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A variable annuity is a product that allows a client to purchase investments that also have insurance benefits. Variable annuities are designed to invest money tax-deferred to meet long-term investment goals and can be purchased with a single payment or by multiple payments.

The investment portion of variable annuities allows a client to move investment dollars between the internal investment choices without incurring a sales charge. Investment choices are called “Sub-Accounts” that invest in stocks, bonds, money market instruments, or some combination of the three. Sub-Accounts have many attributes similar to mutual funds but, as explained below, are not trade

earnings at ordinary income tax rates rather than lower capital gains ta

A registered index-linked annuity, or RILA, is an annuity that uses a stock market index to determine gains and losses. What sets it apart from other types of annuities is your ability to set the maximum loss you are willing to tolerate. RILAs give you the opportunity to own an investment vehicle with the risk/reward characteristics that meet your overall financial objectives. A RILA may be a good

RILAs offer you from losses exceeding 10 percent. So, if the linked index falls 15 percent, your loss is only 10 percent. Your gains are symmetrically

Although variable annuities have Sub-Accounts with attributes similar to mutual funds, variable annuities differ from mutual funds in several important ways:

- Variable annuities let a client receive periodic payments for the rest of his or her life (or the life of a spouse or any other designee) as mentioned in the annuitization portion. This feature offers protection against the possibility that the client will outlive his or her assets.

- Variable annuities have a death benefit. If the client dies before the insurer has started making payments, the beneficiary is guaranteed to receive a specified amount – typically at least the amount of the purchase payments.The beneficiary will receive a benefit from this feature if, at the time of the insured's death, the account value isless than the guaranteed amount.

- Variable annuities are tax-deferred. This means that no taxable event will occur until money is withdrawn from the policy. Money can be transferred from one investment option to another within a variable annuity without paying tax at the time of transfer. Money taken out of a variable annuity, however, will be taxed on the earnings at ordinary income tax rates rather than lower capital gains rates. When investing in a tax-advantaged retirement plan (such as a 401(k) plan or IRA) in a variable annuity, there are no additional tax advantages. Qualified funds should only be invested in variable annuities when a client is looking for features other than tax deferment, such as lifetime income payments and death benefit protection.

- Charges. Because variable annuities have insurance features that are not available with mutual funds, variable annuities have higher charges than mutual funds due to the cost of the insurance features. The Charges section below indicates typical charges of variable annuities. Mutual funds do not charge for insurance features such as Mortality & Expense Risk or other insurance features. Both variable annuities and mutual funds charge management fees.

A variable annuity has two phases: an accumulation phase and an annuitization (or payout) phase. The accumulation phase occurs when a client invests money into the different investment Sub-Accounts of the variable annuity. Clients have the option to take withdrawals or deposit more money into their policy during the accumulation phase. Clients may choose to keep their policy in the accumulation phase or to annuitize their variable annuity. In the annuitization phase, the insurance company converts the investment in the policy to annuitization units. The annuitization phase allows the clients to lock into a payment program. Clients specify the frequency (i.e., monthly, quarterly, semi-annual or annual) of the payouts and over what duration (i.e., life, joint life, a set amount of time, or a combination) the payouts will take place. Once a policy is annuitized, the client cannot change the payout structure or make additional payments into the policy. The amount of each periodic payment depends on the frequency of the payments, the annuity income options chosen, and whether the annuitization units are in the fixed account or in Sub-Accounts. Some variable annuities do not allow withdrawals once the client begins receiving regular annuity payments. It is also possible to immediately annuitize the policy, which means that there is no accumulation phase and the client starts receiving annuity payments after purchasing the variable annuity.

Administrative Fees – The insurance company may deduct a fee to cover record-keeping and other administrative expenses. This charge is usually a flat fee (normally $25 per year), but may be a percentage of the account value (typically in the area of 0.15% per year, although in some instances it may be lower or higher). Many insurance companies have provisions to waive this fee under certain circumstances (typically if a certain threshold of assets are deposited into the policy).

Mortality & Expense Risk Charge – This charge is equal to a certain percentage of the account value, typically in the range between 1% and 1.75% per year, although in some instances it may be lower or higher. This charge is used to compensate the insurance company for insurance risks it assumes under the annuity contract.

Underlying Sub-Account Expenses – Each fund has an investment team that charges a management fee. This is the same type of fee that is charged within mutual funds outside of variable annuities. These expenses typically range between 0.25% to 2%, but in some instances may be lower or higher.

Fees and Charges for Other Features – Special features, often referred to as "riders", offered by some variable annuities, such as a Stepped-Up Death Benefit, a Guaranteed Minimum Income Benefit, Guaranteed Minimum Withdrawal Benefit, Guaranteed Minimum

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These riders may add significant fees and costs to the annuity product. Each rider carries a fee set by the annuity company and can vary widely depending on the feature and the company. Please refer to the annuity's prospectus for information on the fees and costs applicable to the product you are considering.

Surrender Charges – Variable annuities sometimes charge a penalty when a client withdraws money prior to a certain period of time (typically within six to eight years, but some.7 (i)6.9 (o)12 9e (t)6.2 (s)9.5 (J0.009 (i)6.9 (he)4.2w)5.1 (i)6(the SEn sh(but nTJ0.0n)9.4 (on have the ability to pay any benefits that are greater than the client's account value, such as a Guaranteed Death Benefit, Guaranteed Minimum Income Benefit, or Long-Term Care Benefit.

Some insurance companies offer variable annuities with a "Bonus Credit" feature. This feature promises to add a bonus to the contract value based on a specified percentage (typically ranging from 1% to 5%) of purchase payments. Most insurance companies recover the cost

- If a variable annuity offers a bonus credit, will the bonus credit outweigh any higher fees and charges that may be assessed?
- Are features of the variable annuity, such as Long-Term Care Insurance, more cost effective if bought inside or outside of the variable