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ANNUITY DISCLOSURE MODEL REGULATION

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APPENDIX A—BUYER'S GUIDE TO VARIABLE DEFERRED ANNUITIES

Drafting Note: The language of the Variable Deferred Annuity Buyer's Guide is limited to that contained in the following pages, or to language approved by the commissioner. Companies may purchase personalized brochures from the NAIC or may request permission to reproduce the Buyer's Guide in their own type style and format.

[The face page of the Variable Deferred Annuity Buyer's Guide shall read as follows:]

Prepared by the National Association of Insurance Commissioners

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.

Reprinted by. . .

It's important that you understand the differences among various annuities so you can choose the kind that best fits your needs. Annuities can be deferred or immediate but this Guide focuses on *variable deferred* annuity contracts. There is, however, a brief description of two other types of deferred annuities, fixed and fixed indexed, as well as immediate annuities.

This Guide isn't meant to offer legal, financial or tax advice. You may want to consult independent advisors.

This Guide includes questions you should ask the company or your agent (a producer, broker, advisor or any other person or entity selling you the annuity). Make sure you're satisfied with the answers before you buy. If you don't understand the answers, ask again, ask the company or ask your state insurance department.

A list of common terms used with annuities and what each means starts on page ____. You may refer to that list as you read this Guide, the disclosure and your contract.

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This Guide refers to the disclosure you'll receive with your annuity contract. The disclosure summarizes the terms of your contract and defines some of the words used in the contract. It will explain how your annuity increases in value and what charges are taken from your contract. Your agent should go through the disclosure with you so you understand it.

This Guide provides information that applies to all annuities on pages ___ to ____. Information about variable annuities begins on page ____.

INFORMATION RELEVANT TO ALL ANNUITIES

What Is an Annuity?

An annuity is a contract with an insurance company. You pay for the annuity (in a single payment or multiple payments) and the insurer promises to pay out money from the annuity to you in a series of payments. Only an annuity can pay an income that can be guaranteed to last as long as you live. In some annuities, you don't receive income payments right away.

An annuity *is not* a savings account. If you buy an annuity, it should be to reach *long-term* financial goals.

All annuities have a *surrender charge* (also known as a withdrawal charge) which discourages you from taking money from your annuity or ending (surrendering) the contract before a certain point in time. The number of years you'll pay a surrender charge when you take money from your annuity and the amount of each year's surrender charge vary from one annuity to the next. The charge is usually a percentage of the premiums you've paid or of the value of the account when you make the withdrawal. The charge can be much more than the interest earned on the annuity in the first few years so it's possible to lose not only the interest, but also some of your principal (the amount of the premium you've paid) if you make a withdrawal or surrender the annuity. You can find this specific information in the annuity contract and it's summarized in the disclosure.

What Are the Different Types of Annuities?

This Guide explains major differences among annuities to help you understand how each might meet your needs.

This Buyer's Guide focuses on variable deferred annuities. If you're interested in a different type of annuity, ask your agent about that buyer's guide.

Annuities differ in several ways:

- How many premiums you pay
- When the company makes income payments to you
- How the money in the annuity earns interest

How Many Premiums You Pay: Single Premium or Multiple Premium Annuities

You pay the insurance company only one payment for a *single premium* annuity. You make a series of payments for a *multiple premium* annuity; for one type of multiple premium annuity, a *flexible premium* annuity, you pay whenever you want, within set limits.

When the Company Makes Income Payments to You: Immediate or Deferred Annuities

In 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* and a *payment period*. During the *accumulation period*, the money you put into the annuity, less any charges, earns interest. The earnings grow tax deferred as long as you leave them in the annuity. After the *accumulation period*

ends, the *payment period* (or the *annuitization period*) begins; in the *payment period*; the company pays income to you or to someone you choose.

