



About Fixed Annuities

How are the Interest Rates set for Fixed Annuities?

During the accumulation period, your money (less any applicable charges) earns interest at rates that change from time to time. Usually, what these rates will be is entirely up to the insurance company.

CURRENT INTEREST RATE

The current interest rate is the rate the company decides to credit to your contract at a particular time. The company will guarantee it will not change for some period of time.

- The initial rate is an interest rate the insurance company may credit for a set period of time after you first buy your annuity. The initial rate in some contracts may be higher than it will be later. This is often called a bonus rate.
- The renewal rate is the rate credited by the company after the end of a set time period. The contract tells how the company will set the renewal rate, which may be tied to an external reference or index.

MINIMUM GUARANTEED RATE

The minimum guaranteed interest rate is the lowest rate your annuity will earn.

MULTIPLE INTEREST RATES

Some annuity contracts apply different interest rates to each premium you pay or to premiums you pay during different time periods. Other annuity contracts may have two or more accumulated values that fund different benefit options. These accumulated values may use different interest rates. You get only one of the accumulated values depending on which benefit you choose.

What Charges may be subtracted from a Fixed Deferred Annuity?

Most annuities have charges related to the cost of selling or servicing it. These charges may be subtracted directly from contract value. Ask your agent or the company to describe the charges that apply to your annuity. Some examples of charges, fees, and taxes are:

SURRENDER OR WITHDRAWAL CHARGES

If you need access to your money, you may be able to take all or part of the value out of your annuity at any time during the accumulation period. If you take out part of the value, you may pay a withdrawal charge. If you take out all of the value and surrender, or terminate, the annuity, you may pay a surrender charge. In either case, the company may figure the charge as a percentage of the value of the contract, of the premiums you've paid or of the amount you're withdrawing. The company may reduce or even eliminate the surrender charge after you've had the contract for a stated number of years. A company may waive the surrender charge when it pays a death benefit.



Some annuities have stated terms. When the term is up, the contract may automatically expire or renew. You're usually given a short period of time, called a *window*, to decide if you want to renew or surrender the annuity. If you surrender during the window, you won't have to pay surrender charges. If you renew, the surrender or withdrawal charges may start over.

In Some annuities, there is no charge if you surrender your contract when the company's current interest rate falls below a certain level. This may be called a *bail-out option*.

In a multiple premium annuity, the surrender charge may apply to each premium paid for a certain time. This may be called a *rolling surrender or withdrawal charge*.

Some annuity contracts have a *market value adjustment* feature. If interest rates are different when you surrender your annuity than when you bought it, a market value adjustment may make the cash surrender value higher or lower. Since you and the insurance company share this risk, an annuity with an MVA feature may credit a higher rate than an annuity without the feature.

FREE WITHDRAWAL

Your annuity may have a limited free withdrawal feature. That lets you make one or more withdrawals without a charge. The size of the free withdrawal is often limited to a set percentage of your contract value. If you make a larger withdrawal, you may pay withdrawal charges. You may lose any interest above the minimum guaranteed rate on the amount withdrawn. Some of the annuities waive withdrawal charges in certain situations, such as death, confinement in a nursing home or terminal illness.

CONTRACT FEE

A contract fee is a flat dollar amount charged either once or annually.

TRANSACTION FEE

A transaction fee is a charge per premium payment or other transaction.

PERCENTAGE OF PREMIUM CHARGE

A percentage of premium charge is a charge deducted from each premium paid. The percentage may be lower after the contract has been in force for a certain number of years or after total premiums paid have reached a certain amount.

PREMIUM TAX

Some states charge a tax on annuities. The insurance company pays this tax to the state. The company may subtract the amount of the tax when you pay your premium, when you withdraw your contract value, when you start to receive income payments, or when it pays a death benefit to your beneficiary.



What are some Fixed Deferred Annuity contract Benefits?

ANNUITY INCOME PAYMENTS

One of the most important benefits of deferred annuities is your ability to use the value built up during the accumulation period to give you a lump sum payment or to make income payments during the payout period. Income payments are usually made monthly but you may choose to receive them less often. The size of income payments is based on the accumulated value in your annuity and the annuity's benefit rate in effect when income payments start. The benefit rate usually depends on your age and sex, and the annuity payment

DEATH BENEFIT

In some annuity contracts, the company may pay a death benefit to your beneficiary if you die before the income payments start. The most common death benefit is the contract value or the premiums paid, whichever is more.

*Information provided by ForeThought Life Insurance Company