ANNUITY: 101

Facts about annuities to help YOU understand what SILAC does best.

SILAC
INSURANCE COMPANY
Experience, Excellence & Innovation

WHAT IS IT?

A fixed annuity is a financial contract between an insurance company and a policyholder in exchange for **principal-protected accumulation**. The contract includes various benefits and provisions that allow it to be converted to a stream of income payments.

WHAT IS THE PURPOSE?

Fixed annuities can help with numerous financial goals. *A few examples include:* principal-protected accumulation, tax deferral, lifetime income streams and wealth transfer benefits.

HOW IS IT FUNDED?

Fixed annuities can be funded with several types of funds. The type of fund determines the annuity's tax status.

TAX DEFERRAL & TAX STATUS

All annuities benefit from tax deferral while the funds are in deferral. Tax status becomes important once funds are received. The two types of tax statuses in fixed annuities are **Qualified** and **Non-Qualified**. Note: Qualified & Non-Qualified funds cannot be mixed in one annuity contract.

QUALIFIED -VS- NON-QUALIFIED

QUALIFIED

Qualified funds are funds that have never been taxed. Some examples include traditional IRAs, Inherited IRAS, 401(k)s, pension funds and 403(b). All distributions from a qualified annuity (i.e.- a withdrawal, RMD, or income stream) are 100% taxable. This means the premium and any interest are taxable once received.

NON-QUALIFIED

Non-qualified funds are funds that have been taxed before they were deposited into the annuity. Some examples include funds from savings accounts, CDs and checking accounts. Interest received from distributions from a non-qualified annuity (i.e.- a withdrawal, RMD, or income stream) are taxable. This means the premium received is not taxable since it was already taxed prior to purchasing the annuity, also known as *cost basis* (which is the original premium prior to any growth.)

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