How the Money in an Annuity Earns Interest: Fixed, Variable, and Fixed Indexed Annuities

<u>Fixed</u>

During the *accumulation period* of a *fixed deferred annuity*, your money earns interest at rates set by the insurance company or in a way spelled out in the annuity contract. The company guarantees the contract will earn no less than a minimum rate of interest. During the *payment period*, the amount of each income payment to you is set when the payments start and won't change. If you want to consider a fixed deferred annuity, please ask for that guide.

<u>Variable</u>

During the *accumulation period* of a *variable deferred annuity*, the insurance company puts your premiums into separate accounts. You choose the accounts, depending on how much risk you want to take. You may choose accounts with no guaranteed returns that are invested in bonds, money market funds or stocks or other equities. You also may have the option to put part of your premiums into a fixed account, with a minimum guaranteed interest rate. During the *payment 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 separate accounts). This Guide describes variable deferred annuities.

<u>Indexed</u>

During the *accumulation period of* a *fixed indexed deferred* annuity, the return on your money depends on a market index. The index is a number that goes up and down as the market the index represents moves up and down. The company credits earnings to your annuity based on changes in the market index you select but guarantees the value of your annuity won't decrease as long as you don't withdraw the money. You also may have the option to put part of your premiums into a fixed account, with a minimum guaranteed interest rate. Generally, during the *payment period* of an *indexed annuity,* the amount of each income payment to you is fixed. If you want to consider a fixed indexed deferred annuity, please ask for that guide.

How Do I Decide Which Annuity Is Best for Me?

Your agent's recommendation of an annuity should be based on his/her knowledge of your current financial situation, tax status, investment objectives and needs. It's important that you discuss with your agent your total financial and life situation so you can decide whether an annuity is a good choice for you. You should ask the agent for a disclosure that's specific to the product you're considering.

The agent will suggest annuities that are suitable for your situation. If you aren't comfortable with the agent's suggestions, explain your concerns. It's important that any annuity you choose be consistent with the amount of risk you'll willing to accept.

Annuity contracts may be broadly categorized by the amount of risk involved. The types of annuities and the level of overall risk for each are:

- **Fixed Annuity** — **Least Risk**
- **Fixed Indexed Annuity** — **Moderate Risk**
- **Variable Annuity** — **Most Risk**

As you think about the risk involved with each annuity type, ask yourself:

- As I interested in a variable annuity with the potential for higher earnings that aren't guaranteed and willing to risk losing the premiums I've paid?

- Is the guaranteed interest rate of a fixed annuity more important to me, with little or no risk of losing my premiums, in exchange for less potential to earn interests?

- Or, am I somewhere between these two extremes and willing to take more risk in exchange for the opportunity to earn a higher return with an indexed annuity.

You may choose to add features known as *riders* to your annuity. Some riders offset some of the risks of owning certain annuities. There usually is an additional cost for riders. Also, some annuities have built-in features that offset some of the risks of an annuity.

How Can I Access My Money?

Each annuity offers more than one way to access your money: 1) by annuitizing the contract to receive income payments over time, 2) by taking a lump sum payment and *surrendering* your annuity, 3) by taking withdrawals and 4) as a death benefit paid to your *beneficiaries* if you die during the accumulation period. If you take money by making a withdrawal or surrendering your annuity, you'll likely pay fees and may not get back all of the premiums you've paid. The contract and the disclosure tell you how much you can take out without paying a charge and when the charges no longer apply.

One of the most important benefits of deferred annuities is your ability to use the value built up during the accumulation period to receive multiple income payments. After you *annuitize,* you receive income payments for life. Payments are usually made monthly but you may choose to receive them less often. The size of income payments is based on the *accumulation value* in your annuity and the *benefit rate* when income payments start. The benefit rate usually depends on your age and sex as well as the annuity payment option you choose. Payment options usually include payments that continue as long as you live, as long as you and your spouse live or for a set number of years.

There's a table of guaranteed benefit rates in each annuity contract. Some companies have current benefit rates which are greater than the guaranteed benefit rates. A company can change the current benefit rates *at any time*, but the current benefit rates can never be less than the guaranteed benefit rates. When income payments start, the insurance company uses the benefit rate in effect at that time to figure the amount of your income payment.

