

Annuity Glossary

Key terms in plain English | Reviewed October 2026

Term	What it means
Annuitant	Person whose life expectancy determines payouts.
Owner	Person who pays and controls the contract.
Beneficiary	Person who receives benefits after death.
Accumulation phase	Period when you pay in and the value changes.
Annuitization	Converting to regular payments. Generally irrevocable.
Surrender charge	Fee for withdrawing early. Usually declines yearly.
Free withdrawal	Amount you can take out without a charge, often about 10% a year.
Free look	Period to cancel after you receive the contract. Varies by state.
Cap rate	Maximum interest in the index term.
Participation rate	Share of the index gain used to figure interest.
Spread	Percentage subtracted from the index gain.
Rider	Optional added feature, usually at extra cost.
Joint and survivor	Payments continue until both people have died.
Period certain	Payments for a set number of years.
QLAC	Longevity annuity bought with retirement money; \$210,000 limit for 2026.
Guaranty association	State backstop if a company fails, up to set limits.
1035 exchange	Tax-free swap of one annuity for another.

The full glossary of 50 terms with sources is at nazimlokhandwala.com/resources/annuities/annuity-glossary/.

Sources: General education only. Figures from IRS, Social Security and Medicare sources, reviewed October 2026. Sources: NAIC, SEC Investor.gov, FINRA, IRS.