September 18, 2026

Lauren U. Van Buren
Chief Legal Counsel, Wisconsin Office of the Commissioner of Insurance
National Association of Insurance Commissioners
Annuity Buyer's Guide (A) Working Group

CC: Jennifer Cook

Re: Request for comments on the draft Buyer's Guide on Deferred Annuities

Dear Ms. Van Buren:

On behalf of the Annuity Products Subcommittee (Subcommittee) of the American Academy of Actuaries,[1] we appreciate the opportunity to offer comments to the Annuity Buyer's Guide (A) Working Group (Working Group) regarding the 8-3-26 Draft Revised Buyer's Guide.

We would like clarification on whether this Buyer's Guide is for all annuities or only deferred annuities. Specifically, there is a compliance concern regarding insurance-licensed-only agents presenting educational materials that contain references to registered products.

We have looked at two approaches for a revised Annuity Buyer's Guide.

1. A shorter Annuity Buyer's Guide that is consistent in length and detail with the Life Insurance Buyers Guide. Model Regulation 245 requires, at a minimum, additional disclosure under Section 5.B, which is specific to the purchased annuity. The generic duplication of these terms and features in the 8-3-26 Draft Revised Buyer's Guide may be confusing to the consumer.

2. We have included redline comments in the attached draft Buyer's Guide for your consideration that reflects the following:
    - Eliminated redundancies by consolidating bullet points at the highest level of annuity to which they apply.
    - Ensured the consistent application of glossary terms versus general terms.
    - Revised some glossary terms to be consistent with industry language.
    - Consolidated and expanded the section on illustrations.
    - Recommended removing glossary terms that are not referenced in the document. The consumer should review their contract to understand how these formulas are described.
        - Annual Point-to-Point
        - Monthly or Daily Averaging
        - Monthly Point-to-Point
        - Multi-Year Point-to-Point

[1] The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

    - Cost of Living Adjustment
- Noted that the parameters used in index crediting formulas continue to evolve and are not limited to cap rates, participation rates, spread rates, buffers, and floors. Therefore, referring consumers to their contracts for this information is the best source for understanding their actual contract features.

Thank you for your consideration of these comments. We look forward to further discussions with the Working Group, as we share your focus on helping to provide appropriate and helpful information to consumers as they consider purchasing these products. If you have any questions or would like to discuss these comments further, please contact Fabienne Amisial (amisial@actuary.org), the Academy's life policy project manager.

Sincerely,

Beth Keith, MAAA, FSA
Chairperson Annuity Products Subcommittee
American Academy of Actuaries

DRAFT 08/03/2026

NAIC ANNUITY BUYER'S GUIDE

If you are thinking about buying an annuity, it's important to understand how annuities work so you can make a decision that supports your financial goals. This Buyer's Guide provides important information to help you understand your purchase. After you receive your **annuity contract**, use your **free look period** to review the contract carefully and confirm that it meets your needs.

An annuity is a long-term contract with an insurance company. You fund the contract through a lump-sum payment or periodic **premium payments**, and in return, the annuity may provide asset accumulation and/or income payments in the future. Annuities are often used to help manage the risk of outliving your savings.

Annuities offer many different features and options. Understanding how your annuity works, including withdrawal rules, charges, benefits, and limitations, can help you make an informed decision. For example, taking money out before the **annuity contract** allows may result in **surrender charges**, tax consequences, or other adjustments.

Why would you buy an annuity?

- To allow retirement assets to grow: Many annuities credit interest on your premium payments, helping to build your savings over time.

- To postpone paying income taxes on the growth of your accumulation value: You don't pay income tax on the growth from an annuity until you withdraw money.

- To provide income payments over time and a predictable cash flow: This process, called **annuitization, helps ensure** that people do not outlive their retirement savings.
- To manage certain market risks: Some annuities guarantee a minimum return for a period of time or guarantee that your annuity account won't lose value.
- To provide financial protection from unexpected events: Some annuities offer optional benefits called **riders** that may help you pay for long-term care expenses, provide guaranteed income for life, protect your principal from market drops, or provide extra cash if you face a critical illness.
- To leave money to beneficiaries: Some annuities provide a benefit that is paid to your designated beneficiaries when you die. Because beneficiary designations generally control who receives the benefit, it is important to review them periodically and keep them up to date.

What are some potential costs of an annuity?

- Most annuities have a **surrender charge period**. If you withdraw more than the contract allows or surrender your annuity during that period, you may pay a surrender charge.
- Depending on the type of annuity, fees, charges, or adjustments may reduce your annuity's accumulation value or limit how much it grows.
- If you choose to convert your annuity into a stream of scheduled income payments (**annuitize** the contract), you generally may not withdraw the remaining value as a lump sum.
- Some annuities include optional features, guarantees, or **riders** that may increase the cost or decrease the benefits of the contract. Before purchasing an annuity, consider whether you are likely to use those features and whether the additional cost, if any, is worthwhile.

What should you consider before you buy an annuity?

