

MONEY MYTHS SERIES

Guaranteed Annuity Growth: What "7% Guaranteed" Means (2026)

What a guaranteed 7% or 10% annuity roll-up pays, with surrender charges, commissions, and California's senior annuity protections.

By Eric Ridley, attorney, Ridley Law · Updated September 2026 · Read online with live links: ridleylawoffices.com/guaranteed-annuity/

Part of our [money myths series](#), where we check what social media says about money against the actual rules.

The pitch: an annuity that guarantees 7% growth (or 8%, or 10%) every year, never loses money in a market crash, and pays you income for life. Why settle for a bank CD or gamble in the stock market?

The verdict: that "guaranteed" rate is almost always a roll-up on an income benefit base, a number used to calculate future income. Insurers' own documents say it "is not a cash value." Your actual money grows far more slowly, rider fees come out of it, and the lifetime income is paid from your own money first. In our example of a real 10% roll-up rider, the return only beats today's 10-year Treasury if you live past about 84. Annuities can be a good tool. This pitch describes one as something it isn't.

**\$250,000 vs.
\$113,962**

income benefit base vs. contract value at 70 on \$100,000, in our 10% roll-up example

\$9,500

commission on one \$100,000 annuity sold to a California widower (Court of Appeal, 2022)

6 to 10 years

typical surrender period on an indexed annuity, "or even longer" (SEC)

5.27%

10-year Treasury yield, October 6, 2026 (U.S. Treasury)

\$127.9 billion

U.S. fixed indexed annuity sales in 2025 (LIMRA)

What does "guaranteed 7% growth" mean on an annuity?

Usually it's a roll-up rate applied to an income benefit base, which sets how much lifetime income you can take later, and not to money you can withdraw.

The products in these ads are usually fixed indexed annuities with a guaranteed lifetime withdrawal rider. The rider keeps a second number alongside your real account. Insurers call it a benefit base or income benefit base. It grows at a guaranteed "roll-up" rate, sometimes with an up-front bonus, for a set number of years. When you start income, the insurer multiplies the base by a withdrawal percentage to set your yearly payment.

The insurers say plainly that the base isn't money. Nationwide's brochure for its Peak 10 annuity: "The income benefit base is the numerical value used to calculate your lifetime withdrawals; it is not a cash value." Its at-a-glance sheet: "The roll-up is not an increase of the actual contract value." Athene's page for its Agility annuity: "Your Benefit Base has no surrender value." An Integrity Life rider filed with the SEC: "The Benefit Base is not available for withdrawal and is not payable as a death benefit."

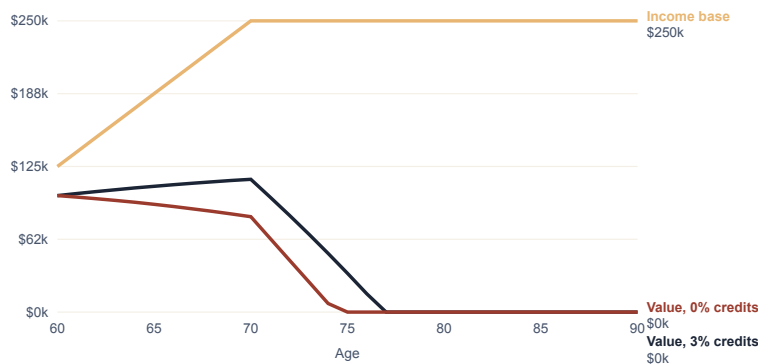
California's Department of Insurance tells seniors to "watch out for ads that show high interest rates. If the interest rate is not guaranteed, you cannot count on it." A roll-up rate can be guaranteed and still not be a rate of return.

Who gets paid. The agent, at the sale. In *Williams v. National Western Life Insurance Co.* (2022), a California appeals case, the agent received a \$9,500 commission for selling a \$100,000 annuity to a widower who had come to him to revise his living trust. Minnesota's attorney general warns that insurers "may offer commissions as high as 10 percent" on long-term deferred annuities sold to seniors. The U.S. Department of Labor found that "variable and fixed-indexed annuity commissions tend to be similar," with variable annuity commissions ranging from 0% to 10% and 7% most common. The insurer then earns the spread between its investments and what it credits you, plus rider fees and surrender charges. California's Department of Insurance says it directly: "Agents can make high commissions on annuities." Since January 1, 2025, a California agent must give you a reasonable estimate of the agent's cash compensation on request (Ins. Code, § 10509.9204). Ask.

