

VARIABLE ANNUITIES: SUMMARY OF FEES AND COSTS

Different variable annuities come with different fees and costs. Below is a summary of *estimated* fees and charges that you may incur when you purchase a variable annuity. ***The actual fees and costs you will pay will be disclosed in the annuity's prospectus.***

- 1. Administrative Fees:** The insurance company may deduct a fee to cover record-keeping and other administrative expenses. This charge is usually a flat fee (normally \$25 per year) but may be a percentage of the account value (typically in the area of 0.15% per year, although in some instances it may be lower or higher). Many insurance companies have provisions to waive this fee under certain circumstances (typically if a certain amount of assets are deposited).
- 2. Mortality & Expense Risk Charge:** This charge is equal to a certain percentage of the account value, typically in the range between 0.25% and 1.6% per year, although in some instances it may be lower or higher. This charge is used to compensate the insurance company for insurance risks it assumes under the annuity contract.
- 3. Underlying Sub-Account Expenses:** Each fund has an investment team that charges a management fee. This is the same type of fee that is charged within mutual funds outside of variable annuities. These expenses typically range between 0.25% to 2%, but in some instances may be lower or higher.
- 4. Fees and Charges for Other Features:** Special features, often referred to as "riders", offered by some variable annuities, such as a Stepped-Up Death Benefit, a Guaranteed Minimum Income Benefit, Guaranteed Minimum Withdrawal Benefit, Guaranteed Minimum Accumulation Benefit, or Long-Term Care Insurance often carry additional fees and charges as disclosed in the annuity's prospectus. These riders may add significant fees and costs to the annuity product. Each rider carries a fee set by the annuity company and can vary widely depending on the feature and the company. Please refer to the annuity's prospectus for information on the fees and costs applicable to the product you are considering.
- 5. Surrender Charges:** Variable annuities sometimes charge a penalty when a client withdraws money prior to a certain period of time (typically within six to eight years, but sometimes as long as 10 years or none at all). This fee is used to offset the compensation paid to the financial professional for selling the variable annuity that has not been recovered by the insurance company. Normally, the surrender charge decreases over time. For example, a 7% charge might apply in the first year after a purchase payment, 6% in the second year, 5% in the third year, and so on until the eighth year, when the surrender charge no longer applies. Most variable annuity policies allow partial withdrawals of the account value each year (normally 10% - 15% of the money paid into the policy or the earnings, whichever is greater).
- 6. Total Fees:** The amount of total fees that will be applicable to a particular annuity product can vary widely, depending on, among other things, the features of the product, the sub-accounts selected, and the surrender charge period selected. Please consult the prospectus for details of the fees and costs applicable to the product you are considering.
- 7. Commissions:** Variable annuities are high commission products. Your representative may have a conflict of interest due to the level of commissions paid on these products when recommending a variable annuity over another investment product.

Additional Resources

FINRA: Variable Annuities: www.finra.org/investors/learn-to-invest/types-investments/annuities/variable-annuities

FINRA: Your Guide to Annuities: Variable Annuities: www.finra.org/investors/insights/your-guide-annuities-variable-annuities