When recommending an annuity, your insurance agent is required to act in your best interest and consider your individual circumstances. Your agent must use care and skill to recommend an annuity that is appropriate for your financial needs and goals. This includes considering factors such as your age, income, financial experience, need for access to cash, risk tolerance, financial goals, and tax status.

Make sure you understand:

- How will this annuity help me meet my overall financial objectives given my time horizons? How else could I meet my financial goals?
- What are the risks of this annuity, especially relative to the different types of annuities,
- If I'm using the annuity for a long-term goal, such as retirement, what is my backup plan if the income from the annuity is less than expected?

- What features or benefits make this annuity right for me? Understand when you can annuitize.
- Does this annuity offer a guaranteed minimum interest rate or other guarantees? If so, what are they, how much do they cost and why do I need them?
- If the annuity includes optional **riders**, how do the riders work, and if they have any costs, or any limitations?
- What are all the fees, charges, and adjustments, and how might they reduce the accumulation value of this annuity over time?
- How much can I withdraw (**free withdrawal**) each year without costs and what are the withdrawal limits during the surrender charge period? What are the surrender charges if I take out more than the limit?
- How would withdrawals from the annuity affect future income payments?
- Is my intent to keep my money in the annuity long enough to avoid paying surrender charges?
- How buying this annuity will affect my tax liability, including withdrawals and eventual income payments?
- Can my chosen beneficiaries access the annuity's accumulation value or income stream if I die? How could they do that?

If you don't understand why an annuity is being recommended for you, ask questions. The ultimate decision about whether to purchase an annuity is yours. You need to understand whether the annuity can fulfill your needs to make the right decision for yourself.

Insurance companies pay insurance agents a commission for selling annuities. The agent's commission is generally based on a percentage of your **premium payment**. If you ask, your insurance agent must disclose the amount of commission they expect to receive when you purchase the annuity.

What is a replacement?

An annuity **replacement** is a transaction where you use the value of an existing annuity to purchase a new annuity. A replacement may involve surrendering your current **annuity contract** or transferring all or part of the accumulation value to a new contract. A properly completed replacement may qualify as a **Section 1035 exchange**, which can allow **tax-deferral** to continue.

A replacement may be recommended to secure better interest rates, lower fees, or different payout options. However, replacing an annuity requires careful consideration. If you replace your annuity during the **surrender charge period**, you will pay **surrender charges**. Even if your existing annuity is no longer subject to surrender charges, a new annuity will generally begin a new surrender charge period. You may also lose benefits, guarantees, or other features available under your existing contract unless they are available on the new contract as well.

Because replacing an annuity may not always be in your best interest, replacement transactions must be reviewed carefully. Your insurance agent must provide a comparison of your existing annuity and the proposed replacement annuity. After the new annuity is issued, you will have a **free look period** to review the contract. If the new annuity does not meet your expectations, you may cancel it during the free look period without penalty.

What is an illustration?

An **illustration** is a tool used by the agent to help you understand how your annuity product works. The illustration shows you various features of your annuity product and how they work under a specific set of assumptions. These assumptions are not what the insurance company guarantees will happen, so it is not a guarantee of how the annuity or its features will perform in the future. Illustrations may show you different ways interest may be credited to your accumulation value or payment outcomes during the income phase. Illustrations will show you the fees associated with your annuity and have details and important disclosures about how the fees and features of your annuity work.

Make sure you understand:

- What is guaranteed and not guaranteed in the illustration?
- If something is nonguaranteed, what is the impact of that nonguaranteed feature changing?
- For any illustrated credited rate, what are the highest and lowest amounts I might see for a credited rate? Can the highest credited rate I see in this illustration change?
- Since the illustrated credited rate is not what should be expected unless it is guaranteed, how does having crediting rates based on a fixed account, an index, or a variable subaccount impact my accumulation value?
- What does the accumulation value look like if I get the minimum credited interest rate? If the market goes negative and stays negative or flat, how does this impact my accumulation value?

What is a single premium immediate annuity (SPIA)?

An immediate annuity (also known as a single premium immediate annuity or SPIA) is a long-term contract with an insurance company where you pay a single lump sum in exchange for guaranteed, ongoing income. You receive payments soon after the contract purchase and they continue for your lifetime or for a set period. The rest of this buyer's guide will focus on deferred annuities.

What is a deferred annuity?

A **deferred annuity** is a long-term contract with an insurance company that allows the insurance company to use your premium payment to grow your accumulation value. Income payments can be taken at a future date of your choosing. A deferred annuity has an **accumulation phase** and a **payout phase**. During the accumulation phase, your funds grow on a **tax-deferred** basis. Depending on the type of annuity you purchase, your balance may grow at a steady, guaranteed rate, or it may fluctuate based on market performance. Your money grows **tax-deferred**, and you can later withdraw funds or convert the annuity value into a stream of guaranteed income (**annuitization**). During the **payout phase**, your annuity provides regular payments. You may choose payments that last for the rest of your life or for a fixed period, such as 10 or 20 years. Your **annuity contract** describes the payment options you may choose and how long the payments will continue.