How much does a "10% guaranteed" annuity pay?

In our example using a real product's published terms, a 60-year-old's \$100,000 becomes a \$250,000 income base at 70, which pays \$16,125 a year for life, a return of 5.77% if they live to 85.

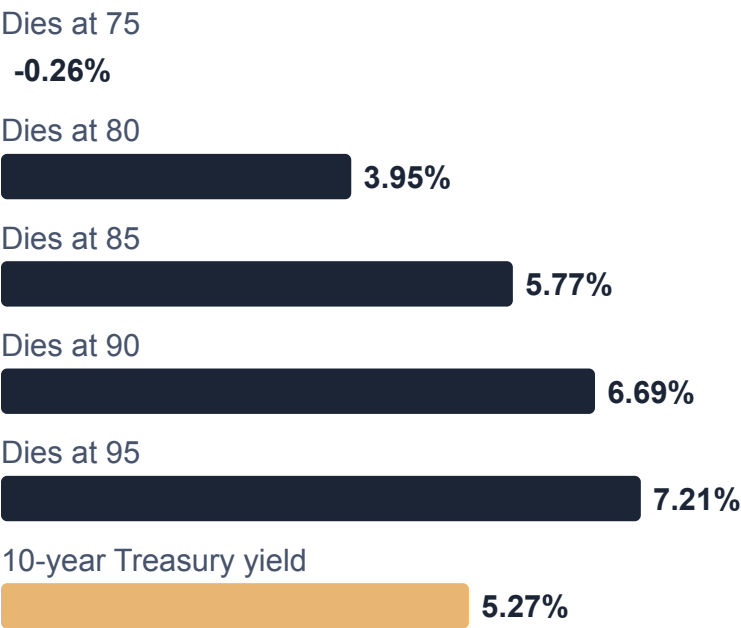
Our worked example is hypothetical but built on terms Nationwide publishes for its Peak 10 fixed indexed annuity with the optional Bonus Income+ rider. The rider adds a 25% bonus to the income benefit base at issue, then a "Guaranteed 10.0% simple interest roll-up" for 10 years or until the first lifetime withdrawal. The fee is 1.00% a year for single life, "calculated based on the Income Benefit Base and deducted from the contract value." At ages 70 to 74, the single-life withdrawal percentage is 6.45%. We don't know what the index will credit, so we show the contract value at 0%, 3%, and 5% a year.



Hypothetical \$100,000 premium at 60. Rider terms from Nationwide Peak 10's published at-a-glance sheet. Income of \$16,125 a year starts at 70. Index credits are assumptions.

Age	Income benefit base	Contract value, 0% credits	Contract value, 3% credits	Contract value, 5% credits
60	\$125,000	\$100,000	\$100,000	\$100,000
65	\$187,500	\$92,500	\$108,003	\$119,407
70	\$250,000	\$81,875	\$113,962	\$140,722
75	\$250,000	\$0	\$33,231	\$76,686
80	\$250,000	\$0	\$0	\$0
85	\$250,000	\$0	\$0	\$0
90	\$250,000	\$0	\$0	\$0

At 70, the base says \$250,000. The money you could walk away with is \$81,875 to \$140,722, before any surrender charge, depending on the index. The \$16,125 a year in income comes out of that contract value first, along with the rider fee, which is charged on the much larger base. Your contract value runs out somewhere between age 75 and 80 in our scenarios. Only after that is the insurer paying you with its own money.



Hypothetical. Income \$16,125 a year from age 70, single life. Ignores taxes, inflation, and any remaining contract value paid at death, which would raise early-death returns. 10-year Treasury par yield 5.27% on October 6, 2026 (U.S. Treasury).

If the owner dies at	Total income received	Annual return on the \$100,000
75	\$96,750	-0.26%
80	\$177,375	3.95%
85	\$258,000	5.77%
90	\$338,625	6.69%
95	\$419,250	7.21%

So the real "guaranteed" return is about 3.95% if you die at 80, 5.77% at 85, and 6.69% at 90, before tax and with no inflation adjustment. The 10-year Treasury paid 5.27% on October 6, 2026. In our example, the rider beats it only if you live to about 84 or longer. If you die earlier, your heirs get whatever contract value is left, which our return figures don't count, so early-death returns would be somewhat higher. Fairly stated, that's longevity insurance: a bet that pays off if you live a long time. It's a reasonable thing to buy. It isn't 10% growth.