Another option may be to take a *lump sum payment* from your annuity and surrender or terminate it. If a lump sum payment is a choice, ask when it would be available and how much the payment would be. If it's an option, think about whether a lump sum payment may be a better choice for you than payments over time. In some annuities, there's no charge if you surrender your contract when the company's current interest rate falls below a certain level. This may be called a *bailout option.*

You can make *withdrawals* from your annuity before income payments begin, but you may pay a fee (often a surrender charge). The contract and the disclosure tell you how much you can take out without paying a charge and when the charges no longer apply. Most annuities let you withdraw a percentage of your annuity's value annually (typically 10%) without paying a fee. You may lose any interest on the amount withdrawn, and you may lose part of your principal. After you've owned an annuity for a certain length of time (typically 7 to 14 years), the surrender charge period may end and you'll be able to take money out without paying a surrender charge. Many annuities let you withdraw part of the accumulation value without paying a surrender charge if certain events, such as nursing home confinement or terminal illness, occur.

Annuities have stated maturity dates. When an annuity reaches its maturity date, 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.

Some annuities have a Market Value Adjustment (MVA) feature. An MVA could increase or reduce your annuity's value if you withdraw more than the penalty-free amount. In general, if interest rates are lower at the time of withdrawal than at the time the contract was issued, your annuity's value will be increased. If interest rates are higher at the time of

withdrawal than at the time of issue, your annuity's value will be reduced. Every MVA calculation is different, however, so check your contract and disclosure for details.

In some flexible premium annuities, a new surrender charge may apply to each premium paid. This may be called a rolling surrender charge.

Finally, if you die during the accumulation period, your *beneficiaries* will receive some or all of the money in your annuity. In some annuities, there's a charge that reduces what your beneficiaries receive. Check your contract and disclosure.

Will I Pay Income Tax on My Annuity?

Below is a general discussion about taxes and annuities. You should consult a professional tax advisor about 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. The interest isn't tax free, however; you will pay taxes when you withdraw money. You also may have to pay a 10% tax penalty if you withdraw money before age 59 1/2. Most states' tax laws on annuities follow the federal law.

You also can use annuities to fund traditional and Roth IRAs. If you buy an annuity to fund an IRA, you'll receive a disclosure statement describing the tax treatment. You're unlikely to gain any additional tax advantage by funding an IRA or a qualified retirement plan with an annuity, as an IRA and a qualified retirement plan both are tax deferred regardless of how they're funded.

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 contact the insurance company, return the contract and get all of 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 and disclosure. Be sure to read your contract carefully during the free look period.

VARIABLE DEFERRED ANNUITIES

With this basic information about annuities in mind, this section describes the type of annuity you're considering, a variable deferred annuity. First, here's a reminder about what a variable annuity is. During the accumulation period of a variable deferred annuity, the insurance company puts your premiums into separate subaccounts. You choose the subaccounts, depending on how much risk you want to take. Usually you have several options, including subaccounts invested in stocks, money market funds, bonds as well as a fixed interest account. There's no guarantee that you'll earn any return on your investment and there's a risk that you'll lose money. Because you're taking this risk, variable annuities are securities registered with the Securities and Exchange Commission (SEC). The person selling a variable annuity must be a licensed life insurance agent, be registered as a broker/dealer and be a Financial Industry Regulatory Authority (FINRA) member. FINRA, the SEC, State Insurance Departments and state securities regulators all regulate variable annuity sales.

The next sections review the potential for income, the likely expenses and some features of variable deferred annuities.

How Does a Variable Annuity Earn a Return?

When you buy a variable annuity, you'll be asked to choose where your premiums will be invested. Your choices will include subaccounts invested in stocks, bonds, mutual funds, and money market funds. The return on your annuity will depend on the performance of the investments in your subaccounts. There's no guarantee that you'll earn any return on the investments in your subaccounts, and you could lose your money. Caps or spreads also may

limit the amount of interest you earn from the investments in your subaccounts. For example, a cap or spread could mean that if an investment in your subaccount earns 10%, your subaccount value will grow by less than 10%. You usually can choose to put some of your premiums into a fixed account that pays a guaranteed minimum amount or rate of interest. If you'd be more comfortable with an annuity that guarantees a minimum return on **all** of the funds in your annuity, ask about a fixed deferred annuity. Fixed and indexed deferred annuities have less risk than variable annuities and protect your principal.

