Fixed Annuities

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FIXED ANNUITIES

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FIXED ANNUITIES
OVERVIEW

OBJECTIVES Upon completion of this session, you will be able to:

- Define an annuity
- Explain the taxation of qualified and nonqualified annuities
- Discuss the characteristics and features of qualified plans
- Identify the benefits and features of the various fixed annuity plans

UNIT 1
ANNUITIES

INTRODUCTION

Never has the need for retirement planning been greater. The changes in tax laws have enhanced the use of relevant tax shelters and tax deductions, while making annuities an essential part of our product portfolio.

Annuities provide additional opportunities to increase your sales while providing clients a way to enhance their accumulation and distribution of assets for retirement and other long-range personal goals.

The purpose of this module is to introduce you to the annuity concept, basic kinds of annuities, taxation of annuities and our specific products.

The main objectives of people planning for retirement are to maintain their current lifestyle at retirement and to provide for adequate health care. The importance of retirement planning has escalated in recent years due to concern over the inadequacy of benefits payable under the Social Security system and the demise of the traditional employer-provided pension. Now more than ever, people are aware of the need to plan for a financially secure retirement. They recognize that they will have to rely primarily on company pensions and personal savings and investments for retirement.

According to a recent study published by the Employee Benefit Research Institute (EBRI), well over a third (41 percent) of Americans in the lowest pre-retirement income level will be running short after 10 years in retirement.

In addition, the EBRI Retirement Readiness Rating™ finds that after 20 years in retirement, almost a third (29 percent) of those in the next-to-highest income level will run short of money, as will more than 1 in 10 (13 percent) of those in the highest-income level.

Prospects of Running Short of Money in Retirement, by Income Quartile

	10 Years of Retirement	**20 Years of Retirement**
Lowest-income quartile	41%	57%
2nd income quartile	23%	44%
3rd income quartile	13%	29%
Highest-income quartile	5%	13%

Source: July 2010 EBRI Issue Brief, www.ebri.org

Annuities are one of the best ways to accumulate money for retirement. Annuities are specially designed for two important aspects of retirement planning: maximum accumulation of funds before retirement and a reliable source of income after retirement.

They can offer your clients important benefits:

- Lifetime income
- Security of principal
- Tax-deferred accumulations
- Consistent investment return
- Sound investment management
- Flexible features of distribution and accumulation
- Low risk

WHAT IS AN ANNUITY?

An annuity may be defined as periodic payments made during a fixed period or for the duration of a designated life or lives. In the purest sense, a life annuity may be defined as a contract whereby, for a cash consideration, one party (the insurer) agrees to pay the other (the annuitant) a stipulated sum (the annuity) periodically throughout life.

PURPOSE OF AN ANNUITY

The purpose of an annuity is to protect against a risk – the outliving of one's income – which is just the opposite of life insurance which provides protection against dying before our obligations are met.

An annuity provides no life insurance protection; it is simply an accumulation and distribution of cash to provide income, possibly on a tax-deferred basis.

The annuity has liquidation of a sum of money as its basic function while life insurance is bought to create a sum of money at the death of the Insured.

Annuities are designed to be used for retirement income as protection against the risk of outliving one's income. Life contingent annuity payments are guaranteed to be paid so long as the annuitant lives.

CLASSIFICATION OF ANNUITIES

Annuities can be classified according to many variables. They can be classified by the:

- Number of lives the annuity covers
- Method of premium payment made by the annuitant
- Date benefits begin and
- Payout method

Number of Lives

The number of lives involves whether the annuity payments are made for a single life or two or more lives. If the contract covers two or more people with income ceasing upon the death of the first person, it is known as a "joint annuity." If the contract covers two or more lives with income ceasing upon the death of the last person, it is known as "a joint and last survivor" annuity.

Method of Premium Payment

Annuities may be bought with a single premium payment, a planned periodic payment or a flexible premium payment. These premium payments, or funds, represent the annuity's principal.

Date Benefits Begin

Annuities may be classified by when benefits begin:

- Deferred or
- Immediate

Deferred Annuity

The primary purpose of a deferred annuity is to accumulate money. It's a way of pre-funding retirement by setting money aside to a time when it's needed. A deferred annuity may be purchased with either a single or periodic premium. Most deferred annuities are sold on a periodic premium basis. Under a deferred annuity there must be a period longer than one benefit payment interval before benefit payments begin. Usually a number of years elapse before benefit payments begin. Deferred annuities build up tax-deferred income throughout the entire accumulation period. The tax-deferred status allows funds to accumulate more rapidly than in a savings plan in which tax must be paid on the interest as it's earned.

Immediate Annuity

The primary purpose of an immediate annuity is to distribute money. An immediate annuity begins benefit payouts one payment interval (typically one year or one month) from the date of purchase. This type of annuity must be purchased with a single premium or contribution. Immediate annuities are an attractive possibility for people who have a large amount of funds in a company 401(k) plan. Since the 401(k) plan has accumulated on a tax-deferred basis, the retiree does not want the income from this account to be exposed to taxes all at once.

Annuity Payouts

This classification consists of the method by which annuity accumulations are distributed. Many types of payouts are available with annuity products, including:

- Annuity Certain
- Life Annuity
  - Joint Life Annuity
  - Joint and Last Survivor Annuity
- Life Annuity with Period Certain
- Installment Refund Annuity
- Return of Premium*

Clients who purchase deferred annuities will encounter these annuity options at the maturity of their contracts. Most deferred annuity contracts offer a series of settlement options which generally will include some or all of the annuities listed.

The various types of annuities on this list are also offered for single premium immediate annuities, so that purchasers who are ready to have their income begin may also have a choice of payment methods. Let's examine this list of annuities individually.

<u>Annuity Certain</u>

Annuity certain provides a specified number of payments of a set amount. The specified period over which benefit payments are made is called the **period certain**. At the end of the period certain, the annuity payments will stop even if the annuitant is still alive. If the annuitant dies before the end of the period certain, the unpaid annuity benefits will be paid to a beneficiary named in the contract.

For example, if a person with a 10-year annuity certain dies after receiving payments for seven years, the beneficiary receives payments for the remaining three years of the "certain" period.

<u>Life Annuity</u>

A life annuity consists of a series of payments which continue only for as long as an annuitant lives. When death occurs, payment stops. Two types of life annuities are joint life annuity and joint and last survivor annuity.

The joint life annuity pays only so long as both named annuitants are alive. Payments stop at the first death.

*Available with United's Income Access Annuity products

The joint and last survivor annuity continues payments as long as either person is living. At the death of the first person, however, the surviving person's payments may be reduced. This settlement option is selected more frequently than a joint life annuity.

Life Annuity with Period Certain

The life annuity with period certain guarantees a number of payments whether the annuitant lives or dies. Payments continue for life if the annuitant lives beyond the guaranteed period. Contracts usually offer payment guarantees of 10, 15 or 20 years.

Installment Refund Annuity

An installment refund annuity guarantees that if an annuitant dies before receiving payments equal to the purchase price, a beneficiary will receive benefits until the full purchase price has been paid (will pay as long as the annuitant lives).

Return of Premium

The Income Access annuity also guarantees a return of premium the difference between the purchase price and the payments made to the annuitant prior to death. The amount is paid in a single lump sum.

ANNUITY DISTRIBUTIONS	
Annuity Certain	guarantees payments for a specified period, whether annuitant lives or dies
Life Annuity	continues payments only for as long as an annuitant lives
Life Annuity with Period Certain	guarantees a number of payments whether the annuitant lives or dies
Installment Refund	guarantees payments of the full purchase price whether an annuitant lives or dies
Return of Premium	guarantees the return of a percentage of the purchase price – refund is the difference between the purchase price and the payment made to the annuitant

By comparing the amount of income available under these various options and assessing client's individual needs, annuitants can create the retirement plan which is best for them.

BASIC KINDS OF ANNUITIES

The wide variety of annuity products available today have been developed within four broad categories. They were designed in response to the individual needs and income of the purchasers. They have also been influenced by government tax policy. The broad categories include:

- Single Premium Immediate Annuity
- Single Premium Deferred Annuity
- Flexible Premium Deferred Annuity
- Variable Annuities

Single Premium Immediate Annuity

The single premium immediate annuity (SPIA) is purchased with a single deposit. The income generally begins one payment period after the single premium has been paid. Income can be paid on a monthly, quarterly, semiannual or annual basis.

Most SPIAs are nonparticipating. This means they offer level payments based on the highest possible interest rate guarantee instead of using excess interest or dividends.

Single Premium Deferred Annuity

The single premium deferred annuity (SPDA) is also purchased for a single sum which is left to accumulate until a later "maturity date." The maturity date is generally chosen to coincide with the annuitant's retirement. Throughout the deferral period the cash value of the annuity builds on a tax-deferred basis. The purchaser may select a beneficiary to receive the proceeds if death occurs during the deferral period.

Flexible Premium Deferred Annuity

The flexible premium deferred annuity (FPDA) was developed for individuals who do not have large sums to invest. This annuity requires a specific amount to be paid each year to provide an income at the chosen maturity date.

The FPDA permits deposits of any amount to be paid at any time during the accumulation period. Except for the method of payment, most of the characteristics of SPDAs also apply to FPDAs.

Variable Annuities

At one time, all annuities were fixed-dollar annuities. A fixed-dollar annuity provides the purchaser with a guaranteed minimum fixed dollar amount of income which never changes once payment has started.

Many people fearing the declining purchasing power of the fixed-dollar annuity sought other investments; this led to the development of the variable annuity.

The variable annuity provides benefits that vary directly with the investment experience of the assets that back the contract. Assets backing variable annuities are maintained in a separate account and the investment results are reflected directly in the variable annuity values. The payments are measured in accumulation units rather than dollar amounts.

Under a traditional FPDA or SPDA the insurance company guarantees a minimum rate of interest. In addition, a minimum amount of annuity payout for each dollar is guaranteed.

A variable annuity does not have interest guarantees. The owner bears the investment risk and receives the return actually earned on invested assets.

Most variable annuities offer a variety of investment subaccounts, including:

- Money market funds
- Bond funds
- Stock funds
- Asset allocation models
- Fixed accounts

Depending upon the individual insurer, an owner may switch from one fund to another. Variable annuity owners are generally charged an annual management fee and there is usually a separate fee for each account.

The variable annuity also has a death benefit. In the event of death, the beneficiary will receive the current value of the contract or purchase payments minus any withdrawals, whichever is higher.

SUMMARY Fixed annuities are conservative, traditional products which have added appeal as clients face the challenge of planning and financing their own extended retirement. Annuities meet a variety of needs for retirement planning. Annuities offer a tailored income in retirement with tax-sheltered features that mean annuities accumulate and grow tax deferred; taxes on accumulations are paid only when the income is withdrawn. Additional advantages of fixed annuities include:

- Low risk
- Income for life
- No contribution limits
- Access to funds
- Flexibility
- Guaranteed death benefits

Fixed annuities especially appeal to purchasers who desire a tax advantaged, guaranteed method of accumulating and/or distributing money. By selling annuities you are performing an extremely useful service.

UNIT 2
TAXATION OF FIXED ANNUITIES
(NONQUALIFIED AND QUALIFIED)

TAXATION OF ANNUITIES

Annuities generally have a favorable tax status in comparison to many other financial investment products. Annuities offer tax advantages during the accumulation phase as well as the distribution phase. Annuities are taxed according to their status as nonqualified or qualified. The term “nonqualified” applies to annuities that do not meet IRS guidelines for certain tax advantages. However, individuals owning nonqualified annuities receive some tax benefits. “Qualified” annuities do meet IRS guidelines, providing the owner with significant tax advantages. All annuities, whether qualified or not, were initially designed to provide retirement income at the maturity of the policy.

We will review some of the fundamental rules regarding nonqualified annuities and then the rules which apply to qualified annuities in various tax-favored retirement plans.

NONQUALIFIED ANNUITIES

Tax-deferred Accumulation

The interest income credited to an annuity during the accumulation period is tax deferred. Tax-deferred income does not have to be included in the owner’s current taxable income. Tax on annuity income is deferred until the payment is actually received.

NOTE: Under current tax laws, any interest taken out of a nonqualified annuity is treated as taxable earnings by the federal government. Interest taken before age 59 1/2 may be subject to a 10 percent federal income tax penalty. Common qualifying events to avoid the IRS 10 percent penalty are:

- Attainment of age 59 1/2
- Death
- Disability
- Series of substantially equal periodic payments

Taxation of Annuity Payments

Under the general rule for nonqualified annuities, a portion of each payment is excluded from gross income as a return of the purchaser’s investment and a portion is taxed as interest earned on the investment.

Exclusion Ratio

The tax-free portion of the annuity payment is a fraction determined by comparing the “investment in the contract” to the “expected return” and is called the exclusion ratio.

To determine the exclusion ratio, divide the investment in the annuity (cost of the annuity) by the expected return; that is, the guaranteed annual return multiplied by the life expectancy of the annuitant or by the guaranteed period.

Example: John decides on a 10-year certain payout for his $100,000 annuity. Assuming the annuity will provide a monthly payout of $1,050 for 10 years (a total of $126,000), the exclusion ratio would be calculated by dividing John's investment ($100,000) by the expected return ($126,000):

$$\frac{\$100{,}000}{\$126{,}000} = .794$$

The result is 79.4 percent. That is, 79.4 percent of each $1,050 payment, or $834, would not be taxed (i.e., since it was previously taxed). The remaining $216 would be taxed as interest earnings.

Generally, once an exclusion ratio has been calculated, the same portion of each payment is excluded from taxable income until the entire investment in the contract has been recovered.* In other words, part of each annuity payment is considered the tax-free return of investment. Only the income portion of each payment is taxable. An annuity provides not only a vehicle to accumulate tax-deferred retirement income, but also a distribution system that keeps taxation in retirement at a fairly low level.

Taxation of Withdrawals and Loans

Any amount received from an annuity as a cash withdrawal, dividend (unless reinvested) or loan may be subject to tax and penalties under Internal Revenue Code Section 72.

Partial or full surrenders are taxable as ordinary income** to the extent that the contract value (total accumulation) at the time of the payment exceeds the investment in the contract.

NOTE: The IRS requires that the interest be withdrawn prior to the investment. Pre-TEFRA 1982 – amounts may be withdrawn "cost recovery," while post TEFRA requires "interest first." In addition, distributions may be subject to penalties under IRC72(q).

