2023 · WHAT ISSUES SHOULD I CONSIDER WHEN REVIEWING MY EXISTING ANNUITY?

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GENERAL ISSUES	YES	NO
Do you need to do a general review of your annuity and the role it plays within your financial plan? If so, consider the following: ▪ Review your annuity's contract, and make sure you thoroughly understand its features, riders (e.g., lifetime income, enhanced death benefit, long-term care, etc.), interest/growth assumptions, liquidity, and any other important factors. ▪ Consider the pros and cons of your annuity and determine whether it is still relevant and beneficial to your financial situation. Check to see if the rating of the insurer has changed, and be sure to review other products in the marketplace before making any decisions (e.g., keep, surrender, exchange, etc.).	☐	☐
Do you need to review the fees in your annuity? If so, consider what fees (e.g., mortality and expense, rider, admin, sub-account, etc.) pertain to your annuity and be aware of how they are calculated (e.g., based on market value, based on income benefit base, etc.).	☐	☐
Do you need to review the investment options in your annuity? If so, consider your allocations (e.g., sub-accounts, index options, buffer options, etc.) in relation to both your risk tolerance and your income goals. Be sure to factor in any guarantees and/or protective features your annuity has if making any changes.	☐	☐
Do you need to review your options for surrendering or replacing your annuity? If so, consider the following: ▪ If surrendering, be sure to review your annuity's surrender schedule, and determine the extent to which any surrender fees would apply to the cancellation of your contract. Consider delaying your surrender and/or spreading it out by utilizing any annual penalty-free withdrawals allowable in your contract. ▪ If replacing, consider utilizing a Section 1035 Exchange (for non-qualified annuities) or doing a rollover (for qualified annuities) to avoid a taxable event. If appropriate, you may also consider using partial 1035 exchanges to pay for qualified LTC premiums. ▪ Before making a decision, be sure to weigh the benefits of any unique and/or grandfathered features in your annuity that may no longer be available on the marketplace.	☐	☐

INCOME ISSUES	YES	NO
Do you need to review your income benefit payout option? If so, consider whether your current payout election (e.g., life only, period certain, cash refund, single, joint, level vs. increasing, etc.) meets your financial needs. Be sure to factor in health, longevity, and estate planning wishes when evaluating this.	☐	☐
Do you need to review how your annuity's guaranteed income is determined? If so, consider how your income amount is calculated (e.g., percentage of market value, percentage of an income benefit base, payout percentage based on age bracket, etc.), and whether it may continue to grow in the future (e.g., market step-ups, annually at a fixed percentage, simple vs. compound interest rate, delaying start of income, etc.). Be mindful of ways in which your income might decrease (e.g., excess withdrawals).	☐	☐
Do you plan to start your annuity's income soon? If so, consider whether your guaranteed income could potentially drop in the short term (due to market conditions) prior to when you start taking income. If applicable, consider switching your sub-accounts and/or indexing elections to safer allocations to help preserve your expected income payout.	☐	☐

TAX ISSUES	YES	NO
Is your qualified annuity subject to a Required Minimum Distribution (RMD) this year? If so, consider how your annuity's RMD may be coordinated with your other qualified accounts, and contact your annuity provider to determine whether the scheduled payout (unless still deferring income) satisfies the RMD amount relative to your annuity's market value. Be mindful of making withdrawals in excess of your guaranteed income amount to meet your RMD, as certain income riders may be penalized (or forfeited entirely). (continue on next page)	☐	☐

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TAX ISSUES (CONTINUED)	YES	NO
Are you concerned about the tax consequences of surrendering or replacing your annuity? If so, consider how your annuity surrender will affect any of your tax planning goals (e.g., increase in taxable income, increase in AGI/MAGI, etc.), and determine whether it's beneficial to spread out the tax liability by systematically surrendering your contract over a period of years. If replacing, consider utilizing a Section 1035 Exchange or rollover to defer a tax liability.	☐	☐
Do you need to review how your annuity fits in with your overall tax situation? If so, consider the following: ■ Determine whether your income will be "annuitized" (taxed pro rata between principal and growth) or activated via an income rider (generally taxed as LIFO if purchased after 1982), and consider how the taxation of your annuity may affect other tax planning goals. ■ If you are in a higher tax bracket now (relative to the future) and your annuity is taxed on a LIFO basis, consider whether exchanging it for a product that "annuitizes" your income would be more beneficial for your tax situation. Conversely, if you are in a lower tax bracket now (relative to the future), consider the benefits of recognizing taxable income from your annuity on a LIFO basis while still in lower tax brackets.	☐	☐

