



Annuity Fast Facts: Variable Annuities

August 2023

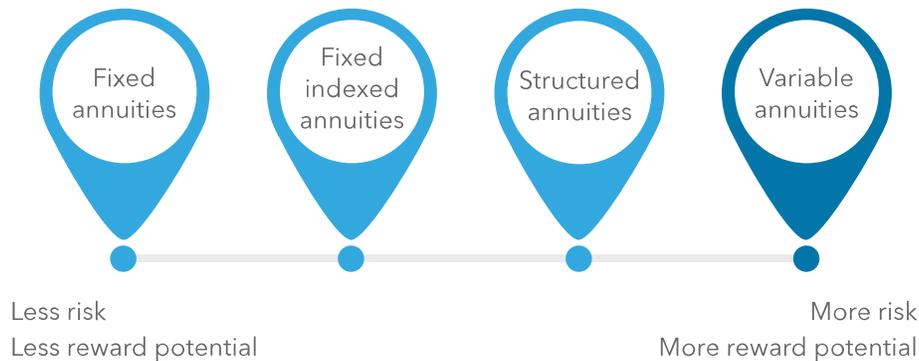


Annuity fast facts

This profile of variable annuities is one in a series created to increase awareness of annuities by providing market color, friendly tips, and interesting stats at a glance.

A deferred annuity is a long-term, tax-deferred investment issued by an insurance company and purchased through a qualified professional.

There are four main types:



Variable annuities

Variable annuities offer tax-efficient growth potential with a choice of investment funds.

Did you know?

With a variable annuity, investors can move between a more aggressive approach to a more conservative one, depending on their outlook of the market and current needs, without incurring capital gains each year. A single variable annuity contract typically offers more than 100 investment funds to choose from and the flexibility to reallocate money from one fund to another within the contract, rather than sell one to buy another.

This tax efficiency is why variable annuities can be useful in adjusting portfolio exposure to equities over time.

**Variable annuities
allow investors
to consider their
investment decisions
independently
from immediate
tax concerns.**

Securities products and services may be offered by iCapital Markets LLC, a registered broker/dealer, member FINRA and SIPC, and an affiliate of iCapital. Annuities and insurance services provided by iCapital Annuities and Insurance Services LLC, an affiliate of iCapital, Inc. iCapital and iCapital Network are registered trademarks of Institutional Capital Network, Inc. Please see the disclaimer at the end of this document for more information.

Reminder

If a variable annuity is held in a tax-advantaged retirement plan, the investor will get no additional tax advantage from the variable annuity. Given the retirement plan itself is tax-deferred, the variable annuity is taxed like any other asset within that retirement account.

Friendly tip

Investors can also buy a variable annuity with enhanced death benefits, such as one that includes an annual percentage increase in the death benefit value or one that automatically locks in a death benefit value equal to the highest account value upon any policy anniversary date.

Interesting fact

During the years following the tech crash of 2000-02, and then again after the financial crises of 2007-09, variable annuity companies paid out hundreds of millions of dollars in guaranteed death benefit claims.¹

Know that variable annuities:

- Are complex and subject to risk, including the potential for significant losses.
- Can be expensive relative to other investments.
- Are not FDIC insured and any guarantees under a variable annuity contract are backed by the issuing insurance company and subject to its claims paying ability.
- Are considered a long-term investment, typically carrying penalties (such as a surrender charge) if money is withdrawn during the stated surrender period.
- Come with an additional 10% federal tax penalty for withdrawals prior to age 59½.

Key feature

Most variable annuities include or offer a death benefit for a fee, which guarantees the value of the investor's original investment (adjusted for any withdrawals) to listed beneficiary(ies) upon the investor's death, regardless of the account value.

Variable annuities can provide a death benefit and, if \$100,000 of premium is invested in a variable annuity and then the market falls, reducing the account value to \$80,000 at the time of the policy holder's death, the insurance company will pay the beneficiary the full \$100,000 that was invested.

Enhanced death benefit options always incur additional costs and should be thoroughly evaluated before adding to a contract.