Bonuses

Some variable annuities pay bonuses. The most common type of bonus is a *premium bonus.* This type of bonus immediately increases the value of the annuity and usually is credited as a percentage of the premiums paid into the contract. In some annuities, there's a separate charge for a premium bonus. In other annuities, the Mortality and Expense charge is higher to cover the cost of the bonus.

Although bonuses can help to boost your annuity's value, it's important to understand how they work. In general, annuities with bonuses have higher and longer surrender charges or a higher Mortality and Expense charge.

What Charges May Be Subtracted From My Annuity?

Insurers charge for the cost of selling and managing annuities. They may subtract these charges directly from your annuity's value or they may reduce the return on the money in your annuity. These charges can vary greatly among insurance companies. The prospectus describes the charges. Your agent or the insurance company may give you other disclosures that also should explain these charges. Ask your agent or the company to tell you which charges apply to your annuity and how much they'll be.

Some variable annuities are "front loaded" -- you're charged most of the costs in the beginning. Other variable annuities are "back loaded" -- you're charged most of the costs sometime later. Other insurers spread the charges out over the life of the annuity.

There are several types of annuity charges, fees and taxes. Each reduces the value of your annuity. See the disclosure and ask your agent or the company to describe the charges that apply to your annuity. Some examples of charges, fees and taxes are:

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

- A *transaction fee* is a charge for each premium payment or other transaction.

- A *percentage of premium charge* is a charge deducted from your annuity's value for each premium paid. The percentage may vary over time.

- Some states charge a *premium 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.

- Some insurers may charge *administrative fees* to cover record keeping and other administrative expenses. This fee may be a flat account maintenance fee (for example, $30 a year) or a percent of your account value (for example, 0.15% a year).

- A *Mortality and Risk Charge* is a certain percent of your account value, typically between 1.0% and 2.5% a year. This charge pays the insurance company for the insurance risks it takes under the annuity contract. Profit from the mortality and expense risk charge is sometimes used to pay the insurer's costs to sell the variable annuity.

Surrender Charges

A surrender charge is usually a percentage of the premiums you've paid or of the value of the account when you make the withdrawal. You may pay this charge to take all or part of your money out at any time during your annuity's accumulation period. The contract and the disclosure tell you how much you can take out without paying a charge and if the charge no longer applies after you've had the annuity a while.

Your annuity may have a *limited withdrawal* feature. This feature lets you make one or more withdrawals without a charge, up to a total percentage of your annuity's accumulation value. If you make a larger withdrawal, you pay a withdrawal charge called a *partial surrender charge*. You may lose any interest above the minimum guaranteed rate on the amount withdrawn, and you may lose part of your principal.

For more information about surrender charges, review the *How Can I Access My Money?* section of this publication.

Underlying Fund Expenses

All mutual funds charge a management fee; some charge other fees. If you subaccounts are invested in mutual funds, these fees will reduce your annuity's value.

Fees and Charges for Other Features

Some variable annuities offer special features, such as an increased death benefit, and charge you more if you choose them. There may be other charges -- for example, to transfer part of your account from one investment option to another. Ask the agent or insurance company to tell you about **all** of the annuity's charges and fees. .

Is a Variable Annuity a Mutual Fund?

A variable annuity is **not** a mutual fund. Both are types of investments but there are important differences.

- An annuity guarantees income payments for life. While you or an advisor may be able to set up sales of your mutual fund shares over time to provide a steady income, a mutual fund can't guarantee that payments will last as long as you live. Only an annuity can do that.

