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What is a...

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Required Minimum Distributions (RMDs)

You cannot keep retirement funds in your account indefinitely. You generally have to start taking withdrawals from your IRA, SIMPLE IRA, SEP IRA, or qualified retirement plan account when you reach age 70½. [Roth IRAs](#) do not require withdrawals until after the death of the owner.

Your **required minimum distribution** is the minimum amount you must withdraw from your account each year.

- You can withdraw more than the minimum required amount.
- Your withdrawals will be included in your taxable income except for any part that was taxed before (your basis) or that can be received tax-free (such as qualified distributions from designated Roth accounts).
- **Required Minimum Distribution (RMD) & Tax Deferral**

<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>

Required Minimum Distributions (RMDs)

70 ½ - Retirement Account Value \$520,000

Required Minimum Distribution = \$18,978 or \$1,581.00 Month Yr 1

https://www.irs.gov/pub/irs-tege/jlls_rmd_worksheet.pdf

Your Age	Uniform Life Expectancy	Current Balance	RMD	EXCISE TAX
				50%
70	27.4	\$ 520,000	\$ 18,978	\$ 9,489
71	26.5	\$ 520,000	\$ 19,623	\$ 9,811
72	25.6	\$ 520,000	\$ 20,313	\$ 10,156
73	24.7	\$ 520,000	\$ 21,053	\$ 10,526
74	23.8	\$ 520,000	\$ 21,849	\$ 10,924
75	22.9	\$ 520,000	\$ 22,707	\$ 11,354
76	22.0	\$ 520,000	\$ 23,636	\$ 11,818
77	21.2	\$ 520,000	\$ 24,528	\$ 12,264
78	20.3	\$ 520,000	\$ 25,616	\$ 12,808
79	19.5	\$ 520,000	\$ 26,667	\$ 13,333
80	18.7	\$ 520,000	\$ 27,807	\$ 13,904
81	17.9	\$ 520,000	\$ 29,050	\$ 14,525
82	17.1	\$ 520,000	\$ 30,409	\$ 15,205
83	16.3	\$ 520,000	\$ 31,902	\$ 15,951
84	15.5	\$ 520,000	\$ 33,548	\$ 16,774
85	14.8	\$ 520,000	\$ 35,135	\$ 17,568

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Exhibit 1

Treasury Issues Final Rules Regarding Longevity Annuities

2014, the U.S. Department of the Treasury and the Internal Revenue Service issued final rules regarding longevity annuities, which could help retirees manage their savings and ensure they have a stream of regular income throughout their advanced years.

These regulations made longevity annuities accessible to the 401(k) and IRA markets, expanding the availability of retirement income options as an increasing number of Americans reach retirement age.

“All Americans deserve security in their later years and need effective tools to make the most of their hard-earned savings...” and “as boomers approach retirement and life expectancies increase, longevity income annuities can be an important option to help Americans plan for retirement and ensure they have a regular stream of income for as long as they live.”

Mark Iwry, Senior Advisor to the Secretary of the Treasury and Deputy Assistant Secretary for Retirement and Health Policy.

<https://www.treasury.gov/press-center/press-releases/Pages/jl2448.aspx>



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What is a Qualified Longevity Annuity Contract (QLAC)?

*QLAC is a type of **longevity annuity** (also known as a Tax Deferred income **annuity**) that is exempt from the RMD Rule.*

A longevity annuity is an income stream – a type of “Tax deferred income annuity” – that begins at an advanced age and continues throughout the individual’s life.

This can provide a cost-effective solution for retirees willing to use part of their savings to protect against outliving the rest of their assets.

These longevity annuities provide accessibility to 401(k)s and other employer-sponsored individual account plans and IRAs by amending the **Required Minimum Distribution (RMD)** regulations so that longevity annuity payments will not need to begin prematurely in order to comply with those regulations.

Guaranteed Income....



...protects against outliving assets.

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What Are the QLAC Regulations?

A Qualified Longevity Annuity Contract is purchased from an insurance company and states, when issued, that it is intended to be one, as a statement in an insurance certificate, rider, or endorsement relating to a contract.



How Does a Qualified Longevity Annuity Contract (QLAC) Work?

Although Required Minimum Distribution (RMD's) must commence at age 70 ½, a QLAC can be funded by anyone with Qualified Retirement assets looking to reduce future RMD requirements and Guarantee an income for their Lifetime.

- **Increasing the maximum permitted investment:** Under the QLAC rules, a 401(k), 403(a), 403(b), 408, IRA, (other than a Roth IRA) or eligible governmental plan under section 457(b), or similar plan, may permit plan participants to use up to **25 percent** of their account balance or (if less) **\$130,000** (up from \$100,000 in the proposed regulations) to purchase a qualifying longevity annuity without concern about noncompliance with the age 70 1/2 minimum distribution requirements.
- The dollar limit is adjusted for cost-of-living increases more frequently than under the proposed rules (in \$10,000 increments instead of the \$25,000 increments under the proposed rules for adjustment of the previous \$100,000 limit).



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- The contract provides that distributions under the contract must commence no later than a specified annuity starting date that is no later than the **first day of the month after the employee's 85th birthday**.
- **Allowing “return of premium” death benefit:**
A QLAC, longevity annuity plan or IRA can provide that, if purchasing retirees die before (or after) the age when the annuity begins, the premiums paid but have not yet received as annuity payments, will be returned to the accounts.



This option may appeal to individuals seeking peace of mind that if they die before receiving the annuity, their initial investment can go to their heirs.

- QLAC permits a life annuity payable to a designate beneficiary after the annuity owner's death.

