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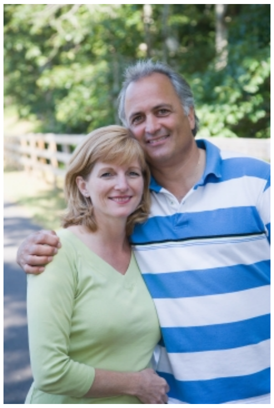
Understanding Guaranteed Lifetime Withdrawal Benefit Annuity Rider



Index annuities are complex and not suitable for all investors. Index annuities may include fees and charges for benefits and riders. If you surrender your annuity early, you may have to pay a significant surrender charge. Index annuity participation rates, cap rates, spreads, and asset or margin fees limit the amount of interest that may be credited to the annuity and interest may only be credited periodically. Some insurance companies reserve the right to change participation rates, cap rates, and other fees either annually or at the start of each contract term. These types of changes could affect the investment return.

Indexed annuities (also referred to as fixed-index or equity-indexed annuities) and variable annuities can be useful options for retirement savings because interest earnings are tax-deferred until withdrawn. These annuities can also be converted to a stream of income payments that can last for the rest of your life (annuitization). However, annuitization generally requires that you exchange your annuity account balance for income payments. Due to growing demand for additional income options, many issuers are offering a rider, called a guaranteed lifetime withdrawal benefit (GLWB), to variable annuities and fixed-index annuities that allows you to get lifetime income payments while continuing to have access to the annuity's remaining cash value.

Here's how it works

There are different variations of the GLWB rider, depending on the issuer offering it. Typically, a GLWB rider subjects the annuity owner to a fee for the rider. However, most issuers incorporate some common features. Your annuity premium is invested in subaccounts (with a variable annuity) or earns interest (with a fixed-index annuity). Thereafter, you can elect to receive annual withdrawals from the annuity that last for the rest of your life (minimum guaranteed withdrawal). The amount of the withdrawal is determined by applying a percentage (withdrawal percentage) to the premium or the cash value, whichever is greater at the time of your election. Withdrawals are subtracted from the cash value. The amount of the withdrawal will not decrease, even if the cash value decreases or is exhausted.

For example, you invest $100,000 in a variable annuity with a withdrawal percentage of 5%. In five years, you elect to begin receiving minimum guaranteed withdrawals, but the cash value is worth only $80,000 (due to poor subaccount performance). The withdrawal percentage (5%) is applied to your premium ($100,000) since it is greater than the cash value at the time of your election. Your minimum guaranteed withdrawal is $5,000 per year ($100,000 x 5%).*

Some issuers apply a minimum rate of return to your premium (minimum income value) apart from your cash value. In this case, the withdrawal percentage is applied to the greater of your minimum income value or your cash value to determine your guaranteed minimum withdrawal. This option ensures that the amount of your minimum guaranteed withdrawal increases each year you defer receiving withdrawals.

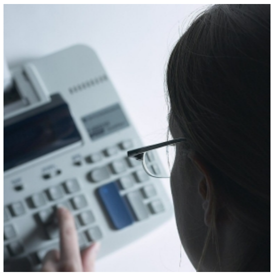
To illustrate, use the same facts as the previous example, but include a minimum income value of 6% per year applied to your premium ($100,000). When you elect to receive withdrawals, the minimum income value is $133,823 ($100,000 x 6% per year x 5 years). Since this value is greater than your cash value ($80,000), the withdrawal percentage (5%) is applied to the minimum income value yielding a minimum guaranteed withdrawal of $6,691 per year ($133,823 x 5%).*

**Examples are for illustration purposes only and do not reflect the actual performance of a specific product or investment.*

Issuers may also increase your guaranteed minimum withdrawal by increasing the withdrawal percentage as the age at which you elect to begin receiving withdrawals increases. For example, the withdrawal percentage could be 5% if you start withdrawals at age 55, 7% at age 70, and 8% at age 80.

