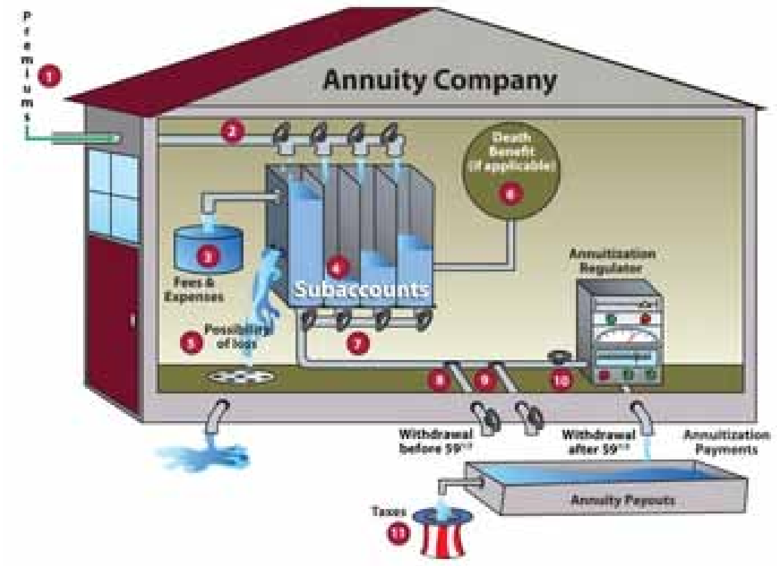
INVESTMENT CONCEPTS, INC.
SAGEPOINT FINANCIAL

Retirement Planning with Annuities: How a Variable Annuity Works



A NOTE ABOUT VARIABLE ANNUITIES:

Variable annuities are sold by prospectus. You should consider the investment objectives, risk, charges, and expenses as well as the underlying investment options 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.

1. In the accumulation phase, you (the annuity owner) send your premium payment(s) (all at once or over time) to the annuity issuer. These payments are made with after-tax funds, and you may invest an unlimited amount.
2. You may choose how to allocate your premium payment(s) among the various investment options (also called subaccounts) offered by the issuer. Generally, you can also transfer funds among subaccounts without paying tax on investment income and gains.
3. The issuer may collect fees to manage your annuity account. These may include an annual administration fee, underlying fund fees and expenses which include an investment advisory fee, a mortality and expense risk charge, and charges for optional benefits (riders). If you withdraw money in the early years of your annuity, you may also have to pay the issuer a surrender fee.
4. The earnings in your subaccounts grow tax deferred; you won't be taxed on any earnings until you begin withdrawing funds or begin taking annuitization payments.
5. With the exception of a fixed account option where a guaranteed* minimum rate of interest applies, the issuer of a variable annuity generally doesn't guarantee any return on the subaccounts you choose. While you might experience growth in your investments, your choices could also perform poorly, and you could lose money.
6. Your annuity contract may contain provisions for optional benefits such as a guaranteed* death benefit or other payout upon the death of the annuitant. (As the annuity owner, you're most often also the annuitant, although you don't have to be.)
7. Just as you may choose how to allocate your premiums among the subaccount options available, you may also select the subaccounts from which you'll take the funds if you decide to withdraw money from your annuity.

8. If you make a withdrawal from your annuity before you reach age 59⁄, you'll not only have to pay tax (at your ordinary income tax rate) on the earnings portion of the withdrawal, but you may also have to pay a 10 percent premature distribution tax.
9. After age 59⁄, you may make withdrawals from your annuity proceeds without incurring any premature distribution tax. Since annuities have no minimum distribution requirements, you don't have to make any withdrawals. You can let the account continue to grow tax deferred for an indefinite period. However, your annuity contract may specify an age at which you must begin taking income payments.
10. To obtain a guaranteed income stream* for life or for a certain number of years, you can annuitize which means exchanging the annuity's cash value for a series of periodic income payments. The amount of these payments will depend on a number of factors including the cash value of your account at the time of annuitization, the age(s) and gender(s) of the annuitant(s), and the payout option chosen. Usually, you can't change the payments once you've begun receiving them.
11. You'll have to pay taxes (at your ordinary income tax rate) on the earnings portion of any withdrawals or annuitization payments you receive.

*All guarantees are subject to the claims-paying ability and financial strength of the issuing company.

IMPORTANT DISCLOSURES

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