
The Truth About “I Hate Annuities and So Should You”

A Balanced Guide to Separating Marketing Noise from Sound Retirement Planning

If you have ever turned on a TV or listened to financial talk radio, chances are high you have heard this aggressive marketing slogan—or seen it plastered across billboard ads. It is catchy, provocative, and designed to evoke an immediate emotional reaction.

But is it sound financial advice, or is it simply clever marketing?

When making decisions about your retirement, blind hatred is rarely a good investment strategy. To build a secure financial future, we need to separate loud sales pitches from objective facts, unpack why annuities get a bad reputation, and understand how guaranteed income fits into a well-rounded retirement plan.

Why Do Some Financial Gurus Say “I Hate Annuities”?

The claim isn’t completely fabricated—the annuity industry has earned legitimate criticism over the years. However, painting every annuity with the same broad brush ignores how different these products can be.

When advisors criticize annuities, they are usually targeting three main issues:

- **High Fees and Opaque Expenses:** Some complex annuities—particularly variable or heavily structured indexed products—come with multi-layered fee structures. Management fees, mortality and expense charges, administrative costs, and optional rider fees can silently erode investment growth over time.
- **Surrender Charges and Aggressive Sales Tactics:** Many annuities lock up your principal for 7 to 10 years (or longer). If you need your money early for an emergency, you can face severe penalties known as surrender charges. Historically, high commissions led some aggressive agents to push high-fee products onto retirees who needed liquidity.
- **Misalignment with Investment Managers:** Stock market investment advisors earn their living by managing portfolios (Assets Under Management, or AUM). If you transfer part of your liquid wealth into an annuity, those assets leave their management, directly reducing their fee revenue.

The Reality: Saying “all annuities are bad” is like saying “all vehicles are bad” because you once saw a broken-down car. A sports car, a pickup truck, and a semi-truck serve entirely different purposes. Simple, immediate income annuities carry very low costs and function completely differently than complex, high-fee variable annuities.

Is Social Security an Annuity? What About Pensions?

To understand why “hating annuities” is logically inconsistent, look at the foundation of almost every American’s retirement strategy.

Your Social Security Check is an Annuity

Social Security functions much like a public, inflation-adjusted lifetime annuity. You pay into it during your working years, and in return, the government provides a predictable monthly paycheck for as long as you live—no matter what the stock market does. Almost no one “hates” their Social Security check.

A Pension is a Corporate or Government Annuity

A traditional defined-benefit pension generally provides a monthly income based on the plan’s benefit formula, often for life.

If we value the lifetime monthly income from Social Security and pensions, hating private annuities simply because of the label makes little sense. A private annuity is simply a pension you build for yourself using private funds.

How Can a Private Annuity Be Safer Than a Pension?

Many retirees assume a traditional pension from a major employer or municipality is completely bulletproof. History proves otherwise.

Employers can face financial distress, enter bankruptcy, or become underfunded. If a PBGC-covered corporate pension plan terminates without sufficient funds, the Pension Benefit Guaranty Corporation (PBGC) may step in to pay covered benefits, subject to legal limits.

Here is how a private annuity from a top-tier (A or A+ rated) insurance company can offer different protections from a corporate pension:

Feature / Risk Profile	Traditional Corporate Pension	Private Annuity (A/A+ Insurer)
Source of Risk	Pension funding, plan assets, and employer obligations	Claims-paying ability of insurer and its diversified asset portfolio
Funding Requirements	Subject to pension funding requirements; some plans may be underfunded	Subject to statutory reserving and risk-based capital requirements
Backstop Protection	PBGC (subject to benefit limits for covered private plans)	State guaranty associations (subject to state laws and limits if insurer fails)

1. Legal Reserve Requirements: Highly rated insurance companies are legally required to maintain statutory reserves and risk-based capital intended to support their contractual obligations. Unlike corporations, which can underfund pensions for years, top-tier insurers are subject to strict state regulations.

2. State Guaranty Associations: If an insurer becomes insolvent, state guaranty associations may provide protection for eligible annuity benefits up to statutory limits, subject to state law. This is an added layer of protection beyond the insurance company’s financial strength.

3. No Single-Employer Risk: A pension’s security depends on its funding and applicable protections; an annuity instead depends on the issuing insurer. An A/A+ rated insurer manages massive, highly diversified portfolios across multiple sectors to honor contract obligations.

Should You Hate the Stock Market Because People Lose Money?

When the stock market drops 20% or 30%, thousands of people lose real wealth—especially those who panic and sell at the bottom. But we don't ban or hate the stock market. Why? Because we recognize that market risk is the price of long-term growth.

The exact same standard applies to annuities:

- The Stock Market provides growth and the potential to help offset inflation, but exposes you to market volatility and the risk of running out of money if a crash happens early in retirement.
- Guaranteed Income (Annuities) can shield a defined portion of your income from stock-market volatility, subject to the insurer's claims-paying ability and contract terms, providing peace of mind and a contractual floor on your monthly income.

Using market growth to build wealth during your working years makes sense. But using market risk to fund essential daily living expenses in retirement can cause unnecessary anxiety.

How an Annuity Fits Into a Retirement Strategy

A sound retirement strategy isn't built on rigid dogmas like "always buy annuities" or "never buy annuities." It is built on risk allocation and balance.

The Two-Pillar Retirement Portfolio Structure

1. THE INCOME FLOOR (Guaranteed Income)

Sources: Social Security + Pensions + Private Annuities

Covers non-negotiable living expenses: Housing, Utilities, Food, Healthcare, Insurance.

2. THE GROWTH ENGINE (Market Portfolio)

Sources: Stocks, Bonds, Mutual Funds, Real Estate

Covers lifestyle extras, travel, inflation protection, and long-term legacy goals.

By using guaranteed income sources—including private annuities—to cover your basic lifestyle floor, you remove the pressure to sell stocks during market downturns, giving your remaining market investments time to recover.

The Real Problem: Conflict of Interest

Why is there so much conflicting information online? Because most loud opinions come from salespeople with an underlying conflict of interest:

- The Insurance Broker may try to push every dollar you own into high-commission annuity products, regardless of your liquidity needs.
- The Pure Investment Advisor may dismiss annuities entirely so they can continue collecting annual fees on 100% of your portfolio.

Neither extreme is in your best interest.

Why You Need an Independent Fiduciary Advisor

This conflict highlights the value of working with a Fiduciary Financial Advisor.

In an investment-advisory relationship, a fiduciary has a legal duty to act in the client's best interest. Compensation arrangements—including commissions and AUM fees—can still create conflicts that must be appropriately addressed. An advisor should examine your unique financial picture to answer key questions:

- How much guaranteed income do you need to cover fixed expenses?
- How much liquidity must be kept accessible for emergencies?
- Which low-cost, transparent tools best accomplish your goals?

Rather than falling for catchy slogans or sales tactics, sit down with a trusted fiduciary advisor who will evaluate guaranteed income tools neutrally and build a strategy tailored to your life.

Sources for the limited factual clarifications

PBGC: Understanding Your Pension and PBGC Coverage

NAIC: Principle-Based Reserving

NAIC: Risk-Based Capital

NOLHGA: Guaranty Association FAQs

SEC: Standards of Conduct and Conflicts of Interest

SEC Investor.gov: Annuities