



# Annuities—a source of guaranteed income, for life.

Experience the security and stability an annuity can provide for your long-term income needs, plus discover benefits that can help you pursue your financial goals.





## Planning for the future you want.

When you're ready to develop an income plan for retirement, it's important to determine how much money you'll need to cover everyday expenses, discretionary expenses, and unexpected emergency expenses. Having multiple sources of income for each type of expense can help you build an income stream that will last as long as you need it. Choosing an annuity to help fund your everyday needs can add stability, security, and predictability to your financial plan. That's because—much like Social Security and pensions—annuities can provide income for life.

An annuity also can supplement a 401(k) or IRA as an additional vehicle for tax-deferred growth. Depending on the annuity you choose, you may be able to lock in a guaranteed growth rate or tie growth to market performance. And when you're ready to tap into your annuity, the assets can be used to generate a reliable stream of income, or even be passed on to the next generation.

Learn more about how an annuity could be a part of your long-term financial plan, plus discover the benefits of purchasing an annuity through TD Ameritrade.

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## Annuity basics

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### ► What is an annuity?

An annuity is a contract between an individual and an insurance carrier that's designed to provide a steady stream of income during retirement.

### ► How does an annuity work?

Annuities have two phases—one for “accumulation,” or growing your investment, and another for “annuitization,” the payout phase:

**Accumulation phase:** This is the period of time when a person makes contributions to an annuity in order to build its value. Annuities can grow from interest and market gains. Some allow you to choose which investments to include, while others are predetermined. During this phase—depending on the type of annuity—a person may be able to make withdrawals on the contributions and earnings.

**Annuitization phase:** This is when a person gives up access to the liquid assets of an annuity in exchange for a guaranteed series of ongoing payments that can last a lifetime.

### ► Types of annuities

**Immediate annuity:** This type of annuity is purchased with a single lump-sum payment, in exchange for a stream of guaranteed income that begins almost immediately. Immediate annuities may benefit people who want to annuitize their assets right away, thereby skipping the “accumulation phase.”

**Deferred annuity:** This type of annuity delays annuitization until a predetermined date chosen by the investor. Some people choose to never annuitize.

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## Benefits of annuities

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While annuities can differ based on a range of factors, common features and benefits can include the following:

### ► Hedge against market fluctuations

Annuities can guarantee a fixed payout rate for life, regardless of what happens in the market. Depending on the type of annuity and the features you select, annuities can offer several different guarantees that provide protection during market downturns. These guarantees typically come at additional cost and may include guaranteed growth, guaranteed principal protection, or a stream of income that is guaranteed for life and will never decrease.

### ► Tax benefits

Annuities offer tax-deferred growth potential, which means your money can compound and grow tax-deferred until a withdrawal or an annuitized payment is made. Payments also provide tax advantages because the portion of a payment that is principal is typically excluded from income tax.

### ► Guaranteed income for life

The amount you receive monthly from an annuity depends on the type of annuity you select, how much you invest, how your investment performs prior to receiving payments, and which features you add (such as opting to transfer your payments to your spouse in the event of your death). Annuitizing will guarantee a cash flow stream that you cannot outlive. An annuity is the only investment product that can provide this lifetime guarantee.

### ► Higher payouts than comparable investments that provide income

Annuity payments include interest and a portion of your principal contribution, and may even continue after you've recouped your principal. That's because the insurance company pools together people who own an annuity, subsidizing those who live longer with money from those with shorter lives.

Note: Annuity payments are subject to income taxes. In addition, withdrawals made before age 59½ are subject to all taxes and have a 10% early withdrawal penalty on gains and pretax funds. However, there is no penalty on the principal amount funded with after-tax dollars.

# Which annuity is right for you?

When thinking about which kind of annuity can work for your long-term financial goals, you may want to consider things such as when you'll need access to the money, what your risk tolerance is, and whether or not you want to leave a legacy for your heirs. This chart can help you determine which type of annuity is best suited for your goals based on these and other variables.

