

Difference Between Annuitant and Beneficiary

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Key Difference - Annuitant vs Beneficiary

The key difference between annuitant and beneficiary is that **annuitant is an individual who invests in an annuity with the expectation of receiving a guaranteed income following the retirement** whereas **beneficiary is a person or a group persons that receives a benefit or an advantage**. It is important to understand the difference between annuitant and beneficiary as they are widely used in retirement arrangements and [life insurance](#) policies. Annuitant and beneficiary are often the two parties in the same arrangement; while one takes out a policy and the other receives a benefit due to the respective policy.

Who is an Annuitant?

An annuitant is an individual who invests in an [annuity](#) with the expectation of receiving a guaranteed income following retirement. Annuity is an investment from which periodic withdrawals are made. An individual should have a large sum of money to be invested at once to start an annuity; the withdrawals will be made over a period of time.

An annuity is largely similar to a life insurance contract where an individual can take out a policy for retirement (called as the policy owner) and can receive the benefits (called as the beneficiary). As such, in an annuity, both annuitant and beneficiary are often the same. However, since there is a possibility that the individual may die prior to making all the periodic withdrawals, a beneficiary can be appointed to continue to receive the payments. An individual can also apply for an annuity on behalf of another person.

E.g. [Individual Retirement Account](#) (IRA), is a type of annuity that is a retirement savings account set up through an individual's employer, a banking institution or an investment firm.

An annuitant has a number of investment options since there are a number of annuities to choose from depending on the requirements of the annuitant. Fixed and variable annuities are the most common types of annuities; an annuitant of a fixed annuity is subjected to receive a fixed income while a variable annuity is a riskier investment that comes with high returns. An annuitant is subjected to tax payments;

however, a certain amount of tax savings are also available on annuity. If an annuitant receives payment distributions before age 59 ½, a 10% tax penalty is applied.



Figure 01: An annuity is taken out by an annuitant as a retirement plan.

Who is a Beneficiary?

A beneficiary is a person or a group persons that receive(s) a benefit or an advantage. Beneficiary can be seen as a prominent party in an annuity or in life insurance.

Annuity

In an annuity, usually the annuitant is the beneficiary; in this case, payments end at the death of the annuitant. However, some annuities continue to make payments to a designated beneficiary.

Life Insurance

Life insurance policy is taken out to provide economic protection for dependents at the death of the individual. This is a contract between an insurer and the insured

where the insured is obliged to pay insurance premium in return for compensation by the insurer for specific loss, illness (terminal or critical) or death of the insured.

It is important that the insurance policy holder clearly mentions the beneficiary/beneficiaries by name to be specific. For instance, if the beneficiaries are the children of the policy owner, each child has to be mentioned by name. Furthermore, in case of multiple beneficiaries, it is important to specify who gets what (whether the funds should be divided among beneficiaries equally or according to specified percentages).

In addition to the above, the term beneficiary is widely used in any context to describe any party benefiting as a result of an arrangement between two parties.

E.g. Recipients of a Services of a Non-Profit Organization



Figure 02: A life insurance taken out by an individual as a means of providing economic assistance to his or her family where the family members become the beneficiaries.

What is the difference between Annuitant and Beneficiary?

Annuitant vs Beneficiary	
An annuitant is an individual who invests in an annuity with the expectation of receiving a guaranteed income following the retirement.	A beneficiary is a person or a group persons that receives a benefit or an advantage.
Tax Payment	
Annuitant is subjected to tax payments	Beneficiary is not subjected to tax payments or any other payment.
Decision-making Power	
An annuitant has the decision making power to decide the terms of the annuity arrangement such as how the funds should be invested, early withdrawal etc.	A beneficiary does not have an authority to make decisions as he is she is appointed by the policy owner.

Summary - Annuitant vs Beneficiary

The difference between annuitant and beneficiary depends on the party applying for an annuity with the intention of receiving a guaranteed income following retirement (annuitant) or the party who is receiving a benefit through an action of another (beneficiary). While the term ‘annuitant’ can only be used in annuity arrangement, the term ‘beneficiary’ is widely used in annuities, life insurance or to describe any other party subjected to receive a benefit where the advantages the beneficiary is specified by the party initiating the arrangement.

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