Advisor Designations:

• Is the person selling the annuity knowledgeable and trustworthy?

• A fancy title does not mean the person has training or experience with annuities.

Insurance professionals use an array of designations and certifications that can be confusing.

The requirements needed to obtain a certain designation or certification can vary greatly. Some annuities salespeople may have attended a single seminar, and passed a multiple-choice exam. Other salespeople may hold a professional designation that is recognized industry-wide and has been certified for undergraduate and graduate degrees, which involves, at a minimum, several years of education.

There are hundreds of designations and titles which sound impressive, but do not require real training.

There are even "diploma mills" that sell pretend credentials to trick consumers. Determine for yourself whether the individual's qualifications and experience meet your needs. Do not depend on a title alone.

Check with the Division of Insurance if you have questions about an individual's license or designation.

Understanding Annuities—

Are they right for you?

Colorado Division of Insurance

Department of Regulatory Agencies

What is an annuity?

An annuity is a contract in which an insurance company makes a series of income payments at regular intervals in return for a premium or premiums you have paid to the insurance company. Annuities are often purchased for future retirement income.

Annuitization results from your election (decision) to receive regular income payments from your contract. The value of your investment is converted so that payments can be made to you, with some restrictions.

If you elect to annuitize your contract, you will no longer be able to change the terms of the payments to you. You will no longer have access to money that you have paid to the insurance company outside of the payment plan that you elected.

Is an annuity right for you?

You should think about your financial goals, and how much risk you are willing to take. While some annuities provide a guaranteed return, others may involve risk to the investment.

Be aware: Once you decide to annuitize your contract, that decision is final.

Ask these questions:

How much retirement income will you need in addition to what you will get from Social Security and your pension?

Will you need additional income for yourself or for others who depend on you?

How long can you leave money in the annuity and does the annuity let you take out money when you need it?

Is this a single premium contract (single payment)? Or is it flexible premium allowing you to make additional premium payments?

For a fixed annuity, what is the initial interest rate and how long is it guaranteed?

Can you make a partial withdrawal without paying surrender or other charges, and is there a death benefit?

Use caution when attending investment or senior seminars!

A "free lunch" could cost plenty.

Seminars are a common way for annuity sales people to market their particular products. Sometimes an offer of a free meal is really an invitation to a sales seminar.

These seminars or the follow-up visit after the seminar can involve high-pressure or scare sales tactics. Use caution when attending these seminars and, at a minimum, ask the appropriate questions listed in this brochure before you invest in an annuity. Never sign a contract until you have reviewed all the details and understand it.

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Questions you should ask the sales agent or the company *before* you buy an annuity:

- What is the guaranteed minimum interest rate?
- What charges, if any, are deducted from my premium and when?
- What charges, if any, are deducted from my contract value and when?
- What are the surrender charges or penalties if I want to end my contract early and take out all of my money?
- How many years will the surrender charges apply?
- Can I get a partial withdrawal without paying charges or losing earned interest?
- Does my contract have vesting?
- Does my annuity waive withdrawal charges if I am confined to a nursing home or diagnosed with a terminal illness?
- What annuity income payment options do I have and when?
- What are the terms of the death benefit?
- What are the risks that my annuity/ earned interest could decline in value?
- Is interest compounded during the term of the policy?
- What is your commission on this product?

Additional questions to ask about equity-indexed annuities:

● What is the participation rate? ● How long is the participation rate guaranteed?

● Is there a minimum participation rate? ● Does my contract have a cap on interest earned?

● Is averaging used? ● How does it work? ● Is there a margin, spread, or administrative fee?
● Is that in addition to, or instead of, a participation rate?

● Which indexing method is used in my contract? ● What is the minimum interest the contract can earn? ● What is the maximum (cap) interest the contract can earn?

● Is there a "free-look" period? A "free-look" is a period of time during which you may terminate the contract without paying surrender charges. During this time, you may continue to ask questions to be sure the investment is right for you. "Free-look" information and deadlines should be in writing in your contract.

As with any insurance product, always review the contract and be sure you understand the terms and conditions, as these will vary from contract to contract.

Ask the agent and/or company for a written explanation of anything you do not understand. Do this before any "free-look" period ends. The "free-look" period gives you a set number of days to look at the annuity contract after you buy it.

Types of annuities

Single Premium - An annuity where you pay the insurance company only one premium payment.

Flexible Premium - An annuity where you pay multiple premium payments to the insurance company.

Immediate - An annuity where income payments to you start immediately, but no later than one year after you pay the premium.

Deferred - An annuity where income payments are not scheduled to start for several years after you pay the premium.

Fixed - An annuity where your money, less any applicable charges, earns interest at rates set by the insurance company or in a way specified in the annuity contract.

Variable - An annuity where the insurance company invests your money, less any applicable charges, into a separate account based upon the risk you want to take. The money can be invested in stocks, bonds or other investments. You may direct allocations of your money into separate accounts.

If the fund does not do well, you may lose some or all of your investment.

Equity-Indexed - A variation of a fixed annuity where the interest rate is based on an outside index, such as a stock market index.

The annuity pays a base return, but it may be higher if the index goes up.

What is a maturity date?

The maturity date is a date determined when you purchase the annuity. It is the latest date on which you can begin receiving payments from your annuity under any of the settlement options available to you. The maturity date shown on the specifications page of your contract is automatically set as the date when you must begin receiving payments from your contract. The maturity date does not restrict the settlement options provided by the company. You can start receiving payments from your annuity as early as one year after the contract is issued, or at any time thereafter.

Settlement options are explained in your contract, disclosure statement and product brochure. Settlement options are the various ways in which you can receive income from your annuity contract. You may also be able to annuitize the accumulated value of your contract any time after the first anniversary date, subject to limitations.

Consumer Protection

Consumer protection is our mission

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