*There are certain exceptions to the amount excluded from taxable income; i.e., if the payment drops below the excludable amount

**Nonqualified contributions only

QUALIFIED ANNUITY PLANS* Qualified retirement plans can be established in several ways. The term “qualified” means a plan meets certain distinct eligibility requirements for favorable tax treatment under the Internal Revenue Code. The qualified annuity plans which offer substantial sales opportunities are:

- Individual Retirement Annuity Plans (IRAs)
- Simplified Employee Pensions (SEPs)
- Roth IRAs

(In the next unit we will cover each plan in detail. Now we will review their specific tax advantages.)

IRA The Individual Retirement Annuity is a personal savings program which provides tax deductions and tax deferrals for individuals. Contributions to an IRA may be deductible or nondeductible. All deductible contributions are subject to specific eligibility requirements. All deductible contributions will be taxed as ordinary income when distributed and may be subject to additional IRS penalties. If any nondeductible contributions are made to an IRA, the owner is entitled to recover them tax free under the regular annuity rules.

SEP The tax rules for Simplified Employee Pensions are very similar to the other qualified annuities. If all requirements are met, contributions to a SEP are deductible by the employer and are not currently taxable to employees. Since SEPs are funded with individual retirement annuities, the distribution provisions and tax rules for IRAs apply.

ROTH While no tax deduction is available for Roth IRA contributions,* withdrawal of the principal is tax free at any time. Withdrawal of investment earnings are tax free if the Roth has been held for five years and a withdrawal is made:

- After age 59 1/2
- At death
- At the time of disability or
- For first-time home purchase (limit of $10,000)

*Certain lower income taxpayers may receive a nonrefundable tax credit (not to exceed $1, 000) for contributions made to a qualified retirement savings program, including Roth IRAs. Roth IRAs are not offered by our Company.

Qualified annuities outperform nonqualified investments in terms of growth. As funds grow through interest earnings and investment returns, no taxes are payable on these earnings. That means more money is left to invest, accelerating the growth of the funds when compared to a taxable investment. Qualified plans provide the best of both worlds – no current taxes on contributions (up to specified limits) and no current taxes on earnings.

Taxation of Qualified Annuity Payments

Each withdrawal or payment from a qualified annuity is taxed at the individual's ordinary income tax rate.

NOTE: Under current tax laws, any withdrawal or payment taken from a qualified annuity before age 59 1/2 may be subject to a 10 percent federal income tax penalty. Common qualifying events to avoid the IRS 10 percent penalty are:

- Attainment of age 59 1/2
- Death
- Disability
- Series of substantially equal periodic payments

Other qualifying events for an IRA only are:

- Excessive medical expenses
- Health insurance if unemployed
- College expenses
- First-time home purchase

SUMMARY

This unit provided details regarding the taxation differences between nonqualified and qualified annuity payments, as well as the rules that apply to qualified retirement plans. Unit 3 discusses details you will need to know before selling qualified plans.

REVIEW QUESTIONS
UNITS 1 AND 2

1. When a sum of money is put into an annuity all at one time and then paid out as a lifetime income (beginning at the end of the first interval of the mode selected, within 13 months of issue), it is called a:
   (a) Tax-deferred annuity
   (b) Flexible premium annuity
   (c) Single premium immediate annuity
   (d) Tax-qualified annuity

2. Under current tax laws, any withdrawal or payment taken from a qualified annuity before age ____ may be subject to a ___ federal income tax penalty.
   (a) 59 1/2, 10 percent
   (b) 59 1/2, 6 percent
   (c) 59, 10 percent
   (d) 59, 6 percent

3. All else being equal, an individual can begin withdrawing money from an IRA at age ____ with no tax penalty.
   (a) 59 1/2
   (b) 55 1/2
   (c) 45 1/2
   (d) 65 1/2

4. All of the following annuity payout options are available EXCEPT:
   (a) Life Annuity
   (b) Installment Refund
   (c) Annuity Certain
   (d) Life Annuity with Installment Refund Certain

5. Choose the best description for the following term, "Joint and Last Survivor Annuity."
   (a) Contract which provides income for a definite and specific period of time
   (b) Annuity guarantees that if an annuitant dies before receiving payments equal to the purchase price, the beneficiary receives the benefits until the full purchase price has been paid
   (c) Annuity payable for as long as annuitant lives and continues for the lifetime of a named survivor
   (d) Flexible payments left to accumulate until a later date

6. Choose the best description for the following term, "Installment Refund Annuity."
   (a) An annuity which pays only as long as both annuitants are alive – payments stop at the first death
   (b) Annuity guarantees that if an annuitant dies before receiving payments equal to the purchase price, the beneficiary receives the benefits until the full purchase price has been paid
   (c) Purchased with a lump sum which is left to accumulate until a later date
   (d) Contract which provides income for a definite and specific period of time

7. Choose the best description for the following term, “Life Annuity with Period Certain.”
   (a) Annuity guarantees that if an annuitant dies before receiving payments equal to the purchase price, the beneficiary receives the benefits until the full purchase price has been paid
   (b) Annuity payable for as long as the annuitant lives and continues for the lifetime of a named survivor
   (c) Contract which provides income for a definite and specific period of time
   (d) Series of payments which continue for a period of time regardless of whether the annuitant lives or dies, and beyond that period for as long as he or she is alive

8. Choose the best description for the following term, “Joint Life Annuity.”
   (a) An annuity that pays only if both annuitants are alive. Payments stop at death
   (b) Series of payments which continue for a period of time regardless of whether the annuitant lives or dies, and beyond that period for as long as he or she is alive
   (c) Flexible payments left to accumulate until a later date
   (d) Purchased in a lump sum which is left to accumulate until a later date

9. Choose the best description for the following term, “Single Premium Immediate Annuity.”
   (a) Purchased with a lump sum; payment begins within 13 months after the purchase
   (b) Contract which provides income for a definite and specific period of time
   (c)Purchased in a lump sum which is left to accumulate until a later date
   (d) Guarantees return of purchase prices with the refund being the difference between the purchase price and payment made prior to death

10. Choose the best description for the following term, “Variable Annuity.”
    (a) Annuity payable for as long as annuitant lives and continues for the lifetime of the named survivor
    (b) Guaranteed return of purchase price with the refund being the difference between the purchase price and the payment made prior to death
    (c) Purchased with a lump sum; payment begins one payment period after purchase
    (d) The owner bears the investment risk and selects the investment vehicle

11. Choose the best description for the following term, “Flexible Premium Deferred Annuity.”
    (a) Annuity payable for as long as annuitant lives and continues for the lifetime of the named survivor
    (b) Flexible payment left to accumulate until a later date
    (c) The owner bears the investment risk and selects the investment vehicle
    (d) Annuity guarantees that if an annuitant dies before receiving payments equal to the purchase price, the beneficiary receives the benefits until the full purchase price has been paid

12. Choose the best description for the following term, “Annuity Period Certain.”
    (a) Flexible payments left to accumulate until a later date
    (b) The owner bears the investment risk and selects the investment vehicle
    (c) Contract which provides income for a definite and specific period of time
    (d) An annuity which pays as long as both annuitants are alive. Payments stop at first death

Answers may be found on the last page of the Appendix.

UNIT 3
SELLING QUALIFIED PLANS

INTRODUCTION

There is a growing need for people to provide for their own retirement income and decrease the reliance on Social Security and employer-provided pensions. Social Security is meant to be a source of supplemental – not primary – retirement income. Recognizing the importance of individual retirement planning, the U.S. Government has provided for the creation of retirement savings programs which qualify for favorable tax treatment; hence we have qualified retirement plans.

There are several types of plans that can be used to accumulate savings for retirement. Types of retirement savings plans include:

- Tax-sheltered Annuities (TSAs)*
- Simplified Employee Pensions (SEPs)
- Individual Retirement Accounts (IRAs)
- Roth IRA

TAX-SHELTERED ANNUITY PLANS (TSAs)*

A TSA / 403(b) is a voluntary retirement savings program available to employees of nonprofit organizations which have received 501(c)(3) status and to public education employees, including local school districts and public universities or colleges.

Eligibility

A 501(c)(3) nonprofit organization is one that has been organized for the general public welfare, operating exclusively for religious, charitable, scientific, public safety testing, educational or literary purposes.

Examples of 501(c)(3) nonprofit organizations include:

- Churches, including church schools
- Nonprofit hospitals
- Nonprofit nursing homes
- Private, nonprofit colleges
- Museums, zoos and symphonies
- Scientific foundations

*TSAs are no longer offered by our company.

Eligible public education employees include teachers, school administrators and non-academic staff positions of K-12 school systems and public universities or colleges. School board members are not eligible for a TSA.

Tax Benefits TSAs offer two basic tax advantages:

- Pre-tax salary deferral contributions reduce taxable income and
- Earnings grow tax deferred within the plan

Nontax Benefits TSAs also offer many nontax benefits:

- Payroll deduction is a convenient way to save for retirement
- New increased limits now allow employees to save even more money for their retirement
- Contributions are discretionary and the amounts are flexible
- TSAs help employers attract and retain quality employees

Tax Credits Certain lower income taxpayers may receive a nonrefundable tax credit (not to exceed $1,000) for contributions made to a qualified retirement savings program, including 403(b) plans.

In addition, effective for plans established after Jan. 1, 2002, a small employer (less than 100 employees) may receive tax credits of up to 50 percent of the qualified start-up costs for a period of up to three years. A $500 maximum credit limit applies for each of the three years. Qualified start-up costs are defined as any ordinary or necessary expenses that are paid or incurred as a result of the plan's establishment, administration or retirement-related education for employees.

Plan Establishment The employer may authorize one or several financial organizations as an "approved vendor." One of the first things to be determined is whether or not the products you wish to offer have been approved by the employer for a "payroll slot." Procuring a payroll slot will allow your financial organization to accept TSA contributions via salary deferrals. The process of obtaining a payroll slot will vary according to the targeted employer, market segment or state. Once a slot has been established, a properly completed salary reduction agreement by the employee will allow a portion of the paycheck to be remitted to the financial organization of choice.

NOTE: All TSAs require a formal plan document and the services of a plan administrator. We do not offer TSA annuities.

Contribution Limits

TSAs are usually funded entirely by employee contributions through a salary reduction agreement. Contributions withheld from an employee's paycheck are not subject to current income tax.

The deferral limits are 100 percent of compensation up to $17,500 in 2014.

Catch-up Provisions

TSA participants age 50 or older may contribute an additional amount above the basic annual deferral limit of $5,500 in 2014.

NOTE: Certain employees with at least 15 years of service with the same employer may qualify for an alternative special catch-up election.

Distributions

Distributions from TSAs are taxable as ordinary income, unless the assets are rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers.

Triggering Events

Assets cannot be distributed from a TSA until the occurrence of one of the following triggering events:

- Age 59 1/2
- Death
- Disability
- Separation from service or
- Financial hardship as defined by the IRS

Premature Distributions

Individuals who choose to take a distribution from their TSA before reaching age 59 1/2 are subject to a 10 percent penalty in addition to the ordinary income tax due. However, there are exceptions to this rule, including:

- Death
- Disability
- Separation from service after attaining age 55
- Series of substantially equal periodic payments
- Distributions for deductible medical expenses and
- Distributions to an alternate payee under a qualified domestic relations order (QDRO)

Required Minimum Distributions

A required minimum distribution (RMD) is the term for money that must be removed annually from a tax-deferred retirement plan. Required minimum distributions must typically begin by April 1 following the year the TSA participant turns age 70 1/2 or retires, whichever is later. RMDs are distributed over the life expectancy of the participant and the oldest designated primary beneficiary. Most people will use the Uniform Life Expectancy table provided by the IRS to determine their life expectancy factor. However, if a TSA participant has a spouse beneficiary who is 10 or more years younger than the participant, then a separate set of joint life factors may be used. Failure to withdraw the required annual amount may subject the participant to a 50 percent penalty tax.

Rollover Distributions

The Unemployment Compensation Act of 1992 (UCA-92) made significant changes in the rollover and withholding rules for distributions from qualified retirement plans and TSAs. UCA-92 created the "direct rollover." A direct rollover is an eligible rollover distribution from a 401(k) qualified retirement plan, TSA or governmental 457 plan that is "paid directly to an eligible retirement plan for the benefit of the distributee." An eligible retirement plan is a traditional IRA or employer plan that accepts rollover contributions.

Eligible rollover distributions that are paid directly to the plan participant will be subject to mandatory 20 percent federal withholding. Eligible rollover assets received by a TSA participant may be re-deposited to a traditional IRA or another eligible plan within 60 days of the original receipt of those funds.

Funding Vehicles

Salary deferral contributions made to a tax-sheltered annuity plan may be applied toward the purchase of an annuity contract or an investment vehicle such as mutual funds.

SEP

The Simplified Employee Pension (SEP) is a special type of pension plan in which an employer provides retirement funds for their employees on a nondiscriminatory basis. Contributions made by the employer are deposited directly into IRAs established for their employees. Any employer, including sole proprietorships, partnerships, corporations and nonprofit organizations may establish a SEP. Employers have until the federal income tax return due date of the business, plus extensions, to establish and make SEP contributions.

Eligibility Employees who meet the following requirements MUST participate in the SEP:

- Are at least 21 years of age during the contribution year
- Have worked during the contribution year and for at least three of the immediately preceding five years
- Earned at least $550 (indexed annually for inflation) during the contribution year
- Are not covered by a collective bargaining agreement

Tax Benefits SEPs offer two basic tax advantages:

- Contributions are a tax-deductible business expense
- Earnings grow tax-deferred within each employee's IRA

Nontax Benefits SEPs also offer many nontax benefits:

- SEP plans are inexpensive and easy to administer and maintain
- No IRS or DOL reporting by a plan administrator is required
- Employers are not committed to a set annual contribution amount. SEP contributions are optional, and the amounts are flexible
- There is no fiduciary liability for investment decisions
- SEPs offers "late" plan establishment. The deadline for establishing a SEP plan is the due date for filing the employer's tax return, plus extensions

Tax Credits Certain lower income taxpayers may receive a nonrefundable tax credit (not to exceed $1,000) for contributions made to a qualified retirement savings program, including SEP-IRAs.