Survivor
Income

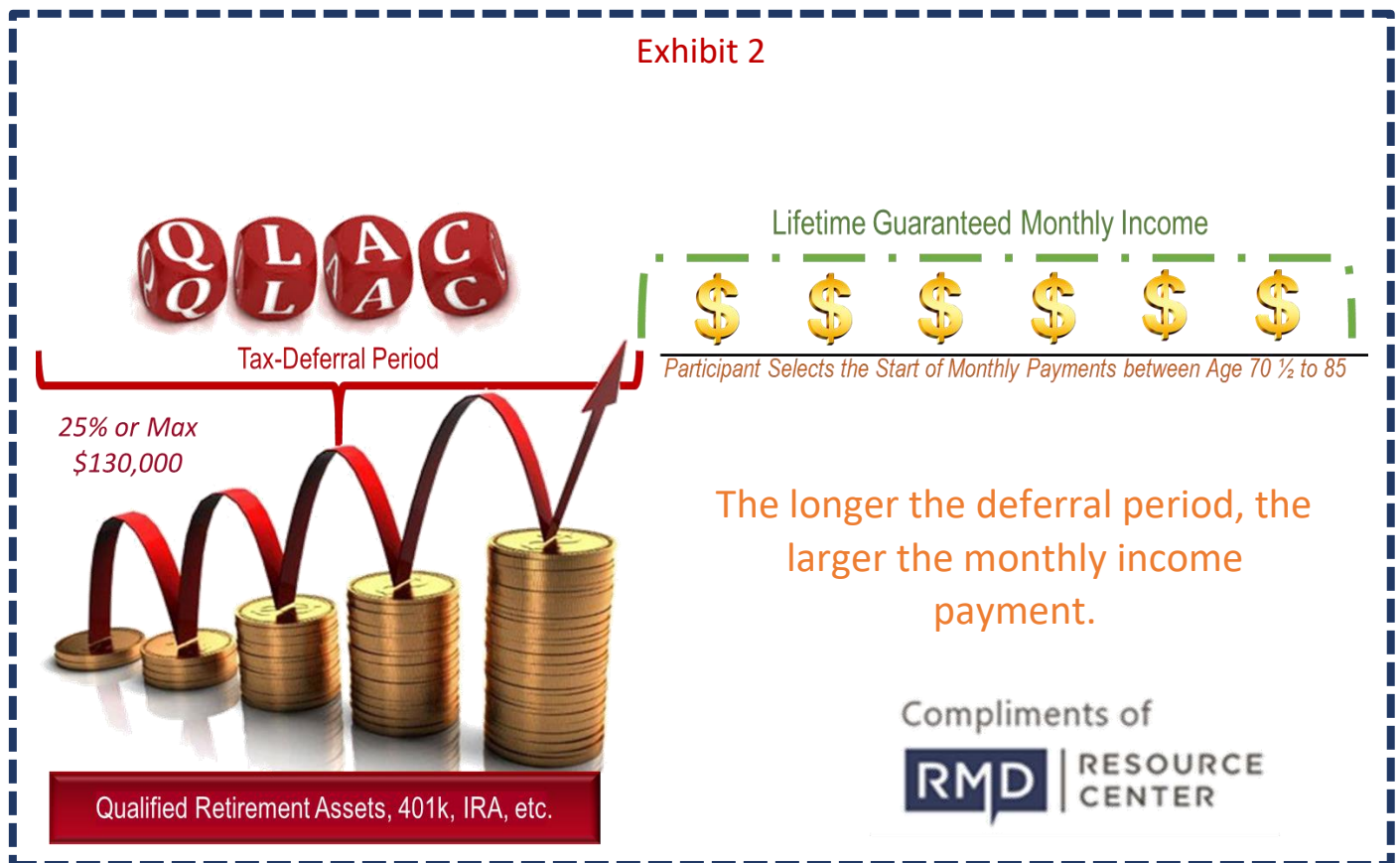
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See the diagram to learn more about this longevity annuity, how it works, the tax benefits, and allocating qualified retirement assets into a QLAC can generate a Guaranteed Life Time Monthly income in retirement.

*To initiate a Qualified Longevity Annuity Contract (QLAC), the participant selects up to 25% or maximum of \$130,000 from his/her Qualified Retirement Account and 'rolls-over' those funds to an insurance company. Those funds remain invested with an insurance company, tax-deferred, until the participant begins receiving a guaranteed monthly income. Although the deferral period can range from 2-40 years, the **Guaranteed Monthly Income** payment must start between age 70 ½ and no later than age 85.*

Exhibit 2



Effects of a QLAC on Required Minimum Distributions (RMDs)- \$130,000 Max Funded

70 ½ - Retirement Account Value \$390,000 vs. \$520,000

Required Minimum Distribution = \$14,234 or \$1,186 Month. Yr 1

Exhibit3

https://www.irs.gov/pub/irs-tege/jlls_rmd_worksheet.pdf

Your Age	Uniform Life Expectancy	Current Balance	RMD	EXCISE TAX
				50%
70	27.4	\$ 390,000	\$ 14,234	\$ 7,117
71	26.5	\$ 390,000	\$ 14,717	\$ 7,358
72	25.6	\$ 390,000	\$ 15,234	\$ 7,617
73	24.7	\$ 390,000	\$ 15,789	\$ 7,895
74	23.8	\$ 390,000	\$ 16,387	\$ 8,193
75	22.9	\$ 390,000	\$ 17,031	\$ 8,515
76	22.0	\$ 390,000	\$ 17,727	\$ 8,864
77	21.2	\$ 390,000	\$ 18,396	\$ 9,198
78	20.3	\$ 390,000	\$ 19,212	\$ 9,606
79	19.5	\$ 390,000	\$ 20,000	\$ 10,000
80	18.7	\$ 390,000	\$ 20,856	\$ 10,428
81	17.9	\$ 390,000	\$ 21,788	\$ 10,894
82	17.1	\$ 390,000	\$ 22,807	\$ 11,404
83	16.3	\$ 390,000	\$ 23,926	\$ 11,963
84	15.5	\$ 390,000	\$ 25,161	\$ 12,581
85	14.8	\$ 390,000	\$ 26,351	\$ 13,176