Annuity fees, charges, and negative adjustments reduce your accumulation value and can limit how much your money grows. Fees vary by product and are described in the annuity contract. You may ask your insurance agent to explain exactly what you'll pay and when.

The first several years after you buy a deferred annuity are called the **surrender charge period**. If you take out money before the annuity's surrender charge period ends, you'll likely pay a surrender charge (a percentage of your withdrawal amount). Some annuities let you make limited withdrawals (for example, up to 10% or less of the accumulation value each year) without paying a surrender charge . Taking money from an annuity also reduces the annuity **accumulation value** and **cash surrender value**. This can mean lower future income payments, death benefits, or other features tied to the accumulation value. Additional surrender charge periods may apply to additional **premium payments**. Annuity withdrawals may have tax consequences. Make sure you understand how taxes may apply before taking money from your annuity.

Some annuities offer a bonus to encourage you to keep the annuity for a longer period. However, early withdrawals or contract surrenders during the **bonus vesting period** can reduce or even cause you to lose the bonus entirely. The most common types of annuity bonuses are: **premium bonuses** and **persistency bonuses**.

What is a fixed annuity (FA and MYGA)?

A **fixed annuity (FA)** is a **deferred annuity** contract with an insurance company that grows at a guaranteed interest rate set by the insurer. The annuity contract will state how long the interest rate is guaranteed. Once the **guaranteed period** ends, the insurer can change the interest rate, but it can never drop below your annuity contract's minimum interest rate.

A **multi-year guaranteed annuity (MYGA)** is a type of fixed deferred annuity contract that provides a guaranteed interest rate for an initial period. The initial period may be short (at least 2 years), mid (4-6 years) or long-term (7+ years). Often, the **guaranteed period** matches the **surrender charge period**.

Make sure you understand:

- What is the guaranteed minimum interest rate and for how long is that rate guaranteed?

- How long is the **surrender charge period**, and what **surrender charges** apply if I need to take out more than the **free withdrawal** amount?
- If I need to withdraw money before the end of the **guaranteed period**, what charges or penalties will apply?
- How would a **market value adjustment (MVA)** affect the amount I receive if I withdraw money before the end of the guaranteed period?
- What are my options at the end of the **guaranteed period**? Will the interest rate change? If I enter a new **guaranteed period**, will a new **surrender charge period** begin?
- Are **required minimum distributions** (RMDs) allowed without surrender charges even if they exceed the **free withdrawal** amount?

What is a fixed indexed annuity (FIA)?

A **fixed indexed annuity (FIA)** is a **deferred annuity** contract with an insurance company that protects your principal while growing your accumulation value by crediting interest based on the performance of a **market index**. A fixed indexed annuity is an insurance product, not asecurity, meaning you do not directly invest in the financial market. Direct Investment products are designed to maximize growth, which requires taking on the risk of losing money.

Fixed indexed annuities have at least a 0% floor, which protects your principal. This means your accumulation value won't lose value because the **market index** goes down. Index **Crediting formulas** determine how much interest is credited to your annuity. The formula may use factors such as **cap rates**, **spread rates**, index termand **participation rates** to calculate the amount credited. While these features determine how much is credited, they also mean your accumulation value may not be credited the full amount of **market index** gains.

Surrender charge periods for fixed indexed annuities typically range from 7 to 10 years. Consider this timeline for when you might need these funds.

Make sure you understand:

- What is in the index crediting formula and what specific **market index** is my annuity's index **crediting formula** based on?
- What parameters like **cap rates**, **spread rates**, **index term**, and **participation rates** are used to calculate the credited interest rate and how does that impact my accumulation value? What does that mean in plain language?
- If I take a withdrawal before the contract anniversary or end of index term, do I lose the interest that has accumulated since the last anniversary?

What is a variable annuity (VA)?

A **variable annuity** (VA) is a **deferred annuity** contract with an insurance company where you invest your money into **subaccounts** (funds of stocks, bonds, or money markets) and the accumulation value of your annuity fluctuates based on those investments. Variable annuities are registered with the U.S. Securities and Exchange Commission (SEC). Like other deferred annuities, variable annuities can grow **tax-deferred** and have **surrender charge periods**.

Because your money is invested in the financial markets, there is higher potential for growth compared to other types of annuities. However, because your returns depend on the financial markets, your accumulation value can fall, and you can lose money you put into the annuity.

Some variable annuities let you put part of your money in a fixed interest account with a guaranteed interest rate which protects that portion of your money from financial market downturns.

In addition to the **annuity contract**, every variable annuity comes with a **prospectus** that has been filed with the SEC. A prospectus contains detailed information about the issuing insurance company, the **subaccounts**, fees (such as **surrender charges** and **mortality risk fees**), death benefits, and living benefits.

Make sure you understand:

- What **subaccounts** may I choose from?
- Which **subaccounts** best match my risk and reward trade offs?
- How often may I change the **subaccounts** I have chosen?
- Is it possible to lose money I put into this variable annuity?
- Does this variable annuity allow me to put some funds in a fixed interest account? If so, how much may I place in a fixed interest account? For a fixed interest account, what is the guaranteed interest rate and how long is the **guaranteed period**?