ENDNOTES

1. Federal Reserve Bank of Chicago, [How Much Risk Do Variable Annuity Guarantees Pose to Life Insurers?](#), Chicago Fed Letter, 2017.

Securities products and services may be offered by iCapital Markets LLC, a registered broker/dealer, member FINRA and SIPC, and an affiliate of iCapital. Annuities and insurance services provided by iCapital Annuities and Insurance Services LLC, an affiliate of iCapital, Inc. iCapital and iCapital Network are registered trademarks of Institutional Capital Network, Inc. Please see the disclaimer at the end of this document for more information.



60 East 42nd Street, 26th Floor
New York, NY 10165
212.994.7400

www.icapital.com

North America

New York City
Princeton
Greenwich
Boston
Boca Raton
Toronto
Birmingham

Europe

Zurich
London
Lisbon

Asia

Hong Kong
Singapore

IMPORTANT INFORMATION

The material herein has been provided to you for informational purposes only by Institutional Capital Network, Inc. ("iCapital Network") or one of its affiliates (iCapital Network together with its affiliates, "iCapital"). This material is the property of iCapital and may not be shared without the written permission of iCapital. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission of iCapital.

This material is provided for informational purposes only and is not intended as, and may not be relied on in any manner as, legal, tax or investment advice, a recommendation, or as an offer or solicitation to buy or sell any security, financial product or instrument, or otherwise to participate in any particular trading strategy. This material does not intend to address the financial objectives, situation, or specific needs of any individual investor. You should consult your personal accounting, tax and legal advisors to understand the implications of any investment specific to your personal financial situation.

ANNUITIES ARE CONSIDERED COMPLEX PRODUCTS AND MAY NOT BE SUITABLE FOR ALL INVESTORS. The information is not intended as investment advice and is not a recommendation about managing or investing retirement savings. Actual annuity contracts may differ materially from the general overview provided. Prior to making any decision with respect to an annuity contract, purchasers must review, as applicable, the offering document, the disclosure document, and the buyer's guide which contain detailed and additional information about the annuity. Any annuity contract is subject in its entirety to the terms and conditions imposed by the carrier under the contract. Withdrawals or surrenders may be subject to surrender charges, and/or market value adjustments, which can reduce the owner's contract value or the actual withdrawal amount received. Withdrawals and distributions of taxable amounts are subject to ordinary income tax and, if made prior to age 59½, may be subject to an additional 10% federal income tax penalty. Annuities are not FDIC-insured. All references to guarantees arising under an annuity contract are subject to the financial strength and claims-paying ability of the carrier.

iCapital Markets LLC operates a platform that makes available financial products to financial professionals. In operating this platform, iCapital Markets LLC generally earns revenue based on the volume of transactions that take place in these products and would benefit by an increase in sales for these products.

The information contained herein is an opinion only, as of the date indicated, and should not be relied upon as the only important information available. Any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance. The information contained herein is subject to change, incomplete, and may include information and/or data obtained from third party sources that iCapital believes, but does not guarantee, to be accurate. iCapital considers this third-party data reliable, but does not represent that it is accurate, complete and/or up to date, and it should not be relied on as such. iCapital makes no representation as to the accuracy or completeness of this material and accepts no liability for losses arising from the use of the material presented. No representation or warranty is made by iCapital as to the reasonableness or completeness of such forward-looking statements or to any other financial information contained herein.

Securities products and services are offered by iCapital Markets, an SEC-registered broker-dealer, member FINRA and SIPC, and an affiliate of iCapital, Inc. and Institutional Capital Network, Inc. These registrations and memberships in no way imply that the SEC, FINRA, or SIPC have endorsed any of the entities, products, or services discussed herein. Annuities and insurance services are provided by iCapital Annuities and Insurance Services LLC, an affiliate of iCapital, Inc. "iCapital" and "iCapital Network" are registered trademarks of Institutional Capital Network, Inc. Additional information is available upon request.

© 2024 Institutional Capital Network, Inc. All Rights Reserved. | 2024.01