



## A Guide to Investing in Annuities

## **IN THIS BROCHURE**

---

What is an Annuity?

---

Who Are the Parties to an Annuity Contract?

---

What Benefits Do Annuities Offer in Planning for Retirement?

---

What Types of Annuities Are Offered?

---

Living Benefits

---

Standard Death Benefit

---

Enhanced Death Benefits

---

Variable Annuity Share Class/Sales Charges

---

Variable Annuity Expenses/Fees

---

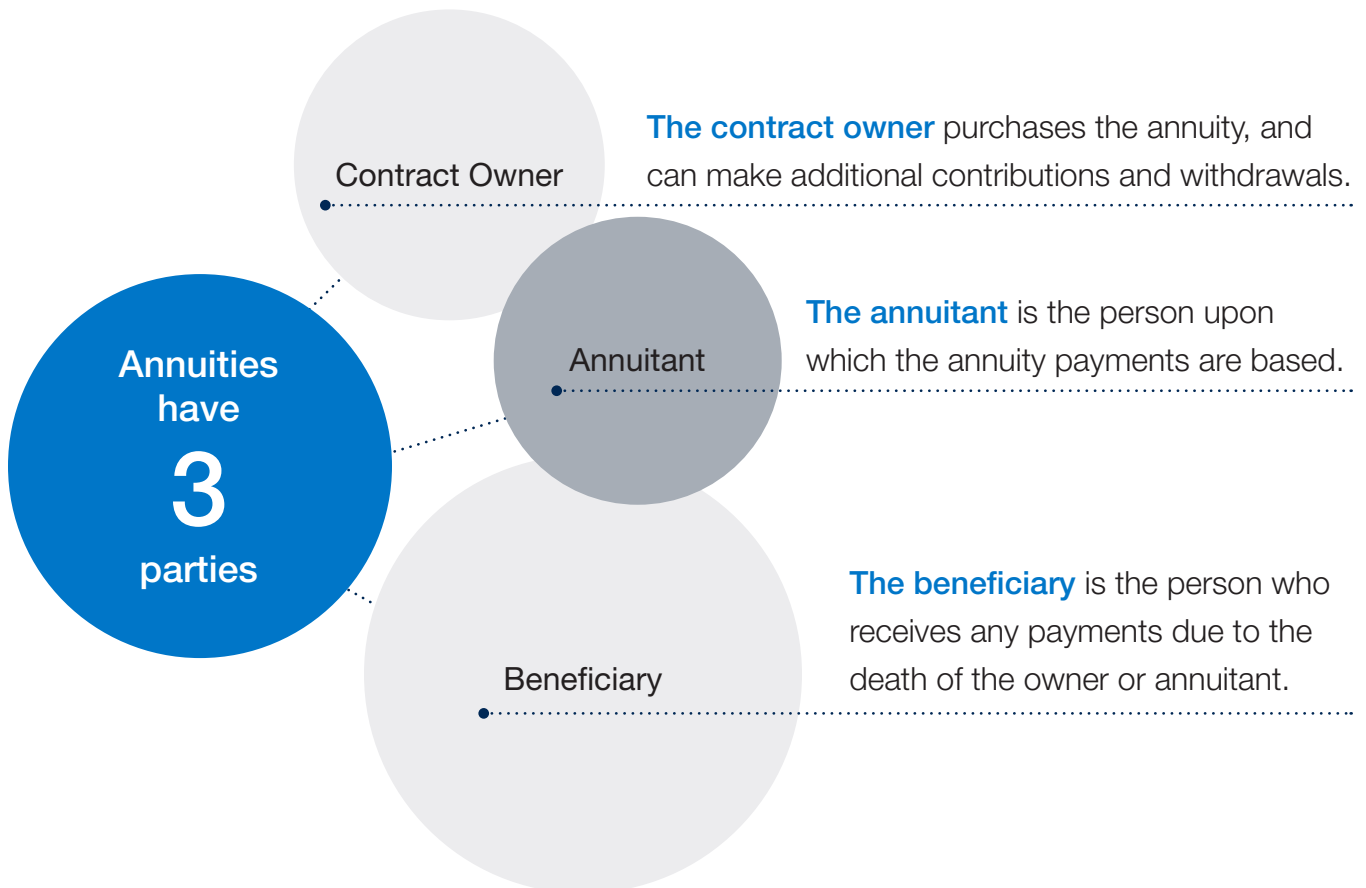
Frequently Asked Questions About Annuities



## What is an Annuity?

An annuity is a contract between an investor and an insurance company. Annuities can help investors accumulate assets for retirement on a tax deferred basis. Annuities can also provide lifetime income, death benefits and principal protection.

