Fixed Indexed Annuities – Your Questions Answered

We want to make sure you feel confident in your retirement planning process and have all the facts about a fixed indexed annuity. The following are some common questions to help you and your insurance professional talk about the product and determine how to help you achieve your long-term goals.

QUESTION – Why would I want to own a fixed indexed annuity contract?

ANSWER – If you're looking to protect your money from market risk, but still want the potential to receive a higher credited interest rate, then a fixed indexed annuity may be right for you. It is designed to earn interest based on an external market index, which creates the opportunity to earn interest at a rate higher than a fixed rate. When the market goes down, your contract is protected from negative index performance and the interest rate is guaranteed to never be less than zero.

QUESTION – How does it work?

ANSWER – The money you buy the annuity contract with becomes your contract value, and it earns interest based on changes in an external market index. Interest is credited at intervals determined by the provisions of the annuity contract purchased. After a surrender charge period is over, with most annuities, you have the right to take full withdrawals. Keep in mind that withdrawals are often subject to ordinary income tax and, if taken prior to age 59½, a 10% federal additional tax. If you pass away before the full contract value is paid out, your beneficiary will receive any remaining principal in your account.

QUESTION – What will it cost me?

ANSWER – There aren't any annual contract or administration fees. However, if you need to withdraw money from your contract during the first several years, you may have to pay an early withdrawal fee. If distributions occur prior to age 59½, you may be subject to a 10% early withdrawal federal tax penalty.

QUESTION – How are interest credits calculated and applied?

ANSWER – Interest credits are determined by examining the change in the index value from the beginning of the index period until the end of the index period. Interest credits are applied to the index account at the end of the index period. The interest account earns interest daily.

QUESTION – How long is an index period?

ANSWER – An index period begins the day you place money into the account. Your first index period will last until the end of that quarter plus a full year, so the first one could be up to 15 months long (they end on the last day of March, June, September and December). After that, index periods will be exactly one year long.

QUESTION – Is my money guaranteed?

ANSWER – Yes, your money is protected and guaranteed not to decrease in value as long as you don't take any early withdrawals. Guarantees are backed by the financial strength and claims-paying ability of the issuing insurance carrier.

QUESTION – What if the market goes down?

ANSWER – When the market goes down, your contract is protected from negative index performance and the interest rate is guaranteed to never be less than zero. A fixed indexed annuity offers protection of premium and protection from market declines.

QUESTION – What is a cap?

ANSWER – Some fixed indexed annuities put an upper limit, or cap, on the index-linked interest rate. For example, if the market index goes up 7% and the contract has a 5% cap, the increase will be limited to 5%.

QUESTION – What if I need access to my money?

ANSWER – Although these products are designed to help you meet your long-term financial goals, unexpected financial needs may arise. In the event of a financial emergency, you can withdraw as much of your contract value as you need. Before withdrawing your money, please consider the impact of the early withdrawal fees that may be charged.

QUESTION – How is my death benefit calculated?

ANSWER – Your death benefit will be the current contract value at the time of the annuitant's death. The value is determined by adding all interest earned to your purchase payment minus any previous withdrawals.

QUESTION – How can this product solution help my beneficiary?

ANSWER – Annuities allow you to name a beneficiary. If a joint owner or contingent owner is not named on the contract, this feature allows your annuity assets to be paid directly to your beneficiary and may avoid the probate process. It's important to know that assets transferable at death may be subject to taxes.

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