Understanding Today's Index Annuity

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There are many options to consider when planning for your retirement. One option is an index annuity. This article will explain what an index annuity is and how it may fit with your plan for retirement.

What is an index annuity?

It is a retirement savings tool. An index annuity is a contract between you and the issuing insurance company. In exchange for your premium (money used to purchase the annuity), the insurance company will provide you with a stream of annuity payments (income). It's important to know that index annuities are not investments and you are not invested in any index or security. You cannot directly invest in an index.

Can it grow my money?

Yes. An index annuity offers different index interest accounts and/or a fixed interest account to help grow your money. An index interest account gives you the chance to earn interest based on the change in an index, like the S&P 500® Index, at the end of the account's term (1, 2 or 5 years) You should know that there may be years when no interest is earned. In contrast, a fixed interest account provides a guaranteed rate of interest each year. Taxes are not due on the interest earned until the interest is withdrawn from the annuity.[1] This is called tax deferral.

Is my money protected from market downturns?

Yes. Market downturns that result in negative index returns will have no impact on the annuity's value. The annuity will not earn interest from an index interest account during these instances, and your money held in the annuity will be unaffected by this poor performance. Keep in mind that fees and withdrawals will reduce the annuity's value.

[1] Withdrawals may be subject to a withdrawal charge and federal and/or state income taxes. An additional 10% federal tax may apply if individuals make withdrawals or surrender their annuity before age 59½.

What are rate caps, spreads and participation rates?

Index rate caps, spreads or participation rates help determine the index's value when calculating interest for the term. An index rate cap is the maximum change in the index's value that can be applied as interest. A spread reduces the index's percentage change. A participation rate is a percentage of the index's change. These rates are typically guaranteed not to change until the end of the account's term, at which time they are subject to change.

Can the annuity provide me with income for retirement?

Yes. With an index annuity, you have the option to convert the annuity's value into a stream of lifetime income payments through annuitization for no additional charge. Please note, with his option, you will lose access to the annuity's cash value.

Select index annuities may also offer guaranteed living benefit riders for an annual fee, which is taken from the annuity's value. These riders provide guaranteed lifetime income, along with the ability to have access to the annuity's remaining value (over-withdrawing may affect the rider). They may also provide ways for the income to rise for a certain number of years or over the life of the annuity.

Creating a Balanced Portfolio

Consider an index annuity to help balance out the risks in your financial portfolio. Since it is not a direct investment in the stock market or any particular index, an index annuity can help reduce overall portfolio risk and provide the growth potential you may want to consider for helping you build assets.

With an index annuity, you can get:

- **PROTECTION** from any market downturn*
- **GROWTH** potential through various interest crediting accounts
- **LIFETIME INCOME** through various income options**

Work with your financial professional or agent to see if an index annuity may be right for you. Get started today in preparing for tomorrow.

*Annuity's value will be reduced by withdrawals and/or fees (if imposed by the issuing insurance company).

**Through no cost annuitization options or with a guaranteed living benefit rider for an annual fee. Guarantees are backed by the claims-paying ability of the issuing insurance company.

This material is intended only for educational purposes to help you, with the guidance of your agent, make informed decisions.

Additional Important Information about Index Annuities

An index annuity is an insurance product designed for long-term savings. Because it is not an investment, there is no market risk with an index annuity. However, there are considerations to keep in mind, such as a surrender-charge period and market value adjustment on full surrenders and on certain withdrawals. Account value will be impacted by withdrawals and, when applicable, fees/charges for riders. These vary by contract so you want to ensure you are aware of these elements before you purchase an annuity.

Index annuities offer the potential for index interest to be credited to the annuity but index interest is not guaranteed. It is possible that there will be periods where no interest is credited based on the performance of the underlying index. Index rate caps, spreads and participation rates on the index interest crediting accounts can also limit or reduce the amount of interest credited.

Index annuities are not a direct investment in the stock market. They are long-term insurance products with guarantees backed by the claims-paying ability of the issuing insurance company. They provide the potential for interest to be credited based in part on the performance of the specified index, without the risk of loss of premium due to market downturns or fluctuations. Index annuities may not be suitable or appropriate for all individuals.

Withdrawals may be subject to withdrawal charges. Withdrawals may also be subject to federal and/or state income taxes. An additional 10% federal tax may apply if individuals make withdrawals or surrender their annuity before age 59½.

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