## Who Are the Parties to an Annuity Contract?

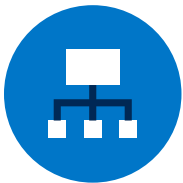




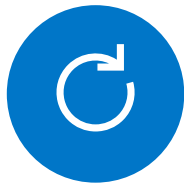
## Oppenheimer Life Agency, Ltd.

Oppenheimer Life Agency, Ltd., a wholly owned subsidiary of Oppenheimer & Co. Inc., has been providing annuity and insurance products and services to individuals and institutional clients since 1977. Oppenheimer offers an open architecture platform that features over 25 A rated insurance companies which provide variable, fixed and immediate annuities. These products are able to address the risks that clients planning for retirement face including longevity risk, market risk and inflation risk.

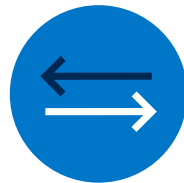
# What Benefits do Annuities Offer in Planning for Retirement?



Annuities offer investors the ability to diversify their overall portfolio according to their risk tolerance through the use of living benefits, death benefits and tax deferral.



Annuities are the only investment that can provide a guaranteed\* lifetime stream of income during retirement\*\*. This can provide a comfort level which can ease concerns about outliving current retirement savings. This income can also increase over time.



Annuities provide various death benefit options for clients concerned with wealth transfer.



Annuities do not go through the probate process.

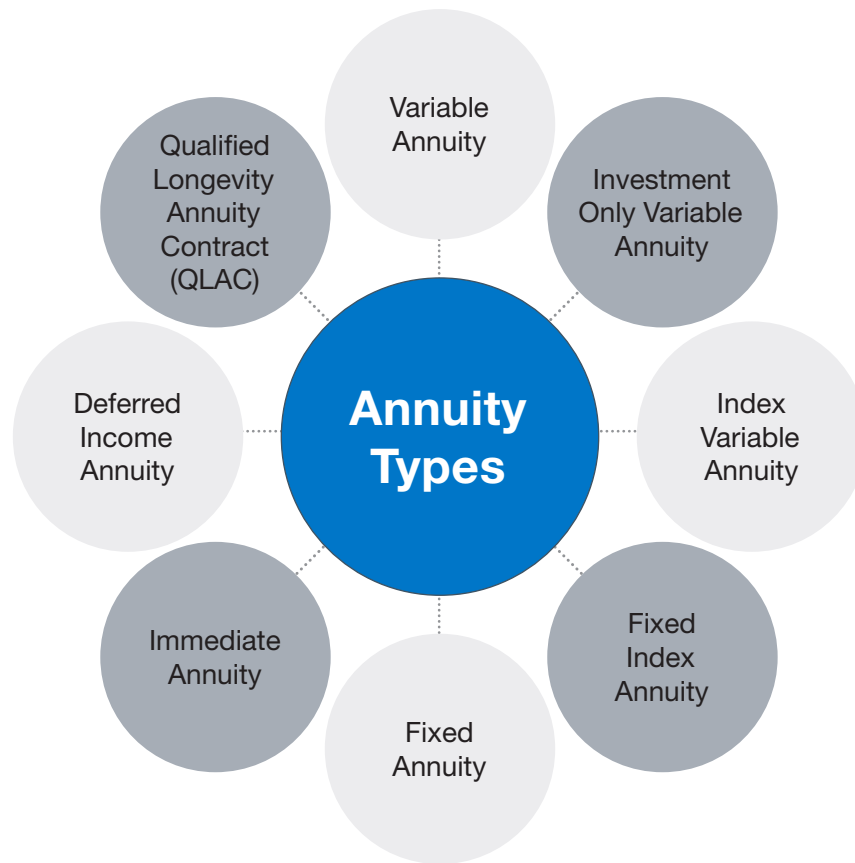


Non-Qualified annuities are the only investment vehicle to offer tax deferred growth which can help clients defer taxes until they are retired and in a lower tax bracket.

