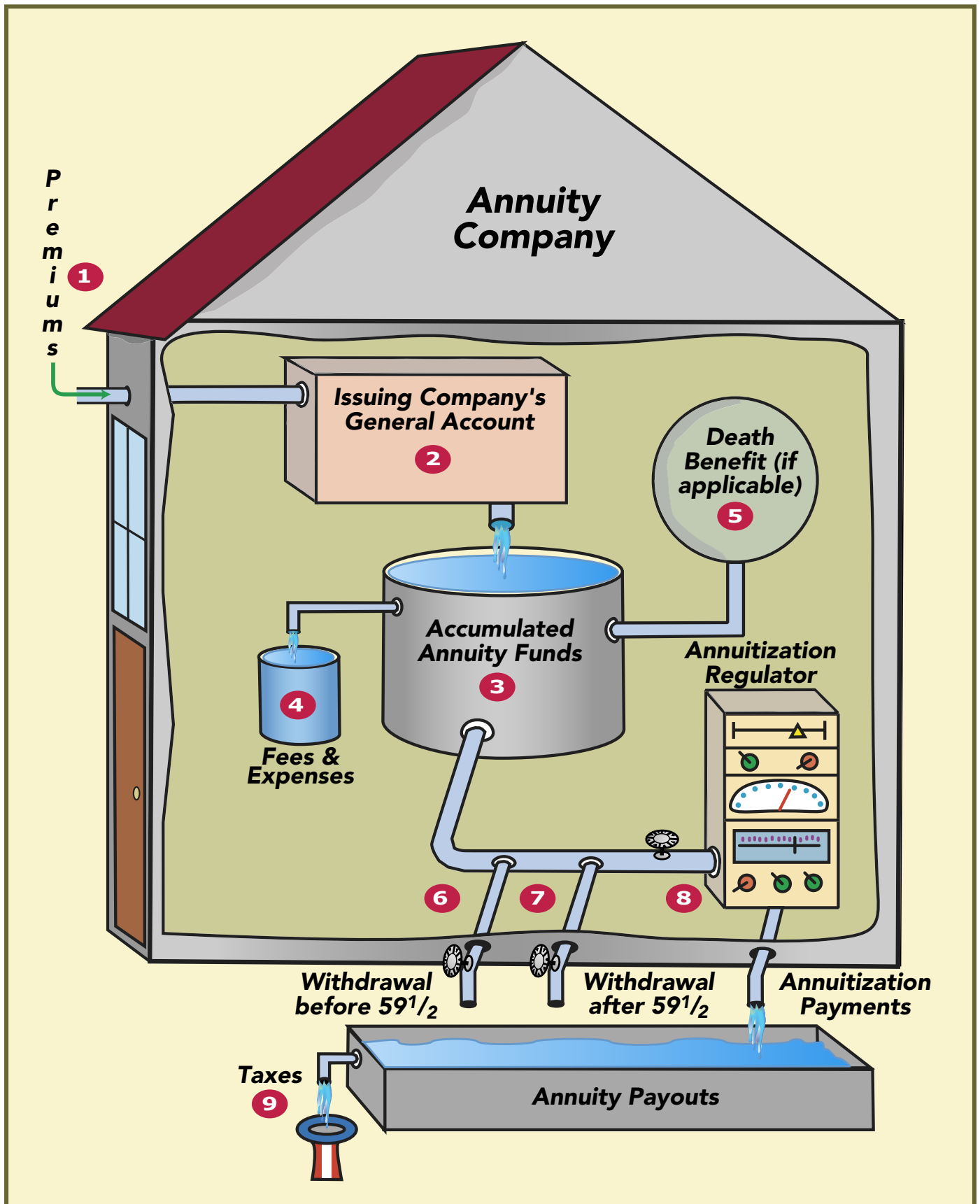


How a Fixed Deferred Annuity Works



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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. The annuity issuer places your funds in its general account.* Your annuity contract specifies how your principal will be returned as well as what rate(s) of interest you'll earn during the accumulation phase. Your contract will also state what minimum interest rate applies.**
3. The compounding interest on your annuity accumulates tax deferred. You won't be taxed on these earnings until funds are withdrawn or distributed.
4. The issuer may collect fees to manage your annuity account. You may also have to pay the issuer a surrender fee if you withdraw money in the early years of your annuity.
5. Your annuity contract may contain a guaranteed** death benefit or other provisions for a 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.)
6. If you make a withdrawal from your deferred fixed annuity before you reach age 59½, 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.
7. After age 59½, you may make withdrawals from your annuity 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.
8. To obtain a guaranteed fixed income stream for life or for a certain number of years, you could annuitize.** If you do so, you may not be allowed to make any more withdrawals or invest any more in your annuity. The amount of your annuitization payments will depend on many factors: the cash value of your account, the age(s) and gender(s) of your annuitant(s), and the payout option you choose. Whatever annuitization option you select, you can't change it later.
9. You'll have to pay taxes (at your ordinary income tax rate) on the earnings portion of any withdrawals or annuitization payments you receive.

* These funds are invested as part of the general assets of the issuer and are therefore subject to the claims of its creditors.

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

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Final Page - Disclaimer

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