Financial Risk Spectrum Example for John and Mary

John and Mary, not their real names, are clients of mine.
In 2009, at age 67, John was at the top of his game working full-time as a Grant Writer.

5 years later at age 72, Mary passed unexpectedly.

After 52 years of marriage, John gave up on life. He gave up on his beautiful children, grandchildren, and great grandchildren.

The grief and depression gripped him to the point that he did not move around. He suffered physically and started falling.

Multiple caretakers attended to him at home.
The at-home rehabilitation was not fruitful. When they were unable to care for him any longer, he was moved to a nursing home at a cost of $9,000 monthly.

He stayed there until they left him in his wheelchair unattended all night long.

He then moved to another nursing home at a cost of $6,000 monthly, where his children visit him weekly.

John and Mary agreed to some of my suggestions for Retirement Resource Planning. They created a living trust naming their children as their representatives if they should pass or become incapacitated. They also purchased two lifetime income annuities. A lifetime stream of income will be paid to John, as long as he is here with us.

This annuity lifetime income stream covers a portion of the unreimbursed medical expenses, taxes, and maintenance for three properties.

Retirement Planning Options

Stock Market Options

- Higher Returns
- High Risk with Loss Potential
- Fees
- Taxes

Guaranteed No-Loss Options

- Better Predictability for Retirement Income Security
- No Losses
- Market-Linked Returns
- Fees
- Taxes

Top Line Tax Deduction Defined Benefit Plans Allow Older Business Owners to Squeeze 20–30 Years of Savings into 10 Years or Less.

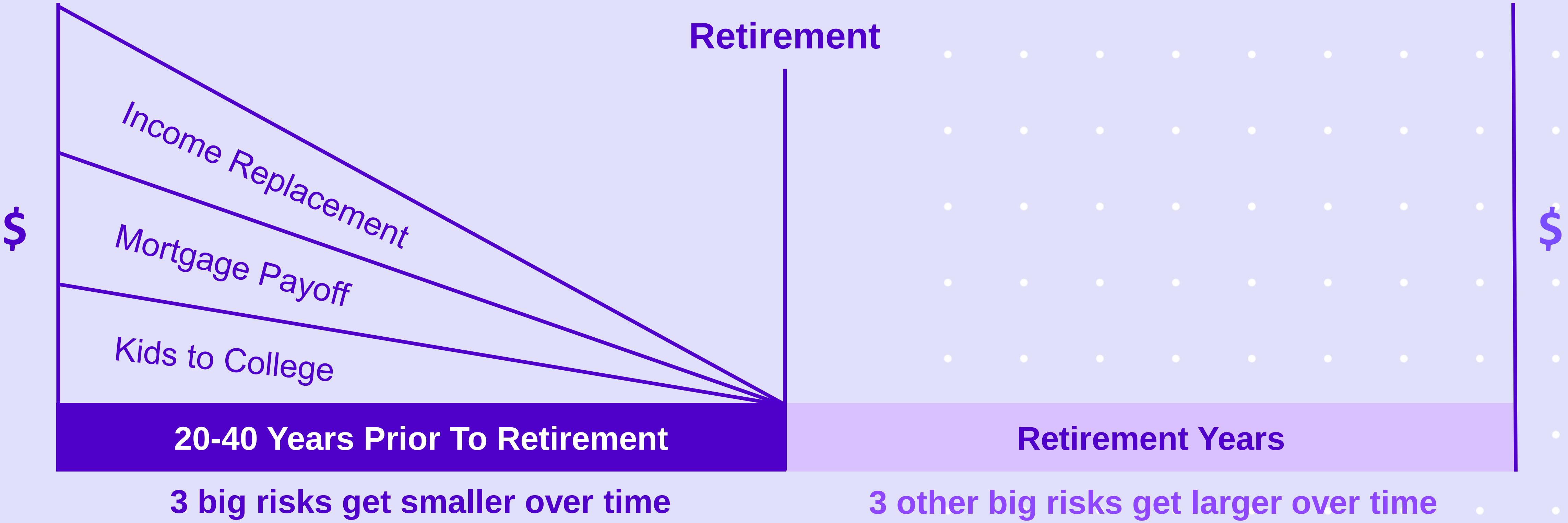
Alternative Tax Advantaged Plan

- Tax-Free Cash Accumulation and Distribution.
- Ability to Keep Interest Earning Power on $ Spent.
- High Single Digit to Double Digit Returns.
- Low-Cost Fees Which Provide More Tax-Free Cash.
- Account Balance to Beneficiaries at Death.

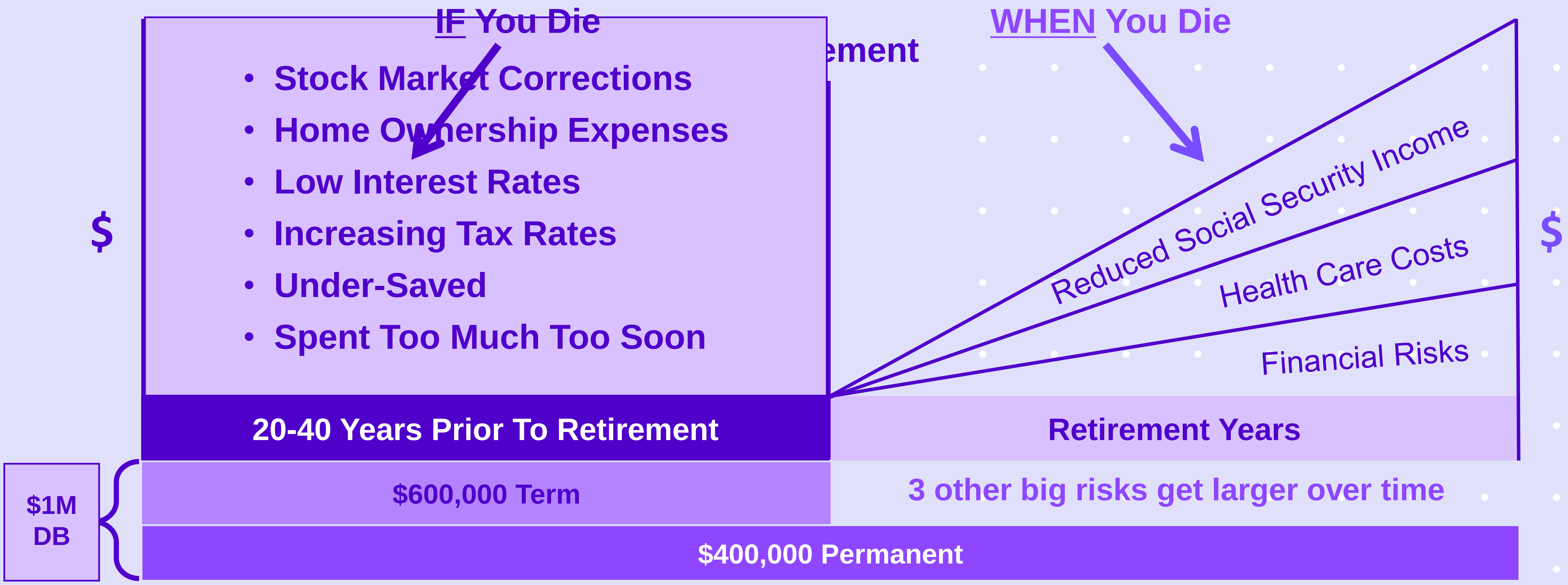
Alternative Guaranteed Lifetime Income Stream

- Choose how much you will need and when to start.
- Account Balance to Beneficiaries at Death.
- Low-Cost Fees.
- Taxable or Tax-Free Distributions.

Financial Risk Spectrum



Financial Risk Spectrum



UNDERSTANDING PROTECTED INCOME

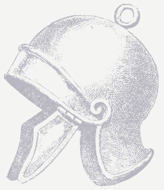
Your Guide to Annuity Solutions for a Secure Retirement

Alliance for Lifetime Income

ProtectedIncome.org

ANNUITIES: CENTURIES OF PROVEN RETIREMENT SECURITY

Annuities have been used in different ways for centuries, showcasing their value as an income source.



170–228 A.D.