What is a registered index-linked annuity (RILA or ILVA)?

A **registered index-linked annuity (RILA)** also known as an **index-linked variable annuity (ILVA)** is a **deferred annuity** contract with an insurance company that blends features of fixed indexed and variable annuities. In a RILA/ILVA, your money does not go directly into the market. Instead, your annuity accumulation value depends on the performance of a **market index** over a set period. That period, usually 1, 3, or 5 years, is the **index term**.

Unlike a **fixed indexed annuity**, your accumulation value can go up *or down* because of the market performance. If the **market index** goes down, you could lose money and have less in your account than you put in. **Cap rates**, **participation rates**, **spread rates**, and **trigger rates** limit how much of the market index's gains are credited to your annuity. Features such as b**uffers**, **floors**, or downside **participation rates** limit how much your accumulation value can drop if the market goes down.

Taking money from a RILA/ILVA before the end of the **index term** may affect the amount you receive due to the **interim value adjustment (IVA)**. Without these protections, your losses may be greater than you expected.

Make sure you understand:

- What **market index** is this annuity tracking?
- How is **market index** performance measured?
- What index **crediting formulas** are used to calculate my interest rate?
- How does the annuity help protect against losses?
- What limits apply to potential gains?
- What is guaranteed and for how long?
- How much could I lose if the index declines or I take a withdrawal before the end of the index term?

What is a rider?

Some annuities offer optional benefits, called **riders,** for an additional cost . A rider will provide additional benefits and protections that may not be otherwise included in the annuity contract. There are two types of benefits that annuity riders can provide: those that offer a **living benefit** and those that offer a **death benefit**.

Living Benefit Riders provide a benefit to you during your lifetime. A living benefit is paid to you as the purchaser of the annuity. Some examples of living benefit riders are:

- *Long Term Care Rider*: This rider can help you pay for long-term care (LTC) expenses, but it usually comes at an additional cost. LTC riders are not the same as long-term care insurance. Benefits are limited by your accumulation value and may reduce your accumulation value if used.
- *Guaranteed Living Withdrawal Benefit (GLWB)*: This rider offers a way to receive an income stream for life while retaining control of the accumulation value, which can still experience growth. This rider allows for flexible payments and provides a death benefit if a balance remains, though excess withdrawals can permanently lower future income.
- *Guaranteed Minimum Accumulation/Income Benefit (GMAB/GMIB)*: This rider guarantees your accumulation value will grow and that amount will be available for income should you choose to **annuitize**.
- *Cost-of-Living Adjustment Rider (COLA)*: This rider allows for payments from your annuity to be adjusted because of the cost-of-living. This is typically a predefined percentage increase to reflect inflation.

- *Accelerated Benefit Rider*: An accelerated benefit rider may allow you to receive payments sooner and waive surrender charges if you need the funds in your annuity. Certain health conditions may need to be met to use this rider.

Death Benefit Riders provide a benefit to your beneficiaries at the time of your death. Some examples of death benefit riders are:

- *Guaranteed Minimum Death Benefit (GMDB)*: This rider guarantees that a specific minimum amount will be paid to your beneficiaries regardless of the performance of the annuity contract.
- *Return of Premium Death Benefit*: This rider ensures that your beneficiaries receive the total amount of premiums you paid into the annuity minus any withdrawals.
- *Enhanced Death Benefit*: This rider provides a step-up death benefit based on the highest value on the anniversary date of the contract.

Make sure you understand:

- How does this rider work? What has to happen before I can use the benefit?
- How often are the benefits paid? Monthly? Annually? A lump sum amount?
- Does the rider provide any other benefits or return of value?
- How much does the rider cost? Is the cost a one-time charge, charged for a limited period, or an ongoing fee?
- How does using this rider affect the growth in my annuity's value?
- Are there limits on how much I can receive or how long payments last?
- *For long-term care riders*: How much will the rider pay for my care? Can the amount of my benefit for long-term care ever go down or increase over time? Will the rider pay benefits if I need care in an assisted living facility? If I don't need long-term care, does the rider provide any other benefits or return of value?

How can you take money from your annuity?

Annuitize: When you annuitize, you choose to receive fixed income payments for life or a defined period. Once you annuitize the contract and income payments begin, you generally cannot withdraw the remaining value of the annuity as a lump sum or make additional withdrawals. Also, you can't change the payment amounts unless certain features are present such as **cost-of-living adjustments** or **market adjustments**. When you choose to annuitize, you will choose how long you would like to receive payments. Similar to a pension, some options are:

- *Life only*. The insurer makes payments for as long as you live. The payment amount is largely determined by the accumulation value at annuitization and your projected life expectancy. There is no guarantee that the total amount paid into the annuity will be returned. On the other hand, you are guaranteed the income for life.

