

Why I Built It

What is an annuity?

- An annuity is a contract between you and an insurance company that requires the insurer to make payments to you, either immediately or in the future. [\[1\]](#)

What are the benefits of annuities?

- Guaranteed periodic payments for a specific amount of time.
- Tax-deferred growth.
- Emergency benefits.

Who buys annuities?

- Middle-aged workers, planning for retirement, that want to invest (with tax-deferred growth) for the future guarantee of a consistent source of income.
- Retirees who fear a prolonged recession and want a guaranteed rate of return on their investments so that they can live retirement stress-free and have something to supplement their social security.
- Parents who want their children and remaining family members to have a source of income in case a tragic event happens to them.
- Large companies who want to make a big donation to charity but doesn't want the charity to face a large upfront tax; they would instead prefer tax-deferred growth. [\[2\]](#)
- Wealthy individuals and families looking for a tax-advantageous way to pass their estate to their heirs and coming to realization of the time-value money and the desire for tax-deferred growth.

- Workers who are taking a sabbatical, or break from work without retiring, that need a consistent source of income and can't risk making it through a recession.

Why is the annuities industry so notorious?

- There are expensive extra fees (e.g., wanting an heir to receive annuity payments in case of an emergency) and hidden fees (additional charges can be added at any time so long as they don't conflict with the contract.) [3]
- Your money is locked up for the annuity-term and if you change your mind then you'll have to pay a hefty surrender-charge, typically 7% of the withdrawal amount.
- You must trust that company will remain solvent into the future. [4]
- Because they can be complex, they usually require lots of research with additional advice from a financial professional, who you must trust has your best interest at heart and doesn't have a stake in selling you a contract.

How can smart contracts fix the annuities industry's flaws *and* create brand new features and opportunities?

- Once the smart contract is written, it cannot be changed, and there is no centralized point of failure. They can be *trusted*.
- Every user is treated the same and the smart contract won't get benefits from upselling you. They're *inclusive* and *unbiased*.
- Work can be automated, such as transferring payments to an heir in an emergency or splitting payments between different parties such as to you and a charity. They're *more efficient* and thus *less expensive*.
- Supply can be better fitted to demand via automated interest-rate calculations, new worlds of capital coming from individuals instead of large insurance companies, and new annuitants coming from around the world. They *create* new opportunities that better the world. More

annuity receivers can get better rates because more capital providers are leveraging the *time-value* of money.

References:

[1]: <https://www.investor.gov/introduction-investing/investing-basics/investment-products/insurance-products/annuities>

[2]: <https://www.kiplinger.com/retirement/annuities/602876/8-surprising-ways-to-prosper-from-annuities>

[3]: <https://oci.wi.gov/Documents/Consumers/PI-214.pdf>

[4]: <https://www.immediateannuities.com/immediate-annuities/6-annuity-risks-and-how-to-avoid-them.html>