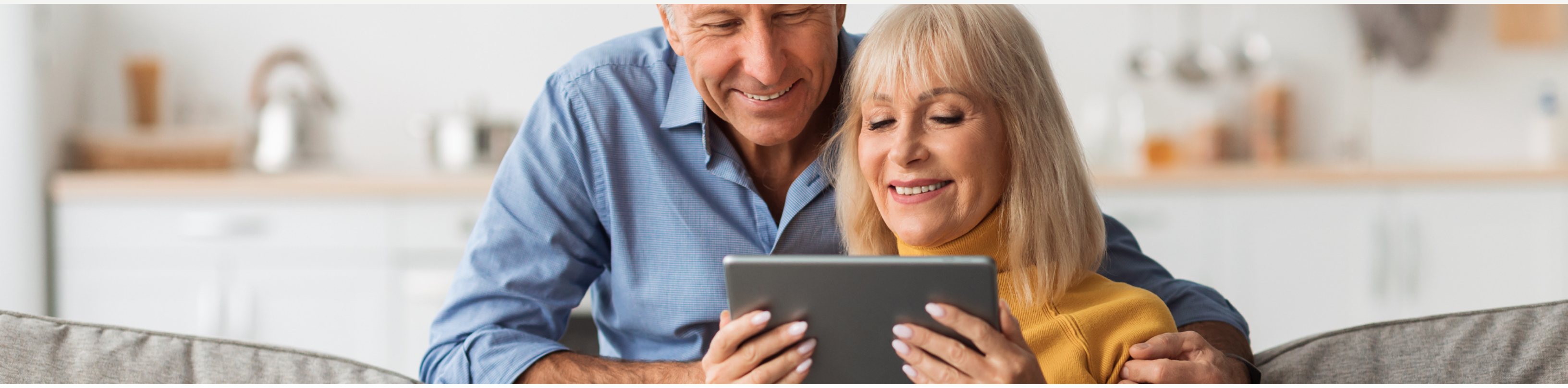
During the Roman Empire, annuities (*annua* in Latin) were used as payment to soldiers.

1790

Benjamin Franklin's will included $4,500 in annuities for Philadelphia and Boston which could not be withdrawn for 200 years. In 1990, the combined investment was worth $6.5 million.[1]

2024

Companies now have more flexibility to offer annuities within employee 401(k) plans under the Secure Act 2.0.



ANNUITIES EXPLAINED: YOUR PATH TO PROTECTED INCOME

If you are in or nearing retirement age, you may wonder if your savings will last your lifetime. Unsurprisingly, most people are interested in supplementing their Social Security or pension with another form of protected lifetime income—an annuity.

However, over half of Americans say they do not understand what annuities are, how they work, and the benefits they provide.[2] You are not alone if you don't know about or understand annuities, but you may be missing out on the only other source of protected retirement income.

[1] New York Life.com, Did you know Ben Franklin established early annuity payments?
[2] Alliance for Lifetime Income, Protected Retirement Income and Planning study, 2024

RETIREMENT INCOME BASICS AND ANNUITIES

This guide will give you a better understanding of retirement income basics, the role annuities play, and the many benefits annuities offer. You will learn about one of the most important features of annuities: how they protect you from outliving your savings. This is known as **protected income**.

What is Protected Lifetime Income?

There are only three sources of income that you cannot outlive: your Social Security check, your pension check, and an annuity. All others are considered **probable income** since they can go up or down based on the markets and other factors.

Protected Income is Income You Can Rely On

- Social Security
- A Pension
- An Annuity

Probable Income is Income That Can Vary

- Interest income
- Stock dividends
- Alternative investments (options, gold, art)
- Rental income

What is an Annuity?

An annuity is an insurance product that can help meet various financial goals. One of the most important features is that annuities allow you to turn part of your savings into steady, protected income for the rest of your life. Think of it this way: you insure your home, your health, and your cars—annuities allow you to insure your retirement income.

How Do Annuities Work?

1. You purchase an annuity from a life insurance company. It can be through a lump sum or multiple payments.
2. Your money can grow tax-deferred until you withdraw it.[3]
3. You can convert your annuity into protected income for a specified period of time—or you can choose an option for payments to continue as long as you live.

[3] Qualified retirement plans, such as a 401(k) or traditional IRA, also offer tax-deferral.

HOW MUCH INCOME DO YOU NEED IN RETIREMENT?

A 3-Step Framework

1 **Identify the cost of your basic needs.** Start by prioritizing expenses into three categories:

- **Needs—**essentials such as the mortgage, utilities, and groceries.
- **Wants—**expenses for a comfortable retirement lifestyle (dining out or traveling). Note: it's fine to earmark special passions as a basic need.
- **Wishes—**extras, once basic expenses are covered (charitable giving, a second home, etc.)

Add your monthly expenses based only on your needs, plus any wants you can't live without.

2 **Add your protected income sources together:** (choose any that apply)

Social Security **+** *Pension* **+** *Annuity* **=** *Total Protected Income*

3 **Subtract your total expenses from your protected income.**

If the result is positive, you have a surplus. If negative, you have a shortfall.

Retirement Income **–** *Basic Monthly Expenses* **=** *Surplus or Shortfall*

When your retirement expenses and income are clear, you are better prepared to fund your lifestyle and address any shortfall. Before you make any sacrifices, let's look at how one couple protected their dreams with an annuity.

CASE STUDY: MEET NANCY AND CONRAD

Covering Basic Expenses with Protected Lifetime Income

Nancy and Conrad, age 65, are 40 years married and plan to retire next year in their Texas "horse country" residence. Their retirement dream is to travel the U.S, see national parks, and show their horses. They've been good savers and want to ensure they can retire while still enjoying their equestrian lifestyle.

Financials

Assets: $600,000 (stocks, bonds, mutual funds, CDs)

Protected Retirement Income (Joint Social Security) .... $ 3,400/month

Basic Expenses

- Mortgage, Utilities, Maintenance, Groceries: ($2,670/month)
- Health Insurance: ($500/month)
- Transportation: ($417/month)
- Care of two horses: ($583/month)

Total Basic Expenses .... –$ 4,170/month

Shortfall in Protected Income .... **-$ 770/month**

A Retirement Dream Realized

Solution: Nancy and Conrad used a portion of their savings to purchase an annuity (protected lifetime income).

- **Annuity Advantage:** the annuity provides an additional $818/month ($9,821/year) in protected income to supplement their Social Security and cover their shortfall. This takes care of the couple's basic expenses for a fullfilling retirement.[4]
- **Annuity cost:** $200,000, funded by a 33% portion of their $600,000 in assets
- **Remaining funds:** $400,000 in probable income (other investments) pay for their other wants and wishes

If an annuity makes sense for you, explore it further with your financial professional.

[3] Data sourced by CANNEX Financial Exchanges Limited as of June 5, 2020. The estimated annual income amount of $9,821 is for a single premium immediate annuity (SPIA). This is based on an average of the top five highest annual income amounts from 18 insurance companies that provided data to CANNEX Financial Exchanges Limited. The data reflects a joint life annuity with annual payments, with a premium of $200,000, for two annuitants, a male born on June 5, 1955, and a female born on June 3, 1955, both residing in Texas. This is for illustrative purposes only. Please contact a financial professional for information on costs and details on annuity options available to you. Expenses are based on state averages, U.S. Census Data and certain assumptions.

Is an Annuity Right for You?

If you've decided that an annuity might offer value to you, let's look at the different types and benefits they provide. Annuities come in a variety of different "flavors" to match a range of financial goals. This section allows you to explore the basics of each type and how they may align with your retirement needs.

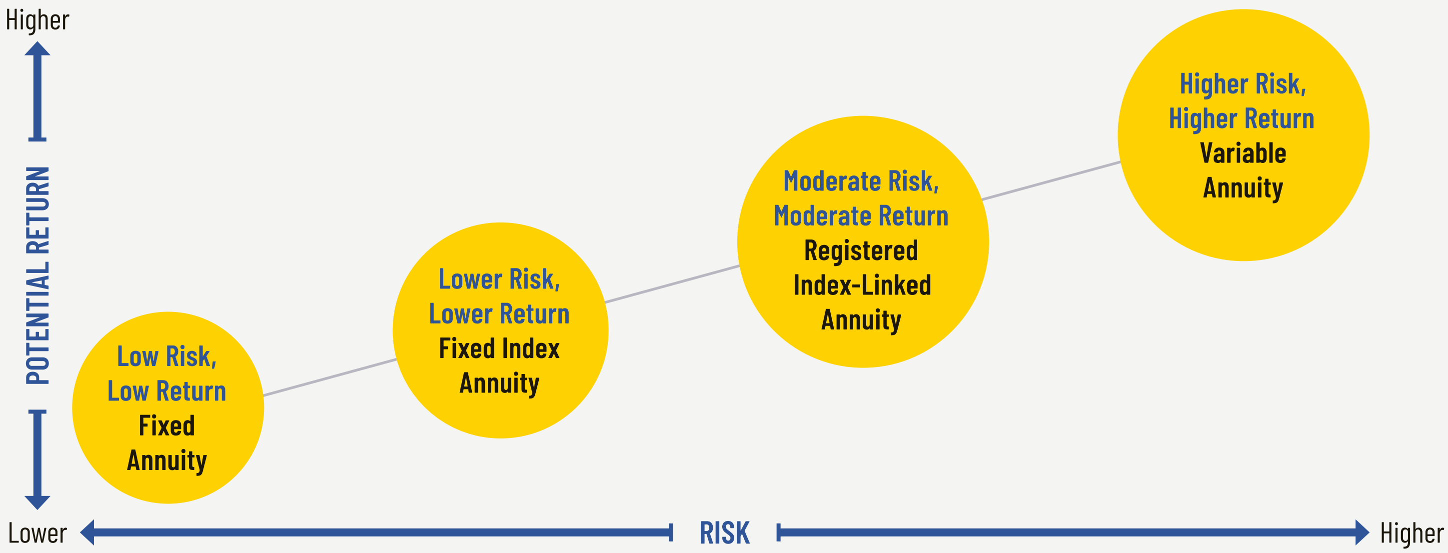
WHAT TYPE OF ANNUITY FITS YOUR RETIREMENT INCOME PLAN?