- *Fixed period*. You receive payments for a specified number of years. Payments after your death may be made to a designated beneficiary.
- *Life with period certain*. Payments are made during your lifetime with a guaranteed total minimum payment. That means if you die without receiving the guaranteed total minimum payment, the balance is paid to a designated beneficiary.
- *Joint and survivor life*. Guaranteed income payments are made for a lifetime to you and another person. When you or the other person dies, the insurer continues making payments to the survivor for the remainder of the survivor's life.

Full Withdrawal: A full withdrawal means you take the full **cash surrender value** of the annuity in a lump sum payment and end your annuity. You'll likely pay a charge to do this if it's during the **surrender charge period**. If you withdraw your annuity's cash surrender value, your annuity is canceled, and you will likely owe taxes on any growth.

Replacement: If instead of cashing out, you use your funds to buy a new annuity, this is called replacement. Replacing your annuity with an annuity from another insurer may have tax consequences if the **replacement** does not qualify for **tax-deferral**. (see "What is a replacement?" on page [ ])*Partial Withdrawal*: A partial withdrawal means you take some of the money from the annuity's **cash surrender value**. You may be able to do this without canceling the annuity. Most annuities within the **surrender charge period** allow you to take out a limited amount of cash each year without paying surrender charges on that amount.

How are annuities taxed?

Tax laws generally allow you to **defer** paying income taxes on the growth of an annuity. This means you generally do not pay income taxes on interest, investment gains, or other increases in the value of your annuity while the money remains in the contract. **Tax-deferred** does not mean tax-free. You generally pay income taxes when you withdraw money from the annuity.

The tax consequences of taking money from an annuity depend on the type of annuity and the source of the funds used to purchase it (for example, funds from a qualified retirement plan, traditional IRA, Roth account, or non-qualified funds). Generally, the growth in a non-qualified annuity is taxed as income when withdrawn. You may also have to pay a tax penalty if you take money from an annuity before age 59½ and do not qualify for an exception. Insurance agents can provide information about the annuity's tax features but generally do not provide tax advice. Consider your individual tax situation before taking money from an annuity.

What should you do when you receive your annuity contract?

When you receive your **annuity contract**, review it carefully. You have the right to change your mind without penalty. During the **free look period**, which is usually 10 to 30 days, you have the right to examine and return the annuity contract.

Make sure the annuity contract matches your understanding of the product and any promises or statements your insurance agent made. Check the annuity type, fees, guarantees, **riders**, and any optional benefits you selected. Also, review the disclosure, **illustration**, prospectus, and any other materials the insurance company gives you. Before finalizing the purchase of an annuity, make sure you understand how it works, including its features, costs, benefits, and limitations. Ask your insurance agent questions about anything that is unclear. If you decide during the **free look period** that you don't want the annuity, the cover page of the annuity contract provides instructions for returning the contract. Depending on the state and product, you'll either receive a full refund of what you paid for the annuity or your current annuity value.

If you decide the annuity meets your financial needs, keep your **annuity contract** in a safe place where you can easily find it when needed. Review the contract periodically and, if the annuity includes a death benefit, make sure your beneficiaries know how to access the information they may need.

GLOSSARY

Accumulation Phase: The period when money is paid into an annuity and the annuity value may increase before income payments begin.

Accumulation Value: The value of your annuity during the accumulation phase before any surrender charges or other adjustments are deducted. The accumulation value may be used to calculate future benefits or income payments. The cash surrender value is the amount you would receive if you canceled the contract after any applicable charges or adjustments.

Annual Point-to-Point: A method of crediting interest that compares the value of a market index on two dates that are exactly one year apart. Other methods are monthly averaging or multi-year point-to-point.

Annuitization: Converting an annuity contract into income payments for life or a different defined period.

Annuity Contract: The legal document between you and the insurance company that sets the terms of the agreement. You will receive your annuity contract after you buy the annuity, but you can obtain a sample contract on the insurance company's website or from your insurance agent.

Bonus Vesting Period: The time period you must wait before an annuity bonus becomes your legal property. While a bonus may appear on your annuity statement on day one, it is conditionally owned. If you cancel the annuity contract or withdraw too much money before the end of the bonus vesting period, you may lose some or all of an annuity bonus.

Buffer: The amount of a market index drop you can absorb without losing annuity value. *Example: 10% buffer → 5% market drop = no loss; 15% drop = 5% loss.*

Cap Rate: The maximum interest that may be credited for a term. *Example:* 5% cap → rate AND index rises 10% → annuity grows 5%.

Cash Surrender Value: The amount you would receive if you canceled or surrendered your annuity contract and took a full withdrawal, after any applicable charges or adjustments.

Cost-of-Living Adjustment: An optional feature that raises your regular payout amount over time. It helps your money keep up with rising prices and inflation during retirement. It can be either an optional rider or a built-in feature, depending on the type of annuity you buy.

Death Benefit Rider: A type of rider that provides a benefit to your beneficiaries at the time of your death.

Deferred Annuity: A long-term contract with an insurance company that delays income payments until a future date. Before payments begin, the value of the annuity may increase or decrease, depending on the type of annuity and its terms.