What does it cost to get out of an annuity?

Usually a surrender charge for the first 6 to 10 years, sometimes longer, plus any bonus you received and any earnings the contract takes back.

The SEC says the surrender period "typically lasts six to ten years, or even longer," and that "you can lose money buying an indexed annuity." FINRA notes that under some contracts, "if withdrawals are taken, amounts already credited from returns will be forfeited," and that the guaranteed minimum is usually 1% to 3% on at least 87.5% of the premium. The NAIC's buyer's guide warns you can lose a bonus if you withdraw within a set period, and a market value adjustment can reduce what you take out. When the SEC studied indexed annuities in 2009, it reported surrender charges "as high as 15-20%" and said a surrender charge "may serve, in part, to recapture the bonus." Nationwide's California schedule for Peak 10 starts at 9.20% and reaches 0% after year 9, with 10% of contract value free each year.

The California Department of Insurance's advice for seniors: "If you think you will need access to your money during the accumulation period, do not get a deferred annuity."

What protections does California give seniors who buy annuities?

California adds several layers for buyers 60 and older and 65 and older, including a 30-day free look, a duty of honesty and good faith, and a best-interest standard for every annuity sale since 2025.

- ✓ **30-day free look at 60 and older.** You can return the annuity for a refund during a free-look period of "not less than 30 days" if you're a senior citizen, defined as 60 or older (Ins. Code, § 10127.10).

- ✓ **Surrender charges on the cover.** Annuities for seniors with surrender charges must say where those charges are disclosed in bold type on the front of the contract (Ins. Code, § 10127.13).
- ✓ **Honesty and good faith at 65 and older.** Insurers and agents "owe a prospective insured who is 65 years of age or older, a duty of honesty, good faith, and fair dealing" (Ins. Code, § 785).
- ✓ **No disguised sales pitches to seniors.** Agents can't solicit people 65 and older using names that mislead about who they are or the true purpose of the ad, and an ad for a "seminar" or similar event where insurance will be sold must add the words "and insurance sales presentation" (Ins. Code, § 787).
- ✓ **Warning before you cash out other assets.** An agent selling to someone 65 or older must warn in writing that liquidating stocks, CDs, IRAs, or another annuity to buy the product may carry taxes, penalties, or other costs (Ins. Code, § 789.8).
- ✓ **Rules for meetings at home.** An agent must give written notice at least 24 hours before an initial in-home meeting, you can have family or an attorney present, and the agent must leave immediately when asked (Ins. Code, § 789.10).
- ✓ **A best-interest standard since 2025.** For annuities sold on or after January 1, 2025, agents must act in the consumer's best interest "without placing the producer's or insurer's financial interest ahead of the consumer's interest," and must have a reasonable basis to believe you'd receive "a tangible net benefit" (Ins. Code, §§ 10509.9200, 10509.9204). That article doesn't itself create a private right to sue. Claims under other laws, like the financial elder abuse claim in *Williams* below, are a separate matter.

The California Department of Insurance enforces these rules. In 2019, it announced that an administrative law judge found an agent had recommended unnecessary replacement annuities to clients over 65, and the agent's license was revoked.

Have annuity buyers won in court?

Yes, sometimes, especially when the sale to a senior was deceptive, but courts have also rejected claims that a "bonus" annuity is fraudulent by itself.

In *Williams v. National Western Life Insurance Co.* (Cal. Ct. App., Third Dist., May 10, 2022, C090436), a widower asked a man to revise his living trust and was sold a \$100,000 annuity instead. He returned it during the 30-day free look. The court found the agent then wrote a letter over his signature to have the insurer reissue it. When he cancelled the reissued annuity in 2017, the insurer "charged a \$14,949.91 surrender penalty." The Court of Appeal affirmed the judgment "finding NWL liable for negligence and financial elder abuse," though it reversed the punitive damages. The liability verdict stood.

In *Negrete v. Allianz Life Insurance Co. of North America*, No. 2:05-cv-06838 (C.D. Cal.), the court certified a nationwide class of an estimated 200,000 senior citizens who bought Allianz annuities, in 2006. The plaintiffs alleged Allianz represented that its annuities carried "no sales charges," an "immediate bonus," and "full value." The court granted final approval of a class settlement in 2015 and awarded class counsel \$42.5 million in fees.

