

## PLAN YOUR LEGACY USING AN ANNUITY

# Nonqualified stretch annuity

A nonqualified annuity is a great way to accumulate an unlimited tax-deferred retirement and can also provide a legacy for your family if they elect the nonqualified stretch option.

## How does the nonqualified stretch option work?

If a beneficiary selects a nonqualified “stretch” or lifetime payout option within one year from the death of the original owner, they become the owner of the annuity and are only required to take distributions based on their own life expectancy.\*

## What advantages does this option provide for my beneficiary?

|                                  |                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Tax deferral</b>              | Assets not withdrawn can stay invested on a tax-deferred basis to grow over a longer period.                                                                                                                                                                                                                                                                         |
| <b>Income tax control</b>        | Taxes are paid only as distributions are taken while the balance of the account remains invested, helping to reduce the immediate tax burden. Distributions are taxed on a LIFO (last in, first out) basis, meaning any gain is taxed first. Once the gain is fully distributed, the beneficiary receives an income tax-free return of the original purchase amount. |
| <b>Accelerated distributions</b> | Unless restricted, your beneficiary can withdraw additional amounts at any time without incurring penalties.                                                                                                                                                                                                                                                         |
| <b>Death distributions</b>       | Death distributions from the contract are not subject to surrender charges or early distribution penalties.                                                                                                                                                                                                                                                          |
| <b>Legacy planning</b>           | The beneficiary, as the new inherited owner, can name their own beneficiary. As the account continues to grow tax deferred, this may maximize your legacy for the next generation.                                                                                                                                                                                   |
| <b>Flexibility</b>               | The beneficiary can determine if an annuity with better features, benefits, investments and flexibility is available and complete a tax-free exchange to a new annuity product under section 1035 of the tax code. This offers nonqualified annuity owners more protection on their investment as the financial landscape changes in the years to come.              |



## Did you know?

You can select a **predetermined death benefit** to restrict how distributions are made to your beneficiary, especially for those who may lack the expertise and discipline to manage the asset.

## What are the available options for my beneficiary?

### If annuity payments have already started:

If the owner dies after the contract is annuitized or in payout, then any amounts remaining under the annuity contract must be distributed by the beneficiary in the same manner.

### If annuity payments have not started:

If the owner dies before the contract is annuitized or in payout, then there are several options for the beneficiary\*\*:

1

#### SPOUSAL CONTINUATION

If the sole beneficiary is a spouse, they can continue the annuity contract as if it were always their own. There are no required distributions if the spouse elects to continue the contract.

2

#### "STRETCH" OR LIFETIME PAYOUT OPTION

If the beneficiary is an individual other than the spouse, they can choose the nonqualified stretch annuity option or annuitize the contract over their life expectancy.

3

#### LUMP SUM – 5-YEAR DEFERRAL

If the beneficiary selects a lump sum, they receive the full death benefit immediately, including the tax bill. They can also defer the lump sum as long as the entire account is distributed within 5 years of the original owner's death. *If the beneficiary is a trust, estate or organization, this is the only option.*

\*The life expectancy of the beneficiary is determined in the year of the owner's death. The life expectancy is then reduced by one each year thereafter.

\*\*The designated beneficiary must be a living person.

An annuity is intended to be a long-term, tax-deferred retirement vehicle. Earnings are taxable as ordinary income when distributed, and if withdrawn before age 59½, may be subject to a 10% federal tax penalty. If the annuity will fund an IRA or other tax qualified plan, the tax deferral feature offers no additional value. Qualified distributions from a Roth IRA are generally excluded from gross income, but taxes and penalties may apply to nonqualified distributions. Please consult a tax advisor for specific information. There are charges and expenses associated with annuities, such as surrender charges (deferred sales charges) for early withdrawals. Variable annuities have additional expenses such as mortality and expense risk, administrative charge, investment management fees and rider fees. Variable sub accounts of annuities are subject to market fluctuation, investment risk and loss of principal.

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