Now, let's dive into the details. While many annuity types have benefits in common, each has unique features—the most important are shown in the chart below.

Annuity Advantages	Fixed Annuity	Fixed Index Annuity	Registered Index-Linked Annuity	Variable Annuity
Option for guaranteed income for life	✓	✓	✓	✓
Tax-deferred growth until you withdraw your money[5]	✓	✓	✓	✓
Potential for market-like returns[6]		✓	✓	✓
A level of protection against market losses[7]	✓	✓	✓	
Beneficiary/family benefit (also called a death benefit)	✓	✓	✓	✓

[5] Qualified retirement plans like traditional IRAs also offer tax-deferral.
[6] These annuities do not directly participate in any stock market investments. They track the performance of a stock market index like the S&P 500.
[7] May offer a fixed return or principal protection of your original investment (principal). Protection does not apply to potential gains above and beyond your principal.

Let's examine the risk-return profiles of various annuity types.



Flexibility: When would you like your income to start?

Annuities offer you the flexibility to start taking income immediately or on a delayed (deferred) basis. It's your choice and depends on when you need income.

- **Immediate annuities** are just that—you can elect to turn your savings into steady income beginning right away, or within 12 months.
- **Deferred annuities** offer you the flexibility to delay payments while your money continues to grow in a tax-deferred manner.

Common Annuity Types

Below you'll find a basic description of common annuity types. Annuities are robust and sophisticated products so be sure to discuss them with your financial professional. If you would like more details, continue on to our Beyond the Basics section ahead.

Annuity Type	Why Consider This Annuity	How it Works
Fixed Annuity	Fixed annuities are appealing to those who want secure, predictable interest income that isn't affected by market ups and downs.	This annuity provides a "fixed" or guaranteed interest rate on your money for a specific time period (typically from 1–10 years). At contract maturity, you will have the option to renew, surrender, or move your money to a new contract with the same or other company.
Fixed Index Annuity (FIA)	Fixed index annuities may be right for those seeking higher rate of return than traditional fixed annuities.	Instead of a fixed interest rate, a FIA's growth is tied to a market index, like the S&P 500®. This type of annuity protects your initial investment from market losses while offering a chance for higher returns than a traditional fixed annuity.
Variable Annuity (VA)	Variable annuities are for people comfortable with market ups and downs who seek higher returns based on actual market performance.	Variable annuities allow you to invest in a combination of mutual funds, stocks, and bonds. While these offer growth potential, both your original purchase amount and returns will vary with market changes, meaning losses are also possible.
Registered Index-Linked Annuity (RILA)	RILAs may appeal to those who want some market growth potential while limiting their exposure to some losses.	RILAs track the performance of a market index, like the S&P 500. When the market goes up your account value can grow with it—up to a maximum percentage that you select. These growth limits are usually higher than what's available with traditional fixed or fixed index annuities. You choose how much market decline you're protected against, keeping in mind that some investment risk remains.

Other Annuities Worth Exploring

Annuity Type	Why Consider This Annuity	How it Works
Qualified Longevity Annuity Contract (QLAC)	A QLAC is a type of fixed annuity that may be appropriate for people looking for a higher level of protected income in their later retirement years.	A QLAC allows you to convert part of your retirement account, such as an IRA or 401(k), into a lifetime income stream that must begin no later than age 85. **Key feature:** funds used to purchase the QLAC are not subject to required minimum distribution (RMD) calculations.
Long-Term Care (LTC) Annuity	A LTC annuity can be beneficial for those concerned about the spiraling cost of long-term care.	LTC benefits are offered as an optional benefit on some fixed annuity contracts and may be used to pay for expenses related to nursing homes, assisted living facilities, memory care and similar needs. To claim benefits, you typically need to meet specific criteria related to your health and ability to perform daily living activities.

Reminder: ALL annuities provide tax-deferred growth, some type of benefit for your beneficiaries, and the option to convert your money to a stream of protected lifetime income.

BEYOND THE BASICS: UNDERSTANDING ANNUITY CHOICES

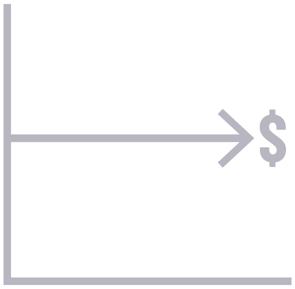
Want to know more about each annuity type? This section gives you essential details to help you make informed decisions with your financial professional.

COMMON ANNUITY TYPES

Fixed Annuities

Predictable Returns for Steady Income

If you're looking for a dependable income source that's not impacted by market ups and downs, a fixed annuity may be appropriate.



- **How It Works:** Fixed annuities offer a guaranteed interest rate on your money for a set period (usually 1–10 years), allowing your savings to grow steadily. The rate is set at the time the contract is purchased, providing stability without relying on market performance.
- **End-of-Term Options:** When the contract period ends, there are several available options. You can renew at a new rate, move your funds to a different annuity with the same or other company, or you can withdraw the full value your annuity has accumulated.
- **Good to Know:** These annuities provide stable, consistent growth and are a conservative choice for those who prioritize stable returns over market exposure.

Fixed Index Annuities (FIAs)

Growth Potential with Market Protection

For those who want a chance to grow their money based on market performance while safeguarding their initial investment, a fixed index annuity may be a good fit. (Also known as Equity Index Annuities or Index Annuities)

- **How It Works:** Fixed Index Annuities credit interest to your account based partly on the performance of a chosen market index (like the S&P 500®), without risking the money you initially contribute. Even if the index dips, your principal remains protected and intact.
- **Flexibility:** Some FIAs allow you to choose from a selection of indexes, other than the S&P. You'll also be offered options for participating in a portion of the index's growth.
- **Good to Know:** While your gains may be limited, FIAs typically offer a greater potential for higher returns than fixed annuities.

Variable Annuities

Higher Growth Potential with Market Exposure

Variable annuities offer greater growth potential through a mix of investment options that are aligned with the stock exchange. If you are comfortable with market variances, seeking tax-deferred growth, and/or a beneficiary benefit, variable annuities may be right for you. (Also known as VAs or variables)

- **How It Works:** Variable annuities let you invest in various underlying investments known as subaccounts, which include stocks, bonds, or mutual funds. These investments offer a chance for higher returns and carry a higher risk of losing money. Both your initial contribution and growth will vary with market performance.
- **Important to Know:** Unlike other annuities, variable annuities don't protect your initial investment from loss, so your account value can rise or fall with the market.

Registered Index-Linked Annuities (RILAs)

Protected Growth Balanced with Loss Protection

Those seeking higher returns than fixed annuities, and a degree of protection against losses, may find value in the blend of growth and safety offered by RILAs. (Also known as buffered or structured annuities)

- **How It Works:** RILAs allow for greater participation in the performance of selected market indexes, like the S&P 500, with options to limit your losses if the market drops. You can set a level of protection that aligns with your own risk tolerance, allowing you to control your exposure to possible market declines.
- **Additional Benefits:** Like other annuities, RILAs offer tax-deferral and income options.
- **Good to Know:** While you can balance growth potential with a level of protection from market dips, there is still some risk of loss since RILAs don't fully protect your initial investment amount.

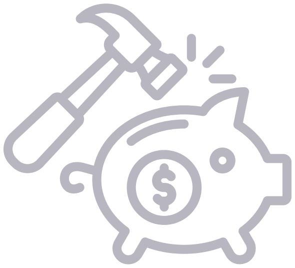
OTHER ANNUITIES WORTH EXPLORING

Qualified Longevity Annuity Contracts (QLACs)

Plan for Income for Your Later Years

If you are looking for a higher level of income in your later retirement years, you may consider a QLAC to help secure financial stability when you may need it most.

Qualified Longevity Annuity Contracts (QLACs) — cont'd



- **How It Works:** A QLAC is purchased using money from traditional retirement accounts like IRAs or 401(k)s. You are allowed to delay income payments until age 85.
- **Unique Features:** **QLACs are exempt from required minimum distributions (RMDs).** The IRS mandates that you begin taking withdrawals from traditional retirement accounts once you reach a certain age. Assets used to purchase a QLAC are exempt from annual RMDs and this approach could potentially lower your taxable income in earlier retirement years. It is also possible to purchase multiple QLAC contracts, provided the combined total amount does not exceed $200,000.
  - Multiple contracts can have different income starting dates which allows for a greater level of income planning.
  - Beneficiary/Family Benefit—Contracts vary but many QLACs offer the flexibility to leave any remaining funds to your beneficiaries.
- **Important to Know:** It's always best to consult your CPA and financial professional when considering a QLAC for tax-related goals.

