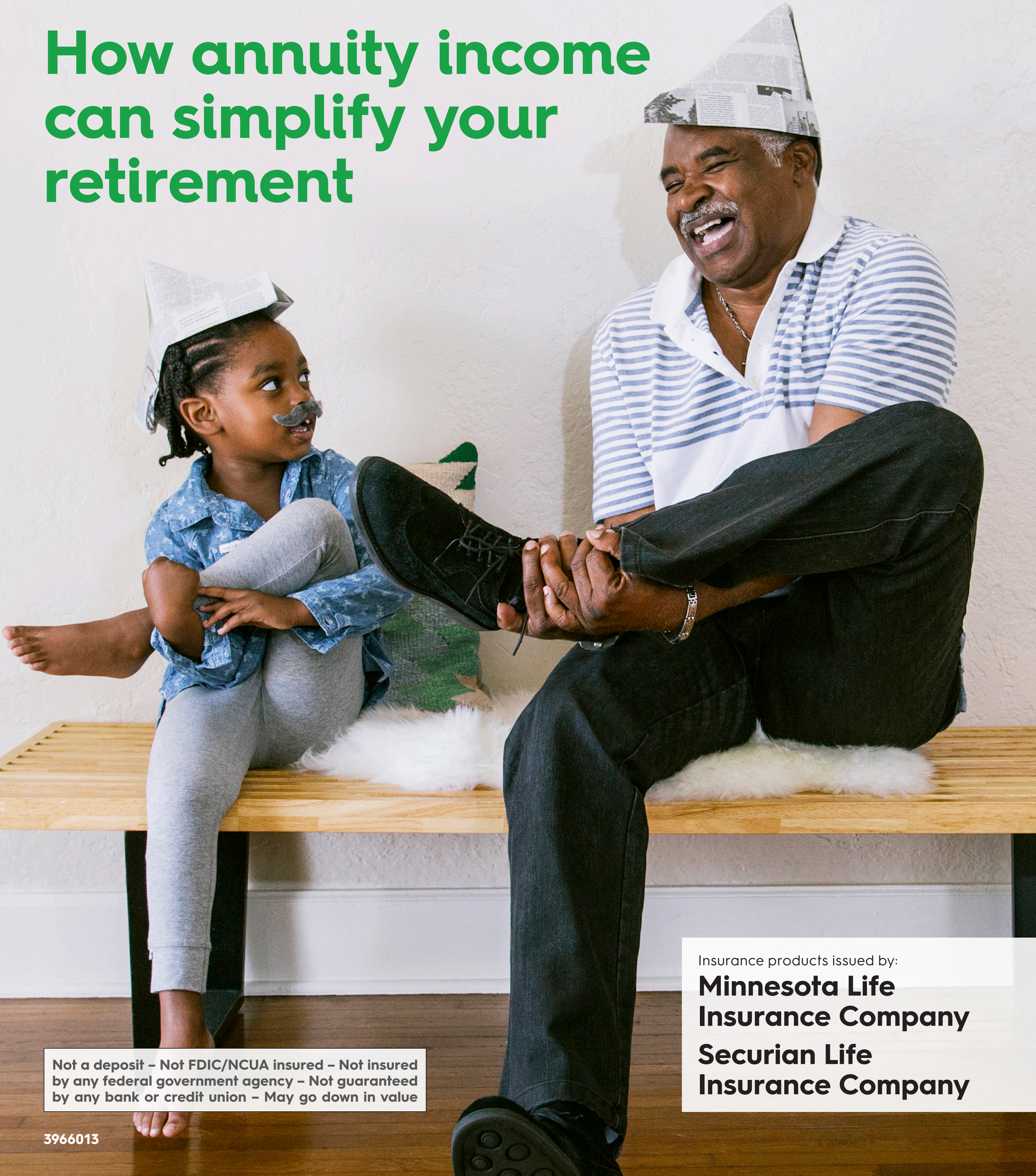
Securian Financial®

Individual Annuities

How annuity income can simplify your retirement



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Minnesota Life Insurance Company

Securian Life Insurance Company

Not a deposit – Not FDIC/NCUA insured – Not insured by any federal government agency – Not guaranteed by any bank or credit union – May go down in value

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What annuities and life insurance have in common

Annuities are a form of insurance, and they can only be issued by insurance companies. Life insurance provides financial protection against the risk of dying too soon. Annuities protect against the risk of living too long.

Annuities are one of the few financial products that can guarantee an income you can't outlive.

No one wants to spend retirement wondering whether the money will last.

But plenty of people do exactly that. It doesn't have to be that way. There is a financial product that has long helped people deal with the risk of running out of money: an annuity. Annuities offer you the ability to turn a portion of your accumulated savings or assets into a stream of income. An annuity can pay out income for as long as you are alive, whether that's to age 90, 100 or beyond.