Effects of a QLAC on Annual Income at Age 85- \$130,000 Max Funded Age 70 ½

Annual Projected Income Age 85- Single Life

\$520,000 RMD = (Before QLAC)	\$35,135
-\$130,000 Reallocated to QLAC	
= \$390,000 RMD =	\$26,351
QLAC Est. Annual Income	\$44,745 Life Only
Total Est. Annual Income QLAC + RMD	\$71,096
Estimated Increase at age 85	\$35,961

Annual Projected Income Age 85- Joint Life

\$520,000 RMD = (Before QLAC)	\$35,135
-\$130,000 Reallocated to QLAC	
= \$390,000 RMD =	\$26,351
QLAC Est. Annual Income	\$33,104 Joint Life No Reduction
Total Est. Annual Income QLAC + RMD	\$59,455
Estimated Increase at age 85	\$24,320

Exhibit 5

(Straight Life Only & Joint Survivor No Reductions- Assumptions- AIG Insurance Company- 3/2019)



Exhibit 6

Income Annuity Survey

Income Annuity Survey Details	
State of Residence	Florida
State of Issue	Florida
Name	Client
Birth Date	March 24, 1948
Sex	Male
Annuity Type	Single Life
QLAC Purchase	Yes
Fund Type	Traditional IRA
Guarantee Type	Certain period
Premium	\$130,000.00
Purchase Date	March 26, 2019
Payment Frequency	Monthly
Income Start Date	March 26, 2033
Certain Period	Life Only
Return of Premium before Income Start Date	No

Single Life No Survivor Benefit

Financial Institution	Monthly Income	Monthly Taxable Portion	Guaranteed To End Of	Notes
AIG	\$3,728.78	\$3,728.78	APR-09-2019	See below
New York Life Insurance and Annuity Corporation	\$3,486.68	\$3,486.68	APR-09-2019	See below
Pacific Life Insurance Company	\$3,472.04	\$3,472.04	APR-09-2019	See below
Principal Financial Group	\$2,784.44	\$2,784.44	APR-04-2019	See below

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Exhibit 7

Income Annuity Survey

Income Annuity Survey Details	
State of Residence	Florida
State of Issue	Florida
Primary Annuitant	
Name	Client
Birth Date	March 24, 1948
Sex	Male
Continuation	100.000%
Secondary Annuitant	
Name	client spouse
Birth Date	March 23, 1943
Sex	Female
Continuation	100.000%
Spouse	Yes
Annuity Type	Joint Life
Joint Type	Non-revolving
QLAC Purchase	Yes
Fund Type	Traditional IRA
Guarantee Type	Certain period
Premium	\$130,000.00
Purchase Date	March 26, 2019
Payment Frequency	Monthly
Income Start Date	March 26, 2033
Certain Period	Life Only
Return of Premium before Income Start Date	No

No Reduction in Benefit

Survivor
Income

Financial Institution	Monthly Income	Monthly Taxable Portion	Guarantee To End Of	Notes
AIG	\$2,758.65	\$2,758.65	APR-09-2019	See below
Principal Financial Group	\$2,578.43	\$2,578.43	APR-04-2019	See below
Pacific Life Insurance Company	\$2,336.98	\$2,336.98	APR-09-2019	See below

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Exhibit 8

Financial Institution	Notes
AIG	Minimum owner issue age is 18, or if earlier, the age of majority as defined by law in state of issue.
	Non-qualified purchases by non-natural entities require approval from the Home Office on a case-by-case exception basis and must have a minimum premium of \$150,000 in order to be considered.
	Additional features are available, such as: commutation withdrawal benefits; a variety of payment increase options; and the ability to customize ownership and payee structure. For more information, contact your AIG Annuities wholesaler.
New York Life Insurance and Annuity Corporation	The Owner and the Primary Annuitant are assumed to be the same person.
	Product offers liquidity options and other features, subject to availability. For more information, please contact the Sales Desk at 1-888-474-7725, option 2.
Pacific Life Insurance Company	This payout option does not include a death benefit during the deferral period.
	The Owner and the Primary Annuitant are assumed to be the same person.
	Product offers flexible premium, and other features, subject to availability. For more information please contact our Sales Desk at 800-722-2333.
	Currently, the total purchase payments may not exceed the lesser of \$125,000 or 25% of the aggregate value of all traditional IRAs (i.e. non-Roth IRAs) as of December 31st of the prior year.
Principal Financial Group	An optional death benefit rider is available. Please call the sales desk for more information.
	A 10% IRS penalty tax may apply to income amounts received prior to age 59½. Consult your tax advisor for details.

Financial Institution	Reasons For Not Quoting
American National Insurance Company	Deferred annuities are not offered.
EquiTrust Life Insurance Company	Deferred annuities are not offered.
Minnesota Life Insurance Company - A Securian Co.	Deferred annuities are not offered.
Nationwide Life Insurance Company	Deferred annuities are not offered.
Protective Life Insurance Company	Deferred annuities are not offered.
The Lincoln National Life Insurance Company	Single life only QLAC purchases are not offered.

Survey Notes
When the Certain period is none, there is no death benefit after payments begin.
QLAC purchases must be within premium and account balance percentage limits as set forth in the plan document.