In addition, effective for plans established after Jan. 1, 2002, a small employer (less than 100 employees) may receive tax credits of up to 50 percent of the qualified start-up costs for a period of up to three years. A $500 maximum credit limit applies for each of the three years. Qualified start-up costs are defined as any ordinary or necessary expenses that are paid or incurred as a result of the plan's establishment, administration or retirement-related education for employees.

Plan Establishment

An employer must complete the proper paperwork in order to establish a SEP plan. There are basically three sets of plan documents that may be used to establish a SEP plan.

- **Form 5305-SEP** – This form has been drafted by the IRS and is provided free of charge
- **Prototype SEP Plan** – This plan document is usually designed and drafted by a retirement service provider to meet the specific needs of a financial organization. The plan document is often submitted to the IRS for approval. A prototype plan offers more customization and flexibility than the 5305-SEP, but can be more expensive to draft and approve
- **Individually Designed SEP Plan** – This type of plan document is drafted specifically for, and may only be used by, the employer who submits the plan and receives approval by the IRS

In addition, each employee must establish an IRA to hold the contributions from the employer.

After the proper paperwork has been established, there are four more basic tasks that need to be accomplished.

- The employer must adopt the plan by signing one of the written agreements described previously
- All eligible employees must establish IRAs
- The employer must then provide information about the SEP plan to each employee
- The employer determines the amount of the annual contribution and makes the contribution to each IRA

Contributions

Employer contributions to a SEP are deductible by the employer and are not currently taxable to the employee. Maximum contribution limits apply and excess contributions are generally subject to a penalty tax. Employers may generally make deductible contributions up to 25 percent of an employee's compensation not to exceed $52,000 (indexed annually for inflation). Self-employed individuals are limited to 20 percent of NBI (net business income). All contributions are immediately 100 percent vested to the employee.

Distributions Since SEPs are funded with IRAs, the distribution provisions and tax rules relating to distributions are the same rules as traditional IRAs.

Funding Vehicles Employer contributions made to a SEP-IRA may be applied toward the purchase of an annuity contract or an investment vehicle such as mutual funds.

United of Omaha's Bonus Flexible Annuity (BFA) can be used to receive annual employer SEP contributions, as well as transfers and rollovers.*

In addition, United of Omaha's fixed annuities may be used to receive single premium deposits such as transfers or rollovers.

TRADITIONAL IRAs

The traditional IRA is a personal savings plan that offers tax advantages for individuals to set aside dollars for retirement. A traditional IRA is an excellent tool for any individual with earned income to accumulate assets to provide financial security during retirement years.

Tax Benefits Traditional IRAs offer two important tax advantages.

- **Tax Deductibility –** Contributions to traditional IRAs may be tax deductible, depending on an individual's circumstances
- **Tax-deferred Earnings –** Earnings within traditional IRAs, including earnings on nondeductible contributions, grow tax deferred. This provides more dollars at retirement when compared to a nonqualified savings plan

Amounts that represent tax-deductible contributions and earnings are generally treated as taxable income when distributed from the traditional IRA. Amounts distributed from a traditional IRA that represent a return of nondeductible contribution are not included as income and are allocated on a pro rata basis.

*in states where approved

Nontax Benefits

Traditional IRAs also offer many nontax benefits.

- Any individual under the age of 70 1/2 who has earned income may contribute to a traditional IRA. Contributions are not mandatory and are at the discretion of the individual

- Assets within a traditional IRA can be invested in a wide variety of investments. Using an annuity to fund an IRA offers the advantage of lifetime income annuity option that a person cannot outlive. This feature provides an important source of security

- Traditional IRAs are excellent vehicles for receiving rollovers from a 401(a) qualified retirement plan, 403(b) tax sheltered annuity or 457 plan

- Traditional IRAs also provide flexible beneficiary options after the death of the traditional IRA holder

Tax Credits

Certain lower income taxpayers may receive a nonrefundable tax credit (not to exceed $1,000) for contributions made to a qualified retirement savings program including traditional IRAs.

Contributions

Anyone who is under age 70 1/2 and has earned income may make a contribution to a traditional IRA.

Contributions to traditional IRAs are subject to maximum annual limits. The maximum regular contribution to a traditional IRA is limited to the lesser of $5,500 or 100 percent of earned income. If an IRA holder has more than one IRA, the aggregate contribution limit still cannot exceed $5,500 a year. In addition, the eligible contribution limit is reduced by any amounts contributed to a Roth IRA.

The annual IRA contribution limit is $5,500 (indexed annually).

IRA holders age 50 or older may contribute an additional $1,000 above the basic annual contribution limit.

A person with earned income may also fund an IRA for his or her non-working spouse who has not yet reached age 70 1/2 in the calendar year for which the contribution is being made and who has little or no earned income. These are referred to as “spousal IRAs” and the contribution limits follow the same guidelines listed above.

Contributions made to IRAs that exceed the maximum eligible contribution limit for an individual are called “excess contributions” and are subject to penalties from the IRS. These penalties will continue to apply each year until the excess contribution is removed.

An individual may make regular contributions to his or her traditional IRA or spousal IRA during the calendar year for which the contribution is being applied or by the tax return due date for filing that year’s tax return, not including extensions. Since most IRA holders file their taxes on a calendar year basis, the latest due date for contributions is April 15.

Deductibility

The following three factors determine whether a traditional IRA contribution or a portion of a traditional IRA contribution may or may not be eligible for a tax deduction:

- Marital status
- Active participation in an employer maintained retirement plan and
- Modified adjusted gross income (MAGI)

Deductibility for a Single Person

If you are single and are not an active participant in an employer maintained retirement plan, your entire contribution to your traditional IRA is fully deductible. If you are single and are an active participant in an employer maintained retirement plan, you may still contribute to your traditional IRA, but the deductibility of such contributions may be reduced or eliminated altogether depending on your Adjusted Gross Income (AGI). The details below show the AGI phase-out ranges for single persons.

Single

Taxable Year	*Phase-out Range*
2014 and thereafter	$60,000-$70,000

Deductibility for Married Persons

If neither you nor your spouse is an active participant in an employer maintained retirement plan, all contributions to your traditional IRA are fully tax deductible. If you are an active participant in an employer maintained retirement plan and filing jointly, you may still contribute to your traditional IRA, but the deductibility of your contributions may be reduced or eliminated altogether depending on your joint Adjusted Gross Income (AGI). The following details show the AGI phase-out ranges for married persons.

Married Filing Jointly

Taxable Year	*Phase-out Range*
2014 and thereafter	$96,000-$116,000

If your spouse in an eligible participant in an employer-maintained retirement plan, but you are not, you may make a fully deductible traditional IRA contribution, but your deduction begins to phase out when your AGI is $96,000 (married filing jointly) and no deduction is permitted when your AGI is greater than $116,000 (married filing jointly).

Married Filing Separately

If you are married filing separately, your deduction will phase out between $0 and $10,000.

Nondeductible Contributions

An IRA holder who makes nondeductible traditional IRA contributions must report that fact to the IRS on his or her Form 8606. Form 8606 is an attachment to Form 1040 or 1040A, and must be filed if a nondeductible IRA contribution is made. Form 8606 must also be filed if a distribution is taken and the individual has made nondeductible contributions.

Distributions

Deductible contributions and tax-deferred earnings within traditional IRAs are treated as income when distributed from a traditional IRA. However, nondeductible contributions to a traditional IRA may be recovered tax-free on a pro-rata basis. In addition, certain penalties may apply if distributions are taken before age 59 1/2 or not removed beginning at age 70 1/2.

Premature Distributions

A distribution received from a traditional IRA before age 59 1/2 is a premature distribution, and the taxable portion of the distribution is subject to a 10 percent penalty tax in addition to the ordinary income tax due. There are exceptions to this rule, which include the following:

- Death
- Disability
- Series of substantially equal periodic payments
- Qualified first-time homebuyers (up to $10,000)
- Qualified higher education expenses
- Medical expenses exceeding 7.5 percent of AGI
- Purchase of health insurance after receiving unemployment for more than 12 weeks
- IRS tax levies

Required Minimum Distributions

A required minimum distribution (RMD) is the term for money that must be removed annually from a tax-deferred retirement plan. Required minimum distributions (RMDs) must begin by April 1 following the year the IRA owner turns age 70 1/2. RMDs are distributed over the life expectancy of the IRA owner and their oldest designated primary beneficiary. Most people will use the Uniform Life Expectancy table provided by the IRS to determine their life expectancy factor. However, if an IRA owner has a spouse beneficiary who is 10 or more years younger than the IRA owner, then a separate set of joint life factors may be used. Failure to withdraw the required annual amount may subject the IRA owner to a 50 percent penalty tax.

Transfers/Rollovers

Transfers and rollovers are transactions that allow the movement of assets between IRAs and continue the tax deferred growth of the assets.

Transfers are typically handled between two financial organizations and the IRA holder does not actually take receipt of the assets when conducting a direct transfer. A trustee-to-trustee transfer is generally considered the easiest way to move money or property from one traditional IRA to another.

With rollovers, unlike transfers, the IRA owner actually receives the money or property before rolling it back into an IRA. When executing a rollover, there are specific rules that must be followed and the rollover must be completed within 60 days of receipt of the original assets. Beginning in 2002, the IRS has been granted statutory authority to extend the 60-day rollover period when circumstances beyond the control of the IRA holder prevent timely completion of the rollover.

Direct Rollovers

The Unemployment Compensation Act of 1992 (UCA-92) made significant changes in the rollover and withholding rules for distributions from qualified retirement plans. These plans include pension, profit-sharing, money purchase, stock bonus, target benefit, 401(k) and 403(b) plans. These rules were further modified by EGTRRA.

UCA-92 created the "direct rollover." A direct rollover is an eligible rollover distribution from a 401(a) qualified retirement plan, 403(b) or governmental 457 plan that is "paid directly to an eligible retirement plan for the benefit of the distributee." An eligible retirement plan is a traditional IRA or employer plan that accepts rollover contributions.

Eligible rollover distributions that are paid directly to the plan participant will be subject to the mandatory 20 percent federal withholding.

Eligible rollover assets received by a plan participant may be re-deposited to a traditional IRA or another eligible plan within 60 days of the original receipt of those funds. To avoid immediate taxation and possible penalties, the plan participant must make up the taxes withheld. The plan participant may then qualify for a refund of the 20 percent federal taxes withheld.

Prohibited Transactions

The following are prohibited transactions and an IRA owner may not engage in any of the following activities with their IRA:

- Take a loan from the IRA
- Pledge or assign the IRA as security for a debt or
- Use IRA funds to purchase a life insurance policy

Funding Vehicles

Contributions made to a traditional IRA may be applied toward the purchase of an annuity contract or an investment vehicle such as mutual funds.

United of Omaha's **Bonus Flexible Annuity (BFA)** can be used to receive traditional IRA contributions, as well as transfers and rollovers.

In addition, United of Omaha's fixed annuities may be used to receive single premium IRA deposits such as transfers or rollovers.

ROTH IRA*

The Roth IRA is a nondeductible IRA created by the Taxpayer Relief Act of 1997. Effective for tax years beginning in 1998, Roth IRA contributions are not tax deductible, however, qualified distributions (including earnings) are ***tax free***.

Eligibility

Anyone with earned income and who meets the income limits may establish a Roth IRA. There are no minimum or maximum age requirements.

Single individuals with an income less than $114,000 and married individuals with joint incomes less than $181,000 may contribute the maximum amount to their Roth IRA.

Single individuals with an income above $129,000 and married individuals with joint incomes above $191,000 cannot contribute towards a Roth IRA.

Individuals with incomes between the above amounts may contribute a portion of the maximum amount.

Tax Benefits

Roth IRAs offer the potential for tax-free earnings if certain withdrawal requirements are met.

*We do not offer an annuity Roth IRA.

Nontax Benefits Roth IRAs also offer important nontax benefits:

- No age 70 1/2 required minimum distributions allow earnings to grow longer than traditional IRAs
- Beneficiaries can also receive death benefits tax-free. This means Roth IRAs can play an important part of an estate planning strategy

Tax Credits Certain lower income taxpayers may receive a nonrefundable tax credit (not to exceed $1,000) for contributions made to a qualified retirement savings program, including Roth IRAs.

Contributions The annual Roth IRA contribution limits are $5,500 (indexed).

In addition, IRA holders age 50 or older may contribute an additional $1,000 above the basic annual contribution limit as follows:

NOTE: The maximum contribution amount applies to the yearly total of all IRA contributions (including traditional IRAs). In addition, Roth IRAs can also accept spousal contributions.

Conversions Individuals may choose to convert their traditional IRA to a Roth IRA. The individual would then be responsible for paying income tax, but not the 10 percent early distribution penalty, on the amount of pre-taxed IRA conversion dollars. The conversion amount also does not count towards the annual IRA contribution limit.

Distributions Qualified distributions of assets from a Roth IRA are considered tax-free withdrawals; they are exempt from taxes and early distribution penalties. In order to be eligible for a qualified distribution, the distributed assets must be held in the Roth IRA for a period of five years and have one of the following events occur:

- Attainment of age 59 1/2
- Death
- Disability or
- Payment of up to $10,000 of first-time home buying expenses

A distribution that does not meet the criteria of a qualified distribution is called a nonqualified distribution. Additional taxes or penalties may apply to nonqualified distributions.

Required Minimum Distributions Roth IRAs have no mandatory withdrawal requirements at age 70 1/2.

Transfers/Rollovers Assets may be moved between Roth IRAs using either transfers or rollovers. These types of transactions are handled the same way as traditional IRA rollovers and transfers.

Direct Rollovers Qualified plan assets may not be directly rolled from a qualified retirement plan to a Roth IRA. However, assets from a qualified retirement plan may be rolled to a traditional IRA and later converted to a Roth IRA.

KEY EMPLOYEE ARRANGEMENTS* IRAs can also be useful tools for motivating, rewarding and retaining key employees. Under a Key Employee Arrangement, the employer gives the selected employee a salary increase or bonus which the employee uses to pay the IRA contribution through payroll deduction.

The bonus or salary increase is treated as wages and, therefore, is tax deductible for the employer. The bonus or salary increase is taxable income to the employee, so it is subject to Social Security taxes, but it is still income tax deductible.