Annuity income won't take care of every financial retirement issue you'll face, and it's not a perfect fit for everyone. But it can go a long way toward making the financial side of retirement less challenging.

An annuity can pay out income

for as long as you are alive, whether that's to age 90, 100 or beyond.

How annuities work

There are often two phases of an annuity:

1

Accumulation

Deferred annuities are used to fund your long-term retirement savings or investments. You purchase an annuity, and your contribution earns interest or investment returns. Earnings accumulate tax-deferred, which means taxes aren't owed until money is withdrawn, which typically occurs at retirement.

2

Income distribution or "annuitization"

At some point in the future, your accumulated value can be turned into an income stream. When you annuitize your contract, you receive a guarantee on the schedule and duration of your income payment stream.

What it means

Annuitant – The person receiving annuity payments and upon whose lifetime income benefits will be paid. This is typically the buyer and owner of the annuity.

Joint annuitant – A second person upon whose lifetime income benefits will be paid. Typically the joint annuitant is the annuitant's spouse.

Guarantees are based on the financial strength and claims-paying ability of the issuing company.

How annuity income can work for you

Annuity income can be a key component in your retirement income strategy. You can:

- Convert IRA assets or distributions you receive from a qualified plan such as a 401(k) or other qualified retirement plan into a retirement stream of lifetime income, thus avoiding the need to structure distribution payments for required minimum distributions.
- Convert personal investment assets, for example, proceeds from the sale of a home or investments into a guaranteed stream of income you won't outlive.
- Convert assets accumulated in deferred annuities to a monthly retirement income stream.

You can use your annuity income payments to:

- Establish a guaranteed stream of income for your retirement years.
- Supplement your income from Social Security, a pension plan or investments.
- Provide financial stability in the event of illness or nursing home stay.
- Ensure you won't outlive your savings with a lifetime income option.

Designing your annuity income

Generally, you may select from a number of options that range from income guaranteed for a set period of time, or income based on a single or joint life.[1] If you own a variable annuity, you can also choose whether you desire your income stream to be fixed, variable or a combination of both.

Your decisions determine what kind of payout you'll receive from your annuity.

1. Guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company. The guarantees have no bearing on variable investment performance.

Fixed or variable income?

When you design your annuity income, you need to decide whether you're more comfortable with a predictable stream of fixed income or if you'd like to continue to participate in the potential growth of the markets.

- **Fixed annuity income –** Fixed annuity payments are set at purchase and they don't change. Fixed income payments are not affected by the performance of the investment markets, changes to interest rates or shifts in economic conditions. The amount of your income payment depends on the income payout terms you choose.
- **Variable annuity income –** Variable annuities set an initial payment amount. Your future income will vary with the performance of the variable investments you select, increasing or decreasing as their returns rise or fall. There are no guarantees as to the amount of future annuity income payments. Variable annuity income has the potential to help you stay ahead of inflation and preserve your purchasing power over longer periods of time, such as retirement.

Income for life or a set period of time?

Once you've selected either fixed or variable payments, your next decision involves how many years you want to receive the income, the guarantees you'd like to accompany those payments and whether those payments/and or guarantees cover your life or two lives – like you and your spouse.

Generally, the greater or longer the guarantee, the lower the payment amount. For example, an annuity for a set period of time would generally produce a higher payment than a lifetime annuity option. Likewise, a lifetime annuity option for one person would generally provide a higher income payment than an option that would cover the lifetimes of two persons.

Income for a set period of time

Provides guaranteed income for a time period you select.

Income based on a single life

A variety of guaranteed income options are available that provide income for you.

Income based on two lives

A variety of income options are available that provide income for you and your spouse or other individual.

The payout choice you select is final and usually can't be changed. So make sure you understand your choices and the option that will work best for you. Although you may lose some financial flexibility and control, you have options to gain income certainty and security.

Annuities are **one of the few financial** products that can guarantee an income you can't outlive.

Tax advantages of annuity income

Annuity income can also make tax time a little simpler.

For non-qualified assets (money not in an IRA or other tax-advantaged plan), part of each annuity income payment is classified as a return of what you initially contributed – also called your cost basis. That part is not taxed. The remainder of your payment is considered your investment gain or interest, and that portion is taxed. Your cost basis will eventually be returned to you over an extended period of time. After that, the entire payment will be taxable.

Annuity income payments from qualified accounts (such as IRAs) will be fully taxable. Please consult with your tax financial professional for more information.

Annuity income payments are generally taxable in the year in which you receive them, so you'll be paying taxes only as the payments are made over time.

Strategic thinking: Using annuity income to cover everyday bills

By strategically using annuity income, you can enjoy greater financial control, a sense of security and flexibility. Here's how.