Long-Term Care (LTC) Annuities

Combine Income with Long-Term Care Protection

A LTC annuity can help if you're concerned about the rising costs of long-term care services like assisted living and nursing homes. These policies can also serve as an option for those who can't qualify for a stand-alone LTC policy due to health issues or age.

- **How It Works:** LTC coverage is available as an option with some fixed annuities for an additional charge; your purchase may be by single or periodic payments. Many LTC annuities offer ways to increase your funds to cover LTC costs. For example, a "multiplier" feature may increase your $100,000 purchase to $300,000 in benefits. These LTC benefits provide a set monthly payment for a specified number of years.
- **Benefit Access:** Depending on the contract, in order to access LTC benefits, you may need to meet certain conditions. Common criteria include whether you need help performing several activities of daily living (ADLs)—bathing, dressing, toileting, etc. Some contracts stipulate a waiting period before benefits are available to you.
- **Good to Know:** You always retain access to your account value, but withdrawing assets will proportionally reduce your LTC benefits. If you decide you no longer need the LTC coverage, you have several options. You can move your funds to a different annuity with the same or other company, you can withdraw the account value, or you can convert it to a protected income stream (any of these options would terminate all LTC coverage).

BRINGING CLARITY TO ANNUITIES

64% of consumers said annuities are the most difficult financial product to understand because of how they are described.[8]

[8] Language Simplification Study, Alliance for Lifetime Income, 2019–2021

One reason annuities can be confusing is that the language used is often complex and technical. The Alliance for Lifetime Income learned that the current jargon makes most consumers feel **confused** and **disengaged**. In response, ALI created a plain-language **Annuities Language Glossary** to help you better understand a beneficial retirement income option.

Your next best step is to talk with your financial professional about annuities. Here are a couple of conversation starters:

Are there costs to an annuity?

Will I have access to my money?

What happens to my annuity when I am deceased?

When can I start taking income?

See more valuable tools, resources, and expert insights at ProtectedIncome.org

- Check Off the Basics: a guide to planning for essential expenses in retirement
- **Calculate Your Retirement Readiness:** The Retirement Income Security Evaluation (RISE) Score helps you determine any gaps between your expected retirement income and monthly expenses and offers a measure of your financial security.
- **Read:** The Many Benefits of Annuities
- **Read:** Is an Annuity Right for You? Starting the Retirement Income Conversation (with your financial professional)
- **Read:** Debunking Annuity Myths
- **Watch:** Your Money Map with Jean Chatzky for expert insight on retirement, money, and living your next chapter

Is an annuity right for your retirement goals?

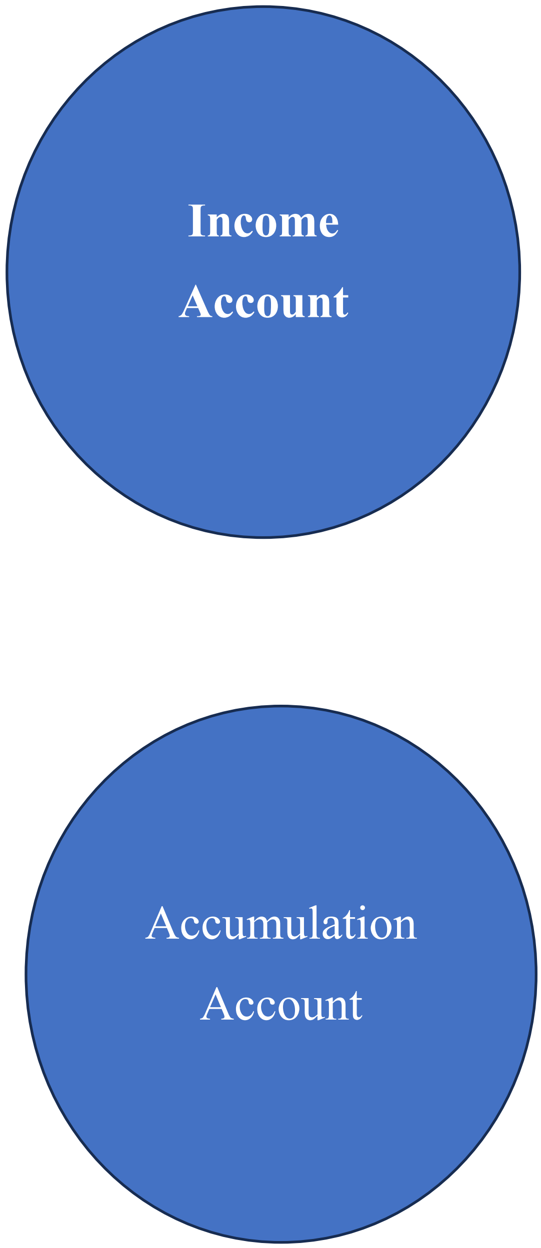
Contact a financial professional to learn more today!

Annuities are purchased in a contract you make with an insurance company. Investments in annuity contracts may not be suitable for all investors. Contract and optional benefit guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company. Earnings, when withdrawn, are subject to federal and/or state income tax, including a 10% tax penalty for withdrawals before age 59½. Some income guarantees offered with annuities take the form of optional benefits known as riders and carry charges in addition to the fees and charges associated with annuity products. As in all investments, there is no guarantee that any investment, including annuities, will achieve its objectives, generate positive returns, or avoid losses. The recipient should not construe any of the material contained herein as investment, legal, tax, accounting or other advice. The recipient should not act on any information in this document without consulting its investment, legal, tax, accounting and other professionals.

About The Alliance for Lifetime Income

The Alliance for Lifetime Income (ALI) is a non-profit 501(c)(6) consumer education organization based in Washington, D.C., that educates Americans about the value and importance of having protected income in retirement. Our vision is for a country where no American has to face the prospect of running out of money in retirement. The Alliance provides consumers and financial professionals with unique educational resources and interactive tools to use in building retirement income strategies and plans. The Alliance's Retirement Income Institute houses the leading retirement scholars and experts who create evidence-based research and analysis, with practical ideas and actions to help protect retirees. We believe annuities—one of only three sources of protected lifetime income—can be an important part of the solution to increasing retirement security in America.

Fixed Index Annuity



NON-GUARANTEED ANNUITY CONTRACT VALUES
MOST RECENT PERIOD from 12/31/2012 to 12/31/2022

Annual Effective Rate: 7.93%+

This chart illustrates values based on the 10 most recent years of historical index performance, selected withdrawals, the initial allocation, current GLWB rider charge and current rates. The Accumulation Value reflects GLWB Rider Charges. Please refer to page 7 for Guaranteed Annuity Contract Values.

							GLWB Rider						
END OF YEAR	Youngest Covered Person Start Age/End Age	Premium	Annual Withdrawals (Beginning of Year)	Accumulation Value / Death Benefit	Surrender Value ^	Credited Interest Rate*	GLWB Roll-Up Rate✪	GLWB Value	Lifetime Payment Percentage	Level Lifetime Payment Amount	LPA Multiplier❑	LPA Reserve
At Issue	62	$250,000		$250,000					6.25 %	$15,625	$0	
1	62 / 63	-	$0	$255,726	$235,012	3.53%	8.00%	$270,000	6.35%	$17,145	$0	$0
2	63 / 64	$0	$0	$285,165	$263,350	12.82%	8.00%	$291,600	6.45%	$18,808	$37,616	$0
3	64 / 65	$0	$0	$297,989	$277,875	5.77%	8.00%	$314,928	6.55%	$20,628	$41,256	$0
4	65 / 66	$0	$0	$313,057	$294,743	6.37%	8.00%	$340,122	6.65%	$22,618	$45,236	$0
5	66 / 67	$0	$0	$318,368	$302,609	3.05%	8.00%	$367,332	6.75%	$24,795	$49,590	$0
6	67 / 68	$0	$0	$373,543	$358,414	18.76%	8.00%	$396,719	6.85%	$27,175	$54,350	$0
7	68 / 69	$0	$0	$371,419	$359,720	0.75%	8.00%	$428,456	6.95%	$29,778	$59,555	$0
8	69 / 70	$0	$0	$420,917	$409,552	14.76%	8.00%	$462,733	7.05%	$32,623	$65,245	$0
9	70 / 71	$0	$0	$430,416	$422,668	3.62%	8.00%	$499,751	7.15%	$35,732	$71,464	$0
10	71 / 72	$0	$0	$472,759	$472,759	11.28%	8.00%	$539,731	7.25%	$39,131	$78,261	$0
11	72 / 73	$0	$0	$480,696	$480,696	2.99%	0.00%	$539,731	7.35%	$39,670	$79,340	$0
12	73 / 74	$0	$0	$538,682	$538,682	13.35%	0.00%	$539,731	7.45%	$40,210	$80,420	$0
13	74 / 75	$0	$0	$548,227	$548,227	2.92%	0.00%	$539,731	7.55%	$40,750	$81,499	$0
14	75 / 76	$0	$0	$616,117	$616,117	13.52%	0.00%	$539,731	7.65%	$41,289	$82,579	$0
15	76 / 77	$0	$0	$627,508	$627,508	2.86%	0.00%	$539,731	7.75%	$41,829	$83,658	$0
16	77 / 78	$0	$0	$707,128	$707,128	13.68%	0.00%	$539,731	7.85%	$42,369	$84,738	$0
17	78 / 79	$0	$0	$720,640	$720,640	2.79%	0.00%	$539,731	7.95%	$42,909	$85,817	$0
18	79 / 80	$0	$0	$814,164	$814,164	13.84%	0.00%	$539,731	8.05%	$43,448	$86,897	$0
19	80 / 81	$0	$0	$830,110	$830,110	2.72%	0.00%	$539,731	8.05%	$43,448	$86,897	$0
20	81 / 82	$0	$0	$940,125	$940,125	14.00%	0.00%	$539,731	8.05%	$43,448	$86,897	$0
30	91 / 92	$0	$0	$1,999,532	$1,999,532	14.80%	0.00%	$539,731	8.05%	$43,448	$86,897	$0
53	114 / 115	$0	$0	$12,200,746	$12,200,746	1.65%	0.00%	$539,731	8.05%	$43,448	$86,897	$0
	Total Withdrawals:	First 30 Yrs: Cumulative:	$0 $0			7.93%+						