OTHER ISSUES	YES	NO
Has your health status changed in recent years? If so, consider whether annuitizing makes sense in light of your health situation, and determine whether any decisions could be made (e.g., activate applicable riders, exchange for a product with better riders, exchanging for a Medicaid-compliant annuity, etc.) to better your situation. (continue on next column)	☐	☐

OTHER ISSUES (CONTINUED)	YES	NO
Do you need to review your beneficiary information? If so, consider the following: ■ Non-qualified annuities do not receive a step-up in basis at death, and they will be taxed as ordinary income to your heirs as Income in Respect of a Decedent (IRD). Furthermore, be cognizant of the post-death RMD rules pertaining to non-qualified annuities and how that might affect your heirs. ■ Be mindful of the challenges (e.g., potential loss of preferential tax treatment, potential forced liquidation over the 5-year rule, etc.) in naming a trust as a beneficiary.	☐	☐
Are you concerned about having an estate tax issue? If so, consider how some annuities (e.g., SPIA, DIA, etc.) may reduce your estate tax liability by being removed from your estate.	☐	☐
Do you need to review any state-specific issues (e.g., annuity premium taxes, amounts protected under guaranty association, amounts exempt from creditors, etc.) related to your annuity?	☐	☐

THRESHOLD ISSUES	YES	NO
Do you need to review your retirement assets and time horizon?	☐	☐
Do you need to revisit your risk tolerance?	☐	☐
Do you need help understanding the basic types of annuities, and what might fit best with your investment strategy? If so, compare the types of return (variable, fixed, and equity-indexed) and the timing of income (deferred and immediate) offered by different kinds of annuities. Also, consider the term (fixed period or lifetime) of the income stream you might need.	☐	☐
Do you need to consider how your age affects what options are available and most favorable for you?	☐	☐

CASH FLOW ISSUES	YES	NO
Do you need to review your expected (or current) sources of retirement income? If so, consider how an annuity could balance/diversify your retirement portfolio and fund any shortfalls in your income plan.	☐	☐
Do you want to supplement your current income? If so, consider an immediate annuity, to commence payments right away.	☐	☐
Do you want to supplement your future income? If so, consider a deferred annuity. You can choose the starting date of distributions.	☐	☐
Do you need to determine how the chosen term of payments (single life, joint and survivor life, and/or fixed term) influences the level of cash received?	☐	☐
Is there any chance you will need to access the principal early? If so, consider what withdrawals are permitted as well as the potential income tax consequences and penalties of an early withdrawal, including any premature withdrawal penalties (i.e., surrender fees) charged by the insurance company.	☐	☐

CONTRACT CONSIDERATIONS	YES	NO
Is a steady income stream your top priority? If so, consider a fixed annuity. Generally, the initial rate is guaranteed for a term, and renewal rates are subject to a floor.	☐	☐
Are you willing to incur risk in order to seek potential growth and greater monthly income? If so, consider the following: ▪ With a variable annuity, you choose among investment offerings, with the potential for growth (or losses) during the accumulation phase. ▪ With an indexed annuity, you are guaranteed some certain minimum return, in addition to being credited with a return that tracks an index (i.e., the participation rate). This allows the potential for gains (subject to a cap rate), but with less risk than a variable annuity.	☐	☐
Do you need to review any riders offered that might help tailor the annuity to your needs? If so, consider how riders could help, such as guaranteed lifetime/minimum withdrawal benefit, death benefit, return of premium/refund, COLA protection, disability/terminal illness, long-term care, among others.	☐	☐
Do you need to compare how types of annuities and features can be combined and tailored to your needs?	☐	☐
Can or will the interest rate on the annuity change?	☐	☐
Do you need to examine various contract features and expenses when comparing annuity options? If so, consider the following: ▪ Features may vary depending upon the type of annuity you purchase. Review and compare any free-look period, surrender period, income riders, cash benefits, death benefits, what is and is not guaranteed, etc. ▪ Recurring fees may vary depending upon the type of annuity you purchase. Review and compare any administrative fees, management fees, advisor fees, insurance fees, surrender charges (and potential crisis waivers), expense risk charges, etc.	☐	☐
If you have a fixed period annuity, do you need to review the options at the end of the annuity term?	☐	☐