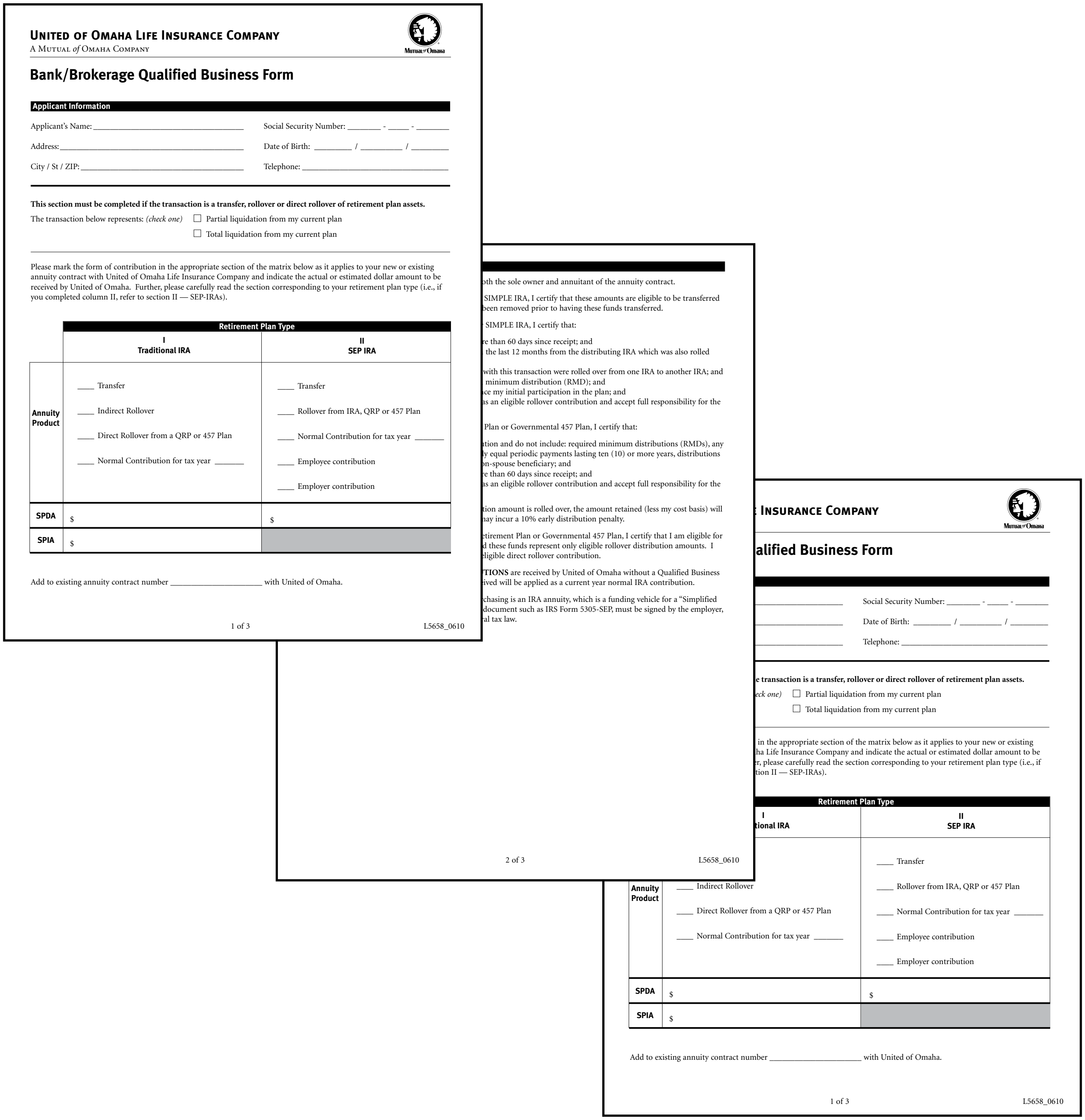
*The employee must meet the IRA eligibility requirements.

RETIREMENT PLANS COMPARISON CHART The following chart provides a comparison of TSA, SEP, Traditional IRA and Roth IRA retirement plan features.

Plan	Who May Establish	Annual Contribution Limit	Advantages
403(b) – TSA	Employees of public schools and tax-exempt 501(c) (3) organizations (i.e., hospitals, churches and charitable organizations)	2014: $17,500 Catch-up provisions (age 50+): 2013: $5,500	Employee can choose investment allocation options Some institutions may match employee contributions
SEP	Any self-employed individual, partnership, LLC, S Corp., C-Corp., non-profit or government entity	25% of compensation, up to $52,000 (2014; indexed annually for inflation) Self-employed individuals may contribute 20% of Net Business Income	Flexibility to vary contributions on annual basis Inexpensive to administer and maintain Offers "late" plan establishment Tax credits for small employers and certain lower income taxpayers
Traditional IRA	Individuals with earned income or spousal earned income*	2013+: $5,500* *indexed beginning in 2009 Individuals age 50+ may contribute additional amount: 2013+: $1,000	Individual has complete control over investments
Roth IRA	Individuals with earned income or spousal earned income	2013+: $5,500** (eligible for full contribution if individual meets income eligibility requirements) **indexed beginning in 2009 Individuals age 50+ may contribute additional amount: 2013+: $1,000	Individual has complete control over investments Qualified distributions (including earnings) are tax free

*Full contributions made by working spouse are 100 percent deductible as long as annual income does not exceed $115,000.

Brokerage Qualified Business Form (L5658) The Qualified Business Form must be completed whenever new qualified business is submitted.



UNITED OF OMAHA LIFE INSURANCE COMPANY
A MUTUAL *of* OMAHA COMPANY

Bank/Brokerage Qualified Business Form

Applicant Information

Applicant's Name: ______________ Social Security Number: ____ - ___ - ____
Address: ______________ Date of Birth: ____ / ____ / ____
City / St / ZIP: ______________ Telephone: ______________

This section must be completed if the transaction is a transfer, rollover or direct rollover of retirement plan assets.

The transaction below represents: *(check one)* ☐ Partial liquidation from my current plan ☐ Total liquidation from my current plan

Please mark the form of contribution in the appropriate section of the matrix below as it applies to your new or existing annuity contract with United of Omaha Life Insurance Company and indicate the actual or estimated dollar amount to be received by United of Omaha. Further, please carefully read the section corresponding to your retirement plan type (i.e., if you completed column II, refer to section II — SEP-IRAs).

	Retirement Plan Type	
	I Traditional IRA	II SEP IRA
Annuity Product	____ Transfer ____ Indirect Rollover ____ Direct Rollover from a QRP or 457 Plan ____ Normal Contribution for tax year ____	____ Transfer ____ Rollover from IRA, QRP or 457 Plan ____ Normal Contribution for tax year ____ ____ Employee contribution ____ Employer contribution
SPDA	$	$
SPIA	$	

Add to existing annuity contract number ______________ with United of Omaha.

1 of 3 L5658_0610

NOTE: Some states may require state special forms.

SUMMARY

In this unit you learned about the benefits and features of various types of plans that can be used to accumulate savings for retirement, including:

- Tax-sheltered Annuities (TSAs)
- Simplified Employee Pensions (SEPs)
- Individual Retirement Accounts (IRAs) and
- Roth IRAs

Unit 4 discusses the benefits and features of each of United's fixed annuity plans.

REVIEW QUESTIONS
UNIT 3

1. The penalty for premature distribution of an IRA is ____ of the amount withdrawn.
   (a) 10 percent
   (b) 15 percent
   (c) 20 percent
   (d) 25 percent

2. The annual Roth IRA contribution limits are:
   (a) $2,000
   (b) $3,500
   (c) $4,000
   (d) $5,500

3. For TSAs, tax-deferred employee contributions may not exceed an annual deferral limit of _______ compensation.
   (a) 10 percent
   (b) 25 percent
   (c) 100 percent
   (d) 50 percent

4. The contribution (deferral) limit allowed under a TSA is:
   (a) $3,000
   (b) $5,000
   (c) $7,500
   (d) $17,500

5. All of the following apply to distributions from TSAs EXCEPT:
   (a) Loans are not allowed
   (b) All withdrawals and distributions are generally fully taxable as ordinary income
   (c) Withdrawals from a TSA before age 59 1/2 are subject to a 10 percent penalty
   (d) Distributions must begin no later than age 70 1/2

6. Deductible contributions to a SEP may be up to ____ percent of an employee's compensation.
   (a) 5
   (b) 10
   (c) 15
   (d) 25

7. To establish an IRA, an individual must meet which of the following requirements?
   (a) Must have earned income
   (b) Must be at least 18 years old
   (c) Must be less than 75 1/2 years old
   (d) Must be less than 65 years old

8. Any person with earned income may contribute up to __________ of earned income to an IRA.
   (a) $2,500
   (b) $3,500
   (c) $4,000
   (d) $5,500

9. An excess contribution to an IRA is subject to a ______.
   (a) Penalty tax
   (b) Bonus
   (c) Mandatory audit
   (d) Guaranteed income

10. All of the following are true statements about Required Minimum Distributions (RMDs) for TSAs EXCEPT:
   (a) Must typically begin by April 1 following the year the TSA participant turns age 70 1/2 or retires, whichever is later
   (b) If a TSA participant has a spouse beneficiary who is 10 or more years older than the participant, then a separate set of joint life factors may be used
   (c) RMDs are distributed over the life expectancy of the participant and the oldest designated primary beneficiary
   (d) Failure to withdraw the required annual amount may subject the participant to a 50 percent penalty tax

Answers may be found on the last page of the Appendix.

UNIT 4
UNITED'S FIXED ANNUITY PLANS

UNITED'S ANNUITIES

United offers a broad spectrum of fixed annuities:*

- Bonus Flexible Annuity
- Ultra-Income Single Premium Immediate Annuity
- Income Access Single Premium Immediate Annuity
- Ultra Secure Plus

Below is a quick reference guide to all the fixed annuities offered. Refer to the Appendix of this module for samples of each of the fixed annuity applications.

Feature	Bonus Flexible Annuity (BFA)	Ultra-Income Single Premium Immediate Annuity (SPIA)	Income Access Single Premium Immediate Annuity (SPIA)	Ultra Secure Plus (SPDA)
Issue Age	0 to 89	0 to 85	0 to 85	0 to 89
Premiums	Minimum single premium \$5,000 Planned purchase payments – \$100/ month (\$1,200 annually, \$600/ semiannually, \$300 quarterly) Maximum \$1,000,000 (without home office approval)	Minimum single premium \$10,000 Maximum single premium \$1,000,000 (without HO approval)	Minimum single premium \$10,000 Maximum single premium \$1,000,000 (without HO approval)	Minimum \$5,000 single premium \$2,500 subsequent purchase (nonqualified) \$2,000 subsequent purchase (qualified)
Interest Rate	Minimum 19% Additional 0.15% interest added to purchase payments and accumulation values \$50,000+	Not applicable	Not applicable	Five or seven-year fixed rate guarantee period Additional 0.15% interest added to purchase payments and accumulation values \$50,000+
Partial Withdrawal	10% annually with no surrender charge	Not applicable	Not applicable	10% annually with no surrender charge
Benefits	Tax-deferred accumulations Safety Guaranteed income	Variety of payout options available Cost of living adjustment (COLA) Impaired risk underwriting	Guaranteed Minimum Death Benefit Enhanced Nursing Home Rider Inflation Protection PERC℠ Survivor Continuation Return of Premium Liquidity Features	Five-year or seven-year rate guaranteed Long-term tax deferred growth

*Subject to state approval. Not all of the annuities are available in all states. Please consult your manager for a listing of approved products.

**Minimum withdrawal: \$100. Accumulation value cannot be less than \$1,000 after the withdrawal

***Subject to state approval

BONUS FLEXIBLE ANNUITY*

The Bonus Flexible Annuity (BFA) is designed specifically for the accumulation of funds for both tax-qualified and nonqualified plans. At maturity, the Bonus Flexible Annuity can provide a guaranteed income for the lifetime of the annuitant. The maturity date, which is established by the agent when the application is completed, must be six years or more after the issue date. The maturity date may be changed later as long as it remains at least six years or more after the issue date.

Anyone can have a nonqualified plan, but qualifications must be met for a qualified plan.

An annuity used to invest or distribute money from an individual or employer-sponsored retirement plan, such as an IRA or 403(b) plan, is called a qualified annuity. Prospects must meet eligibility requirements, and contributions made to a qualified annuity may be afforded tax advantages.

The Bonus Flexible Annuity can be used to fund the following tax qualified plans: Traditional Individual Retirement Arrangements (IRAs) and Simplified Employee Pensions (SEPs).

When a contribution is received, a net premium is calculated. The net premium is the amount of premium remaining after any applicable state premium tax has been deducted. For example, let's assume that the annual contribution is $2,000 and the state premium tax is 1 percent, or $20. In this case, the net premium would be $1,980. Interest is credited on the net premium from the date it is received in the home office. Premium taxes will be deducted on the back end (at annuitization) in those states which allow such treatment.

Policy Minimums

At issue, the contribution amount and mode of payment selected are shown on the Data Page of the policy. The policy minimums are as follows:

Qualified and Nonqualified (IRAs and SEPs)

- Single premium – $5,000
- Planned Purchase Payments-$100/month ($1200 annually, $600 semiannually, $300 quarterly)

Contributions to the Bonus Flexible Annuity are flexible and may be increased or decreased at any time subject to a minimum of $100 a month. The policyowner may discontinue premium payments at any time and resume them at a later date.

*Subject to state approval.

The Bonus Flexible Annuity Disclosure Form (L6940_0413) is required with every sale.

Interest The cash value will accumulate at a current interest rate determined by United. Contributions receive an additional 1 percent in addition to the current rate during the first 12 months for all new deposits made. After 12 months, the deposits receive the stated current interest rate but no additional 1 percent. The cash value will accumulate at interest based on the Investment Year Method but at a rate not lower than the guaranteed interest rate. Subject to state approval, there is a level minimum guarantee all years filed with FAIR Standards.

Investment Year Method The investment year method is used to credit interest. This means that interest is credited to the new premium at the current rate. This rate changes periodically to keep pace with anticipated investment results. Contributions earn interest at the rate in effect at the time of deposit for 12 months from the date of the deposit. For example, money deposited in January 2013 will earn a rate of 5 percent through December 2013. In January 2014, another rate – 6 percent – is declared and credited for another 12-month period.