ILLUSTRATION SNAPSHOT
Covered Person (Age):
Premium: **$250,000.00**
Agent Name: **Robert Downes**
State: **IL**

GLWB RIDER DETAILS
GLWB Roll-up Rate: **8.00% annually for 10 years or LPED if earlier**
GLWB Rider Charge: **1.15% of GLWB Value Annually**

+ Annual Effective Rate over first 10 years.
^ Does not reflect applicable Market Value Adjustment (MVA). See page 13 for more information.
❑ Must meet eligibility requirements. See page 5.
* Credited Interest Rate does not reflect GLWB Rider Charge.
✪ GLWB Roll-up Rate is referred to as GLWB Value Increase Percentage in the Contract.

RMD Start Dates

Born	
1950	Age 72
1951 – 1959	Age 73
1960+	Age 75

Annuity

Consumer's Guide

To Annuities

Presented by
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Advantages of Tax Deferred Annuities

Tax Deferred Growth. The interest earned is not taxed until it is touched. Your funds grow tax deferred. **Fixed annuities give you control over when you pay taxes on your interest.**

Safety. Annuities are among the most guaranteed and safe investments available. **Fixed annuities offer protection against interest rate uncertainty.**

Avoid Probate. Annuities transfer to a beneficiary without the need for probate.

Guaranteed Lifetime Income At any time, annuities can change from a savings or accumulation vehicle to an income vehicle. Annuities are the ONLY products that can guarantee income that cannot be outlived. **No fixed annuity owner has ever lost a dime due to a stock market downturn.**

Estate Planning. Annuities are used in estate planning to help protect assets in the event of a long-term care situation. **No fixed index annuity owner has ever lost a dime because a carrier failed.**

Interest Income. Interest is available for income any time after the first 30 days of the deposit. The interest can be withdrawn monthly, annually or quarterly. **Fixed annuities guarantee to pay you a return for as long as you choose to own one.**

Death Benefit. Your beneficiary always receives the full account value from the annuity immediately.

Fees. No contract fee or sales commissions.

Access Money When You Need It. Every Fixed Indexed Annuity allows annual penalty-free withdrawals of the account value at 10% of the annuity's value; some even permit as much as 50% to be withdrawn in a single year. In addition, 9 out of 10 fixed and indexed annuities permit access to the annuity's value without penalty, in the event of triggers such as nursing home confinement and terminal illness.

Compounding. **Annuities offer triple compounding**. You receive interest on your principal, interest on your interest, and interest on the gains you would normally have to pay in taxes.

Annuities

Are They a Good Product For You?

Babe Ruth, The Origin of Annuities, And Their History in America:

The origin of annuities can be traced to the founding of the United States of America. The first recorded use of annuities was by the Presbyterian Church who used annuity concepts to provide for widows and retired ministers. Benjamin Franklin used annuities to provide for funds over a long period of time for his wife and for the cities of Boston and Philadelphia.

America owes much of its success to the far-reaching use of long-term savings provided by annuities.

Babe Ruth, the famous baseball player, while enjoying a lifestyle of extravagance and excess, kept the majority of his money in annuities. The crash of 1929 left many people broke and without funds but the Babe's money was safe and secure.

A true testament to the proper use of annuities!

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Traditional Annuity Types

Fixed, Variable and Immediate

With an immediate annuity your income payments start immediately. You decide whether you want income guaranteed for a specific number of years or for your lifetime. The insurance company calculates the amount of each income payment based on your purchase amount and your life expectancy.

A tax-deferred annuity (fixed annuity) has two parts: the accumulation where you let your money grow, and the payout. During accumulation, your money grows tax-deferred until you take it out, either as a lump sum or as a series of payments. You decide when to take income from your annuity and therefore, when to pay the taxes.

The payout phase begins when you decide to take income from your annuity. As your needs dictate, you can take partial withdrawals, completely cash-out (surrender) your annuity, or convert your deferred annuity into an immediate annuity.

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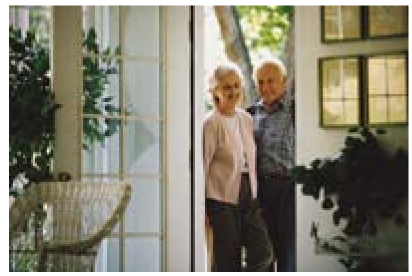
Variable annuities have a higher risk because your investment is placed directly into mutual funds, which can rise or fall in value. You may earn 30% in one year, but you may lose 30% in another. For many people, this risk is too much. Variable annuities are high in fees and usually not an appropriate investment for retirees.



After the last few years, many people, especially those in retirement or approaching retirement, are prepared to take little risk. Most people have lost a substantial amount of money because they were taking more risks than they should have.

Interested in learning more about Variable Annuities? See our supplemental resources on Variable Annuities at the end of this booklet.

Managing Risk and Maximizing Gain

As you approach retirement (within 10 years), the rule of thumb is that very little of your hard-earned money should be at risk. If you are 30 years old and have 30 – 40 more years to grow your retirement fund, then higher risk investments are appropriate.

The Power of Compounding

A traditional investment account has double compound interest: interest on the original principal and interest on accrued interest.

A tax-deferred investment account

has triple compounding interest: interest on principal, interest on interest and interest on tax savings.

Tax-deferred is tax diminished. Any future tax liability net out of pocket amount is reduced by inflation.

Fixed Indexed Annuity

The Fixed Indexed Annuity Rises with Stocks but Doesn't Go Down

How would you like an annuity that pays gains based on a stock market index return, yet helps protect your principal when the market declines?

Here's the opportunity: Many insurance companies have introduced the **Fixed Indexed Annuity**.

Most people fear running out of money before running out of life. The Fixed Index Annuity is the ONLY product that can guarantee income that cannot be outlived.

How is that Possible?

These annuities combine the benefits of a variable annuity with the safety of a fixed annuity, through the following features:

1) Your return (amount credited) each year is linked to an outside source such as a stock market index. The annual reset feature means that your gains are locked in each year and never exposed to loss.

2) If the stock market index goes down, you do not lose any money; your original premium is protected as are your credited gains.

It's hard to beat an annuity that always goes up. This is an excellent alternative for funds in which a higher return is desired or needed. By placing your funds in a fixed indexed annuity, your annuity value can only increase.

This is an alternative for consumers who want to see their funds increase while at the same time defer the tax liability.

The real benefit of Fixed Indexed Annuities: Your funds are fully guaranteed and are safe and secure. Your Fixed Indexed Annuity can only increase. Fixed Indexed Annuities are best suited for people who want to protect their original principal and provide for an increase in funds linked to a major index.

With a Fixed Indexed Annuity, your return is linked to the increase in one of several stock market indexes, such as the S&P 500. However, if the stock market goes down, **you do not lose any of your money**. Most Fixed Indexed Annuities have a guaranteed minimum rate of return. Even if the index you invested in goes down the entire time you are invested, you will still have the minimum guaranteed growth.

In summary, Fixed Indexed Annuities are Fixed Annuities and your funds are NOT invested in the stock market. Your funds are deposited into the general bond portfolio of the insurance company and any gain is provided by the use of option futures between the insurance company and Wall Street.

