

Annuity Settlement Options

What is an Annuity? An annuity is a tax-deferred retirement savings vehicle sold by insurance companies and fraternal benefit societies. Gleaner Life Insurance Society offers several fixed annuity products. During the annuity's accumulation phase, the annuitant makes payments to Gleaner, either by depositing periodic flexible premiums into the annuity or by paying a one-time single premium. Interest accumulates tax-deferred within the annuity, and the annuitant does not pay federal taxes on the earnings until the money is withdrawn.

Annuity Settlement Options - One of the unique features of an annuity is the opportunity to elect a settlement option and set up a dependable stream of income. If a settlement option is elected, Gleaner will make periodic payments to the annuitant. Taxation of the payments is spread out equally over the distribution period to ease the tax burden. This annuitization feature is typically exercised by the annuitant during his or her retirement years and can protect the annuitant from outliving his or her resources. Once a settlement option is elected and the pay-out phase begins, the annuitant cannot make additional deposits to the annuity or switch to a different settlement option.

Settlement options are also available to the beneficiary after the annuitant's death. Rather than taking a lump sum distribution and incurring potentially severe tax consequences, the beneficiary may elect a settlement option, become the annuitant, and spread the payments and taxation over time. Certain settlement options may not be available under all circumstances and are subject to minimum amounts as determined by the Society.

Immediate Annuity - Gleaner also offers the option to purchase an Immediate Annuity. The annuitant deposits a one-time single premium into an annuity, by-passes the accumulation phase, and immediately elects a settlement option to begin receiving periodic distributions.

Settlement Options Available:

Fixed Period: Equal payments are made over a specific time frame selected by the annuitant (e.g. five, ten, or twenty years). If the annuitant dies before the end of the payment period, the annuitant's beneficiary will receive the balance of the remaining payments due. All payments stop at the end of the fixed payment period.

Fixed Amount: The annuitant selects a specific payment amount as well as the payment frequency. Gleaner will pay that amount periodically to the annuitant until the annuity value is depleted.

Life Only: Periodic payments are made to the annuitant over his or her lifetime. The annuitant can never outlive the payment period. At the time of the annuitant's death, all payments from Gleaner cease.

Life with Period Certain: This settlement option provides a dual guarantee: payments will be made for a certain guaranteed time period (e.g. five, ten or twenty years) and then continue for as long as the annuitant lives beyond that point. If the annuitant dies before the end of the period certain, the remaining payments due will be paid to the annuitant's beneficiary.

Joint and Survivor: With a joint and survivor annuity, payments are made to the annuitant and the survivor (typically a spouse) for as long as either individual is living. At the time of settlement, the annuitant must choose:

- Whether 100%, 2/3rds, or 50% of the payment will continue to the survivor after the first annuitant's death. Upon the death of the first annuitant, the remaining annuitant will continue to receive either the full payment or a portion of the payment.
- Either a Life Only option (payments will continue as long as at least one of the annuitants is living) or a Life with Period Certain option (if both annuitants die before the end of the period certain, any remaining payments due will be paid to the designated beneficiary).

Stretch Beneficiary IRA: A non-spousal beneficiary may choose this settlement option to defer taxation of IRA death claim proceeds. Rather than receiving the IRA death benefit as a lump sum and paying federal taxes on the entire amount during the calendar year of the annuitant's death, payments can be made annually to the beneficiary based on IRS life expectancy tables. For example if a beneficiary has a life expectancy of 30 years, payments are made over a 30 year time frame and the beneficiary is taxed only on the amount received during any given year. Gleaner will pay interest on the non-distributed portion, allowing more time for potential tax-deferred growth of annuity assets.

Settlement Options for Life Insurance - A settlement option may also be elected on life insurance certificates. Depending on the amount of the certificate's cash surrender value, the insured may terminate the life insurance protection and trade it for a stream of income. Settlement options are also available to the beneficiary of a life insurance certificate after the death of the insured.

We Are Here to Help - If you would like more information regarding your distribution options, please contact your Gleaner representative or the Gleaner Home Office. We would be happy to discuss your particular situation and present you with possible payment scenarios. You may contact the Home Office at 800-992-1894.