Disclosure: An annuity disclosure is provided to buyers before finalizing an annuity purchase. It details the annuity contract's core features, fees, interest rates, and surrender penalties.

Fixed Annuity: A deferred annuity contract with an insurance company that grows the accumulation value by accumulating interest at a guaranteed rate set by the insurer.

Fixed Indexed Annuity (FIA): A deferred annuity contract with an insurance company that protects your principal while growing your accumulation value by crediting interest based on the performance of a market index. A fixed indexed annuity is not an investment product and you do not directly invest in the market.

Floor: A feature in some index-linked annuities that limits losses to a specified percentage if the market index declines. *Example: 10% floor → market drops 20%, your annuity drops 10%.*

Free Look Period: A period in which you have the right to examine and return the annuity contract (usually 10 to 30 days) after receiving it. During this time, you can cancel the contract for any reason and receive a full refund of your premium with no surrender charges. Depending on the state and product, you'll either receive a full refund of what you paid for the annuity or your current annuity value.

Free Withdrawal: The amount you may withdraw from an annuity each year without paying a surrender charge.

Guaranteed Period: A specified time period during which an annuity contract guarantees a stated interest rate.

Illustration: A document that shows how your annuity's features might work based on certain assumptions made by the insurance company. Illustrations are not promises or guarantees of the performance of an annuity you may purchase. Ask your insurance agent which values are guaranteed, which values are not guaranteed, how and when the nonguaranteed value can change.

Index Crediting Formula: The mathematical method used by insurance companies to calculate how much interest is added to a fixed indexed annuity. The formula applies factors such as market index performance, participation rates, cap rates, spread rates, or index term. Different crediting formulas can produce different results, even when they are based on the same market index.

Index-Linked Variable Annuity (ILVA): A deferred annuity contract with an insurance company that blends features of fixed indexed and variable annuities (also known as a registered index-linked annuity (RILA)). In an ILVA, your money does not go directly into the market. Instead, your annuity accumulation value depends on the performance of a market index over a set period. Unlike a fixed indexed annuity, your value can go up or down. If the market index goes down, you could lose money and have less in your account than you put in. An ILVA is an insurance contract and a security under federal securities laws.

Index Term: The timeframe over which a market index is measured to calculate the performance of your annuity, typically one, three, or five years. When the market index is down, how your account value is affected depends on whether you own a fixed indexed annuity (FIA), where your principal is protected) or an index-linked annuity (RILA or ILVA), where you may experience losses. Your gains or losses are not finalized until this time period ends.

Interim Value Adjustment (IVA): A calculation that determines the value of a RILA/ILVA annuity if you partially or fully withdraw money, annuitize, or pass away before the end of the specified index crediting period.

Living Benefit Riders: A type of rider that provides a benefit to you during your lifetime.

Market Index: A metric that tracks the performance of a specific group of stocks or bonds. The index is generally well-established (example: S&P 500) and published in an easily available location (example: the Wall Street Journal or New York Times).

Market Adjustment: A feature that allows your payments or annuity value to change based on external financial conditions, such as changing interest rates or the performance of financial markets.

Market Value Adjustment (MVA): An adjustment that may apply if you withdraw money or fully surrender an annuity before the end of the guaranteed interest rate period. It reflects changes in interest rates since purchase and may increase or decrease the amount you receive.

Monthly or Daily Averaging: A method of crediting interest that uses multiple dates to calculate an average change in the market index.

Monthly Point-to-Point: A method of crediting interest used in fixed indexed annuities that calculates annual interest by summing the index's percentage changes each month, usually applying caps to gains but not to losses.

Mortality Risk Fee: An annual fee charged by insurance companies for variable annuities (also known as a mortality and expense (M&E) charge). The fee is intended to pay for the insurance costs associated with the guaranteed features of a variable annuity including guaranteed lifetime income.

Multi-year Guaranteed Annuity (MYGA): A type of fixed deferred annuity contract that provides a guaranteed interest rate for an initial period. The initial period may be short (at least 2 years), mid (4-6 years) or long-term (7+ years).

Multi-Year Point-to-Point: A method of crediting interest used in fixed indexed annuities that calculates your interest by comparing an underlying market index's value at the beginning of a multi-year term (e.g., 2, 3, or 5 years) to the market index value at the end of that term, crediting gains while protecting your principal from market drops.

Non-Qualified Annuity: An annuity purchased with after-tax money that grows tax-deferred. When money is withdrawn, the growth is generally taxed as ordinary income. The portion representing your original premium is generally not taxed again.

Participation Rates: The percentage of the market index's change that is applied to your account. *Example on a FIA:* 50% participation rate → AND index rises 8% → annuity grows 4%. Example on a RILA/ILVA 60% participation rate → AND index loses 10% → annuity loses 6%.

Payout Phase: The stage of an annuity contract when the insurance company begins making regular income distributions to the annuitant. This phase follows the accumulation phase.

Persistency Bonus: A credit added to an annuity value at the end of a specified period (e.g., every 5 to 10 years). Insurers provide these bonuses to encourage long-term contract retention and reward owners for keeping their funds in the annuity.

