option. Variable annuitization offers upside potential through continued investment in the annuity's variable subaccounts, which are typically invested in portfolios of stocks and/or bonds. Of course, there is a potential risk of smaller payments if the values of the stock and bond portfolios decline. Keep in mind that variable annuities can decrease in value — and dividends, rates of return and yields will fluctuate.

Help with long-term care needs—Annuitized payments may be used to pay premiums on a long-term care insurance policy, or the payments themselves may be used to meet long-term care costs. In fact, converting assets to income through annuitization may prevent disqualification for Medicaid benefits. Be sure to consult with an attorney or tax advisor who specializes in elder care issues.

Estate planning benefits—If you don't need income from the annuity to meet your current living expenses, you may want to use the annuitized payments to buy life insurance. This strategy may enable you to leave a larger amount to loved ones, free from income tax (of course, you must pay income taxes on a portion of the annuitized payments). It is important to properly structure an annuity to help avoid certain consequences in the event that the annuitant dies shortly after the annuity start date.**

Take a look at annuities—and the unique benefits of annuitization. It might be just what you need in your financial future.

Who might benefit from having income they can't outlive?

Centenarians! In 1990, only 37,000 Americans were age 100 or older.
In 2007, the number was over 84,000.
In 2040, more than 500,000 Americans are projected to be 100 years of age or older.
Buying an annuity in your middle age can help build a secure future for your old age.

Source: U.S. Census Bureau, 2008.

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* Variable annuities are contracts issued by insurance companies. Variable annuities are tax deferred, not tax free. Withdrawals of earnings are taxed as ordinary income and, if taken prior to age 59 ½, may be subject to an additional 10% federal tax penalty.

** If the death of the annuitant occurs after the annuity start date, payments may end if the contract was annuitized for a single life, or continue if annuitized over a joint life period.

Variable annuities are long-term investments designed for retirement purposes. You should carefully consider the investment objectives, risks, charges and expenses of the investment alternatives before purchasing a contract or investing money. These policies have limitations and are sold by prospectus only. The prospectus contains details on the investment alternatives, contract features, the underlying portfolios, fees, charges, expenses and other pertinent information. To obtain a prospectus or a copy of the underlying portfolio prospectuses, please contact your representative, or call Allstate at 800-203-0068. In New York, call 866-718-9824. Please read the prospectus carefully before purchasing a policy or sending money.

Through the annuitization of annuities, a portion of each payment will be considered taxable and the remaining portion will be a non-taxable return of your investment in the contract, which is also called the "basis". Once the investment in the contract is depleted, all remaining payments will be fully taxable. If the contract is tax-qualified, generally, all payments will be fully taxable. Payments taken prior to age 59 ½ may be subject to an additional 10% federal tax penalty.

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