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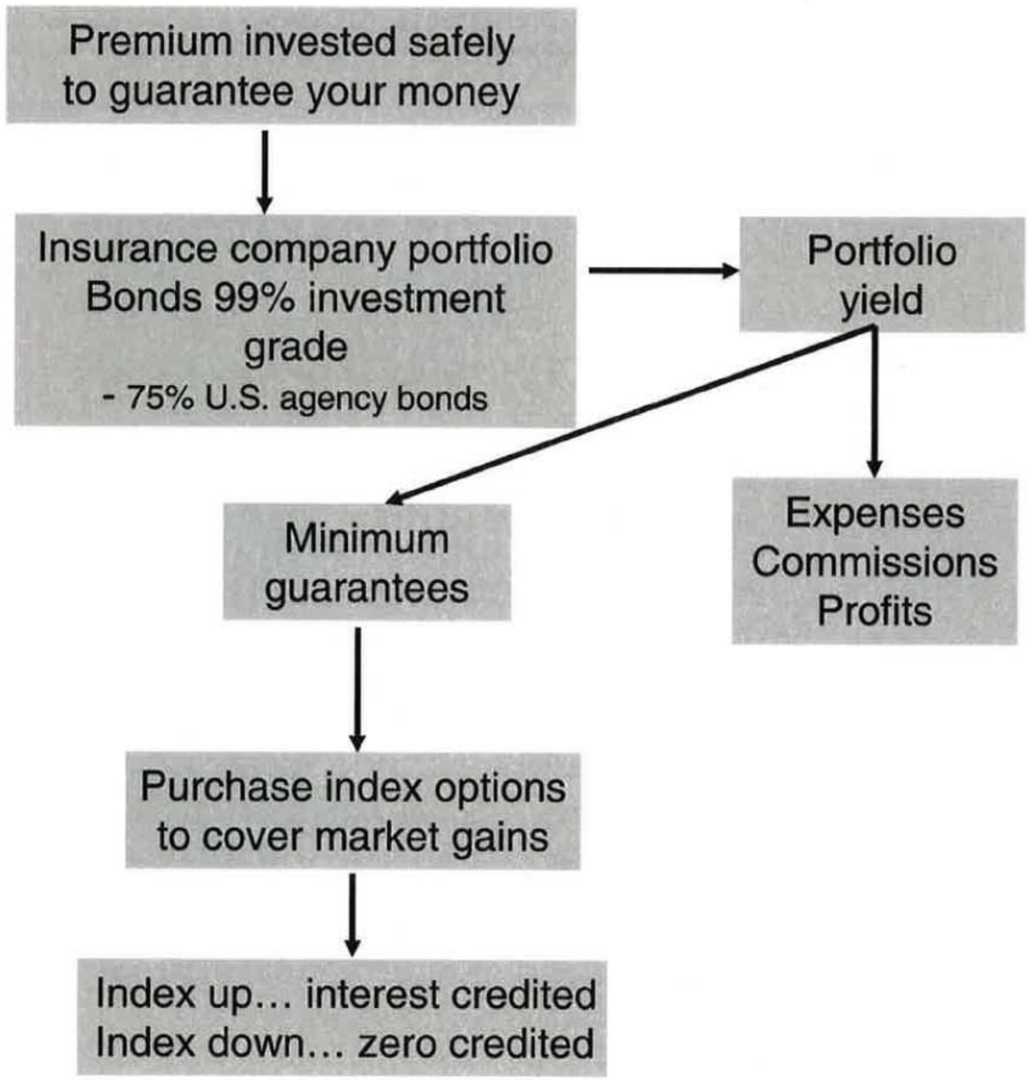
How Does An FIA Work?



All premium and gains are safe from market risk because they are never in the market.

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Annuity Features

Carefully consider the following features that may be incorporated into your Annuity.

Surrender Fees (Liquidity Costs)

Almost all annuities have surrender fees. These fees are in place to guarantee the insurance company has the use of your funds for a specific term. Is this bad? No, the longer the insurance company has to work with your money, the greater the benefits to you.

A surrender fee is a charge for the early withdrawal of funds in excess of the free annual withdrawal privileges. They act as an economic incentive for owners to maintain their contract. The insurance company then has reasonable expectations for the frequency of early withdrawals.

Access Your Money Whenever You Need It

Every Fixed Index Annuity allows annual penalty-free withdrawals of the account value at 10% of the annuity's value; some even permit as much as 50% to be withdrawn in a single year. In addition, 9 out of 10 fixed and indexed annuities permit access to the annuity's value without penalty, in the event of triggers such as nursing home confinement and terminal illness.

Annuitization

Some annuities require the contract owner to take a stream of income and some do not. There are many excellent annuities where annuitization is not required.

Bonus Annuity

Some annuity products offer up to a 10% immediately vested bonus on the initial deposit so that the contract owner can recover market losses, surrender charges from other annuities, CD early termination fees, and to enhance the original deposit.

Death Benefit

Your beneficiary always receives the full account value from the annuity immediately.

Annuity

Balancing Risk While Saving for Retirement

Deposit or Investment?
Deposits are guaranteed. The original principal and credited interest is safe and secure. Examples are Bank CDs, Bank Savings Accounts, Money Market Accounts, Insurance Company Fixed and Immediate Annuities, and US Treasuries.

Investments are not guaranteed. The principal and credited interest is always at risk. Examples are stocks, bonds, real estate, municipal bonds, and variable annuities.

So as a summary, **Deposit accounts, such as Fixed Annuities, are guaranteed and Investment accounts are at risk.**

Risk
Risk is the exposure to loss.

Loss that is either too important or too great is passed to a risk bearer. **A risk bearer is an insurance company.**

Old Money Rate / New Money Rate

How do I know which company and what product to choose?

Independent agents are free to represent any company that best suits the need of each client. They know which of the insurance companies gives the lion's share of the growth to the contract owner and which of the companies has the highest renewal rates.

The old money rate means the insurance company earns more and the new money rate means you earn more. You can move your money from company to company by using the IRS 1035 exchange option.

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Conclusions

Annuities Can Be The Perfect Investment!

What is the purpose of your retirement funds? What would you like to accomplish?

In any investment, there are three inherent elements, it does not matter what investment you are talking about, whether it be real estate, mutual funds, bonds or even annuities.

These three elements are safety, growth and liquidity. What is also true about these three elements is that for any investment, you are only able to choose two and compromise on the third.

"Does it make sense to risk losing 30%, 40% or even 50% of your savings, just for the potential to capture the maximum return on your money…and then pay taxes on your earnings every year – even if those earnings can be lost AFTER you pay the taxes?"

So ask yourself, "Does This Make Sense?"

Annuities have different end results such as:

- An immediate stream of income
- Growth first with a deferred stream of income
- Aggressive growth capability with a walk away feature

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Your IRA – A Safe and Secure Income

Did you know that your IRA can be converted to an income you can never outlive? Did you know that the only way to access this option is through an insurance company? If your IRA is at a bank and earning interest, all you can ever receive is the value of your IRA plus any interest earned. That same rule does not apply to insurance companies. You are allowed to convert your IRA to an income that will pay you for as long as you live.

Pension Payout Option

Ask your agent for details about this wonderful benefit of your IRA and learn how you can enjoy a stream of income that you cannot outlive!

Annuities Can Reduce Taxation on Social Security

Annuities can help reduce this taxation because interest credited to an annuity contract is not taxed until used. If your earned interest is not immediately needed, then an annuity may reduce your overall tax liability.

Avoid Probate

Annuities transfer to a beneficiary without the need for probate.

Agent Compensation

The issuing company, not the client, pays a finders fee to the agent for securing and servicing each client. 100% of the contract owner's money goes to work day one.

Choosing an Agent

An independent agent is able to pick from all companies and is not restricted in any way. A conscientious agent will help you decide if an annuity is a good fit for you. He will review your current situation free of charge, and answer any questions you might have about the suitability of annuities for you and your family.

The National Association of Certified Financial Fiduciaries www.nationalcffassocation.org maintains a list of agents that meet strict ethical and professional standards.

So what are the real benefits of annuities?

- **Tax Deferral – You are not taxed on annuities until you start withdrawing income.**
- **No Fixed Annuity owner has ever lost a dime to to a stock market downturn.**
- **Guaranteed Lifetime Income – An annuity is the ONLY product that can guarantee income that cannot be outlived.**
- **Probate Avoidance – You will be able to pass your annuity to your heirs without probate expense.**
- **Safety and Security**
- **Market Upside with no Downside Risk**
- **Access your money whenever you need it.**
- **Your annuities are exempt from lien, attachment, garnishment, and other processes.**

Variable Annuities

Supplemental Information and Resources

Tips to Fully Understanding Variable Annuities

If you are considering the purchase or if you already own a variable annuity make certain you fully understand how they work. Annuities can be a good decision and they can also be your worst nightmare. The difference depends on how the benefits of a variable annuity can benefit you. Listed below are 10 things to fully understand before buying a variable annuity:

1. No Guarantee of Principal: Variable annuities have no guarantee of principal and this means in the event of a need for money you may not have your original deposit. Your original deposit is only available to your beneficiaries if paid as a death benefit.