\* Any payment guarantees are based on the claims paying ability of the insurance company.

\*\* Source: 2010 Annuity Fact Book

# What Types of Annuities Are Offered?



## Variable Annuity

A **Variable Annuity** is a long-term contract between an investor and an insurance company. The first phase of the contract is the “accumulation” phase, where the investor makes either one lump sum payment or a series of payments to the insurer. Payments made into the contract are typically allocated into the available investment options. The rate of return on the investment options depends on their performance.

Variable annuities allow investors to receive periodic payments, which is known as the payout phase. These payments can be made over a specific period of time or over the investor’s lifetime, which can offer protection from outliving their retirement savings.

Variable annuities offer unique living benefit riders which provide principal guarantees or growth even in a down market. The actual contract value is not affected by these guarantees; there is a separate “benefit” value on which the guarantees are based.

Variable annuities also provide a death benefit in the event the owner or annuitant dies before the insurer begins the periodic payments. The beneficiary would then receive a death benefit payout.

Variable annuities may also be tax deferred on non-qualified money. The annuitant does not pay taxes on any income earned until withdrawals begin, which are taxed at ordinary income tax rates. In addition, there is a 10% Federal tax penalty on earnings withdrawn before age 59 ½.



## LIVING BENEFITS (AVAILABLE AT AN ADDITIONAL COST)

**GMAB (Guaranteed Minimum Accumulation Benefit)** This benefit rider guarantees the owner's contract value will be at least the value of their initial investment after a specified number of years, regardless of how the market performs.

**GMIB (Guaranteed Minimum Income Benefit)** This benefit guarantees the owner will receive a lifetime income regardless of market performance. This is done by annuitizing the contract which guarantees payments based off the amount invested plus a stated interest rate of between four and five percent. The annuity must be annuitized to receive this benefit, and there is normally a seven to ten year holding period before it can be exercised. Prior to annuitizing the contract, withdrawals can typically be taken.

### **GMWB (Guaranteed Minimum Withdrawal Benefit)**

This benefit guarantees that the owner can withdraw a fixed percentage (usually 4-7%) of the amount invested each year until the entire amount is recovered, regardless of how the market performs. The total withdrawals the client receives will be no less than the original amount invested, but depending on the market's performance it can be greater.

### **GLWB (Guaranteed Lifetime Withdrawal Benefit)**

This benefit guarantees the owner will receive a lifetime income regardless of market performance. The owner can withdraw a fixed percentage (usually 4-7%) of the amount invested for as long as they live. The percentage typically varies depending on the age of the client when they begin taking withdrawals and can increase with carrier credits or market performance. There is also an option for spouses, known as spousal continuation. This benefit guarantees lifetime withdrawals for both lives.

---

## STANDARD DEATH BENEFIT

Most variable annuities offer a standard death benefit, which guarantees that if the annuity owner dies and the market value is less than the original investment, the beneficiary will receive the original investment minus any withdrawals. Insurance companies also offer enhanced death benefits at an additional cost which can increase the death benefit over time.

---

## ENHANCED DEATH BENEFITS

### **Contract Anniversary Or Step Up**

This type of enhanced death benefit is the greater of the original investment, or because of market performance, a higher contract value on a specified anniversary date.

### **Initial Purchase Payment With Interest**

This type of enhanced death benefit is the greater of the contract value at death or a higher contract value based on a fixed percentage increase.



### **VARIABLE ANNUITY SHARE CLASS/SALES CHARGES**

Variable annuities are available with contingent deferred sales charge (CDSC) schedules and expenses. Most variable annuities are not subject to front end sales charges.

- **B Share** – Generally the surrender period is between six and eight years, with surrender charges of typically 6%-8.5% depending on the carrier. The surrender charge will usually decrease each contract year until it hits zero at the end of the surrender period.

---

### **VARIABLE ANNUITY EXPENSES/FEEES**

- **Mortality and Expense Fees (M&E) and Administrative Expenses** – These charges give the contract holder certain guarantees such as, the ability to choose a payout option and a death benefit. Some variable annuities also charge an annual contract fee under a certain amount.
- **Additional Cost of Riders** – The cost of any living benefits or enhanced death benefits selected by the contract holder.
- **Fund Management Fees** – The cost of the investment options selected.