However, if you exceed the allowable withdrawal amount, you may adversely affect your ability to continue receiving guaranteed income payments. Consequently, you should carefully evaluate your specific financial needs and objectives in addition to the specific restrictions and limitations of a GLWB option.

Caution: *Annuity guarantees, including guarantees associated with benefit riders, are based on the claims-paying ability and financial strength of the annuity issuer and may be limited. Annuity withdrawals made prior to age 59½ may be subject to a 10% federal tax penalty.*



A note about variable annuities

Variable annuities are long-term investments suitable for retirement funding and are subject to market fluctuations and investment risk, including the possibility of loss of principal. Variable annuities are sold by prospectus, which contains information about the variable annuity, including a description of applicable fees and charges. These include, but are not limited to, mortality and expense risk charges, administrative fees, sales and surrender (early withdrawal) charges, and charges for optional benefits and riders. The prospectus can be obtained from the insurance company offering the variable annuity or from your financial professional. Read it thoroughly and consider the risks and objectives carefully before you invest.

The step-up feature

It's possible the GLWB payments can increase over time if the issuer includes a step-up feature with the rider. At certain intervals (e.g., once a year), the issuer compares the annuity's current cash value to the value used to determine your minimum guaranteed withdrawal. If the current value is greater, the issuer applies the withdrawal percentage to the current, higher value, thus increasing your minimum guaranteed withdrawals.

Access to the cash value

Most issuers allow you to take money from your cash value, even if you are also receiving GLWB withdrawals. However, some issuers reduce subsequent GLWB withdrawals in proportion to the amount you take from the cash value. For example, you have a cash value of $100,000 and your guaranteed withdrawals are $5,000 per year. One year you withdraw an additional 10% ($10,000) from the cash value. Correspondingly, your later GLWB payments will be reduced by 10% to $4,500.

Death benefit

Unless altered by a death benefit provision or rider, annuities with the GLWB rider usually pay a death benefit equal to the greater of the remaining cash value, or the remaining premium, if any, less withdrawals and applicable surrender charges. Generally, GLWB withdrawals are available only to the annuity owner and not his/her beneficiaries, unless the beneficiary is the owner's surviving spouse, in which case the withdrawals may be continued for the benefit of the spouse.

GLWB costs

Issuers generally charge an annual fee for the GLWB rider, usually as a percentage of the annuity's cash value. Also, the step-up feature associated with a GLWB may subject the annuity owner to an increased cost in addition to the regular fee charged for GLWB option. Thus, you should consider this fact when evaluating such a feature. Review annuity sales materials, the prospectus, and the contract for information on charges and fees.

Some other living benefit riders

The GLWB is one of many living benefit riders available on some annuities that provides a minimum accumulation value or income. As with most annuity riders, they may differ depending on the issuer offering them. Also, since these benefits are offered as riders, there is usually a charge associated with each one.

Guaranteed minimum payments benefit

The guaranteed minimum payments benefit allows you to recover your total premium through annual payments from your annuity, even if the cash value is less than the premium due to poor market performance (and not withdrawals).

Guaranteed minimum income benefit

The guaranteed minimum income benefit pays a minimum yearly income even if your annuity decreases in value due to poor subaccount performance. But you must own the annuity for a minimum number of years before exercising the rider, and you must exchange the cash value of the annuity in return for the minimum payments (annuitization).

Guaranteed accumulation benefit

This rider guarantees the return of your premium (less withdrawals) regardless of the actual investment performance of your annuity subaccounts at the end of a stated period of time.

Is it right for you?

The GLWB rider can be a good idea if you want a fixed income but don't like the idea of giving up access to your money that annuitization requires. However, like all deferred annuities, they are intended as long-term investments, suitable for retirement funding. The annuity's cash value may be subject to market fluctuations and investment risk. In addition, GLWB withdrawals are subtracted from the annuity's cash value.

Caution: *Based on the guarantees of the issuing company, it may be possible to lose money with this type of investment. Any guaranteed minimum rate of return is contingent upon holding the indexed annuity until the end of the term.*

To schedule an appointment with Faye Sykes, click here .