- Annuities are designed to prepare for retirement. It can be expensive to take money from your annuity. If you need money from your annuity before age 59 ½, you'll likely pay a tax penalty. Most variable annuities also charge a fee to take money from the annuity in the early years. This fee (often called a surrender charge) may go down over time and may not apply at all after you've owned the annuity for a while. You may or may not pay a fee when you sell shares in a mutual fund. You can get money from your mutual funds at any age without a tax penalty, **unless** the mutual fund is in another type of retirement plan such as an IRA or a 401(k).

- A variable annuity may have a death benefit that guarantees that your beneficiary will get at least a certain amount if you die before the insurer begins to make payouts to you. This guarantee would protect your beneficiaries if the investments in your subaccounts haven't done well. There's no such guarantee in mutual fund.

- Variable annuities are tax deferred. You don't pay income taxes on earnings until you receive money from the annuity. You pay income taxes on the earnings from mutual funds every year, unless the mutual fund is in a tax-advantaged plan such as an IRA or a 401(k) plan.

- When you take money from a variable annuity, you pay tax on the part that's considered an investment gain. You pay at your ordinary income tax rate, which may be much higher than the long-term capital gains tax rate. Earnings on mutual funds are taxed at the lower capital gains tax rate.

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- If there's still money in your variable annuity when you die, your beneficiaries will owe all of the income taxes that you've deferred. However, if you have money in mutual funds when you die, your beneficiaries won't owe income taxes on the gains from your mutual funds.

- Variable annuity fees usually are higher than mutual fund fees.

- Variable annuities can provide optional benefits through riders that a mutual fund can't offer.

What Optional Benefits Can I Choose?

Insurance companies offer many optional benefits that you can add to your variable annuity by buying riders. Some commonly offered riders are described below. Each rider will increase the cost of your annuity. Ask your agent or the insurance company for the information you need to decide if a rider is worth the cost.

A *Guaranteed Minimum Death Benefit rider* guarantees the minimum amount of the death benefit the insurer will pay your beneficiary if you die before the insurer starts to make monthly payments to you. The insurer will make this payment regardless of the return on the investments in your subaccounts. For example, suppose you've paid $50,000 in premiums for a variable annuity and buy a rider that guarantees a death benefit that will be at least as much as the premiums you've paid. If the investments in your subaccounts have done so poorly that the contract is only worth $10,000 after five years, the rider guarantees a death benefit of at least $50,000. Some Guaranteed Minimum Death Benefit riders may also "step up" this guaranteed death benefit amount or add interest to it from time to time.

Some annuity benefits are called as *living benefits*. These benefits all provide some guarantee for the annuity owner – a guaranteed income from the annuity, guaranteed withdrawal amounts, and/or guaranteed protection of the premiums you've paid. There's an additional cost for each rider – and the cost can be significant.

A *Guaranteed Minimum Income Benefit* rider guarantees a minimum return on the investments in your subaccounts. Based on this return, you're guaranteed a minimum income. You usually must buy this rider when you buy your annuity and must annuitize to use the rider. For example, this rider might guarantee that your monthly payment will never be less than 75% of your first payment. If the first payment to you was $1,200, this rider guarantees that your monthly payment will never be less than $900, regardless of how the investments in your subaccounts do. You couldn't use this rider if you took the money from your annuity in a lump sum payment. And there may be a waiting period before you can use this rider to receive payments.

A *Guaranteed Minimum Accumulation Benefit* rider guarantees that your annuity will be worth a minimum amount by a set date, even if the investments in your subaccounts do poorly. For example, this rider might guarantee that your annuity will earn at least 8% a year by the end of ten years. If at the end of ten years your annuity has only earned 4% a year, your insurer will add the difference.

A *Guaranteed Minimum Withdrawal Benefit* rider guarantees a return of all of the premiums you've paid, regardless of how the investments in your subaccounts do. You must make annual withdrawals, with each limited to a certain percentage of the premiums you've paid. This rider does **not** return the premiums you've paid as a lump sum payment. How does it work? For example, suppose you pay $100,000 in premiums for a variable annuity and buy a rider that guarantees a 6% withdrawal rate. The rider guarantees you can withdraw $6,000 (or 6% of the $100,000 you've paid in premiums) annually without penalty even if the investments in your subaccounts have done so poorly that your annuity is only worth $70,000. The total amount of withdrawals is limited to the premiums you've paid or $100,000 in this example.

