

---

---

*Sherwood Investment Services*  
Financial Planning & Investment Management

Eric Linger, RIA  
Registered Investment Advisor

425-898-8989  
Sherwood-Investments.com  
elinger@Sherwood-Investments.com

23705 NE 61st Street  
Redmond, WA 98053

*The Savvy Investor*  
**Fixed Indexed Annuities**  
**Beware!**

## **The Pitch**

You may have attended a free financial seminar where you get a nice steak and hear how you can retire without worrying about the markets ups and downs. A favorite pitch at these seminars is a “fixed indexed annuity”, or some variation. They are an easy sell because they sound fantastic. The pitch is that these annuities will give you income for life and they will grow in value. They gain in value when the market goes up but don't decline when the market goes down.

Sounds great, doesn't it? All gains and no losses. How can you lose? Sound too good to be true? If what they say is true, why put your money anywhere else?

## **The Problems**

Here are just some of the problems.

- First, you do not fully participate in market up swings. If the market goes up 4%, your annuity might only go up 2%.
- And then there is usually a cap on how much your annuity can go up. If you're upward participation is capped at 4% and

the market goes up 50%, your annuity goes up a maximum of only 4%, or whatever value is specified in the contract.

- And these annuities are expensive with details about the expenses buried in the fine-print.
- And when you start withdrawing your money, the return looks great, but that is because most of the return is a return of your principle, the money you put into the annuity when you bought it.

## **Bottom Line**

Beware of the promises made about fixed indexed annuities or their hybrids. Annuities are insurance products with high commissions paid by the buyer. Between some combination of not participating fully in market increases and a cap on any increase, along with expenses, this investment is unlikely to fit many people's needs.

*Go to the seminar for the free steak but run from the annuity.*

---

***If you would like to learn more about successful investing and for independent investment advice, please contact us.***