Prepared by CANNEX on March 26, 2019 at 17:51:43 ET.
This information is current as of the date and time posted and is subject to change without notice.
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CANNEX Request: B8JE3G



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QLAC RATES

The income offered on QLACs will vary over time, by insurance company, market conditions change, longer-term Treasury and investment grade corporate bond yields. In addition, age, gender and the policy options selected will impact the quote. As of October 2018, there are several highly-rated carriers underwriting Qualified Longevity Annuity Contracts (QLAC). Below is an example of one carrier's annual income payments for a \$100,000 purchase: **Exhibits 5, 6, 7, 8 and 9** illustrate examples of company income variations and product distinctions.

Age	Income Start	Male	Female	Joint
60	75	\$18,830	\$16,830	\$17,770
60	80	\$32,040	\$27,540	\$29,620
60	85	\$62,280	\$50,850	\$55,990
65	75	\$15,960	\$13,750	\$14,770
65	80	\$25,700	\$22,070	\$23,750
65	85	\$50,950	\$40,930	\$45,190
70	75	\$12,540	\$10,970	\$11,700
70	80	\$22,710	\$18,520	\$20,400
70	85	\$41,690	\$32,560	\$35,970

QLAC quotes shown as annual income for a \$100,000 premium as of 10/1/2018. All quotes are life only. Joint quotes are for a male and female with the same age and 50% continuation.

Exhibit 9

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Longevity Protection

By reallocating some of Qualified Retirement Assets towards a QLAC, a participant's income protection is assured through the duration of his/her life. For a QLAC annuitant, the older one becomes, the more financial valuable the QLAC.

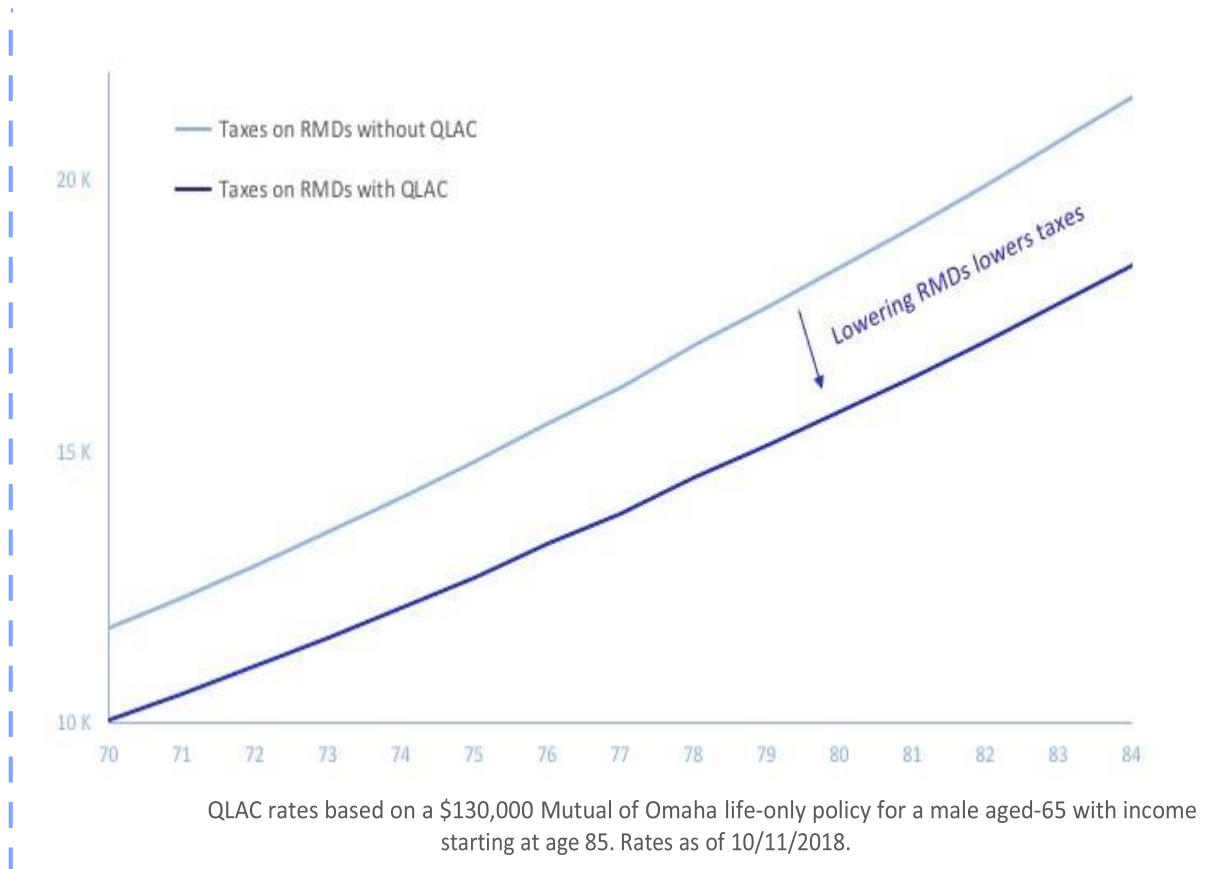


Exhibit 10

Using funds from Qualified Retirement Accounts to fund a QLAC reduces the account balance from which RMD calculations are determined. That means lower RMDs and lower taxable income during the QLAC deferral period.

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Definitions: Investopedia

Qualified Retirement Plans- A qualified plan must satisfy the Internal Revenue Code in both form and operation. That means that the provisions in the plan document must satisfy the requirements of the Code and that those plan provisions must be followed. The IRS administers a determination letter program that enables plan sponsors to get advance assurance as to the form of their retirement plan document.