## Investment Only Variable Annuity

An **Investment Only Variable Annuity** is a contract between an investor and an insurance company. It offers investors a simple way to invest taxable assets in a tax-deferred investment vehicle. They offer a variety of investment options, including alternative investments for qualified investors. They are typically available at a lower cost than a traditional variable annuity. They can be a good addition when a 401(k) or other qualified investment accounts are maxed out.

## Index Variable Annuity

An **Index Variable Annuity** is a contract between an investor and an insurance company. It pays interest based on the performance of a specified market index such as the S&P 500. It allows investors to take advantage of market growth with a guaranteed level of protection to help guard against market losses. The contract is customizable; investors can choose how much upside potential and downside protection is needed. They offer a lower fee schedule than other variable annuity products.

## Fixed Index Annuity

A **Fixed Index Annuity** is a contract between an investor and an insurance company. It offers returns based on the changes in a securities index, such as the S&P 500. In a fixed index annuity investors are not directly participating in an equity investment, therefore the principal will not be impacted by negative returns in the underlying index. In a fixed index annuity the money is either invested in a fixed account that earns a guaranteed rate of interest or in an indexed account which will credit earnings based on the performance of the underlying index or indices chosen. A crediting method is chosen and used to track the performance of the index, and determines the earnings at the end of the term. There are also features built into the annuity that impact earnings calculations such as a cap, spread or participation rate. These features can limit the upside earnings potential by a specified amount.

Most fixed index annuities offer income options for the investor. Optional lifetime income benefit riders are available at an additional cost to provide a guaranteed lifetime income stream for the life of the investor and if elected the surviving spouse as well.

## Fixed Annuity

A **Fixed Annuity** is a contract between an investor and an insurance company, where the contract owner receives a fixed rate of interest based on the amount invested and the maturity date. The longer the maturity date is, the higher the interest rate usually is. Interest credited to a fixed annuity is not taxed until it is withdrawn. The tax rule on non-qualified withdrawals is that interest and earnings are taxed first as ordinary income. In addition there is a 10% Federal tax penalty on interest and earnings withdrawn before age 59 ½.



## Immediate Annuity

An **Immediate Annuity** is a contract between an investor and an insurance company where the contract owner begins receiving payments immediately or within one year after the contract is issued. Immediate annuities are generally purchased with a lump sum investment which provides a monthly income for life. There are different payout options to choose from depending on the client's retirement needs. Non-qualified money invested in an immediate annuity is returned in equal tax free installments over the payment period. The balance of the amount received is treated as earnings and taxed as ordinary income.

### MOST COMMON PAYOUT OPTIONS ON IMMEDIATE ANNUITIES

---

- **Life Only** – This payout option provides the highest level of income and is guaranteed to last as long as the annuitant lives. When the annuitant dies, the payments stop.
- **Life with period certain** – Payments are guaranteed for the life of the annuitant and for a fixed period of time. If the annuitant dies before the period has expired the remaining payments are made to the beneficiary.
- **Life with cash refund** – Payments are guaranteed for the life of the annuitant. If the annuitant dies before the initial premium is paid, a lump sum payment is made to the beneficiary of the premiums minus the annuity payments already paid.
- **Life with installment refund** – Payments are guaranteed for the life of the annuitant. If the annuitant dies before the initial premium is paid, the payments will continue to the beneficiary until the amount received is equal to the premiums paid.
- **Joint and survivor** – Payments are guaranteed for as long as either of the two annuitants are alive.
- **Period certain only** – Payments are guaranteed for a specified period of time. If the annuitant dies before the end of the period, the payments continue to the beneficiary for the remainder of the period.

---

## Deferred Income Annuity

A deferred income annuity is a contract between an investor and an insurance company where the contract owner begins receiving payments at a future date. They are generally purchased with a lump sum investment which provides a monthly income for life. You have the ability to schedule an income stream at a later date, maximizing future lifetime income payments. This can be a supplement to Social Security income.