A *Guaranteed Lifetime Withdrawal Benefit* rider protects you against losses in the investments in your subaccounts. It guarantees that you can withdraw a percentage of your original principal each year without penalty *for life,* regardless of how the investments in your subaccounts do. For example, suppose you pay $100,000 in premiums for a variable annuity and buy a rider that guarantees a 6% withdrawal rate. The rider guarantees you can withdraw

$6,000 (or 6% of your original $100,000 investment) annually without penalty even if your annuity's account value goes to zero. The percentage you can withdraw is usually based on your age and your annuity's benefit base value.

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

The questions listed below may help you decide. You should think about what your goals are for the money you put into the annuity. You also need to think about how much risk you're willing to take.

These are the questions you should ask yourself.

How comfortable am I with risk?

How long can I leave my money in the annuity?

Does the annuity let me get money when I need it?

How much retirement income will I need in addition to what I will get elsewhere? How soon will I need income payments?

After I buy the annuity, how much money do I need to have available to cover major expenses and emergencies? How much will I have for these expected expenses?

Will I need income payments only for myself or for myself and someone else?

If the annuity loses money, will I still have enough income to meet my needs?

Am I comfortable with the length of time that I'll pay surrender charges if I withdraw money from the annuity?

These are questions you should ask the agent or the insurance company.

Is this a single premium or multiple premium contract?

What are my investment options in the variable annuity?

Am I restricted in my option choices?

How much are the withdrawal charges, surrender charges and other penalties? How long do they apply?

When is the earliest I can get money out of the annuity and how much can I get?

How much can I withdraw without paying surrender charges or losing interest?

Do I lose any bonus if I take a lump sum rather than annuitize my account value? Are there other ways I could lose the bonus?

Is there a Market Value Adjustment (MVA) feature in my annuity?

What other charges may be deducted from my premium or contract value?

How much will the total charges and fees be each year?

If I take a lump sum or surrender the annuity, will the accumulated value or the way interest is credited change before I do this?

What happens to the money in my annuity if I die?

How long is the free look or right to return period?

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, an annuity and *this type* of annuity are right for you. Taking money out of an annuity may mean you'll pay taxes and/or penalties. If you're exchanging annuities, the new annuity may have new expenses you must pay directly or indirectly. Also, you may pay surrender charges on the old annuity. If you're selling another asset, are there penalties associated with the sale? Will you have to pay taxes on the sale?

An annuity is intended to be a long-term product. Generally, you should keep it long enough to avoid penalties.

If you're buying an annuity to fund an IRA or other tax-deferred retirement program, ask what the advantages are to this approach.

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

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

ANNUITY TERMS

Accumulation Period: The time when the money you put into the annuity, less any applicable charges, earns interest.

Accumulation Value: The sum of your premiums plus any interest credited less any charges deducted.

Annuitize: Converting from the lump sum of the accumulated value of your annuity to a series of payments.

Annuity: A contract with an insurance company that pays income to you, usually over time.

Bailout Option: A feature in some annuities where there's no charge if you surrender your contract when the company's current interest rate falls below a certain level.

Beneficiary: A person who receives part or all of the money in the annuity if the annuitant dies. May also be an organization such as a charity.

Benefit Base Value: A value on an annuity that features a Guaranteed Lifetime Withdrawal Benefit (GLWB); only used to calculate your lifetime income payments. The Benefit Base Value can't be taken if you cash surrender the annuity.

Benefit Rate: The rate used to determine the size of the income payments you'll receive when the accumulation period ends. Varies by age, gender, and the payment option chosen.

