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FINANCIAL SERVICES, INC.
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Guaranteed Lifetime Withdrawal Benefit Annuity Rider



Tax-deferred annuities can be valuable tools, particularly for retirement savings. Fixed and variable annuities earn interest on premiums paid to the annuity issuer, and interest earnings accrue tax deferred prior to being withdrawn. Variable annuities offer purchasers a choice of investment subaccounts into which the premium may be allocated, whereas fixed annuities pay interest based on a fixed rate determined by the issuer. Both types of deferred annuities offer a minimum death benefit.

Deferred annuities also provide withdrawal options including payments that last for the life of the purchaser (annuitization). Due to growing demand for additional income options, some issuers are offering a rider, called a guaranteed lifetime withdrawal benefit (GLWB), which allows you to get lifetime income while continuing to have access to the annuity's remaining cash value.

Here's how it works

There are different variations of the GLWB rider, depending on the issuer offering it, but they all incorporate some common features. Your annuity premium is invested in subaccounts (with a variable annuity) or earns interest (with a fixed index annuity). Thereafter, you can elect to receive annual withdrawals from the annuity that last for the rest of your life (minimum guaranteed withdrawal). The amount of the withdrawal is determined by applying a percentage (withdrawal percentage) to the premium, or the cash value, whichever is greater at the time of your election. Withdrawals are subtracted from the cash value. The amount of the withdrawal will not decrease, even if the cash value decreases or is exhausted. In addition, you continue to control the investment of the remaining cash value within the annuity, and have access to it.

For example, you invest \$100,000 in a variable annuity with a withdrawal percentage of 5%. In five years, you elect to begin receiving minimum guaranteed withdrawals, but the cash value is worth only \$80,000 (due to poor subaccount performance). The withdrawal percentage (5%) is applied to your premium (\$100,000) since it is greater than the cash value at the time of your election. Your minimum guaranteed withdrawal is \$5,000 per year ($\$100,000 \times 5\%$).*

Some issuers apply a minimum rate of return to your premium (minimum income value) apart from your cash value. In this

case, the withdrawal percentage is applied to the greater of your minimum income value or your cash value to determine your guaranteed minimum withdrawal. This option ensures that the amount of your minimum guaranteed withdrawal increases each year you defer receiving withdrawals.

To illustrate, use the same facts as the previous example, but include a minimum income value of 6% per year applied to your premium (\$100,000). When you elect to receive withdrawals, the minimum income value is \$133,823 ($\$100,000 \times 6\%$ per year $\times 5$ years). Since this value is greater than your cash value (\$80,000), the withdrawal percentage (5%) is applied to the minimum income value yielding a minimum guaranteed withdrawal of \$6,691 per year ($\$133,823 \times 5\%$).*

**Examples are for illustration purposes only and do not reflect the actual performance of a specific product or investment.*

Issuers may also increase your guaranteed minimum withdrawal by increasing the withdrawal percentage as the age at which you begin to receive withdrawals increases. For example, the withdrawal percentage could be 5% at age 55, 7% at age 70, and 8% at age 80.

The step-up feature

It's possible the GLWB payments can increase over time if the issuer includes a step-up feature with the rider. At certain intervals (usually once every five or ten years), the issuer compares the annuity's current cash value to the value used to determine your minimum guaranteed withdrawal. If the current value is greater, the issuer applies the withdrawal percentage to the current, higher value, thus increasing your minimum guaranteed withdrawals.

Say your minimum guaranteed withdrawals are \$7,500 per year, based on a withdrawal percentage of 5% applied to the annuity's cash value of \$150,000. Five years later, the annuity's cash value increases to \$160,000. The new minimum guaranteed withdrawal is \$8,000 per year due to the increased cash value ($\$160,000 \times 5\%$ per year). The new minimum guaranteed withdrawal will not decrease, even if the annuity's cash value later decreases, or is exhausted.

Annuity guarantees, including guarantees associated with benefit riders, are based on the claims-paying ability of the annuity issuer. Annuity withdrawals made prior to age 59½ may be subject to a 10% federal tax penalty.

Access to the cash value

Most issuers allow you to take money from your cash value, even if you are also receiving GLWB withdrawals. However, some issuers reduce subsequent GLWB withdrawals in proportion to the amount you take from the cash value. For example, you have a cash value of \$100,000 and your guaranteed withdrawals are \$5,000 per year. One year you withdraw an additional 10% (\$10,000) from the cash value. Correspondingly, your later GLWB payments will be reduced by 10% to \$4,500.

A note about variable annuities

Variable annuities are long-term investments suitable for retirement funding and are subject to market fluctuations and investment risk, including the possibility of loss of principal.

Variable annuities are sold by prospectus, which contains information about the variable annuity, including a description of applicable fees and charges. These include, but are not limited to, mortality and expense risk charges, sales and surrender charges, administrative fees, and charges for optional benefits and riders. The prospectus can be obtained from the insurance company offering the variable annuity or from your financial professional. Read it carefully before you invest.

Death benefit

Unless altered by a death benefit provision or rider, annuities with the GLWB rider usually pay a death benefit equal to the greater of the remaining cash value, or the remaining premium, if any, less withdrawals and applicable surrender charges. Generally, GLWB withdrawals are available only to the annuity owner and not his/her beneficiaries, unless the beneficiary is the owner's surviving spouse, in which case the withdrawals may be continued for the benefit of the spouse.

GLWB costs

Some issuers charge an annual fee for the GLWB rider, usually ranging from .1% to 1.0% or more of the annuity's

cash value. Review annuity sales materials, the prospectus,

and the contract for information on charges and fees.

Some other living benefit riders

The GLWB is one of many living benefit riders available on some annuities that provides a minimum accumulation value or income. As with most annuity riders, they may differ depending on the issuer offering them. Also, since these benefits are offered as riders, there is usually a charge associated with each one.

Guaranteed minimum payments benefit

The guaranteed minimum payments benefit allows you to recover your total premium through annual payments from your annuity, even if the cash value is less than the premium.

Guaranteed minimum income benefit

The guaranteed minimum income benefit pays a minimum yearly income even if your annuity decreases in value due to poor subaccount performance. But you must own the annuity for a minimum number of years before exercising the rider, and you must exchange the cash value of the annuity in return for the minimum payments (annuitization).

Guaranteed accumulation benefit

This rider guarantees the return of your premium (less withdrawals) regardless of the actual investment performance of your annuity subaccounts at the end of a stated period of time.

Is it right for you?

The GLWB rider can be a good idea if you want a fixed income but don't like the idea of giving up access to your money that annuitization requires. However, like all deferred annuities, they are intended as long-term investments, suitable for retirement funding. The annuity's cash value may be subject to market fluctuations and investment risk. In addition, GLWB withdrawals are subtracted from the annuity's cash value.

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