Insurers win too. In *Harrington v. EquiTrust Life Insurance Co.* (9th Cir. 2015), the Ninth Circuit held that calling a feature a "10% premium bonus" "was not fraudulent," even though the contract carried a surrender charge for 14 years.

When is an annuity a good idea?

When you want guaranteed income you can't outlive, you understand the surrender terms, and you aren't giving up money you may need.

Simple income annuities, which turn a lump sum into a paycheck for life, can make sense for retirees worried about running out of money. Fixed annuities that pay a stated rate for a set term can compete with CDs. Annuities also play a role in some [Medi-Cal planning](#), where California law requires agents to give a written notice about Medi-Cal eligibility and recovery rules if they sell based on Medi-Cal treatment (Ins. Code, § 789.8). The question to ask is whether the product's real features fit you, not whether the headline rate sounds good. If you inherit one instead, see our page on [inheriting an annuity in California](#).

Comparison: the "guaranteed 7%" pitch vs. what you get

What the ad says	What the contract says	A plain alternative
"Guaranteed 7% (or 10%) growth"	A roll-up on an income base that "is not a cash value"	A Treasury note or multi-year fixed annuity paying a stated rate on real money
"Never lose money"	Surrender charges for 6 to 10 years or longer, and rider fees charged every year	Treasuries or insured CDs held to maturity
"Income for life"	Paid from your own contract value first, with the insurer's money starting only after it runs out	A simple income annuity, priced for your age, compared across insurers
"No fees"	Caps and spreads reduce returns "in the same way that a direct fee would" (SEC)	Low-cost index funds with disclosed expense ratios
"Free retirement review"	An agent paid a commission, often a sizable share of the premium	A fee-only planner or your own attorney

What should you do instead?

- 1 Ask what the 7% applies to**
Is it the contract value you can withdraw, or an income base? Get the answer in writing.
- 2 Ask for the commission**
California agents must give a reasonable estimate on request for sales since 2025.
- 3 Read the surrender schedule and the rider fee**
Find the percentage for each year and what the fee is charged on.

4 Compare it to a Treasury or CD ladder

If you don't need lifetime income, a guaranteed rate on real money may serve you better.

5 Use the free look

If a parent was sold an annuity at home or at a "seminar," review it within the 30-day free-look period. Our page on [elder financial abuse in California](#) covers where to report problems.

Questions people ask

Does any annuity guarantee 7% growth?

Some riders guarantee a 7% or higher roll-up on an income base. We haven't seen any annuity guarantee that on withdrawable cash. Nationwide's own sheet says its 10% roll-up "is not an increase of the actual contract value."

Can you lose money in a fixed indexed annuity?

Yes, mostly through surrender charges and rider fees. The SEC says "you can lose money buying an indexed annuity."

What is an income rider on an annuity?

It's an optional feature, usually for an extra yearly fee, that guarantees lifetime withdrawals based on an income base. The NAIC calls it a guaranteed living benefits rider, "usually at an extra cost."

Is the income from an annuity taxable?

Generally the earnings portion is taxed as ordinary income, and withdrawals before 59½ may carry a 10% federal penalty, as Nationwide's own materials note.

How long do I have to cancel an annuity in California?

If you're 60 or older, at least 30 days from delivery (Ins. Code, § 10127.10). Younger buyers get at least 10 days under the general life insurance rule.

Can an agent come to my parent's house to sell an annuity?

Only after giving written notice at least 24 hours ahead, and the agent must leave when asked (Ins. Code, § 789.10).

Related reading in our [money myths](#) series: [IUL as a Roth alternative](#), [infinite banking](#), and [premium-financed life insurance](#). For planning steps that protect older family members, see [estate planning for California seniors](#).

This page is general information about California and federal law. It isn't legal, tax, or investment advice for your situation. The worked example is hypothetical, uses one insurer's published rider terms, and assumes index credits that may not occur.

SOURCES

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- LIMRA, [final 2025 U.S. retail annuity sales](#) (March 23, 2026).
- U.S. Department of the Treasury, [Daily Treasury Par Yield Curve Rates](#) (October 6, 2026).

Questions about your own plan?

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