2. Death Benefit Expenses: The mortality cost is in your contract and is subtracted from your account. Depending on the variable annuity you own or are considering these fees could be as high as 1.25% of your total account value.

3. Other Fees and Expenses: Variable annuities can charge fees for added riders and benefits. Each benefit can have a cost associated with it that is subtracted from your total account value. It could be possible that these fees and expenses could be as high as 1% to 2% and these fees are on top of the death benefit fees discussed in number 2 above. (Please read the prospectus, which by law must reveal fees and expenses.)

4. Loads and Acquisition Expenses: Some variable annuities have a front end or a back end load that can have an effect on the overall performance of your variable annuity. (Please read the prospectus, which by law must reveal fees and expenses.)

5. Administration fees and distribution costs: Many variable annuities charge a fee for administration expenses. These fees can range from .15% to .40% of your total account value and these fees are in addition to other fees in your contract.

6. State Guarantee Protection Exemption: Variable annuities are exempt from the state guarantee protection act because the invested assets are not at the insurance company, they are with the investment accounts and therefore are not in need of this protection. Fixed and immediate annuities are protected by the State Guarantee Fund.

7. Market Volatility: Variable annuity sub accounts can be subject to the volatility and the whims of the stock market.

8. Additional Compensation to the Broker/Salesperson: Salespeople who sell variable annuities will continue to receive annual compensation from your variable annuity. This compensation is subtracted from your account value.

9. Death Benefits can Contain Tax Liability. Any accumulated value in your variable annuity over and above the total of the deposits is fully taxable as ordinary income. This tax is passed on to your heirs. Make certain you fully understand these variable annuity tax implications.

10. Confusing and Hard to Understand: Variable annuities contain fees and expenses, so it is important to fully understand how they work and how their features can benefit you.

There are benefits associated with variable annuities such as tax deferred growth and the ability to provide income. Please make certain you fully understand how these products work. Always read the prospectus and if anything is unclear ask for assistance from the salesperson or a trusted advisor.

ANNUITIES LANGUAGE GLOSSARY

MAKING ANNUITIES EASIER TO UNDERSTAND

Alliance for Lifetime Income

ANNUITIES LANGUAGE GLOSSARY

MAKING ANNUITIES EASIER TO UNDERSTAND

The Alliance for Lifetime Income is a non-profit organization committed to educating consumers about the value and importance of protected income through annuities. Part of our commitment includes making the language of annuities simpler and more transparent.

We realize that annuities, like most other financial products, can be difficult to understand, which is why we've created a glossary of terms and definitions to help simplify and demystify some of the language used when describing annuities. We believe increasing transparency and reducing this complexity will help you make better decisions about annuities, which can lead to better outcomes in your retirement planning.

This is the second edition to our glossary, including additional terms and language from our first edition.

4501-NLD-3/16/2021

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*The extent to which Protected Lifetime Income is guaranteed will depend upon the claims-paying ability of the insurer that issues the annuity.

ANNUITIES LANGUAGE GLOSSARY

MAKING ANNUITIES EASIER TO UNDERSTAND

A

ACCOUNT VALUE
The amount of money in the annuity.
Simpler term: Account balance

ACCUMULATION PHASE
The period that you are allowing your money the potential to grow. (Some annuities allow you to add more money over time.)
Simpler term: Growth stage

ADVISOR
A qualified person who can help you understand your options and make financial decisions to work toward your financial goals.
Simpler term: Financial professional

ANNUAL LOCK (when referencing fixed indexed annuities)
An opportunity to lock in, or protect, interest earned up to the annuity's caps each year, protecting those gains from any future index decreases.

ANNUITY
A financial product that can offer protected lifetime income and even potentially grow your money.

ANNUITY OWNER
A person who owns the annuity and has the authority to make any changes.

APPETITE FOR RISK
The level of market risk you're comfortable with.
Simpler term: Risk comfort level

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B

BENEFICIARY
The person you designate to receive any remaining account balance or income payments should you pass away.

BENEFIT
A feature that can provide benefits or protection to you or your beneficiaries at an additional cost.
Simpler term: Optional benefit

BENEFIT TO YOUR HEIRS
A benefit that pays your beneficiary the remaining account balance or income should you pass away.
Simpler term: Beneficiary benefit

BONUS
The ability to permanently adjust your income based on a pre-set guaranteed growth rate. This guaranteed growth rate is periodically applied to your benefit base (which is your income base plus any additional guaranteed growth increases), which permanently increases the benefit amount you receive.
Simpler term: Guaranteed growth

C

CAP
The maximum amount your annuity may be able to earn at the end of a selected time period. You choose the time period that's best for you from a set of available options.

CHARGE
The amounts associated with owning an annuity, which may include setting up the annuity, adding optional benefits, etc.
Simpler terms: Fee or Cost

COMMISSION
Similar to other financial products, commissions are compensation paid by an insurance company to a financial professional who sells an annuity to a client.
Simpler terms: Fee or Cost

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CONTRACT VALUE
The amount of money in the annuity.
Simpler term: Account balance

COST
The amounts associated with owning an annuity, which may include setting up the annuity, adding optional benefits, etc.
Simpler terms: Cost or Fee

COST BASIS
Your original investment amount.

COVERED PERSON(S)
The person who lifetime income payments are based on and whose age determines the guaranteed withdrawal rate.
Simpler term: Protected person(s)

COVERING YOUR [ESSENTIALS, BASIC NEEDS, NON-NEGOTIABLES]
Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.
Simpler term: Financial needs and goals

CREDITING STRATEGY
The method used to determine how interest is credited to certain annuities, when applicable.

D

DEATH BENEFIT
A benefit that pays your beneficiary the remaining account balance or income should you pass away.
Simpler term: Beneficiary benefit

DECUMULATION PHASE
The point you start receiving income from your annuity.
Simpler term: Income stage

DEFERRAL BONUS
A bonus amount that could potentially be credited to your income base annually during the growth stage for each year you wait to take income, up to a certain age.

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DEFERRED INCOME ANNUITY (LONGEVITY ANNUITY)

A type of income annuity that allows you to contribute a lump sum, choose the frequency and amount you'd like to set for your annuity income payments, and then delay those payments until a pre-determined point in time.

DEGREE OF CERTAINTY

The level of market risk you're comfortable with.

Simpler term: Risk comfort level

DISCRETIONARY EXPENSES VS. NON-DISCRETIONARY EXPENSES

Two main types of retirement expenses: essential expenses cover everyday needs, such as housing and meals, and non-essential expenses cover your lifestyle, such as travel and entertainment.

Simpler term: Essential expenses vs. non-essential expenses

DISTRIBUTION PHASE

The point you start receiving income from your annuity.

Simpler term: Income stage

DIVERSIFICATION

Strategically spreading your money among different types of investments to help reduce the impact of market downturns. Diversification does not guarantee a profit or protection against a loss.

DOLLAR COST AVERAGE

A strategy to invest specified amounts spread out over a period of time, instead of one larger amount, to reduce the risk of investing all at once when prices are high.

E

EARNINGS SENSITIVE ADJUSTMENT

Additional income received on top of the guaranteed amount, or on top of any other permanent income increase. This additional income is based on the market performance rate, and allows you to add earnings to the amount of otherwise permissible withdrawals. This gives you the potential to take greater withdrawals and receive the same after-tax withdrawal amount annually.

Simpler term: Bonus income increase

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F

FAMILY PROTECTION
A benefit that pays your beneficiary the remaining account balance or income should you pass away.
Simpler term: Beneficiary benefit

FEE
The amounts associated with owning an annuity, which may include setting up the annuity, adding optional benefits, etc.
Simpler terms: Fee or Cost

FEE-BASED ANNUITY
An annuity that allows financial professionals to receive an annual advisory fee, rather than a commission.

FIDUCIARY
A qualified financial professional who is required to help you make financial decisions in your best interest. (A fiduciary is not the only type of financial professional required to help you make financial decisions in your best interest. Certain non-fiduciaries must also comply with best-interest requirements.)

FINANCIAL ADVISOR
A qualified person who can help you understand your options and make financial decisions to work toward your financial goals.
Simpler term: Financial professional

FINANCIAL CONSULTANT
A qualified person who can help you understand your options and make financial decisions to work toward your financial goals.
Simpler term: Financial professional

FINANCIAL EMPOWERMENT
The ability to cover your financial needs and reach your financial goals.
Simpler term: Financial security

FINANCIAL FUTURE
The ability to cover your financial needs and reach your financial goals.
Simpler term: Financial security

FINANCIAL INDEPENDENCE
The ability to cover your financial needs and reach your financial goals.
Simpler term: Financial security

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FINANCIAL PRIORITIES
Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.

