

When it comes to retirement, Fixed Index Annuities may be only one part of the big picture. This brochure is meant to educate you on the basic considerations when it comes to bonus annuities. It is an overview of what bonus annuities are, how they work, and what to consider before purchasing. Should you have questions about your individual situation, please contact our office and we would be glad to assist you.



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## BONUS ANNUITIES

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Often, you are faced with many types of retirement vehicles to consider. Bonus annuities may be among those you may want to consider. Why? Read on...





## IS A BONUS ANNUITY RIGHT FOR ME?

There are many considerations when deciding if a bonus annuity is the right decision for you. Below is a brief list of things you may wish to review with your financial professional.



### What is a Bonus Annuity?

A Bonus Annuity is a type of annuity product that offers either an upfront premium bonus or a first year interest rate bonus. When available, upfront premium bonuses are typically found with fixed indexed annuity products, while first year interest rate bonuses are usually attached to traditional fixed annuities.

In the second and subsequent years, the interest crediting rate is reduced to the normal non-bonus base rate which is declared each year by the insurance company, subject to a contractually guaranteed minimum.

#### How does it work?

With an upfront bonus, if you put \$100,000 into an annuity product that offers a 5% upfront premium bonus, the insurance company would immediately add an extra \$5,000 to your annuity, increasing the value of your account to \$105,000 on the issue date of your policy.

And in a first year interest rate product, if you purchased an annuity with a base interest rate of 2% with a bonus rate of 6%, you would earn a total of 8% interest, over the course of the first contract year, on your premium deposit.

#### IF YOU HAVE AN EXISTING ANNUITY

You would need to execute a 1035 Exchange switch to a different annuity. The bonus may be attractive, but you should ensure that the annuity surrender charges are not more than the bonus paid on the new annuity.

#### IF YOU HAVE AN ACCOUNT THAT DIDN'T PERFORM

If you have a retirement investment that didn't perform, you may turn to a bonus annuity to make up a portion of what was lost. Ask about features that may not be offered on the bonus annuity, such as a death benefit or if the bonus payment is attached to a vesting schedule.

# SAMPLE

#### THE WITHDRAWAL FEATURE

Most insurance carriers will allow a bonus annuity to take out a percentage of the premium payment annually, penalty-free. This is typically the best fit after age 59 1/2 so that federal tax penalties are not applicable.

#### A CONSERVATIVE INVESTOR

If you don't want to worry about market volatility and won't need access to your money for at least 10 years, this could be a good option. Bonus annuities can offer guaranteed income and no market risk.

#### INCOME RIDERS

Some bonus annuities offer an income rider. Be sure to consider a few things. First, obtain the largest bonus possible as it could help you achieve the highest amount of future guaranteed lifetime income. 2. Income payouts use the upfront bonus, rollup rate and payout percentage table as components so don't place too much emphasis on the upfront bonus as all are equally important.

#### GUARANTEES

Know that guarantees are backed by the issuing insurance company. Bonus annuities may include higher surrender charges, longer surrender periods, lower caps, higher spreads, and other restrictions not included in similar annuities that don't offer a bonus.