IRA - An individual retirement account is a tax-advantaged investing tool that individuals use to earmark funds for retirement savings. As of 2019, annual individual contributions to traditional IRAs cannot exceed \$6,000 in most cases. If you're 50 or older, you can contribute up to \$7,000 per year using [catch-up contributions](#).

<https://www.investopedia.com/terms/i/ira.asp>

Simplified Employee Pension IRAs - Self-employed individuals, such as independent contractors, freelancers and small-business owners, can set up [SEP IRAs](#). A SEP IRA adheres to the same taxation rules for withdrawals as a traditional IRA. For 2019, SEP IRA contributions are limited to 25% of compensation or \$56,000, whichever is less.

Business owners who set up a SEP IRA for the company's employees can deduct the contributions from their reported business income and potentially secure a lower tax rate on that income. However, company employees are not allowed to contribute to their accounts, and the IRS taxes their withdrawals as income.



SIMPLE IRAs - The [SIMPLE IRA](#) (Savings Incentive Match Plan for Employees) is also intended for small businesses and self-employed individuals. It, too, follows the same taxation rules for withdrawals as a traditional IRA.

Unlike SEP IRAs, SIMPLE IRAs allow employees to make contributions to their accounts, and the employer is required to make contributions, too.

All the contributions are tax-deductible, potentially pushing the business or employee into a lower tax bracket, which can reduce one's tax bill. The SIMPLE IRA employee contribution limit for 2019 is \$13,000, with a \$3,000 catch-up contribution allowed for savers age 50 and older.

Roth IRAs - [Roth IRA](#) contributions are not tax-deductible, but qualified [distributions](#) are tax-free. This means that you contribute to a Roth IRA using after-tax dollars, but as the account grows, you do not face any taxes on investment gains.

401(a) Plan - A 401(a) plan is an employer-sponsored money-purchase retirement plan that allows dollar- or percentage-based contributions from the employer, the employee or both. The sponsoring employer establishes eligibility and the [vesting](#) schedule.

401(k) Plan - A 401(k) plan is a qualified employer-sponsored retirement plan that eligible employees may make salary-deferral contributions to on a post-tax and/or pretax basis. Employers offering a 401(k) plan may make matching or non-elective contributions to the plan on behalf of eligible employees and may also add a profit-sharing feature to the plan. Earnings in a 401(k) plan accrue on a tax-deferred basis.

403(a) plan – 403(a) is a special type of annuity-based retirement plan that is sponsored by your employer. Unlike 403(b) plans, which are offered only by certain non-profit companies, hospital organizations and educational institutions, any employer can choose to offer a 403(a). Roughly similar in effect to a traditional pension, 403(a) plans are usually funded by insurance company-backed annuities and can offer yearly payments.



403(b) Plan - A 403(b) plan is a retirement plan for specific employees of public schools, tax-exempt organizations and certain ministers. These plans can invest in either annuities or mutual funds. A 403(b) plan is also another name for a [tax-sheltered annuity](#) plan, and the features of a 403(b) plan are comparable to those found in a 401(k) plan.

457 Plan - 457 plan refers to a non-qualified, tax-advantaged [deferred compensation](#) retirement plan. Eligible employees are allowed to make salary deferral contributions to the 457 plan. Earnings grow on a tax-deferred basis and contributions are not taxed until the assets are distributed from the plan.

- A 457(b): This is the most common 457 plan and offered to state and local government employees
- A 457(f): A plan offered to highly compensated government and select non-government employees

Keogh Plan- A Keogh plan is a tax-deferred pension plan available to self-employed individuals or unincorporated businesses for retirement purposes. A Keogh plan can be set up as either a [defined-benefit](#) or [defined-contribution plan](#)

Profit-Sharing Plan- A profit-sharing plan, also known as a [deferred profit-sharing plan](#) or DPSP, is a plan that gives employees a share in the profits of a company. Under this plan, an employee receives a percentage of a company's profits based on its quarterly or annual [earnings](#).

QLAC- Qualified Longevity Annuity Contract- is a type of **longevity annuity** (also known as a Tax Deferred income **annuity**) that is exempt from the. [required minimum distribution \(RMD\)](#) rules until payouts begin after the specified annuity starting date.

Longevity: Fixed annuities give you income for a fixed period of time. Longevity or lifetime annuities give you income for life — no matter how long your life (and perhaps your spouse's life) lasts.



Annuitant - An annuitant is a person who collects the benefits of an [annuity](#) or pension, or named in a specialized life insurance contract. The annuitant is the beneficiary of an annuity or pension. An annuitant can be the contract holder or another person. The beneficiary receives the proceeds of the [annuity contract](#) upon the annuitant's death to shield the beneficiary from a loss of income.

Annuity Contract -Let's start with defining "annuity contract." An annuity is a financial product sold by insurance companies. It guarantees reliable income to the purchaser (annuitant). When you purchase an annuity, you are contracting with the insurer to exchange a lump sum of money for a guaranteed monthly paycheck.

Joint And Survivor Annuity -A joint and survivor annuity is an insurance product that continues regular payments as long as one [annuitant](#) is alive. A joint and survivor [annuity](#) must have two or more annuitants and married couples often purchase them to guarantee a surviving spouse receives a regular income for life. Annuities are generally used to provide a steady income during retirement.

Qualified: This refers to the fact that this type of annuity is purchased with "qualified" — also known as tax advantaged — funds.

Fixed Annuity - A fixed annuity is a type of annuity contract that allows for the accumulation of capital on a tax-deferred basis. In exchange for a lump sum of capital, a life insurance company credits the annuity account with a guaranteed fixed interest rate while guaranteeing the principal investment. A fixed annuity can be annuitized to provide the annuitant with a guaranteed income payout for a specified term or for life.