Cash Accumulation Value The cash accumulation value equals the sum of all purchase payments minus any applicable premium tax plus credited interest minus any previous withdrawals and associated withdrawal charges. The death benefit equals the accumulation value on the date of death minus any applicable premium tax.

Withdrawals The Bonus Flexible Annuity offers withdrawals. The accumulation value may be withdrawn, subject to the applicable withdrawal charge during the first eight policy years. The Bonus Flexible Annuity withdrawal charge does not apply to amounts withdrawn up to 10 percent of the cash value.

NOTE: **The minimum withdrawal is $100.** The company will limit a partial withdrawal so the accumulation value would not be less than $5,000 after the withdrawal.

Systematic Income Option

The Bonus Flexible Annuity offers a systematic income feature which provides a regular income to annuitants. Withdrawal options include interest only or fixed amount (for qualified or nonqualified plans). The income withdrawals can be as low as $100 and can be sent monthly, quarterly, semiannually or annually. However, periodic income withdrawals do negatively affect the amount of interest earned.

For example: Suppose your client invests $25,000 at an interest rate of 5 percent. The annual interest yield would be $1,250. If, however, he or she were to request quarterly withdrawals, the amount withdrawn each quarter would not be able to earn interest in successive quarters. The quarterly withdrawal would be $306. Over a year, four of these interest withdrawals would total $1,224. That's $26 less than was received when the interest was allowed to compound.

Also, remember that the interest withdrawn as income will be subject to applicable state and federal taxes.

	No Withdrawals	**With Quarterly Withdrawals**
Investment	$25,000	$25,000
Interest Rate	5%	5%
Quarterly Withdrawals	0	$306 = 12.24 x 25 (each thousand invested)
Total Interest Paid	$1,250	$1,224 = $306 x 4 (quarters)
Difference	$1,250 - $1,224 = $26	

The request for the systematic income option may be made at any time by having the policyowner complete the appropriate form (see your manager) or submit it with the application, if desired.

Withdrawal charges (during the first eight policy years) apply to systematic income withdrawals that exceed 10 percent of the accumulation value each policy year. The $5,000 minimum accumulation value requirement also applies.

Tax Consequences of Early Withdrawals

When you are explaining the annuity to your client, you will need to be familiar with the tax consequences of early withdrawals.

Congress changed the tax laws in 1982 to discourage people from using annuities for short-term investments. Contributions made after 8/13/82 to a new or existing annuity are subject to this changed law.

Withdrawals of funds subject to the changes are treated as follows.

1. Gain (interest) on these contributions is considered to be withdrawn first.
2. Gain is subject to ordinary income tax at withdrawal.
3. Contribution dollars are withdrawn tax free after all gain has been withdrawn.

Gain on contributions made since 8/13/82 is subject to a 10 percent withdrawal penalty.

Under the Tax Reform Act of 1986, withdrawals are subject to a 10 percent withdrawal penalty. Penalties are not imposed if withdrawals are made on account of death, disability or attainment of age 59 1/2.

Tax-qualified Annuities

Tax-qualified market prospects are those people who are eligible to contribute to an annuity and deduct the premiums as an adjustment to their income. By doing this, they have a twofold benefit. The interest earned is not subject to current income tax and the contributions are tax deductible. So, more money is working for the annuitant throughout the contribution period. The Bonus Flexible Annuity can be used to fund all of these tax-qualified plans – Self-employeds' Retirement Plans, Simplified Employee Pensions (SEP), and Individual Retirement Accounts (IRA).

Nonqualified Annuity

A huge market exists for the nonqualified Bonus Flexible Annuity since it appeals to anyone who is interested in accumulating money over a period of years while making use of some excellent tax advantages along the way. Examples could be grandparents who wish to start a plan for a child; people who wish to supplement their retirement with additional money; those who would just like to accumulate money or those who need relief from a tax burden.

A prime prospect for the nonqualified Bonus Flexible Annuity could be a middle-aged person who has taxable interest income every year of perhaps $1,000, $1,500, $2,000 or more. This yearly interest is being taxed which reduces the interest dollars. With the Bonus Flexible Annuity, taxes on interest earned on the accumulations is deferred. So, instead of losing a big part of the interest due to taxes, all of the interest accumulates tax deferred.

The person's tax bracket may conceivably be lowered. These are very important sales points to communicate to your prospects.

Additionally, people who have tax-qualified plans (for example, IRAs) are still eligible for the Bonus Flexible Annuity on a nonqualified basis and they do not have to withdraw the funds at a certain minimum or maximum age. They may contribute to the nonqualified annuity even if they have contributed the maximum allowed by law to their tax-qualified plan.

At retirement, each annuity payment is part nontaxable return of contribution and part taxable income.

Tax-deferred Accumulation

Let's review what this means in specific terms of dollars and cents. We know that the interest growth is not taxable until withdrawn. Instead of losing some of the interest because of taxes, interest is compounded and keeps on working for the policyowner year after year.

The longer you leave money in an annuity, the greater the advantage of this tax-deferred accumulation. The advantage of tax-deferred interest accumulations can provide you with a competitive edge over other choices that may offer a higher interest rate. To illustrate this point, let's assume you set aside $2,000 a year and that you're age 35. Let's also assume a 28 percent tax bracket and, for example's sake only, that you will get an annual rate of 5 percent on your money, whether in a tax-deferred plan or not.

Take a few moments now and review the following chart, which illustrates the effect of taxes on your accumulations.

Accumulations ($2,000 a year @ 5%)

	Without Tax Advantages*	Tax-qualified Plan	
10 years	$17,585	$26,414	$ 8,831 more
20 years	42,627	69,439	26,812 more
30 years	78,299	139,522	61,223 more

*Deposits and accumulations reduced by taxes

Even though federal income taxes are deferred, there comes a time when you do have a taxable event with your annuity. It is assumed that you will be in a lower tax bracket when you make withdrawals, and, even if this is not the case, you may still come out ahead because the dollars that you would have paid in taxes will be working for you all those years.

In summary, the principal use of an annuity is to provide a lifetime income. The lifetime income of a specified amount is guaranteed and, under current tax law, only a portion of each annuity payment would be subject to tax.

Advantages of the Bonus Flexible Annuity

These are the two important advantages of the Bonus Flexible Annuity – the opportunity to accumulate money on a favorable tax basis and the feature of a guaranteed lifetime income. However, you should be aware of other considerations which are important to your prospects and clients.

First and foremost, the annuity receives favorable tax treatment. With most investments, tax must be paid on the earnings; the Bonus Flexible Annuity earnings are tax deferred. As a result, the money in the annuity grows at a much faster rate. In addition, the extra 1 percent bonus interest rate credited to contributions for the first 12 months to the Bonus Flexible Annuity provides increased accumulations. Couple this with the investment year method of crediting interest and you have a combination that has good sales appeal.

One of the top three reasons people buy annuities is to provide a guaranteed income. With a life income annuity, the monthly income is guaranteed no matter how long the client lives.

Convenience is another consideration that can be very meaningful to some of your prospects. A premium payment is a relatively easy way to set money aside for future needs.

In addition, since there are no medical requirements for an annuity, issue is relatively simple. Even those who are uninsurable or who are already adequately protected by life insurance are prospects for an annuity.

ULTRA-INCOME SINGLE PREMIUM IMMEDIATE ANNUITY (SPIA)*

The Ultra-Income Single Premium Immediate Annuity (SPIA) is a flexible plan that offers a guaranteed income to the client. It is designed to meet the primary audience needs of retirement age prospects, the secondary audience needs of prospects nearing retirement age and those at their prime earning age.

After the initial purchase has been made, the client may choose income payments beginning the very next month or the payments may be postponed up to 13 months. With the Ultra-Income SPIA, the principal sum of money is converted into a predictable series of payments, or income stream.

*The Ultra-Income Annuity Disclosure Form (L7826) is required with every sale.

Available Benefits Some of the benefits of the Ultra-Income Single Premium Immediate Annuity include:

- Guaranteeing consistent income for the rest of the client's life – no matter how long he or she lives. Clients can't outlive their income
- Supplementing clients' Social Security or pension income with consistent payments from their personal retirement savings
- Providing an income during the client's lifetime that will continue to the client's beneficiaries if the client dies
- Putting the client's retirement savings where it will provide consistent, periodic income

The Ultra-Income SPIA allows clients to tailor the way their income is paid to meet their individual lifestyle needs

Issue Ages Issue ages are 0 through 85.

Premiums The minimum single premium is $10,000. The maximum single premium is $1,000,000. (Premiums in excess of this amount require preapproval by the company.)

The total single premium for the SPIA is the sum of the base premium and any applicable state premium tax.*

Benefits Payments Payments may be made monthly, quarterly, semiannually or annually. The minimum periodic payment is $100. Payouts must begin between 1 and 13 months of the purchase date.

*Premium taxes will be charged based on the premium paid and are computed using current taxes charged by the state in which the policyowner (not the annuitant) resides. Premium taxes will be deducted from the single premium amount. Payouts must begin within one year of the policy issue date or they will be taxed as a deferred annuity.

Payout Options There are a variety of payout options available with the Ultra-Income SPIA, as shown below:

Income Option	Description
Life Annuity	Periodic benefit payments guaranteed for as long as annuitant lives. Payments cease at death.
Life Annuity With Period Certain*	Periodic benefit payments guaranteed for the number of periods chosen. If annuitant lives longer, payments continue until his or her death.
Period Certain Without Life*	Periodic benefit payments guaranteed for the number of periods chosen. If annuitant dies before end of that period, payments continue to beneficiary as scheduled.
Joint & Survivor Life**	Periodic benefit payments guaranteed for as long as either of the annuitants lives.
Joint & Survivor Life With Period Certain**	Periodic benefit payments guaranteed for number of periods chosen. If either annuitant lives longer, payments continue until his or her death.
Installment Refund	Periodic benefit payments are guaranteed until sum of benefit payments equal the single premium. If the annuitant lives longer, payments continue until his or her death.
Temporary (Life Contingent)	Periodic benefit payments guaranteed for as long as annuitant lives. Payments cease at death.

Cost-of-Living Allowance (COLA) The annuitant can elect a cost-of-living adjustment up to 6 percent of the initial annual benefit. COLA amounts are in increments of .25 percent. The amount of COLA may not be changed from period to period.

Age Rating for Impaired Risk/ Substandard Age rating, a feature available with the Single Premium Immediate Annuity, increases the monthly payments for clients and prospects with health problems and a history that includes a lower life expectancy.

How Age Rating Works

Example 1: Suppose a 65-year old man in good health places $100,000 in a United of Omaha SPIA. He selects the life annuity income option, meaning annuity payments are guaranteed as long as he is alive. A healthy 65-year-old is expected to live 16 more years until age 81. He will receive $748 a month for life.

*Period certain is extremely flexible (to the day).
**The owner may choose the death benefit percentage for joint and survivor options.

Example 2: Another 65-year-old man has severe emphysema. He also places $100,000 in United's SPIA and he selects the life annuity income option as well. Underwriting assigns him a **rated** age of 72. In other words, because of the emphysema, he has the same life expectancy as a 72-year-old man. Using the rated age, he'll receive $902 a month for life.

NOTE: If both men live beyond their projected lifespans, they continue to receive their monthly payments.

Market Prospects

If the prospect suffers from a lifespan-limiting condition and doesn't qualify for long-term care insurance, then he or she may be a candidate for age rating.

UNITED OF OMAHA LIFE INSURANCE COMPANY
COMPANION LIFE INSURANCE COMPANY
MUTUAL *of* OMAHA AFFILIATES

Rated Age/PERC Request
Electronic Submission Form

Client's Name:

Date of Birth:

Gender ☐ Male ☐ Female

Estimated Premium Amount:

Agent/Producer Name:

Agent/Producer Email*:

Division Office/Wholesaler:

Type of Request (please check one):
☐ Rate Age (Ultra Income)
☐ PERC (Income Access) – please also complete & attach the PERC form

Instructions:
1) Complete all information above
2) Email to SPIA@mutualofomaha.com with the last 12 months of medical records
3) Receive a response within 24 to 48 hours

* If any information is missing, an email will be sent to the Agent/Producer.

Life insurance is underwritten by United of Omaha Life Insurance Company, Mutual of Omaha Plaza, Omaha, NE 68175. United of Omaha is not licensed in New York. In New York, life insurance is underwritten by Companion Life Insurance Company, Hauppauge, NY 11788-2934.

U8462

INCOME ACCESS* SINGLE PREMIUM IMMEDIATE ANNUITY

The Income Access Single Premium Immediate Annuity (SPIA) is a flexible plan that provides a guaranteed income to the annuitant(s).* It is a unique product in that it offers a package of several base plan and optional benefits.

*In the case where the owner is different from the annuitant, the owner maintains all rights under the Income Access Single Premium Immediate Annuity policy. If the owner does not name a separate annuitant on the application, the owner automatically becomes the annuitant.

The Income Access Annuity Disclosure Form (L7827) is required with every sale.

Target Markets The Income Access Single Premium Immediate Annuity is designed to meet the primary audience needs of the Mature Singles target market. These individuals typically range in age from 65 to 75, are not married and are mostly female. They are concerned with outliving their assets, conserving their wealth, ailing health and not becoming a burden to their children.

Benefits Many of the benefits offered by Income Access are the same as the benefits of the Ultra-Income Single Premium Immediate Annuity, including:

- Guaranteeing consistent income for the rest of the annuitant's life, no matter how long he or she lives
- Supplementing annuitant's Social Security or pension income with consistent payments from their personal retirement savings
- Providing an income during annuitant's lifetime that will continue to his or her beneficiaries at death

Issue Ages Issue ages are 0 through 85.

Premiums The minimum single premium is $10,000. The maximum single premium is $1,000,000. (Premiums in excess of this amount require preapproval by the Company.)

The total single premium for the SPIA is the sum of the base premium and any applicable state premium tax.**

Benefits Payments Payments may be made monthly, quarterly, semiannually or annually. The minimum periodic payment is $100. Payouts must begin between 1 and 13 months of the purchase date.

Lifetime Income The Income Access SPIA offers a guaranteed lifetime income payout to the annuitant(s). No period certain options are offered with this SPIA.

**Premium taxes will be charged based on the premium paid and are computed using current taxes charged by the state in which the owner (not the annuitant) resides. Premium taxes will be deducted from the single premium amount. Payouts must begin within one year of the policy issue date or they will be taxed as a deferred annuity.

NOTE: Some benefits may not be available in all states.

