INVESTMENT CONCEPTS, INC.
SAGEPOINT FINANCIAL

Advantages and Disadvantages of Variable Annuities

Advantages

- You have a greater variety of investment choices than can be provided by a fixed annuity
- Taxation on investment growth is deferred
- Proceeds paid to a named beneficiary are exempt from probate
- Proceeds may also be exempt from state inheritance taxes
- You may have the right to withdraw 10 percent (or more) of the account value annually without paying a surrender charge (but you are subject to the IRS penalty on withdrawals made before age 59½)
- If the owner has a medical need for long-term care in a nursing home, tax-deferred earnings may be withdrawn, subject to state laws
- Transferring to another insurance company can be done without incurring any income tax liability (see Section 1035 of the Internal Revenue Code)
- You may turn the accumulated account value into a stream of income that you can't outlive
- You may turn the accumulated account value into a monthly income stream linked to the performance of your investments
- You may take withdrawals at some future date when your personal income tax bracket may be lower than it is during your peak earning years (subject to penalty and surrender charges)
- Moving account values from one account to another within your annuity doesn't create any current income tax consequences
- Depending on your state, account values may be protected from creditors
- You may have guaranteed death benefits regardless of investment performance (depending on the contract)

Disadvantages

- Compared with mutual funds, variable annuity investment accounts often carry higher fees and expenses, due to insurance and contract charges
- Tax-deferred growth will ultimately be taxed, perhaps to a beneficiary in a higher tax bracket
- All gains are taxed at ordinary income rates and not at capital gains rates when distributed
- Guaranteed death benefits generate mortality charges that reduce your investment return
- Surrender charges may be significant in early years and may continue for many years
- Due to possible surrender charges and IRS tax penalties for early withdrawals, the annuity is not considered a liquid asset
- Withdrawals before age 59½ are subject to tax penalties, in addition to income tax on earnings

- In some states, state premium taxes may reduce the amount of value available for future payments
- Ownership by a corporation or other "non-natural person" may subject earnings within the annuity to be taxed in the year they're earned

Note: Any guarantees associated with payment of death benefits, income options, or rates of return are based on the claims-paying ability of the variable annuity issuer.

Note: Variable annuities are long-term investments suitable for retirement funding and are subject to market fluctuations and investment risk including the possibilty of loss of principal. Variable annuities contain fees and charges included, but not limited to, mortality and expense risk charges, sales and surrender (early withdrawal) charges, administrative fees, and charges for optional benefits and riders.

Note: Variable annuities are sold by prospectus. You should consider the investment objectives, risk, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the variable annuity, can be obtained from the insurance company issuing the variable annuity or from your financial professional. You should read the prospectus carefully before you invest.

IMPORTANT DISCLOSURES

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