Indexed Annuity- An indexed annuity is a special class of annuities that yields returns on contributions based on a specified equity-based index. One can purchase this annuity from an insurance company, and similar to other types of annuities, the terms and conditions associated with payouts depend on what the original annuity contract says.



Split-Funded Annuity - A split-funded annuity is a type of annuity that uses a portion of the principal to fund immediate monthly payments and then saves the remaining portion to fund a deferred annuity. The two funding methods let the annuity holder receive dependable income and simultaneously save for future needs. The is also known as a combination annuity.

Variable Annuity - A variable annuity is a type of annuity contract that allows for the accumulation of capital on a tax-deferred basis. As opposed to a fixed annuity that offers a guaranteed interest rate and a minimum payment at annuitization, variable annuities offer investors the opportunity to generate higher rates of returns by investing in equity and bond subaccounts. If a variable annuity is annuitized for income, the income payments can vary based on the performance of the subaccounts.

QLAC Pros

- Tax Deferred Status
- Required Minimum Distributions (RMDs) Deferred
- Improved Retirement Stability
- Eliminates Risk with a /Guaranteed Income for Life
- Cover for a Long-Term Care Needs
- Spousal Protection-Survivorship Income Guaranteed
- Return of Premium upon death (option)

QLAC Cons

- Lack of Control
- Premature Death- unused funds refunded to account without ROP
- Lack of Inflation Protection
- IRS Limited Contributions

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Prepared by the National Association of Insurance Commissioners

WHAT IS AN ANNUITY?

An annuity is a contract in which an insurance company makes a series of income payments at regular intervals in return for a premium or premiums you have paid. Annuities are most often bought for future retirement income. Only an annuity can pay an income that can be guaranteed to last as long as you live.

An annuity is neither a life insurance nor a health insurance policy. It's not a savings account or a savings certificate. You shouldn't buy an annuity to reach short-term financial goals.

Your value in an annuity contract is the premiums you've paid, less any applicable charges, plus interest credited. The insurance company uses the value to figure the amount of most of the benefits that you can choose to receive from an annuity contract. This guide explains how interest is credited as well as some typical charges and benefits of annuity contracts.

A deferred annuity has two parts or periods. During the accumulation period, the money you put into the annuity, less any applicable charges, earns interest. The earnings grow tax-deferred as long as you leave them in the annuity. During the second period, called the payout period, the company pays income to you or to someone you choose.

WHAT ARE THE DIFFERENT KINDS OF ANNUITIES?

This guide explains major differences in different kinds of annuities to help you understand how each might meet your needs. But look at the specific terms of an individual contract you're considering and the disclosure document you receive. If your annuity is being used to fund or provide benefits under a pension plan the benefits you get will depend on the terms of the plan. Contact your pension plan administrator for information.



This Buyer's Guide will focus on individual fixed deferred annuities.

Single Premium or Multiple Premium

You pay the insurance company only one payment for a single premium annuity. You make a series of payments for a multiple premium annuity. There are two kinds of multiple premium annuities. One kind is a flexible premium contract. Within set limits, you pay as much premium as you want, whenever you want. In the other kind, a scheduled premium annuity, the contract spells out your payments and how often you'll make them.

Immediate or Deferred

With an immediate annuity, income payments start no later than one year after you pay the premium. You usually pay for an immediate annuity with one payment.

The income payments from a deferred annuity often start many years later. Deferred annuities have an accumulation period, which is the time between when you start paying premiums and when income payments start.

Fixed or Variable

- **Fixed** -During the accumulation period of a fixed deferred annuity, your money (less any applicable charges) earns interest at rates set by the insurance company or in a way spelled out in the annuity contract. The company guarantees that it will pay no less than a minimum rate of interest. During the payout period, the amount of each income payment to you is generally set when the payments start and will not change.



- **Variable** - During the accumulation period of a variable annuity the insurance company puts your premiums (less any applicable charges) into a separate account. You decide how the company will invest those premiums, depending on how much risk you want to take. You may put your premium into a stock, bond or other account, with no guarantees, or into a fixed account, with a minimum guaranteed interest. During the payout period of a variable annuity, the amount of each income payment to you may be fixed (set at the beginning) or variable (changing with the value of the investments in the separate account).

HOW ARE THE INTEREST RATES SET FOR MY FIXED DEFERRED ANNUITY?

During the accumulation period, your money (less any applicable charges) earns interest at rates that change from time to time. Usually, what these rates will be is entirely up to the insurance company.

Current Interest Rate

The current rate is the rate the company decides to credit to your contract at a particular time. The company will guarantee it will not change for some time period.

- The initial rate is an interest rate the insurance company may credit for a set period of time after you first buy your annuity. The initial rate in some contracts may be higher than it will be later. This is often called a bonus rate.
- The renewal rate is the rate credited by the company after the end of the set time period. The contract tells how the company will set the renewal rate, which may be tied to an external reference or index.



Minimum Guaranteed Rate

The minimum guaranteed interest rate is the lowest rate your annuity will earn. This rate is stated in the contract.

Multiple Interest Rates

Some annuity contracts apply different interest rates to each premium you pay or to premiums you pay during different time periods.

Other annuity contracts may have two or more accumulated values that fund different benefit options. These accumulated values may use different interest rates. You get only one of the accumulated values depending on which benefit you choose.

WHAT CHARGES MAY BE SUBTRACTED FROM MY FIXED DEFERRED ANNUITY?

