

Variable Annuity

HOW AN ANNUITY WORKS

An annuity is a contract between you and an insurance company. You can purchase an annuity either with one lump-sum payment or a series of payments.

HOW A VARIABLE ANNUITY WORKS

Variable annuities provide the flexibility of lump sum investment, systematic deposits, or periodic deposits. When you invest in a variable annuity, you allocate your money among a family of investment portfolios. Your earnings will depend on the performance of these portfolios. Investments in variable products will fluctuate and values upon redemption may be less than the original amount invested.

KEY ADVANTAGES FOR YOU

- *Tax Deferral* — An annuity's earnings are tax-deferred, which means your money can potentially grow much faster than it would in other investments, whose earnings are taxed every year.
- *Diversification* — A variable annuity will contain many different investment portfolios, each with a different objective — growth, aggressive growth, growth-and-income, etc. By allocating your money into these various portfolios, you can diversify your investment dollars.
- *Professional Money Management* — Variable annuity investment portfolios are managed by experienced portfolio managers.
- *Systematic Withdrawal* — You can receive monthly, quarterly, semi-annual and annual withdrawal distributions.
- *Helps Avoid Probate* — If your annuity has a beneficiary, he or she will receive the money immediately, because annuities avoid probate, a time-consuming and expensive legal process.

- *Annuitization Payout Options* — You can choose the payout option that is right for you. Here are two of the most common payout options:

- *Period Certain*
- *Lifetime with Period Certain*

OPTIONAL LIVING AND DEATH BENEFITS (AVAILABLE FOR AN ADDITIONAL COST)

- *GMAB (Guaranteed Minimum Accumulation Benefit)* — Optional benefit that guarantees return of your initial investment, regardless of actual market performance, provided you hold the investment for a specific time frame, typically ten years and make no withdrawals during that time. These riders may require using an asset allocation model.
- *GMWB (Guaranteed Minimum Withdrawal Benefit)* — Optional benefit that guarantees the return of principal through withdrawals of a fixed percentage of principal during a fixed period of time until the amount of the original investment has been withdrawn. Some benefits also guarantee annual withdrawals for life, or for the life of the owner and the owner's spouse.
- *GMIB (Guaranteed Minimum Income Benefit)* — Optional benefit that guarantees lifetime income through a fixed annual compounding rate. The rider permits dollar for dollar withdrawals which are calculated as a percentage of the policy's benefit base. After a vesting period or if the account value falls below the amount of the annual withdrawal, the benefit base can be annuitized for lifetime income. The guaranteed income base is used to calculate minimum monthly payments, regardless of market performance. If contract value grows, the income stream may be higher-but never lower-than the guaranteed amount.



RBC Wealth Management®

Variable Annuity, continued

- *Enhanced Death Benefits* — Should you die before receiving income from your annuity, your beneficiary will receive a guaranteed benefit amount, backed by the financial strength of the insurance company. Some contracts also offer “enhanced” or “stepped-up” death benefits for an additional cost. These types of death benefits are designed to “lock in” your investment performance.

THINGS TO CONSIDER WHEN PURCHASING A VARIABLE ANNUITY

- *Long-Term Investment* — Because withdrawals before age 59½ face a potential 10% penalty tax, plus income tax.
- *Claims Paying Ability* — You’ll want to make sure your variable annuity is issued by an insurance company with the top ratings for safety.
- *Performance Record of the Money Manager* — You will want to make sure that an independent rating agency has given top ratings to the money manager.
- *Surrender Period of the Annuity* — Most insurers impose surrender charges on full withdrawals made during the contract’s first five to nine years. You may want to carefully consider purchasing annuities that have extended surrender charges.

HOW RBC WEALTH MANAGEMENT CAN HELP YOU

Your RBC Wealth Management® Financial Advisor will work closely with you to determine if a variable annuity will fit into your long-term financial strategy. In addition, your Financial Advisor can explain more about choosing an annuity, benefiting from tax deferral, guarantees backed by the insurance company, and ultimately selecting the right payout option for your particular situation.

ADDITIONAL CONSIDERATIONS

RBC Wealth Management is not a Tax Advisor. All decisions regarding the tax implications of your investments should be made in connection with your independent tax advisor.

Variable annuities are designed to be long-term investments and frequently involve substantial charges such as administrative fees, annual contract fees, mortality & risk expense charges and surrender charges. Investments in variable products will fluctuate and values upon redemption may be less than the original amount invested. Early withdrawals may impact annuity cash values and death benefits. Taxes are payable upon withdrawal of funds. An additional 10 percent IRS penalty may apply to withdrawals prior to age 59½. Variable annuities are not guaranteed by FDIC or any other governmental agency and are not deposits or other obligations of, or guaranteed or endorsed by any bank or savings association. Investors should consider the investment objectives, risks, and charges and expenses of an annuity carefully before investing. Prospectuses containing this and other information about the annuity are available by contacting your RBC Wealth Management Financial Advisor. Please read the prospectus carefully before investing to make sure that the annuity is appropriate for your goals and risk tolerance.

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