Simpler term: Financial needs and goals

FIXED ACCOUNT
An account that earns a guaranteed interest rate and is not invested in or tied to the market.

Simpler term: Fixed rate account

FIXED ANNUITY
An annuity that delivers 100% protection from market downturns with the potential for earned interest. Note that for a deferred fixed annuity, there is the benefit of a guaranteed interest rate, in addition to downside protection and the potential for earned interest.

FIXED INDEXED ANNUITY
An annuity that guarantees principal protection from market downturns with the potential for growth tied to a market index.

FREE AMOUNT
The maximum amount the annuity owner can withdraw without being charged any fees.

Simpler term: Free withdrawal amount

G

GROWTH PERIOD
The period that you are allowing your money the potential to grow. (Some annuities allow you to add more money over time.)

Simpler term: Growth stage

GUARANTEED INCOME
Income that can last your whole life — and potentially go to your beneficiaries.

Simpler term: Protected lifetime income

GUARANTEED MINIMUM
An optional benefit that guarantees a minimum amount the annuity will pay or grow by, assuming all contract terms are met by both the annuity owner and the company.

GUARANTEED MINIMUM WITHDRAWAL RATE
An optional benefit that guarantees you can withdraw a minimum percentage of your annuity's value annually, typically guaranteed for life or for a specified period of time.

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I

IMMEDIATE INCOME ANNUITY
A type of income annuity that allows you to contribute a lump sum, choose the frequency and amount you'd like to set for your annuity income payments, and then start receiving those payments immediately or delay receiving them for up to 12 months.

INCOME BASE
The amount that the annuity owner can withdraw money against.

INCOME STAGE
The point you start receiving income from your annuity.

INDEX
A benchmark used to represent a specific portion of a market in order to evaluate the performance of investments.

INDEX PARTICIPATION RATE
The percentage increase of the underlying index's value that will be credited to the annuity at the end of a selected time period.

INTEREST RATE FLOOR (when referencing fixed indexed annuities)
Your guaranteed minimum interest rate for a specified period of time, even during market downturns.

INVESTMENT DIVISIONS
The different investment options a variable annuity owner can choose to allocate their money to.
Simpler term: Variable annuity investment options

INVESTOR CONFIDENCE
The level of market risk you're comfortable with.
Simpler term: Risk comfort level

J

JOINT LIFE
An added protected person, usually a spouse, who can lengthen the benefit of guaranteed income for life if they outlive the primary protected person.
Simpler term: Joint protected person

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L

LEGACY
A benefit that pays your beneficiary the remaining account balance or income should you pass away.
Simpler term: Beneficiary benefit

LEGACY BENEFIT
A benefit that pays your beneficiary the remaining account balance or income should you pass away.
Simpler term: Beneficiary benefit

LEGACY PROTECTION BENEFIT
A benefit that pays your beneficiary the remaining account balance or income should you pass away.
Simpler term: Beneficiary benefit

LIFE CHANGES
Where you are in terms of your financial priorities and needs; for instance, growing your money or drawing from your money later in life.
Simpler term: Life stage

LIFE PRIORITIES
Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.
Simpler term: Financial needs and goals

LIFE TRANSITION
Where you are in terms of your financial priorities and needs; for instance, growing your money or drawing from your money later in life.
Simpler term: Life stage

LIQUIDITY RISK
The risk that your money will need to be accessed sooner than anticipated, which could result in penalties or impact performance.
Simpler term: The risk you won't be able to access your money when you need it

LIVING BENEFITS
Optional benefits available for an additional cost that can offer you guarantees, like a minimum level of income for life.
Simpler term: Protected income benefits

LONGEVITY RISK
The chance that you may live longer than your income will last.
Simpler term: The risk you won't have enough money to last

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M

MARKET RISK
As with most investments, there is the chance you could lose money because of market downturns.

MARKET VALUE ADJUSTMENT
A positive or negative adjustment during the holding period to the amount you're able to withdraw from a fixed annuity above the free withdrawal amount. The adjustment is dependent on how the interest rate environment has changed since opening your account.

MARKET VOLATILITY
The way stocks, bonds and other market investments change in value, sometimes very quickly. This market movement may affect the value of your annuity or other investments. Some annuities can protect your income even when the markets go down.
Simpler term: Market ups and downs

MINIMUM GUARANTEED SURRENDER VALUE
The minimum amount the annuity owner is guaranteed to receive when withdrawing money from their account, after applying early withdrawal costs.
Simpler term: Minimum guaranteed annuity value

N

NEEDS AND WANTS
Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.
Simpler term: Financial needs and goals

O

OPTION
A feature that can provide benefits or protection to you or your beneficiaries at an additional cost.
Simpler term: Optional benefit

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P

PARTICIPATION RATE
The percentage increase of the underlying index's value that will be credited to the annuity at the end of a selected time period.
Simpler term: Index performance crediting rate

PENALTY-FREE WITHDRAWAL AMOUNT
The maximum amount the annuity owner can withdraw without being charged any fees.
Simpler term: Free withdrawal amount

PERFORMANCE TRIGGER
A pre-set amount credited to your account if the annuity's underlying index change is positive or flat at the end of the term.
Simpler term: Performance credit

PERIOD CERTAIN
A payout option that allows the annuity owner to choose when and how long to receive payments, which beneficiaries may also be able to receive.

PREMIUM
For most annuity types, this is the money you put into the annuity.
Simpler term: Annuity contribution

PRICE
The amounts associated with owning an annuity, which may include setting up the annuity, adding optional benefits, etc.
Simpler terms: Fee or Cost

PRODUCT
What you use to pursue your specific financial goal.
Simpler terms: Product or Strategy

PURCHASE PAYMENTS
For most annuity types, this is the money you put into the annuity.
Simpler term: Annuity contribution

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Q

QUALIFIED DOLLARS (when referencing annuities)
Money that hasn't been taxed yet can be used to fund annuities connected to tax-qualified retirement plans, such as 401(k)s.
Simpler term: Pre-tax dollars

QUALIFIED MONEY (when referencing annuities)
Money that hasn't been taxed yet can be used to fund annuities connected to tax-qualified retirement plans, such as 401(k)s.
Simpler term: Pre-tax dollars

R

REQUIRED MINIMUM DISTRIBUTION
The amount of income that you're required to receive from your account each year, once you reach retirement age.

RETIREMENT
Where you are in terms of your financial priorities and needs; for instance, growing your money or drawing from your money later in life.
Simpler term: Life stage

RETIREMENT GOALS
Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.
Simpler term: Financial needs and goals

RIDER
A feature that can provide benefits or protection to you or your beneficiaries at an additional cost.
Simpler term: Optional benefit

RISK-ADJUSTED RETURNS
An estimated measure of the returns relative to the amount of risk involved.
Simpler term: Estimated performance

RISK APPROPRIATENESS
The level of market risk you're comfortable with.
Simpler term: Risk comfort level

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RISK TOLERANCE
The level of market risk you're comfortable with.
Simpler term: Risk comfort level

ROLL-UP
The ability to permanently adjust your income based on a pre-set guaranteed growth rate. This guaranteed growth rate is periodically applied to your benefit base (which is your income base plus any additional guaranteed growth increases), which permanently increases the benefit amount you receive.
Simpler term: Guaranteed growth

S

SAVING FOR RETIREMENT
Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.
Simpler term: Financial needs and goals

SEQUENCE OF RETURNS RISK
The potential for a market downturn early in retirement, which can have a disproportionately negative impact on your long-term account balance if withdrawals are already being taken.

SOLUTION
What you use to pursue your specific financial goal.
Simpler terms: Strategy or Product

SPENDING PHASE
The point you start receiving income from your annuity.
Simpler term: Income stage

SPOUSAL CONTINUATION
An option to transfer ownership or continuation of your guaranteed income to your spouse in the event you pass away.

SPREAD
An index crediting method where a pre-determined rate is subtracted from any percentage increase in the underlying index and the annuity is credited the difference.

STRATEGY
What you use to pursue your specific financial goal.
Simpler terms: Strategy or Product

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SUBACCOUNTS
The different investment options a variable annuity owner can choose to allocate their money to.
Simpler term: Variable annuity investment options

SUSTAINABLE WITHDRAWAL RATE
The estimated maximum percentage that you can withdraw each period without running out of money during your lifetime.

V

VARIABLE ANNUITY
A financial product that offers the potential to grow your money through various market investment options, but with the potential for market loss — with the option of receiving protected lifetime income.

VARIABLE PORTFOLIOS
The different investment options a variable annuity owner can choose to allocate their money to.
Simpler term: Variable annuity investment options

VEHICLE
What you use to pursue your specific financial goal.
Simpler terms: Strategy or Product

W

WAIVER
A feature that can provide benefits or protection to you or your beneficiaries at an additional cost.
Simpler term: Optional benefit

WITHDRAWAL BASE
The amount that the annuity owner can withdraw money against.
Simpler term: Income base

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