Premium Bonus: A credit added to your annuity value when you purchase an annuity, usually based on a percentage of your premium payment. If you withdraw funds or surrender the annuity before the bonus vesting period ends, you may lose some or all of the bonus.

Premium Payment: Money you pay into an annuity to purchase or fund the contract. During the accumulation phase, the value of your annuity may grow on a tax-deferred basis. If your annuity allows additional premium payments, those new funds may begin a new surrender charge period, even if the original funds are no longer subject to surrender charges.

Prospectus: Detailed information about the insurance company, the underlying investment options (subaccounts), fee structures (such as surrender charges and mortality risk fees), death benefits, and living benefits. Variable and registered index-linked annuities are considered securities in addition to insurance products. These products must be registered with the SEC and accompanied by a prospectus.

Qualified Annuity: An annuity purchased with pre-tax dollars within an IRS-approved plan, such as a traditional IRA, 401(k), or 403(b). The funds maintain qualified status within the annuity and you may have to pay a 10% tax penalty if you withdraw money before you reach age 59½ if you do not meet an exception.

Registered Index-Linked Annuity (RILA): A deferred annuity contract with an insurance company that blends features of fixed indexed and variable annuities (also known as an index-linked variable annuity (ILVA)). In a RILA, your money does not go directly into the market. Instead, your annuity accumulation value depends on the performance of a market index over a set period. Unlike a fixed indexed annuity, your value can go up or down. If the market index goes down, you could lose money and have less in your account than you put in. A RILA is an insurance contract and a security under federal securities laws.

Replacement: A transaction where the value of an existing annuity is used to purchase a new annuity. A replacement may preserve tax-deferral if it qualifies as a Section 1035 exchange, but it may also restart the surrender period, result in new charges or fees, and cause you to lose benefits or guarantees from your existing contract.

Required Minimum Distributions (RMD): The minimum amount you must withdraw annually from tax-deferred accounts like traditional IRAs and 401(k)s. The specific amounts and when you are required to take those amounts are determined by the IRS.

Riders: Optional benefits you can add to an annuity contract, usually for an additional cost. Riders may provide additional benefits, protections, or features that are not included in the base contract.

Section 1035 Exchange: A tax rule that may allow you to replace one annuity with another while continuing to defer income taxes on the annuity's gains, if certain requirements are met.

Spread Rate: A set percentage an insurance carrier subtracts from market index gains before crediting interest to a fixed indexed annuity. It functions as a hurdle the market index must clear for you to receive interest. *Example:* 2% spread → rate AND index rises 6% → annuity grows 4%.

Subaccount: An underlying investment option inside a variable annuity. Functioning much like a mutual fund, it pools your money into portfolios of stocks, bonds, or money market funds.

Surrender Charge: A fee deducted by an insurance company when you cancel your annuity contract or withdraw more than the penalty-free limit (usually 10%) before the end of the surrender charge period. This charge is separate from the 10% IRS early withdrawal penalty on qualified funds you take out before age 59½. Both fees may apply if you cash out early.

Surrender Charge Period: The timeframe during which you will pay a fee (the surrender charge) for withdrawing funds or canceling the contract. The charge percentage is highest in the first year and often steps down each year thereafter. For example, a 7-year schedule might start at 7% and decrease by 1% annually until it reaches 0% in year 8.

Surrender Value: The amount you would receive if you canceled your annuity contract and took a full withdrawal, after any applicable charges or adjustments.

Tax-Deferred: Allows you to delay paying income taxes on increases in your annuity's value until withdrawal. This means interest, investment gains, and other growth are not taxed annually while they remain in the contract. Tax-deferred does not mean tax-free.

Trigger Rate: A set percentage of interest your annuity grows if the tracked market index goes up, even slightly. *Example:* 3% trigger rate AND index rises by 1% or 20% → annuity grows 3%. The trigger rate is applied if the market index performance is greater than or equal to 0%, even if the index performance is more than the trigger rate.

Variable Annuity (VA): A deferred annuity contract with an insurance company where you invest your money into subaccounts, which may include stock, bond, or money market portfolios. The value of your annuity fluctuates based on the performance of those investments. A variable annuity is an insurance contract and a security under federal securities laws.

What is an annuity?
An annuity is a long-term contract with an insurance company. You make a premium payment or a series of payments, and in return, your premium can be used to provide income payments or can grow in value over time to be used later as income. Many annuities are used to help manage the risk of outliving your savings.

How much should I put into my annuity?
This should be a discussion you have with your agent or financial advisor. Many people will use available retirement funds or excess income to put into an annuity. Annuities can postpone paying income taxes on the growth in the account value, but other vehicles are available that provide tax advantages. You should also consider how quickly you may want to use the money because you may pay penalties for withdrawing money soon after purchase.

Immediate annuity vs deferred annuity?
The key differences between these types of annuities are when and if you take guaranteed income payments. An immediate annuity is a long-term insurance contract with an insurance company where you pay a single lump sum in exchange for guaranteed, ongoing income. A deferred annuity is an insurance contract with an insurance company that will accumulate the premium you pay in during an accumulation phase and can provide lifetime income during the payout phase (also may be referred to as annuitization or withdrawal) should you choose to take payments.