Bonus Interest Rate: An interest rate that's higher than the current interest rate and is credited to your accumulation value as an incentive for you to buy an annuity and to keep it. The company may only pay the bonus interest rate if you meet certain conditions, such as annuitizing the accumulated value or not taking money out.

Contract Fee: A flat dollar amount that's charged either once at purchase or annually during the annuity.

Current Interest Rate: An interest rate set by the company during the accumulation period; can never be less than the guaranteed interest rate.

Death Benefit: The annuity benefits paid to the beneficiary upon the death of the contract owner or annuitant.

Deferred Annuity: An annuity where your money earns interest for a period of time before it's converted into one or more payments back to you.

Disclosure: A document the insurance company is required to give you when it delivers the annuity contract; summarizes the annuity contract, specifies how interest is earned and how all charges are calculated and summarizes what happens if you take money out before it's scheduled to be paid and how much money you'll lose if you do this.

Fixed Annuity: An annuity where your money 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.

Fixed Indexed Annuity: An annuity in which the return on your money depends on the market index you choose. The company guarantees the value of your annuity won't decrease as long as you don't withdraw the money.

Flexible Premium Contract: A type of multiple premium annuity where, within set limits, you pay as much premium as you want, whenever you want.

Free Look or *Right to Return Period*: A set number of days to look at the annuity contract after you buy it and return the contract to get all of your money back. The number of days is set by state law.

Guaranteed Lifetime Withdrawal Benefit: A fixed annuity contract feature that guarantees, at an additional cost, that an annuity owner can take annual withdrawals for life at a stated percentage, based on his/her age, even if the annuity's account value goes to zero.

Immediate Annuity: An annuity where income payments start no later than one year after you pay the premium.

Limited Withdrawal: A feature that lets you make one or more withdrawals up to a set amount without a charge.

Market Value Adjustment (MVA): A feature in some annuities that adjusts the market value if you withdraw more than the penalty-free amount; the adjustment increases your annuity's market value if interest rates are lower at time of withdrawal than when the contract was issued and decreases the market value if interest rates are higher.

Maturity Date: The date at the end of your accumulation period in a deferred annuity where you must decide to reinvest, withdraw or annuitize the proceeds. Many guarantees in the contract are tied to this date. If you remove your money before this date you may lose money or receive less money than if you had left your money in.

Multiple Premium Annuity: A deferred annuity where a series of premium payments are made over a period of time.

Partial Surrender Charge: A charge paid if you take out part of the annuity value. (See Withdrawal Charge)

Payment Period: The time when the company pays income to you or to someone you choose.

Percentage Of Premium Charge: A charge deducted from each premium you pay; may be lower after the contract has been in force for a certain number of years or after all total premiums paid have reached a certain amount.

Premium Tax: A tax on annuities that some states charge.

Required Minimum Distribution (RMD): IRAs and qualified plans have certain "required" distributions. For IRAs, you must begin to withdraw funds by April 1st of the year following the calendar year you reach age 701/2. For qualified plans, withdrawals must begin by April 1st of the year following the later of (a) the year you reach age 70 1/2 or (b) the year you retire.

Rider: A benefit added to an annuity contract; changes the annuity's terms or conditions.

Rolling Surrender or Withdrawal Charge: A charge in a multiple premium annuity that may apply to each premium paid rather than to the entire accumulated value.

Scheduled Premium Annuity: A type of multiple premium annuity where the contract spells out your payments and how often you'll make them.

Single Premium Annuity: An annuity bought with only one payment to the insurance company.

Suitability Review: A review by your agent to recommend the amount of risk you should take if you buy an annuity and if the product you're buying is appropriate.

Surrender: To take all of the money from an annuity and terminate the contract.

Surrender Charge: A charge paid if you take out part or all of the annuity value.

Transaction Fee: A charge to you for each premium payment or other transaction you make.

Variable Deferred Annuity: An annuity where the insurance company puts your money into separate accounts. You decide how the company will invest the money in the accounts, depending on how much risk you want to take.

Window: A short period of time 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.

Withdrawal Charge: A charge paid if you take out some of the annuity value.

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