## Qualified Longevity Annuity Contract

A qualified longevity annuity contract (QLAC) is a contract between an investor and an insurance company where the contract owner begins receiving payments at a date in the future. A QLAC lets you schedule income, on a portion of your tax qualified savings to begin at a later age. The maximum age is 85. The maximum amount invested is 25% or \$135,000, whichever is less. This can maximize future lifetime income while reducing annual Required Minimum Distributions (RMD) and corresponding tax liabilities. A QLAC may also be a good option if you are concerned about longevity risk and the possibility of outliving your retirement income.

# Frequently Asked Questions about Annuities



## What Are the Benefits of a Fixed Annuity?

- They offer a guaranteed fixed rate of return
- They offer a fixed maturity date
- They can provide a lifetime income
- Non-qualified annuities provide tax deferred growth



## What Are the Benefits of a Variable Annuity?

- They provide a wide variety of investment choices depending on the client's risk tolerance
- They offer the ability to invest in the equity markets with lifetime income guarantees
- They offer guaranteed death benefits and avoid probate
- Non-qualified annuities provide tax deferred growth
- Contracts can be customized to each client's needs



## What You Need To Know Before Buying an Annuity

There are many different fixed and variable annuities to choose from, and should be considered long term investments. Before the purchase of an annuity, the following questions should be considered:

- How old is the investor?
- Is income needed, and if so, when should it start?
- How much should be invested?
- What guarantees does the annuity offer?
- How much are the fees on the annuity?
- How much risk is acceptable?
- What are the annuity riders?

# Glossary of Terms

## **Accumulation Phase**

The time period prior to annuitization when the contract owner can add money and accumulate tax deferred assets.

## **Annuitant**

The person, generally the contract owner to whom the annuity is payable, and whose life determines income payments in the contract.

## **Annuitization**

A payout option which converts the value of the annuity into a series of payments over a given time period.

## **Application**

A written request to an insurance company by an individual to obtain a contract with that company.

## **Beneficiary**

The person who receives payments due on a contract in the event of the death of the owner or annuitant.

## **Contract Owner**

The purchaser of an annuity contract and holder of all rights pertaining to the contract.

## **Non-Qualified Annuity**

An annuity in which purchase payments are made with after tax dollars. Earnings accumulate on a tax deferred basis until withdrawn.

## **Payout Period**

The period during which the money accumulated is paid out to the contract owner as income payments.

## **Qualified Annuity**

An annuity purchased with IRA, 403b or other qualified investments. Since qualified money is already tax deferred, an annuity should typically only be purchased if the client wants living benefits, death benefits or principal guarantees.

## **Surrender Period**

The time period the client must wait until they can withdraw funds from an annuity contract without receiving a surrender charge.

## **1035 Exchange**

A 1035 exchange is a tax-free exchange from one annuity contract to another.



**Please contact us with questions:**

**Oppenheimer & Co. Inc.**

85 Broad Street  
New York, NY 10004  
(212) 668-8000  
(800) 221-5588

© 2021 Oppenheimer & Co. Inc. Transacts Business on All Principal Exchanges and Member SIPC. All rights reserved.

This brochure is intended for informational purposes only. The material herein has been obtained from various sources believed to be reliable but is not guaranteed by us as to accuracy or authenticity. All information provided and opinions expressed are subject to change without notice. No part of this brochure may be reproduced in any manner without written permission of Oppenheimer & Co. Inc. ("Oppenheimer"). Neither Oppenheimer nor any of its affiliates or employees provide legal or tax advice. However, your Oppenheimer Financial Advisor will work with clients, their attorneys and their tax professionals to help ensure all of their needs are met and properly executed. Investors should consult with their legal and/or tax Advisors before implementing any wealth transfer strategies. Securities are offered through Oppenheimer. Variable annuities are sold by prospectus only, which describes the risks, fees and surrender charges that may apply. Investors should consider the investment objectives, risk and charges of the investment company carefully before investing. The prospectus contains this and other information. You may obtain a prospectus from your Oppenheimer Financial Professional. Please read carefully before investing. Oppenheimer may receive compensation in the form of fees or commissions for services referred to and performed by our strategic alliance firms. However, Oppenheimer and the firms mentioned herein are completely independent of each other. Oppenheimer Life Agency Ltd. is a wholly owned subsidiary of Oppenheimer & Co. Inc.