Product Features and Benefits

The Income Access SPIA offers a menu of product options for the client to choose from, including the following features and benefits:

- Death Benefits
  - Return of Premium Death Benefit
  - Guaranteed Minimum Death Benefit Rider
  - Accidental Death Benefit Rider
  - Survivor Continuation Benefit
- Liquidity Features
  - Partial Return of Premium on Cancellation
  - Return of Premium for Terminal Illness
- Increased Payout Options
  - Inflation Protection Benefit
  - Payment Enhancement Risk Class (PERC℠)
  - Enhanced Payment Nursing Home Rider

Death Benefits

Return of Premium Death Benefit

Upon the death of the annuitant, any remaining premium the owner has not received through income payments will be paid to the beneficiary(ies). In the case of joint annuitants, the death benefit will be paid on the second death.

Guaranteed Minimum Death Benefit Rider (Optional)

At death, the policy will pay the greater of any remaining premiums not already received through income payments or 10 percent of the initial premium. If the annuitant dies after the entire premium amount is paid out of the account, the beneficiaries will still receive a death benefit equal to 10 percent of the initial premium, as shown in the following example.

Example:
Premium = $100,000
Payout = $11,000/year starting immediately

Year	End of Year Return of Premium Death Benefit* Only	End of Year Return of Premium Death Benefit* Guaranteed Minimum Death Benefit
1	$89,000	$89,000
2	$78,000	$78,000
3	$67,000	$67,000
4	$56,000	$56,000
5	$45,000	$45,000
6	$34,000	$34,000
7	$23,000	$23,000
8	$12,000	$12,000
9	$ 1,000	$10,000
10	$ 0	$10,000
11	$ 0	$10,000

*Return of Premium Death Benefit = Premium – Payments Received to Date

Accidental Death Benefit (No Cost Rider)

United of Omaha will pay double the death benefit (guaranteed minimum or return of premium), upon the death of the annuitant in a plane, train, taxi or other common carrier.

Survivor Continuation Benefit (Optional Base Benefit)

The Survivor Continuation Benefit offers the continuation of the annual income benefit to the surviving spouse/relative/business partner/companion. The age of the joint annuitant must be 85 years or less at policy issue (i.e., the same as the base plan issue ages.)

At the time of issue, both annuitants will select the payout percentage they want to receive should they be the surviving annuitant. These percentages do not need to be the same for both annuitants; however, they do need to be full percentages (i.e., 66 percent, not 66.66 percent).

The Survivor Continuation benefit is not available if the Enhanced Payment Nursing Home Benefit is selected.

Liquidity Features

Return of Premium On Cancellation (Base Benefit)

The Income Access SPIA allows the owner to cancel the contract and receive a lump-sum of any remaining premium the annuitant has not yet received through income payments made to date. Only a partial return of premium will be provided in the first several years. The reduction in the full return of premium should be described to the client as a Vesting Schedule (rather than as a Surrender Charge schedule). The vesting schedule is as follows:

Policy Year	1	2	3	4	5	6+
% Returned	95%	96%	97%	98%	99%	100%

The cancellation value will be equal to the initial premium paid, minus any payouts already taken, multiplied by a vesting percentage.

For example, the owner makes a single deposit of $100,000 and the annuitant has received two annual payouts of $10,000 each. The first payout is made 30 days after issue six months into the second policy year, the owner requests a cancellation of the policy. The return of premium is $80,000, which is multiplied by 96 percent. Therefore, the cancellation value is $77,600.

NOTE: This benefit becomes less attractive the longer the contract is in force, since the owner will be forfeiting all future income payments for the return of the remaining premium.

Return of Premium for Terminal Illness (Optional Base Benefit)

The Return of Premium for Terminal Illness Benefit allows the owner to receive the full return of premium death benefit up to 12 months early, without being subject to the vesting schedule. A physician's statement is required, confirming a 12-month or less life expectancy.

Increased Payout Options

Inflation Protection Benefit (Optional Base Benefit)

The Inflation Protection Benefit offers an optional 3 percent annual increase in income payouts for the life of the annuitant. This benefit payment increase, equal to 3 percent of the current payment, will automatically occur 12-months after the first payment, with the rate compounding on an annual basis.

Payment Enhancement Risk Class PERC℠ (Optional Base Benefit)

The Payment Enhancement Risk Class (PERC℠) is available, at no cost, to annuitants who qualify medically for this benefit. The payout may be increased by either 10 percent or 20 percent, depending on the particular medical condition.

A supplemental set of key questions on the application must be completed and signed by the applicant and agent in order to qualify for a PERC℠. Based on the responses to these questions that measure the annuitant's life expectancy, he or she will be placed into a standard, 10 percent PERC℠ or 20 percent PERC℠. Medical records will be required to allow the annuitant into the 20 percent PERC℠ class.

In the case of joint annuitants, both annuitants will need to answer the medical questions.* A PERC℠ rating will then be assigned by the underwriter. (The PERC℠ ratings are limited to a 10 percent or 20 percent payout increase.)

NOTE: If the Enhanced Payment Nursing Home Rider is added to a policy containing a PERC℠, the **50 percent increase in benefit is calculated on the standard payout,** not on the increased PERC℠ payout. The rider is described after the following examples.

Example:
Scenario 1, PERC℠ Increase

Female, age 75, with diabetes and high blood pressure, qualifies for a 20 percent PERC℠ increase:

Standard Payout:	$1,000	
20 percent PERC℠ Increase:		**$200**

*When there is more than one annuitant, each individual should have his or her own completed PERC questionnaire. A healthy (Standard-STD) annuitant on a joint PERC application may result in a STD rating for the couple.

Scenario 2, PERC^{SM} with Enhanced Payment Nursing Home Rider

Two years later, the individual enters a qualified nursing home. With the Enhanced Payment Nursing Home Rider, the annuitant is entitled to 50 percent of $1,000, less the 20 percent PERC^{SM} increase:

Standard Payout:	$1,000
50 percent Nursing Home Rider increase:	$ 500
Minus 20 percent PERC^{SM} increase:	- $ 200
Nursing Home Rider increase:	**$ 300**

Enhanced Payment Nursing Home Rider (Optional)

The Enhanced Payment Nursing Home Rider provides a 50 percent increase in the payout for five years upon the annuitant entering a licensed nursing home facility. This increase will be allowed after the SPIA policy has been in effect for two years and requires the annuitant to be confined for 90 days before the increase is allowed.

Once the individual enters the nursing home, he or she may claim the increased benefit for the entire five years (i.e., the increase is not contingent upon the person remaining in the nursing home).

All payouts for the Enhanced Payment Nursing Home Benefit will terminate upon the death of the annuitant and the benefit can be paid out only once over the life of the contract.

The Enhanced Payment Nursing Home Rider is not available if the Survivor Continuation Benefit is selected.

NOTE: Nursing home claims are fully taxable. If this rider is added to a policy with a Payment Enhancement Risk Class (PERC^{SM}), the 50 percent increase in benefit will be calculated on the standard payout, not on the increased PERC^{SM} payout. (See the PERC^{SM} section for details.)

In addition, the Age-rated Annuity is a tool that can help explain the age-rated concept to your clients.

Please refer to Forms & Materials for a complete product description of the Income Access Single Premium Immediate Annuity.

The following Ultra Income Annuity and Income Access Annuity chart provides a summary of the impaired risk underwriting process, as well as a comparison of the various options available with these annuities.

Ultra Income Annuity and Income Access Annuity

	Income Options	Payment Enhancement Options	Required underwriting paperwork (Include with the annuity application!)	Inflation Protection Rider COLA)	Optional Features (Subject to state availability)
Ultra Income Annuity	Several	***Age Rated*** Impaired-risk/ Substandard Underwriting – Potential payment increase is made on an age-rated basis.	An attending physician's statement (APS) and other recommended sources of information (see below).*	• Up to 6% of the initial annual benefit • Any amount from 0% - 6% may be used • The COLA amounts are in increments of .25%	• COLA • Age-rated payment increase for certain medical conditions
Income Access Annuity	Life only**	***PERC*** Payment Enhancement Risk Class **Three Possible Ratings** 1. Standard 2. 10% PERC 3. 20% PERC	• **Standard** – PERC questionnaire (L6840) • **10% rateup*** – PERC questionnaire (L6840) • **20% rateup*** – PERC questionnaire (L6840) and attending physicians statement (APS) (see below)* • **If more than one annuitant, each life should have its own completed PERC questionnaire** • A healthy (Standard-STD) annuitant in a joint PERC application may result in a (STD) rating for the couple *Assume medical conditions qualify	**3% Only** Under this provision, the total income payments will increase by 3% each policy year. The 3% increase goes into effect 12 months after the first income payment.	• PERC rating – 10% or 20% payment increase for certain medical conditions • Guaranteed minimum death benefit • 3% inflation protection (COLA) • 50% payment increase for nursing home confinement (must not be confined at issue) • Survivor continuation option

As a reminder, the standard features offered with the Income Access Annuity may not be available in all states.

*To add clarity and accuracy to the underwriting process, the following are recommended additional sources of medical information:

- Recent office notes from the treating physician
- Pertinent medical records that address active medical problems
- Recent hospital records including admission history and physicals, consultations and discharge summaries
- Consultations from regular specialists such as cardiologists, oncologists, surgeons, etc.

Remember – Accurate, complete and useful additional information may result in a more competitive and timely quote.

**Other standard features of the Income Access Annuity: (1) Return of premium upon cancellation, (2) return of premium at death, (3) accidental death benefit and (4) return of premium for terminal illness.

ULTRA SECURE PLUS* With Ultra Secure Plus, your clients have a choice of either a **five-year rate guarantee period** or a **seven-year rate guarantee**. Both of the Ultra Secure Plus products are single premium deferred annuities which can help take the guesswork out of investing, with long-term tax-deferred growth and a competitive long-term interest rate guarantee backed by the financial strength of United of Omaha.

Issue Ages Issue ages are 0-89

Accumulating Interest Policyowners of Ultra Secure Plus accumulate interest in three ways:

- Their original payment earns interest
- Their interest earns interest
- Money they would have otherwise paid in taxes earns interest

Interest Rates Ultra Secure Plus interest rates are as follows:

- Five- or seven-year fixed rate guarantee period
- Additional 0.15 percent interest added to purchase payments and accumulation values of $50,000 or higher

Minimum Premium Amounts The minimum premium purchase amount is $5,000.

Policy Additions **Policy additions are allowed within the first year.** The minimum amount for additions is $500.

The maximum amount and frequency are subject to home office approval.

Contract Renewal Ultra Secure Plus has a 30-day window at the end of the surrender period. During this 30-day window, policyowners have three choices – they can:

- Renew their contract and reinstate it for another full contract
- Annuitize the contract
- Surrender (without charge)

*The Ultra Secure Plus Disclosure Form (L6348_1013 – Ultra Secure Plus 5 or L6349_0310 – Ultra Secure Plus 7) is required with every sale.

Guaranteed Minimum Interest Rate

Ultra Secure Plus offers a 1 percent minimum guarantee for all years the policy is in force.*

- Ultra Secure 5 offers the current base interest rate (locked in for five years)
- Ultra Secure 7 offers the current base interest rate only, which is locked in for seven years

For example, if a policyowner purchases Ultra Secure 5 with a deposit of $100,000, he or she will receive the:

- Current base rate, guaranteed for five years (i.e., 3.00 percent) and
- Additional .15 percent jumbo rate

The total first year interest rate, in this example, would be **3.15 percent.**

NOTE: Interest rates are subject to change at any time.

United of Omaha will contact each policyowner 15 days prior to the end of the surrender period and present them with the above three options. If no written notification is received at the end of the surrender period, the policy will be automatically renewed. The renewal process is simple and automatic – it does not require a new application or you, the agent, to be involved in the process.

Liquidity Features**

Surrender charges will NOT apply if the withdrawal is for any of the following:

- 10 percent of Accumulation Value each year
- Confinement to a Hospital or Nursing Home
- Unemployment
- Disability
- Terminal illness
- Death of a spouse or minor dependent
- Damage to residence
- Organ Transplant

*Minimum guarantee is subject to change on an annual basis for new issues
**Subject to state approval; tax penalties may apply

Confinement to a Hospital or Nursing Home

If the owner of the Ultra Secure Plus is hospitalized or confined to a nursing home or long-term care facility at the recommendation of a physician for medically necessary reasons for at least 30 consecutive days, no surrender charges will be applied to any request for cash from annuity value made during confinement or within 91 days of the last day of confinement.

Unemployment

All surrender charges are waived on any partial or full surrender upon receiving due proof that the policyowner has received unemployment benefits for at least 60 consecutive days. If the policyowner is receiving unemployment benefits on the policy's date of issue, he or she will not qualify for this waiver.

Disability

All surrender charges are waived on any partial or full surrender upon receiving a copy of the form or letter showing approval or receipt of any the owner's claim for Social Security disability benefits. This waiver will not apply once the policyowner has attained the age of 65 or is receiving Social Security disability benefits of the policy issue date.

Terminal Illness

All surrender charges are waived on any partial or full surrender upon receiving due proof that the policyowner is diagnosed as having a terminal illness.

Death of a Spouse or Minor Dependent

United of Omaha Life Insurance Company will waive surrender charges for one surrender if the spouse of a minor dependent of the owner dies. For the death of a spouse, the maximum allowable surrender is 50 percent of the accumulation value as of the date of surrender. For the death of a minor dependent, the maximum percentage is 25 percent.

The surrender must be made within six months of the spouse's or minor dependent's death. This option may be exercised only once for a spouse and once for each minor dependent. No more than 50 percent of the accumulation value each policy year, as of the date of the first surrender, may be taken without incurring a charge.

Damage to Residence

If an owner incurs physical damage of $50,000 or more to his or her primary residence, United of Omaha will waive surrender charges. The loss must be documented by submitting a certified copy of a licensed appraiser's report that states the amount of the damage. The certified copy must be submitted within 91 days of the date of the appraiser's report.

Organ Transplant

Surrender charges will be waived if the owner undergoes transplant surgery, whether as an organ donor or recipient, of the following body organs: heart, liver, lung, kidney, pancreas or bone marrow (recipient's only).

Return of Premium The surrender value will never be less than purchase payments minus any withdrawals and any applicable premium tax. The Return of Premium benefit also renews at time of contract renewal and guarantees the client the Accumulation Value at the time of their most recent Renewal Date (minus any withdrawals and applicable premium tax).