Most annuities have charges related to the cost of selling or servicing it. These charges may be subtracted directly from the contract value. Ask your agent or the company to describe the charges that apply to your annuity. Some examples of charges, fees and taxes are:

Surrender or Withdrawal Charges

If you need access to your money, you may be able to take all or part of the value out of your annuity at any time during the accumulation period. If you take out part of the value, you may pay a withdrawal charge. If you take out all of the value and surrender, or terminate, the annuity, you may pay a surrender charge. In either case, the company may figure the charge as a percentage of the value of the contract, of the premiums you've paid or of the amount you're withdrawing. The company may reduce or even eliminate the surrender charge after you've had the contract for a stated number of years. A company may waive the surrender charge when it pays a death benefit.



Some annuities have stated terms. When the term is up, the contract may automatically expire or renew. You're usually given a short period of time, called a window, to decide if you want to renew or surrender the annuity. If you surrender during the window, you won't have to pay surrender charges. If you renew, the surrender or withdrawal charges may start over.

In some annuities, there is no charge if you surrender your contract when the company's current interest rate falls below a certain level. This may be called a bail-out option.

In a multiple-premium annuity, the surrender charge may apply to each premium paid for a certain period of time. This may be called a rolling surrender or withdrawal charge.

Some annuity contracts have a market value adjustment feature. If interest rates are different when you surrender your annuity than when you bought it, a market value adjustment may make the cash surrender value higher or lower. Since you and the insurance company share this risk, an annuity with a MVA feature may credit a higher rate than an annuity without that feature.

Be sure to read the Tax Treatment section and ask your tax advisor for information about possible tax penalties on withdrawals.

Free Withdrawal

Your annuity may have a limited free withdrawal feature. That lets you make one or more withdrawals without a charge. The size of the free withdrawal is often limited to a set percentage of your contract value. If you make a larger withdrawal, you may pay withdrawal charges. You may lose any interest above the minimum guaranteed rate on the amount withdrawn. Some annuities waive withdrawal charges in certain situations, such as death, confinement in a nursing home or terminal illness.



Contract Fee - A contract fee is a flat dollar amount charged either once or annually.

Transaction Fee - A transaction fee is a charge per premium payment or other transaction.

Percentage of Premium Charge

A percentage of premium charge is a charge deducted from each premium paid. The percentage may be lower after the contract has been in force for a certain number of years or after total premiums paid have reached a certain amount.

Premium Tax

Some states charge a tax on annuities. The insurance company pays this tax to the state. The company may subtract the amount of the tax when you pay your premium, when you withdraw your contract value, when you start to receive income payments or when it pays a death benefit to your beneficiary.



WHAT ARE SOME FIXED DEFERRED ANNUITY CONTRACT BENEFITS?

Annuity Income Payments

One of the most important benefits of deferred annuities is your ability to use the value built up during the accumulation period to give you a lump sum payment or to make income payments during the payout period. Income payments are usually made monthly, but you may choose to receive them less often. The size of income payments is based on the accumulated value in your annuity and the annuity's benefit rate in effect when income payments start. The benefit rate usually depends on your age and sex, and the annuity payment option you choose. For example, you might choose payments that continue as long as you live, as long as your spouse lives or for a set number of years.

There is a table of guaranteed benefit rates in each annuity contract. Most companies have current benefit rates as well. The company can change the current rates at any time, but the current rates can never be less than the guaranteed benefit rates. When income payments start, the insurance company generally uses the benefit rate in effect at that time to figure the amount of your income payment.

Companies may offer various income payment options. You (the owner) or another person that you name may choose the option. The options are described here as if the payments are made to you.

- **Life Only** — The company pays income for your lifetime. It doesn't make any payments to anyone after you die. This payment option usually pays the highest income possible. You might choose it if you have no dependents, if you have taken care of them through other means or if the dependents have enough income of their own.

- **Life Annuity with Period Certain** — The company pays income for as long as you live and guarantees to make payments for a set number of years even if you die. This period



certain is usually 10 or 20 years. If you live longer than the period certain, you'll continue to receive payments until you die. If you die during the period certain, your beneficiary gets regular payments for the rest of that period. If you die after the period certain, your beneficiary doesn't receive any payments from your annuity. Because the "period certain" is an added benefit, each income payment will be smaller than in a life only option.

- **Joint and Survivor** — The company pays income as long as either you or your beneficiary lives. You may choose to decrease the amount of the payments after the first death. You may also be able to choose to have payments continue for a set length of time. Because the survivor feature is an added benefit, each income payment is smaller than in a life-only option.

Death Benefit

In some annuity contracts, the company may pay a death benefit to your beneficiary if you die before the income payments start. The most common death benefit is the contract value, or the premiums paid, whichever is more.

CAN MY ANNUITY'S VALUE BE DIFFERENT DEPENDING ON MY CHOICE OF BENEFIT?

While all deferred annuities offer a choice of benefits, some use different accumulated values to pay different benefits. For example, an annuity may use one value if annuity payments are for retirement benefits and a different value if the annuity is surrendered. As another example, an annuity may use one value for long-term care benefits and a different value if the annuity is surrendered. You can't receive more than one benefit at the same time.



WHAT ABOUT THE TAX TREATMENT OF ANNUITIES?

Below is a general discussion about taxes and annuities. You should consult a professional tax advisor to discuss your individual tax situation.

Under current federal law, annuities receive special tax treatment. Income tax on annuities is deferred, which means you aren't taxed on the interest your money earns while it stays in the annuity. Tax-deferred accumulation isn't the same as tax-free accumulation. An advantage of tax deferral is that the tax bracket you're in when you receive annuity income payments may be lower than the one you're in during the accumulation period. You'll also be earning interest on the amount you would have paid in taxes during the accumulation period. Most states' tax laws on annuities follow the federal law.

Part of the payments you receive from an annuity will be considered as a return of the premium you've paid. You won't have to pay taxes on that part. Another part of the payments is considered interest you've earned. You must pay taxes on the part that is considered interest when you withdraw the money. You may also have to pay a 10% tax penalty if you withdraw the accumulation before age 59 1/2. The Internal Revenue Code also has rules about distributions after the death of a contract holder.