Immediate annuities—SPIA vs DIA?
The key difference is when you want your guaranteed income to start. SPIA means single premium immediate annuity. SPIAs generally use a lump sum premium payment (or short series of payments made within one year) in exchange for a guaranteed stream of income that starts within one month of the premium payment up to one year from date of purchase. DIA means deferred income annuity. DIAs generally use a lump sum premium payment (or short series of payments made within one year) in exchange for a guaranteed stream of income that starts in the future usually at a specific age or number of years you designate. With both SPIAs and DIAs, you generally cannot access your funds as a lump sum once payments are scheduled, and payments continue to your lifetime or the period specified.

Deferred Annuities—Fixed vs Variable
The key difference here is what your premiums are invested in. Fixed annuities do not invest your premium directly into a security and the investment risk is taken by the insurance company. Your annuity (sometimes referred to as a multi-year guarantee annuity or MYGA) will be credited a specific rate set by the company which can change over time but will never be lower than the guaranteed rate stated in your annuity contract. Variable annuities allow you to invest directly into a security and the investment risk is taken by you. Your annuity will be credited a rate dependent upon what you choose to invest in and how it performs, positive or negative.

Deferred Annuities—Fixed Indexed annuities and Registered Indexed-Linked annuities
The key difference here is how much you get when the index return is positive and how much you lose when the index return is negative. Fixed Indexed annuities (FIA) are a type of fixed deferred annuity where credited rates are based on the performance of an index rather than a specific credited rate set by the company, but the company can limit how much of the index return is credited to your policy. FIAs will never allow your account value to lose money because the index return is negative. Registered index-linked annuities (RILA), also known as indexed-linked variable annuities (ILVA), are a type of variable deferred annuity that will credit interest based on an index performance but will limit how much you lose when the index return is negative, so you can lose money because of the index performance. Because you can be credited a negative interest rate, RILA/ILVA are considered investments similar to variable annuities.

When can you access your account value?
If you purchase a SPIA or DIA or choose to annuitize your deferred annuity, you are very limited in your access to the account value. Most deferred annuities (fixed, indexed, RILA or variable) have a surrender charge period for a specified amount of time (5-10 years) after purchase during the accumulation phase. These charges generally decrease over time. During the accumulation phase of your deferred annuity, you may be able to withdraw some money from your account value without incurring insurance company charges, generally up to 10% of your account value. If you need to take out more, a surrender charge could apply.

Understand the application process
You can apply for an annuity through an insurance company representative, such as an agent or financial advisor licensed to sell the annuity on behalf of the insurance company. Some examples of where a representative could sell an annuity include a bank, a financial investment platform, and an insurance company office branch. The application will ask for basic information, such as your name, address, and date of birth. It will also ask who the annuitant is, which is the person who should receive any income stream payments from the annuity. This is typically you, but you may designate someone else to be the annuitant.

Insurance companies pay agents a commission for selling an annuity. You can ask how much the insurance agent expects to be paid by selling you any annuity. The agent should be acting in your best interest and help you understand why any recommended annuity fits your financial needs.

Choose a beneficiary
A beneficiary is the person(s) or organization(s) you name to receive any remaining annuity benefits. You may be asked for the Social Security or tax identification number for any beneficiary you designate.

Evaluate your contract
An illustration is a tool used by the agent to help you understand how your annuity product works. The illustration shows you various features of your annuity product and how they work under a specific set of assumptions, including the guarantees from the annuity contract, if any. These assumptions are not what the insurance company guarantees or anticipates will happen, so it is not a guarantee of how the annuity or its features will perform in the future. Illustrations may show you different amounts of interest that may be credited to your accumulation value or different payment outcomes during the income phase. Illustrations will show you the fees associated with your annuity and have details and important disclosures about how the fees and features of your annuity work. You should understand what is guaranteed for your annuity and what is able to change or is not guaranteed.

After you buy an annuity
Read your contract carefully.
After you carefully read your contract, you should be able to answer the following important questions:

- Is your personal information correct?
- Do you know what items in the contract can change and when they can change?
- How will interest be credited to my annuity?
- Are there any features that I did not expect or understand?

Your insurance company representative can help you understand anything that isn't clear.

If you are not satisfied with your new contract, you can return it for a full refund within a certain period, usually 10 days after you receive it. The review period usually is stated on the first page of the contract.

Review your annuity contract every few years
Review your contract with your insurance agent, financial advisor, or an insurance company representative every few years to keep up with changes in your policy and your needs.

- Have the benefits changed since your policy was issued?
- Do the benefits or potential benefits still meet your needs?
- If you have a deferred annuity in the accumulation phase, are you concerned with the account value growth?

The insurance company can provide policy statements to help with this review. As the contract owner, you can change beneficiaries at no cost. Be sure to review your beneficiaries every few years, especially after major life events that affect your annuity needs.