Surrender Charges Surrender charges are as follows:

Ultra Secure Plus, 5 year

Year	1	2	3	4	5
Percent	6	6	6	6	5

Ultra Secure Plus, 7 year

Year	1	2	3	4	5	6	7
Percent	6	6	6	6	5	4	3

Free Access to Account Value Ultra Secure Plus allows clients to access 10 percent of their account without surrender charge or interest adjustment penalties.

NOTE: Withdrawals before age 59 1/2 may be subject to federal income tax penalties.

Interest Adjustment* This feature adds a degree of risk to the policyowner in the event of a full surrender or partial withdrawal before the end of the guarantee period. The adjustment may increase or decrease the cash surrender value or the partial withdrawal by increasing or decreasing the surrender charge. Ultra Secure Plus' interest adjustment allows companies to credit long-term guaranteed interest rates because the surrender value of the policy decreases at the same time when the value of assets backing the annuity decrease.

Basically, when market interest rates increase, the value of the assets decreases. The interest rate adjustment formula adjusts surrender charges in order to discourage policyowners from lapsing. In this case, surrender charges are increased.

The reverse is also true. When market interest rates decline – the asset's value increases. At this time, interest rate adjustment formula adjusts surrender charges and, in turn, surrender charges actually decrease.

Guaranteed Interest Rate – Initial Guaranteed Rate (for new contracts) – 0.0025 × (number of months left before expiration of the current Interest Rate Guarantee Period) ÷ 12 + 1

NOTE: The interest adjustment does not apply to the 10 percent free out in years 2+, or the 15 bonus points for amounts ≥ $50,000.

*Not allowed in New Jersey.

Example 1 (with increasing market rates)*
Mary bought the Ultra Secure Plus 5 year product two years ago and now has 36 months left before the end of the guarantee period. Her initial deposit was $100,000 and she is currently earning a guaranteed 6 percent interest rate.

At the end of the second year, the current surrender charge is 6 percent and her account value is $113,740. Mary sees that new money rates are 7 percent and thinks about surrendering the policy in order to get a higher rate. However, she discovers that her surrender value is **NOT** $107,598 (with a 6 percent surrender charge) as it would be under an annuity without an interest rate adjustment. Instead, her surrender value is $103, 989.

Obviously, in this example, Mary (the client) would be discouraged from surrendering her policy since she would end up losing almost 9 percent of the account value through surrender charges. Now let's look at the exact same type of policy . . . only this time . . .the market rates have dropped.

Example 2 (with decreasing market rates)*
Mary bought the Ultra Secure Plus 5 year product two years ago and now has 36 months left before the end of the guarantee period. Her initial deposit was $100,000 and she is currently earning a guaranteed 6 percent interest rate.

At the end of the second year, the current surrender charge is 6 percent and her account value is $113,740. However, this time Mary sees that new money rates are 5 percent. She is in need of some cash, so she is thinking about surrendering the policy. However, she discovers that her surrender value is **NOT** $107,598 (with a 6 percent surrender charge) as it would be under an annuity without an interest rate adjustment. Instead, her surrender value is higher . . . it is $109,763.

When the market rates drop below the guaranteed rates, a client's account value will actually end up being higher than it would have been with the typical surrender charge since the newly calculated interest rate adjustment surrender charge is decreased. In Mary's case, her surrender ended up being less than 4 percent with the interest rate adjustment calculation.

Death Benefit

The death benefit equals the accumulation value on the date of the owner's death, minus any applicable premium taxes.

*may vary by state – interest rate adjustment is **NOT** allowed in New Jersey.

Federal Income Tax Considerations

Amounts withdrawn before maturity are considered interest earnings to the extent that accumulation values exceed premiums paid and are subject to income tax.

A 10 percent penalty tax applies to any withdrawal which is considered includable in income.

The penalty is not imposed for distributions made after the policyowner attains age 59 1/2, is disabled or dies. The penalty is not imposed where the distribution is applied to a lifetime settlement option.

DEFERRED ANNUITY ANNUITIZED VS. DEFERRED ANNUITY USING 1035 EXCHANGE INTO A SPIA

When should you recommend to the client that a single premium deferred annuity (SPDA) be annuitized vs. using a 1035 exchange to transfer the accumulated funds into a SPIA?

There are pros and cons associated with each method. The motivation of the annuitant should ultimately determine which method to recommend.

For example, when interest rates are low and the only thing that matters to the annuitant is the amount of the payout, putting the deferred annuity into benefit under one of the available settlement options might be the better way to go. However, as soon as other factors start entering into play (i.e., a trend toward increasing interest rates), the shift would then be toward using a 1035 exchange to transfer the deferred annuity into a SPIA. Listed below are the pros and cons associated with each method.

Deferred Annuity Put Into Benefit Under a Settlement Option

Pros

- During periods of low interest rates, the deferred annuity settlement option may provide a higher payout than buying a SPIA
- May avoid paying surrender charges

Cons

- Age rating only available through special request
- Cost of living adjustment only available through special request
- Once a deferred annuity is put into benefit, it cannot be surrendered

Deferred Annuity 1035 Exchange into a SPIA

Pros

- Income Access – SPIA can be surrendered
- SPIA and the Income Access – SPIA have a "Rated Age" capability
- Special features are available on the Income Access – SPIA
  - Nursing Home Rider – provides an increase in the amount of income payments received during a five-year period upon entering a licensed nursing home
  - Inflation Protection Rider – payment option can be set up to increase income payments on an annual basis for the life of the owner
  - Guaranteed Minimum Death Benefit Rider – guarantees that the return of premium at death is at least 10 percent of the initial single premium
  - Survivor Continuation Option – the survivor continues to receive a predetermined percent of the income payment, up to 100 percent. In the event the survivor precedes the annuitant in death, the payee will continue to receive a percentage of the income payment

NOTE: Monies from a 1035 exchange from an outside company into our deferred annuity cannot be touched until after a two-year waiting period.

Cons

- Unless the SPIA is the Income Access SPIA, it cannot be surrendered
- Possible surrender charges
- In periods of low rates, payouts may be lower

ANNUITY APPLICATION PROCESS

The following annuity applications should be used with the products listed below.

Application	Product(s)
Annuity Application (LA9075)*	Bonus Flexible Annuity
Single Premium Immediate Annuity Income Access (LA8283) Ultra Income (LA9053)	Single Premium SPIA
Deferred Annuity Application (LA9071)	Ultra Secure Plus SPDA (5- and 7-year)

*varies by state; see Forms & Materials for details.

Annuity Application Submission Checklist

The following checklist can help ensure you get speedy time service for your annuity business.

- Make certain all information is legible, accurate and complete, with no blank spaces
- Include applicable replacement forms
- Include a 1035 Exchange form with competitor information (for non-qualified 1035 transfer business)
- Include a Qualified Business form with competitor information (for qualified transfer/rollover business)
- Include a Request to Transfer Non Qualified Funds form (for all non-qualified/non 1035 transfer business)
- Attach your proposal (for single premium immediate annuities only)

NOTE: Incomplete, inaccurate and illegible applications delay issue since they must be returned for corrections and/or required forms before they can be processed.

SUMMARY

Work closely with your clients to assist them in identifying their goals and developing strategies to meet those goals. Your recommendations may be an annuity plan, which offers competitive rates, tax-deferred growth and a regular, guaranteed lifetime income.

REVIEW QUESTIONS
UNIT 4

1. The Bonus Flexible Annuity has been designed specifically for the accumulation of funds which, at maturity will provide a:
   (a) Limited (time period) income for the annuitant
   (b) Guaranteed income for the lifetime of the annuitant
   (c) Tax-free income for the annuitant
   (d) Fluctuating income for the annuitant

2. If the premium for a flexible premium annuity is $2,000 annually and the premium tax for your state is 1 percent, the net premium would be:
   (a) $1,980
   (b) $1,880
   (c) $1,950
   (d) $1,780

3. What is the investment method called that is used to credit interest, whereby contributions earn interest at the time of deposit for 12 months from the date of deposit?
   (a) Investment year
   (b) Portfolio
   (c) Money market
   (d) Floating interest rate

4. The minimum premium amount needed to purchase an Ultra Secure 5 or Ultra Secure 7 annuity is:
   (a) $5,000
   (b) $10,000
   (c) $15,000
   (d) $20,000

5. Selling points for the Bonus Flexible Annuity include:
   (a) High front-end load, but tax-free distributions
   (b) Contribution flexibility and systematic income option
   (c) Surrender charges throughout the life of the contract
   (d) Back-end load, but tax-free distributions

6. All of the following are true statements about the Ultra-Income Single Premium Immediate Annuity (SPIA) EXCEPT:
   (a) The annuitant can elect a cost of living adjustment up to 6 percent of the initial annual benefit
   (b) Issue ages are 0 through 85
   (c) The minimum single premium is $1,000
   (d) After the initial purchase, the client may choose income payments beginning the very next month, or the payments may be postponed up to 13 months

7. The Enhanced Payment Nursing Home Rider, available with the Income Access SPIA, provides a _______ percent increase in the payout for five years upon the annuitant entering a licensed nursing home facility.
   (a) 50
   (b) 25
   (c) 10
   (d) 15

8. The minimum single premium for the Ultra-Income Single Premium Immediate Annuity is:
   (a) $1,000
   (b) $10,000
   (c) $20,000
   (d) $50,000

9. The Bonus Flexible Annuity can be used to build all of the following tax-qualified plans EXCEPT:
   (a) IRA
   (b) TSA
   (c) SEP
   (d) CIA

10. The maturity date for a Bonus Flexible Annuity is established when the ____________.
   (a) Policyowner dies
   (b) Payment has been received
   (c) Application is completed
   (d) Policy matures

11. All of the following are benefits of the Income-Access and Ultra-Income Single Premium immediate annuities (SPIAs) EXCEPT:
   (a) Guarantee a return of premium
   (b) Guarantee consistent income for the rest of the client's life
   (c) Supplement clients' Social Security or pension income with consistent payments from their personal retirement savings
   (d) Provide an income during the client's lifetime that will continue to the client's beneficiaries if the client dies

12. Age rating, a feature available with the Ultra-Income Single Premium Immediate Annuity (SPIA), ________ the monthly payments for clients and prospects with health problems and a history that includes a ______ life expectancy.
   (a) Increases, higher
   (b) Decreases, higher
   (c) Increases, lower
   (d) Decreases, lower

13. With the Ultra-Income SPIA, the annuitant can elect a cost of living adjustment (COLA) up to _____ percent of the initial annual benefit.
   (a) 3
   (b) 4
   (c) 5
   (d) 6

Answers may be found on the last page of the Appendix

UNIT 5
SALES AND MARKETING MATERIALS

INTRODUCTION

A variety of client annuity and retirement planning materials are available, including several prospecting letters, point-of-sale brochures and PowerPoint presentations. Descriptions of these materials are listed below. A complete listing of available materials can also be found on Sales Professional Access, Marketing & Sales Tools, Advanced Sales or Materials Catalog, Agency Advanced Sales.

ANNUITIES SALES AND MARKETING MATERIALS

The following annuities sales and marketing materials are available for your use.

- Fixed Annuities Product Portofolio Comparison brochure
- Fixed Annuities Product Sheet

ANNUITY BUYER'S GUIDES

The following state-specific Annuity Buyer's Guides are available for the states listed below.

Form Number	State(s)
L4790_1103	AK, AL, AR, AZ, CO, FL, HI, IA, ID, ME, MO, NC, NJ, NM, NV, OH, OK, OR, RI, SC, TX, UT
L8168	GA
L8438	KY
L6818	MT
L4763_0203	NH
L4547_0203	WI
L4790_WV	WV

RETIREMENT PLANNING MATERIALS

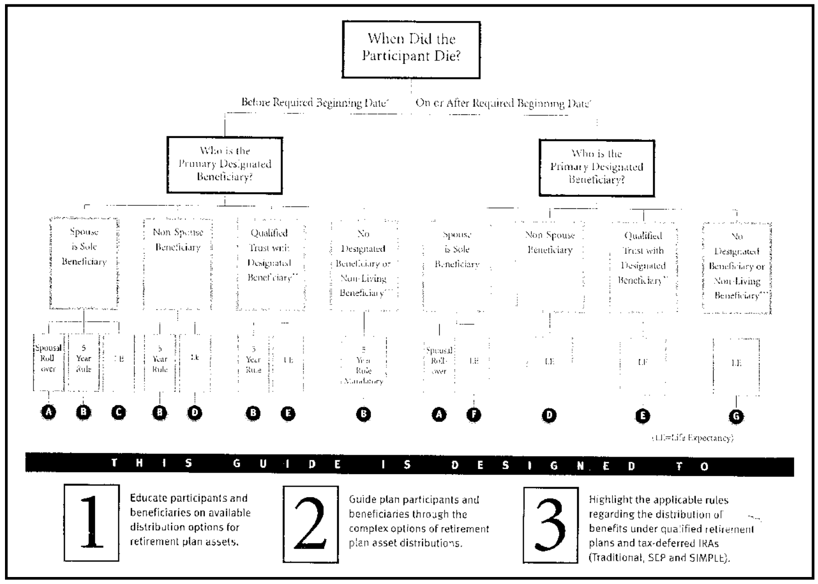
The following retirement planning prospecting and sales and marketing materials are available for your use:

Prospecting Letters

- Distribution Planning Concepts letter (AFN32013)
- Direct Rollover letter (AFN32014)

Client Education Pieces

Beneficiary Options (LC3727) – a client education piece providing details on a variety of topics, including spousal rollovers, the five-year rule and life-expectancy payments.



Sales to Active Military

If you prospect for life and annuity clients that are active U.S. military service personnel or their families, you should be aware of the current federal and state laws that contain restrictions regarding how solicitations are conducted.

If you violate any provisions of these laws, it may result in your termination with the Company and/or regulatory actions. Please refer to the Sales to Active Military details on Sales Professional Access, located in the Compliance section of SPA.

SUMMARY

A variety of annuity and retirement planning sales and marketing materials are available in the Materials Catalog on **Sales Professional *Access.***

UNIT 6
SUITABILITY

INTRODUCTION

It is becoming increasingly important for agents to understand as much as possible about a prospective customer before recommending a financial product or service. Specific consumer protection standards were adopted in 2003 when the National Association of Insurance Commissioners' (NAIC's) Annuity Transactions Model Regulation ("Suitability Model") became effective.