Annuities used to fund certain employee pension benefit plans (those under Internal Revenue Code Sections 401(a), 401(k), 403(b), 457 or 414) defer taxes on plan contributions as well as on interest or investment income. Within the limits set by the law, you can use pretax dollars to make payments to the annuity. When you take money out, it will be taxed.

You can also use annuities to fund traditional and Roth IRAs under Internal Revenue Code Section 408. If you buy an annuity to fund an IRA, you'll receive a disclosure statement describing the tax treatment.



WHAT IS A "FREE LOOK" PROVISION?

Many states have laws which give you a set number of days to look at the annuity contract after you buy it. If you decide during that time that you don't want the annuity, you can return the contract and get all your money back. This is often referred to as a free look or right to return period. The free look period should be prominently stated in your contract. Be sure to read your contract carefully during the free look period.

HOW DO I KNOW IF A FIXED DEFERRED ANNUITY IS RIGHT FOR ME?

The questions listed below may help you decide which type of annuity, if any, meets your retirement planning and financial needs. You should think about what your goals are for the money you may put into the annuity. You need to think about how much risk you're willing to take with the money. Ask yourself:

- How much retirement income will I need in addition to what I will get from Social Security and my pension?
- Will I need that additional income only for myself or for myself and someone else?
- How long can I leave my money in the annuity?
- When will I need income payments?
- Does the annuity let me get money when I need it?
- Do I want a fixed annuity with a guaranteed interest rate and little or no risk of losing the principal?
- Do I want a variable annuity with the potential for higher earnings that aren't guaranteed and the possibility that I may risk losing principal?
- Or, am I somewhere in between and willing to take some risks with an equity-indexed annuity?



WHAT QUESTIONS SHOULD I ASK MY AGENT OR THE COMPANY?

- Is this a single premium or multiple premium contract?
- Is this an equity-indexed annuity?
- What is the initial interest rate and how long is it guaranteed?
- Does the initial rate include a bonus rate and how much is the bonus?
- What is the guaranteed minimum interest rate?
- What renewal rate is the company crediting on annuity contracts of the same type that were issued last year?
- Are there withdrawal or surrender charges or penalties if I want to end my contract early and take out all of my money? How much are they?
- Can I get a partial withdrawal without paying surrender or other charges or losing interest?
- Does my annuity waive withdrawal charges for reasons such as death, confinement in a nursing home or terminal illness?
- Is there a market value adjustment (MVA) provision in my annuity?
- What other charges, if any, may be deducted from my premium or contract value?
- If I pick a shorter or longer payout period or surrender the annuity, will the accumulated value or the way interest is credited change?
- Is there a death benefit? How is it set? Can it change?
- What income payment options can I choose? Once I choose a payment option, can I change it?

FINAL POINTS TO CONSIDER

Before you decide to buy an annuity, you should review the contract. Terms and conditions of each annuity contract will vary.

Ask yourself if, depending on your needs or age, this annuity is right for you. Taking money out of an annuity may mean you must pay taxes. Also, while it's sometimes possible to transfer the value of an older annuity into a new annuity, the new annuity may have a new schedule of charges that could mean new expenses you must pay directly or indirectly.



You should understand the long-term nature of your purchase. Be sure you plan to keep an annuity long enough so that the charges don't take too much of the money you put in. Be sure you understand the effect of all charges.

If you're buying an annuity to fund an IRA or other tax-deferred retirement program, be sure that you're eligible. Also, ask if there are any restrictions connected with the program.

Remember that the quality of service that you can expect from the company and the agent is a very important factor in your decision.

When you receive your annuity contract, **READ IT CAREFULLY!!** Ask the agent and company for an explanation of anything you don't understand. Do this before any free look period ends.

Compare information for similar contracts from several companies. Comparing products may help you make a better decision.

If you have a specific question or can't get answers you need from the agent or company, contact your state insurance department.

The National Association of Insurance Commissioners is an association of state insurance regulatory officials. This association helps the various insurance departments to coordinate insurance laws for the benefit of all consumers. This guide does not endorse any company or policy.

It is important that you understand the differences among various annuities so you can choose the kind that best fits your needs. This guide focuses on fixed deferred annuity contracts. There is, however, a brief description of variable annuities. If you're thinking of buying an equity-indexed annuity, an appendix to this guide will give you specific information. This Guide isn't meant to offer legal, financial or tax advice. You may want to



consult independent advisors. At the end of this Guide are questions you should ask your agent or the company. Make sure you're satisfied with the answers before you buy.

Conclusion-

To quote Mark Iwry, Senior Advisor to the Secretary of the Treasury and Deputy Assistant Secretary for Retirement and Health Policy, *"All Americans deserve security in their later years and need effective tools to make the most of their hard-earned savings..."* and *"...as boomers approach retirement and life expectancies increase, longevity income annuities can be an important option to help Americans plan for retirement and ensure they have a regular stream of income for as long as they live."*

For those post and pre-retirees looking to mitigate their Required Minimum Distributions (RMD's) on their Qualified Retirement Assess and concerned about not outliving their assets and income, a Qualified Longevity Annuity Contract might be the answer.

**If you only get one thing out of reading this guide,
it should be this:**

***Your financial future – and the financial future of those you love – can be
either enhanced or diminished by what you do with your
Required Minimum Distributions-RMDs.***

If you are considering a QLAC as part of your retirement and income planning strategy,
look to the RMD Resource Center for solutions.

An independent Financial Services Firm, Representing most of the highly rated
insurance companies in the industry. We work for you.

