

ASH ANNUITY AUDIT

A PROFESSIONAL  
**ANNUITY  
ANALYSIS**

AN OBJECTIVE CONTRACT REVIEW PREPARED FOR:  
Valued Client

DATE:  
2/01/2020

PREPARED BY:  
Valued Advisor

# PART I: UNDERSTANDING YOUR CURRENT CONTRACTS

## CURRENT CONTRACT INFORMATION

**Objective for purchase:** Accumulation of wealth to provide income at retirement

- Current objective:**
1. Retire in 5 years at age 69
  2. Protect annuity values from market loss
  3. Concerned about running out of money due to longevity

The following is a summary of your current annuity contracts including insurance carrier, product type, current values, fees, death benefit and rider information.

Contract value information is based on the statements provided by the client.

	Contract Overview
Company	Carrier A
Product Name	Contract #1
Annuity Type	Variable Annuity
Contract Number	1234567
Contract Issue Date	3/22/2005
Owner & Annuitant - DOB	Valued Client - 1/15/1956
Beneficiary	Mrs. Valued Client
Statement Date	12/31/2019
Qualified or Non-Qualified	Non - Qualified
Surrender Charge Duration	7
Surrender Charge Percent Schedule	7,6,5,4,3,2,2

	Values
Contract Number	1234567
Account Value	\$256,336.00
Surrender Value	\$256,336.00
Current Surrender Charge	\$0.00
Premiums Paid	\$150,000.00
Cumulative Withdrawal Amount	N/A
Compounded Annual Growth Rate Since Issue	3.70%
Death Benefit	\$256,336.00

	Rider Information
Contract Number	1234567
Enhanced Death Benefit	No
Rider Name	N/A
Death Benefit Type	N/A
Enhanced Death Benefit	N/A
Guaranteed Income Rider	Yes
Rider Name	Guaranteed Lifetime Withdrawal Benefit Rider
Income Rider Type	Guaranteed Lifetime Withdrawal Benefit Rider
Current Income Benefit Base	\$297,347.00
Current Annual Guaranteed Income	N/A
Is lifetime income currently turned on?	No
If income is not turned on, when would income start?	Age 69

### Income Rider Summary

Benefit guarantees annual withdrawals of the benefit base until the death of the owner. The initial withdrawal percentage is based on the age of the owner on the effective date of the benefit or most recent step-up or reset if later, as follows:

60 – 64 ... 4 ½%      65 – 69 ... 5%      70 – 74 ... 5 ½%      75 and up ... 6%

On each contract anniversary, the remaining benefit base accumulates at 5% until the earlier of the first withdrawal or the 10 years from the benefit date or most recent reset.

On each contract anniversary, if the current account value is greater than the benefit base, after any applicable credit is applied, an automatic step-up will occur. Automatic step-ups and manual resets restart the 5% annual credit and the 10-year period. Upon an automatic step-up or manual reset, the withdrawal amount is recalculated on the new benefit base.

	Charges and Fees
<b>Contract Number</b>	<b>1234567</b>
<b>Annual Contract Fee</b>	\$0.00
<b>Annual Mortality &amp; Expense (M&amp;E) Fee Percent</b>	1.05%
<b>Administrative Charge</b>	0.25%
<b>Distribution Charge</b>	0.00%
<b>Annual Base Contract Fees Percent</b>	1.30%
<b>Annual Base Contract Fees</b>	\$3,332.00
<b>Subaccount Net Expense Ratio</b>	0.93%
<b>Average Subaccount Expense</b>	\$2,383.92
<b>Death Benefit Rider Fee Percent</b>	N/A
<b>Annual Death Benefit Fee Amount</b>	N/A
<b>Income Rider Fee Percent</b>	1.25%
<b>Annual Income Rider Fee Amount</b>	\$3,716.84
<b>Total Fees &amp; Expense (M&amp;E, Admin, Subaccount, Riders)</b>	\$9,432.76
<b>Total Fees &amp; Expense (As a Percent of Account Value)</b>	3.68%

## Annuity Portfolio Value

Company	Contract Number	Account Value	Surrender Value
Carrier A	1234567	\$256,336.00	\$256,336.00
<b>Portfolio Total</b>		<b>\$256,336.00</b>	<b>\$256,336.00</b>

## PART II: SUMMARY

Concerns about longevity risk and market losses close to or in the early stages of retirement are concerns for many healthy individuals entering retirement. Market losses near or shortly after retirement is known as “Sequence of Returns Risk”. For retirees, account withdrawals during a bear market are costlier than the same withdrawals in a bull market. Unlike other facets of retirement planning such as savings amount, investment options, asset allocation, and tax strategies, longevity and sequence risk are generally beyond an individual’s control.

Variable annuities offer a variety of investment subaccounts. Over time subaccounts have the potential to produce a higher return than a fixed or fixed index annuity. Along with the potential of higher returns, VA’s also are subject to loss of value due to market risk. Variable annuities account values are also subject to “fee drag” which suppress gains in good markets and exacerbates losses in bad markets.

The Carrier A contract has a Guaranteed Lifetime Withdrawal Benefit (GLWB). This benefit will allow you to withdrawal a minimum amount of guaranteed income from the contract. This contract is out of the guaranteed rollup period, meaning, the only increase to the Benefit Base Account will be dependent on positive performance of the subaccounts. The GLWB benefit is not a cash value that can be withdrawn in a lump sum.

There are available annuity solutions that will protect the account value from market loss and provide guaranteed lifetime income to mitigate both the sequence of returns and longevity risks.

Annuities are long-term investments designed for retirement planning. A fixed annuity is a contract between your client and an insurance company, under which the insurer agrees to make periodic payments to your client. There may be a surrender charge imposed during the first several years the client owns the fixed annuity contract. Withdrawals prior to age 59 ½ may result in a 10 percent federal tax penalty, in addition to any ordinary income tax. The guarantee of the annuity is backed by the claims-paying ability of the issuing insurance company. Although it is possible to have guaranteed income for life with a fixed annuity, there is no assurance that this income will keep up with inflation. Optional riders may increase the internal cost of the product.

Variable annuities are securities under federal law and may be considered securities under state law. Securities offered through First Palladium, LLC, Member FINRA. First Palladium is a subsidiary of Ash Brokerage. Contract information was supplied by a third party and has been verified to the best of our ability.

## PART III: NEXT STEPS

1. Review and update retirement plan to determine the gap between essential income needed and amount of guaranteed retirement income (Social Security, Pension, Annuity Income).
2. Explore how Fixed Income Annuities with Guaranteed Lifetime Withdrawal Benefit (GLWB) Riders can efficiently fill the retirement income gap, with principal protection.
3. Evaluate the Contract #1 GLWB benefits with what is available in the marketplace today. There has been quite a bit of innovation in the industry over the last 15 years.
4. If it is determined Fixed Index Annuities (with or without an income rider) is a suitable solution, funding would be through a 1035 tax free exchange of the existing non-qualified contracts.

I acknowledge that I have been presented with this entire document and have reviewed and understand the recommendations outlined above.

Annuitant/Owner Signature: \_\_\_\_\_

Date: \_\_\_\_\_