WHAT IS SUITABILITY

Suitability refers to whether it makes good financial sense for a person to purchase an annuity. Most states require insurance companies and agents to make a reasonable effort to determine the suitability of a recommended sale or replacement.

Companies have the obligation to establish suitability standards and to make agents and clients aware of them.

NAIC SUITABILITY MODEL

Purchasing life and annuity products is often a complicated and confusing process for consumers of all ages, not just for seniors... To address this issue, in 2006, the NAIC membership overwhelmingly adopted revisions to the Suitability Model to have its requirements apply to all consumers, regardless of age.[1]

The Suitability Model imposes certain duties and responsibilities on insurers and insurance producers regarding the suitability of a sale or exchange of an annuity to a consumer. Specifically, in recommending to a consumer the purchase of an annuity or the exchange of an annuity, the insurance producer, must have reasonable grounds for believing that the recommendation is suitable for the customer.

This is based on facts disclosed by the consumer (client) as to his or her investments and other insurance products and as to his or her financial situation and needs. To ascertain the product's suitability, prior to the execution of a purchase or exchange of the recommended annuity, the insurance producer, must make all reasonable efforts to obtain information concerning:

- The client's financial status
- The client's tax status
- The client's investment objectives, and
- Any other information used or considered to be reasonable in making the recommendation to the client

[1]Sandy Praeger, Kansas Insurance Commissioner and NAIC President-Elect; Before the Senate Select Committee on Aging, September 5, 2007

ENSURING SUITABILITY

To ensure suitability, you must make a reasonable effort to know your client and to obtain information that is relevant to determine whether a recommendation is suitable for the applicant. You must thoroughly understand the product you are offering to your client and whether it fits in with his or her short- and long-term goals.

You must also:

- Comply with the insurer's suitability standards
- Comply with any additional state requirements regarding suitability
- Maintain written documentation demonstrating compliance with these standards

Steps to take in determining suitability include:

- Interview the client
- Determine whether the purchase of an annuity can address his or her needs
- Assess your client's risk tolerance
- Understand your client's tax status (i.e., if the client is at a low/marginal tax rate, there would be little if any benefit in purchasing an annuity with a deferred income)
- Consider where the client is in his or her life cycle (i.e., accumulation vs retirement/distribution stage)
- Review the company's market and suitability standards

BENEFITS

By ensuring suitability, you are helping to make certain:

- Your client's needs and financial objectives are met
- Penalties are avoided (i.e., from policy replacements)
- Your client's short-and long-term financial goals are met
- The right product is recommended

ANNUITY SUITABILITY FORM

The Annuity Suitability Information form (L7748)* must be completed and signed by the applicant and agent when selling deferred and immediate annuities. This requirement applies to consumers of any age, and must be submitted with the application before an annuity policy can be issued.

Some general guidelines to consider when beginning the annuity sale:

- The applicant should have at least $20,000 in annual income or the premium/net worth ratio should not exceed 40 percent
- The applicant should have enough cash or liquid assets to cover their basic living expenses and/or unexpected emergencies, and
- The time horizon and the investment experience should be appropriate for the annuity being considered by the applicant

*or L7391 for states requiring Buyer's Guide

A Guide for Completing Suitability Information Form	Following are step-by-step procedures for completing the form:
Product Name Contract Owner/ Annuitant	Make certain to include the annuity product name (i.e., Ultra Secure Plus). The complete name of the contract owner/annuitant, phone number, age last birthday, marital status and occupation must also be included in this section. If the owner of the contract is not an individual, complete the suitability form based on the annuitant's information.

Product Name Ultra Secure Plus

Contract Owner/Annuitant

Name: Nathan Henderson

Phone Number: 402-351-0100 Age Last Birthday: 55

Marital Status: ☒ Married ☐ Single ☐ Widowed ☐ Divorced

Occupation: Accountant

Financial Information

It is important that accurate financial details are documented in this area.

- Annual Household Income – includes the spouse or partner's income, if applicable. Include income from other annuities in payment status.
- Estimated Net Worth – These are assets are assets that can be readily turned into cash. For example: checking, savings, money market accounts, CDs close to maturity, securities sold without penalties, etc. The assets being used to purchase this annuity should be included in this amount. The annuitant's primary residence, automobiles, and furnishings should be excluded.

The client needs to answer the question: "Do you have sufficient source of cash, other income, or liquid assets, other than the amount paid for this annuity, for living expenses and emergencies?" Note: If the client answers "No" to this question, then an annuity purchase at this time would probably not be suitable.

Financial Information

Annual Household Income $92,000

Estimated Net Worth (excluding primary residence, automobile(s) and furnishings) $500,000

Do you have sufficient sources of cash, other income, or liquid assets, other than the amount paid for this annuity, available for living expenses and emergencies?

☒ Yes ☐ No

Federal Tax Bracket %

☐ 0 to 10% ☒ Greater than 10%

- Federal Tax Bracket percent -This is the rate at which the annuitant will be taxed.

Source of Income (Check all that apply)		
	☒ Employment	☐ Retirement Plans
	☒ Investments/Savings	☐ Social Security
	☐ Other________________	

Source of Income Check all applicable sources of income in this section. For example, Employment and Investments/Savings, or Retirement Plans and Social Security.

Insurance Product or Investment Experience (Check all that apply)		
	☒ Stocks	☒ Certificate of Deposit
	☐ Bonds	☐ Fixed Annuities
	☒ Mutual Funds	☐ Variable Annuities
	☒ Life Insurance	☐ Variable Life Insurance

Insurance Product or Investment Experience Check all applicable boxes relating to the client's product/ investment experience.

Risk Tolerance Risk Tolerance is the degree of uncertainty that an investor can reasonably tolerate with regard to a negative change in his or her investments.

Risk Tolerance ☐ Low ☐ Moderate ☐ High

Source of Premium (Check all that apply)		
	☐ Stocks	☒ Checking/Savings Account
	☐ Bonds	☒ Certificate of Deposit
	☒ Mutual Funds	☐ Fixed Annuities *
	☐ Reverse Mortgage	☐ Variable Annuities *
	☐ Other ______________	☐ Life Insurance *
	* Is this a replacement of another annuity or life contract?	
	☐ Yes	☐ No
	If yes, what is the surrender charge(s) %, if any?__________%	

Source of Premium All applicable areas should be checked for sources of annuity premium payment(s).

Goals for this Annuity Product (Check all that apply)

- [x] Future Income
- [ ] Immediate Income
- [x] Wealth Accumulation
- [x] Tax Deferral
- [ ] Other___________
- [ ] Education Planning
- [ ] Liquidity
- [ ] Charity/Inheritance
- [ ] Preservation of Capital
- [x] To Provide for Long-Term Care

Goals for this Annuity Product Be sure this section is accurately completed to ensure the client's needs are prioritized. For example, it would be contradictory to check both Immediate Income and Wealth Accumulation as goals for the annuity product. Immediate Income should be used with annuities that provide an immediate income stream.

Product Time Horizon

When do you expect to start needing income from this annuity product?

- [ ] Less than 1 Year
- [ ] 1 Year
- [ ] 2-4 Years
- [ ] 5-7 Years
- [ ] 8-10 Years
- [x] More than 10 Years
- [ ] Never (money is for charity/inheritance)
- [ ] If needed for Long-Term Care

How do you expect to withdraw funds from this annuity product?

- [ ] Interest Only
- [ ] Penalty Free Withdrawal
- [ ] Annuitization
- [ ] Other___________
- [ ] Specific Dollar Amount
- [ ] Required Minimum Distribution (Tax Qualified Plan only)
- [x] To Provide for Long-Term Care

Product Time Horizon The purpose of this section is to document the approximate timeframe when the client expects to need income from the annuity product, and their preference for withdrawing funds. If the applicant is unsure of how he/she will take distributions, select the most likely choice. The client's responses are not binding. Answers provided in this section should align with the client's financial objectives. The client should be encouraged to check only one box in each of these areas. For example, 8-10 Years and Penalty Free Withdrawal.

Future Income Needs

Do you anticipate any change in your financial situation in the next several years, such as:

- Health care
- Housing
- Change in pension
- Change in employment status/occupation
- An income stream that will cease

- [ ] Yes
- [x] No

If yes, please explain, to the extent possible (e.g. when you expect the changes to occur, and the amount of each change)

____

____

____

Future Income Needs The client must answer the following question:

Do you anticipate any decrease in income or increase in living expenses in the next several years? (Yes or No)

If the client answers "Yes", he or she should explain, to the extent possible (e.g. when he or she expects the change to occur, and the amount of each change).

Buyer's Guide Certification Several states currently require an applicant to certify that they received a Buyer's Guide from their producer at the time of sale. If the applicant is a resident of a state that requires certification, you must provide the applicant with a copy of the appropriate Buyer's Guide.

***NOTE:* YOUR CONTRACT CANNOT BE ISSUED WITHOUT YOUR SIGNATURE BELOW.**

Owner's Confirmation

I acknowledge that the information I have provided above is true and complete to the best of my knowledge. I understand that United of Omaha and my licensed producer can only assist me in determining the suitability of this product based upon the information that I actually provide to them. I have reviewed the Annuity Disclosure and have determined that the product meets my goals and financial objectives and is suitable for me. I further acknowledge that the product I am applying for may carry penalties for early withdrawal of funds.

X Nathan Henderson 3/15/XX

Signature of Owner(s) **Date**

Licensed Producer's Confirmation

I acknowledge that I have obtained the above information from the Owner concerning the Owner's financial status, tax status, investment objectives, and other information considered reasonable. It is my belief that, based on the information the Owner provided and based on all the circumstances known to me at the time the recommendation was made, the annuity being applied for, based on my recommendation, is suitable for the Owner's insurance needs and/or financial objectives.

X John Q. Agent 3/15/xx

Signature of Licensed Producer Date

L7748_0109 **Submit to Home Office, Licensed Producer to Retain Copy**

Page 2 of 2

Required Signatures The owner(s) must sign and date the Owner's Confirmation

NOTE: If there are multiple owners (i.e., jointly owned by spouses), both will need to sign the form.

Licensed Producer's Confirmation: The producer's signature and date must also be obtained in order to process the application.

Without these signatures, the application will not be processed.

Please review the Annuity Suitability Information Form carefully with your client. If any questions or red flags arise while reviewing the Form, the Annuity Services team will contact the applicant to clarify or verify the information in question. It might be helpful for you to let your client know in advance that they may receive a call from the home office during the underwriting process.

APPENDIX

GLOSSARY

Annuitant One to whom an annuity is payable.

Annuity Stipulated sum payable at certain regular intervals during the lifetime of one or more persons, or payable for a specified period only.

Annuity, Return of Premium An annuity that guarantees the return of the purchase price – refund is the difference between the purchase price and the payment made to the annuitant.

Annuity, Certain A contract providing income for a definite and specified period of time, with payment going to a designated beneficiary if the annuitant dies.

Annuity, Deferred An annuity under which the first payment is not made to the annuitant until the expiration of a fixed number of years or until the annuitant attains a stated age.

Annuity, Flexible Premium A deferred annuity under which premiums may vary from year to year within stipulated limits.

Annuity, Immediate An annuity under which the first payment falls due one month, three months, six months or twelve months after the payment of the purchase price, as may be desired by the annuitant.

Annuity, Installment Refund An annuity that guarantees payments of the full purchase price whether the annuitant lives or dies.

Annuity, Joint and Survivor An annuity payable for as long as the annuitant lives and continued in whole or part after his or her death to, and for the lifetime of, a named survivor or contingent annuitant.

Annuity, Life An annuity which is payable during the continued life of an annuitant, but with no provision for payment after death. No provision is made for the guaranteed return of the unused portion of the premium.

Annuity, Nonqualified An annuity whose contributions are not exempt from taxation, there is no limit to the size and frequency of contributions and interest (earnings) are tax deferred.

Annuity, Qualified An annuity used to fund and/or distribute a qualified retirement plan. Also refers to tax-deferred annuities used to fund the retirement benefits in an HR10, IRA, pension or profit-sharing plan.

Date Benefits Begin Annuities may be classified by when benefits begin – deferred or immediate.

A deferred annuity may be purchased with either a single or periodic premium. Under a deferred annuity there should be a period longer than one benefit payment interval before benefit payments begin. Usually a number of years elapse before benefit payments begin.

On the other side, an immediate annuity begins paying benefits after one payment interval (monthly, annually or other) from the date of purchase.

Exclusion Ratio The ratio that is used to calculate the tax-free portion of an annuity payment, which compares the "investment in the contract" to the "expected return."

Individual Retirement Account (IRA) A tax-sheltered plan made possible by the federal government which allows most individuals with earned income to accumulate funds for retirement.

Key Employee Arrangements A plan whereby the employer provides a selected employee with a salary increase or bonus which is used by the employee to pay an IRA contribution through payroll deduction.

Roth IRA Type of individual retirement account effective in 1998 tax year. Contributions to this IRA are not tax deductible. Qualified distributions, including earnings, are tax free.

Simplified Employee Pension Plan (SEP) A special type of IRA credited by an employer to provide retirement funds for employees on a nondiscriminating basis.

Tax-free Rollover The tax-free transfer of accumulated assets from one qualified retirement plan to an IRA or annuity and vice versa.

Tax-sheltered Annuity (TSA) A retirement plan provided for employees of Section 501(c)(3) organizations and public schools only, under Section 403(b) of the Internal Revenue Code, purchased by the employer with increases in salary or salary reductions continued by the employees.

Variable Annuity Similar to a traditional, fixed annuity in that retirement payments will be made periodically to the annuitants, usually over the remaining years of their lives. Under the variable annuity, there is no guarantee of the dollar amount of the payments; they fluctuate according to the value of the account invested, primarily in common stocks.

FIXED ANNUITIES REVIEW QUESTIONS
ANSWER KEY

Units 1 and 2

1. c
2. a
3. a
4. d
5. c
6. b
7. d
8. a
9. a
10. d
11. b
12. c

Unit 3

1. a
2. d
3. c
4. d
5. b
6. d
7. a
8. d
9. a
10. b

Unit 4

1. b
2. a
3. a
4. a
5. b
6. c
7. a
8. b
9. d
10. c
11. a
12. c
13. d