Article published on March 20th 2012 | Finance

It is always wise to save some money for future since the future is the untraded path. It is thus very important that you invest some money for your future so that in case there are any financial difficulties in future, you would not have to worry much. There are many schemes that you can apply for investment so that you can expect some great returns in the future. Two such tools are the fixed annuity and the deferred annuity.

Annuities are defined as flexible contracts that are signed by the investor and the insurance companies that sell the annuities. These annuities are designed in such a manner that is provided to offer financial help to the investor at a specific period of time once the annuity gets matured. The timings are usually after retirement.

The fixed annuity is such a form of investment that offers a guaranteed amount of income in return. In case of the deferred annuity, it is considered to be a variable annuity and thus offers no guarantee. But usually the returns are higher than that of the fixed annuity. Usually the annuity also comes with the death benefit which is equivalent to the higher current value of the annuity or the total amount that the investor has already paid.

All annuities are tax deferred in property. You will only be taxed once you start withdrawing the money from the annuity account. On the other hand, the tax deferred annuity is defined as such a form of investment where the income tax on the invested amount is charged only when the investor starts receiving the periodic payments regularly after the maturity of the annuity. The annuities are divided into two phases, namely the accumulation phase and the payment phase.

During the accumulation, the annuity is purchased from the insurance company and the payments are made in the form of single premium or multiple instalments. The value of the annuity grows as per the type of purchase and also on the rate of interest that is set at the time of purchasing by the insurance company. Withdrawals from the annuity are possible at all times, but then the amount is subjected to tax against the investor. During the payment phase, the annuity gets matured and the investor starts receiving the payments on a periodic basis. That happens after the retirement of the investor and thus it can also be termed as an alternate source of income.

Article Source:
http://www.articleside.com/finance-articles/why-is-it-best-to-opt-for-fixed-annuity-and-the-deferred-annuity.htm - Article Side

Robert Jhonson - About Author:
Robert Jhonson is a Financial consultant who has good information on a fixed annuity and a deferred annuity. For more information, he recommends you to visit a http://www.totalreturnannuities.com.

Article Keywords:
fixed annuity, deferred annuity

You can find more free articles on Article Side. Sign up today and share your knowledge to the community! It is completely FREE!