2023 · DOES AN ANNUITY FIT WITHIN MY FINANCIAL PLAN?

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ANNUITY PURCHASE ISSUES	YES	NO
Do you need to review the ratings of the insurance companies you are considering?	☐	☐
Do you need to consider the tradeoffs associated with the assets you use to fund the purchase of the annuity? If so, consider the following: ▪ You may be able to roll your IRA, employer retirement plan, or lump-sum pension payment into an annuity, tax free, but consider the drawbacks associated with this strategy (loss of flexibility, fees). ▪ Buying an annuity with assets from your taxable investment account would achieve tax-deferred future growth. However, note the tax consequences of the transaction and the flexibility you may give up in purchasing an annuity.	☐	☐
Do you prefer to make periodic premium payments? If so, note that the benefit of the deferral feature of an annuity is maximized when you have a longer payment period prior to annuitization.	☐	☐
Is it beneficial to wait to purchase an annuity (e.g., until you have built up other retirement savings and/or until rates rise)?	☐	☐
Are you concerned about interest rate volatility and timing? If so, consider a laddered strategy to help smooth out the risk.	☐	☐

TAX ISSUES	YES	NO
Do you need to compare an annuity to other savings options that offer preferential income tax treatment? If so, consider the following: ▪ During the term of an annuity contract, your investment grows tax-free. Ordinary income tax will be due when annuity payments are received, and the amount depends upon the type of annuity contract (qualified or non-qualified). ▪ Other savings strategies, such as taxable brokerage accounts, may offer more beneficial tax treatment (qualified dividends and long-term capital gains), depending upon your tax bracket in retirement. ▪ Unlike many retirement accounts, there is no contribution limit and no RMDs. (continue on next column)	☐	☐

TAX ISSUES (CONTINUED)	YES	NO
Do you need to review how different types of annuities are taxed? If so, consider the following: ▪ For qualified annuities, all dollars withdrawn are taxed as ordinary income. ▪ For non-qualified annuities, only the earnings are taxed as ordinary income when withdrawn. An exclusion ratio (based upon your life expectancy) determines the taxable amount of distributions. After you reach your life expectancy, future distributions will be taxed as ordinary income.	☐	☐
Do you need to consider potential incidental tax consequences of annuity payments? If so, review your total income projections. Mind the “domino effect” where annuity payments increase gross income and can increase taxation of Social Security benefits.	☐	☐
Do you have an after-tax retirement account (e.g., a 401(k) or traditional IRA) that you want to convert to a guaranteed stream of income later in life (beyond your RMD age)? If so, consider the following: ▪ You could purchase a qualified longevity annuity contract (QLAC) with assets in these accounts (if offered), up to a cap of $200,000 (lifetime limit, adjusted for inflation). ▪ You can choose when to annuitize your QLAC, deferring withdrawals to age 85. ▪ Review what riders and benefits may be advisable.	☐	☐

MISCELLANEOUS	YES	NO
Is there a less expensive strategy that meets your objectives?	☐	☐
Do you need to compare the risk of premature death to longevity risk?	☐	☐
Are you considering the annuity as an estate planning strategy to protect your surviving spouse and/or heirs? If so, consider what options the beneficiary(ies) will have upon your passing.	☐	☐
Do you own an existing annuity contract or life insurance policy that you would like to replace? If so, consider a 1035 exchange.	☐	☐
Are there any state-specific issues to consider?	☐	☐

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