Benefit	Single Premium Immediate Annuity	Deferred Income Annuity	Fixed Deferred Annuity	Variable Annuity with Optional GLWB Benefit*
Offers guaranteed income for life	●	●	○	●
Offers a tax-advantaged income stream	●	●	○	○
Can provide a steady, guaranteed stream of income immediately	●	○	○	●
Can provide a steady, guaranteed stream of income at some point in the future	○	●	●	●
Locks in higher payout rates the longer you wait to receive payments	○	●	○	●
Growth potential tied to performance of underlying accounts	○	○	○	●
Asset growth compounds tax-deferred	○	○	●	●
Can provide a financial legacy for your beneficiaries	◐	◐	●	●
Offers access to your funds (prior to annuitization)	○	○	◐	●
Additional tax penalty if receiving payments before age 59½	○	○	●	●

● = Strong alignment    ◐ = Partial alignment<sup>†</sup>    ○ = No alignment

\*GLWB = Guaranteed Lifetime Withdrawal Benefit, available at additional cost.

<sup>†</sup> For Single Premium Immediate and Deferred Income annuities with Period Certain, Installment Refund, Cash Refund, or Death Benefit options.





# Get exceptional support and access to competitively priced annuities.

When you purchase an annuity through TD Ameritrade, you can be confident that the goal of our licensed annuity specialists is to find the annuity that's right for you. They can also help:

- ▶ Cut through jargon and provide answers
- ▶ Explain an annuity's benefits and drawbacks
- ▶ Determine if an annuity is appropriate for your situation
- ▶ Recommend an annuity based on your needs

## Other benefits of purchasing an annuity through TD Ameritrade include:

- ▶ Access to a curated list of competitively priced annuities
- ▶ The assurance that our annuities are from high-quality insurance carriers:  
A.M. Best Company rating of A+/A++; minimum Standard & Poor's rating of AA- or better
- ▶ A selection of variable annuities with a base cost that is roughly 100 basis points lower than the industry average\*

\*1.30% industry average according to a Q4 2014 Morningstar Associates® survey of 2,078 variable annuities.



## Already have an annuity? We may be able to save you money.

Our annuity specialists can review your existing annuity from another carrier to determine if we can save you money in fees and present a lower-cost alternative with our competitive solutions. They can also review your existing policy to make sure your annuity aligns with your long-term investment strategy, as well as ensure its benefits are carried out the way you intended.

**Contact an Annuity Specialist today at [800-347-7496](tel:800-347-7496) or visit [tdameritrade.com/annuity](https://tdameritrade.com/annuity) to learn more.**

# Definitions

**Required Minimum Distribution (RMD):** The amount traditional, SEP, and SIMPLE IRA owners and qualified plan participants must begin taking from their retirement accounts. Withdrawals must occur by April 1, following the year they reach age 70½. RMD amounts must then be withdrawn every year thereafter.

**Guaranteed Lifetime Withdrawal Benefit (GLWB):** A rider on a variable annuity that allows minimum withdrawals from the invested amount without having to annuitize the investment. The amount that can be withdrawn is based on a percentage of the total amount invested in the annuity.



INVESTMENT AND INSURANCE PRODUCTS		
NOT FDIC INSURED	NO BANK GUARANTEE	MAY LOSE VALUE

***Investors should carefully consider a variable annuity's risks, charges, limitations, and expenses, as well as the risks, charges, expenses, and investment objectives of the underlying investment options. This and other information is provided in the product and underlying fund prospectuses. To obtain a copy of the prospectus, contact an annuity specialist today at 800-347-7496 or email [annuities@tdameritrade.com](mailto:annuities@tdameritrade.com). Please read them carefully before investing.***

An insurer's financial strength rating represents an opinion by the issuing agency regarding the ability of an insurance company to meet its financial obligations to its policyholders and contract holders. A rating is an opinion of the rating agency only and not a statement of fact or recommendation to purchase, sell, or hold any security, policy, or contract. These ratings do not imply approval of our products and do not reflect any indication of their performance. For more information about a particular rating or rating agency, please visit the website of the relevant agency.

All guarantees are based on the claims-paying ability of the insurer.

Annuities are long-term investments designed for retirement purposes. Withdrawals of taxable amounts are subject to income tax and, if taken prior to age 59½, a 10% federal tax penalty may apply. Early withdrawals may be subject to withdrawal charges. Optional riders are available at an additional cost. An annuity is a tax-deferred investment. Holding an annuity in an IRA or other qualified account offers no additional tax benefit. Therefore, an annuity should be used to fund an IRA or qualified plan for annuity features other than tax deferral. Product features and availability vary by state. Restrictions and limitations may apply.

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