First, calculate your regular monthly expenses:

- Utility payments
- Groceries
- A house or car payment
- Other set expenses

Then purchase an annuity that will generate enough income to take care of some or all of those expenses. You can cover your regular bills and use other income sources to cover expenses such as travel, entertainment, restaurants, etc.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by any taxpayer for the purpose of avoiding federal tax penalties. Taxpayers should seek the advice of their own financial professional regarding any tax and legal issues specific to their situation.

Selecting the annuity income option that's right for you

Choosing the annuity income option that's right for you begins with answering a few questions. You'll need to consider how long you'll need the income and whether or not you'll need to provide income to another individual such as a spouse or beneficiary.

The chart on the next page outlines specific income choices and identifies how they work.

Generally, all lifetime income options will meet IRS required minimum distributions (RMDs), although not all options are available with all contracts.

Annuity Income Options

- Period Certain
- Single Life options
- Joint Life options

Annuity Income Options

Period Certain	Provides income payments for a designated period of time — the period certain (typically 5- 30 years). If the annuitant dies before the end of the period certain, income payments will continue to the beneficiary for the remainder of the period.
Single Life options	• **Single Life only** Provides income payments for the lifetime of the annuitant. Payments end at the annuitant's death. This annuity option does not provide income or offer benefits to heirs or survivors. • **Single Life only with Period Certain** Provides a guaranteed income throughout the lifetime of the annuitant with an additional guarantee that if the annuitant dies before the end of the period certain, income payments will continue to the beneficiary for the remainder of the period. • **Single Life only with Cash Refund[2]** Guarantees an income throughout the lifetime of the annuitant. If at the annuitant's death, the total income payments made are less than the amount annuitized, the difference is paid to the beneficiary in a lump sum payment. • **Single Life only with Installment Refund[2]** Guarantees an income throughout the lifetime of the annuitant. If at the annuitant's death, the total income payments made are less than the amount annuitized, income payments will continue to the beneficiary until the total income payments equal the amount annuitized.
Joint Life options	• **Joint Life with 100%, 66.67% or 50% to Survivor** Provides income payments for as long as either annuitant is alive, with the surviving individual receiving the applicable percentage of the original payment. This will not provide income or offer benefits to heirs or survivors other than the joint annuitants. • **Joint Life with Period Certain and 100%, 66.67% or 50% to Survivor** Provides income payments for as long as either annuitant is alive, with the surviving individual receiving the applicable percentage of the original payment. After the death of the first individual, income payments continue at 100% until the end of the period certain and thereafter at the applicable amount (i.e., 100%, 66.67% or 50% of the original payment) until the surviving individual's death. If both individuals die prior to the end of the period certain, income payments will continue at 100% to the beneficiary for the remainder of the period. • **Joint Life with Cash Refund[2]** Guarantees an income for as long as either annuitant is alive. If upon the death of both individuals the total income payments made are less than the original amount annuitized, the difference will be paid to the beneficiary in a lump sum.

2. Not available with variable annuities.

CASE STUDY
How John and Marta simplified their retirement income.

The challenge:

After retiring three years ago, John, 67, and Marta, 64, discovered firsthand the complexities of managing retirement finances.

They had three sources of income:

1. **Withdrawals from savings and investments**
2. **John's Social Security payments**
3. **And earnings from Marta's part-time consulting work**

With only one of their income sources guaranteed, they found the task of matching their income with their expenses too complicated, too stressful and too time-consuming. It didn't help that their investment income fluctuated, and that income from Marta's work was inconsistent.

A simpler solution:

They purchased an annuity that will generate payments equal to about 20% of their annual retirement income.

They'll use their annuity income to cover a good share of their non-discretionary expenses, such as groceries, utilities, property taxes and health insurance. With their basic living expenses taken care of, they won't have to constantly stress over whether they'll have enough income to pay the bills and enjoy the lifestyle they've planned for.

How John and Marta designed their lifelong retirement income:

They chose a Joint Life with Period Certain of 10 years and 100% to Survivor option. Payments will be made over the lifetime of both spouses. When one spouse dies, the surviving spouse will continue to receive income payments. By adding a period certain of 10 years, they have a guarantee that payments will be made for at least 10 years. If both John and Marta die before the 10-year period is up, the remaining payments would go to the beneficiary or beneficiaries they've designated.

This is a hypothetical example for illustrative purposes only.

Do you want to make retirement easier?

By asking a few basic questions, you can gain a better idea of whether annuity income can help simplify your retirement finances.

How much of my retirement income do I want guaranteed?

You can customize an annuity income stream that fits your situation. It can be an additional secure income source along with any pension or Social Security benefits that you may receive.

Do I or does my spouse have a family history of longevity?

Consider the experience of your parents and grandparents. Have they lived to age 80 and beyond? Annuity income with a lifetime payment option transfers some of the financial risk of outliving your assets to an insurance company. An annuity protects against the financial side effects of living too long.

Do I look forward to the challenge of managing income over my retirement years?

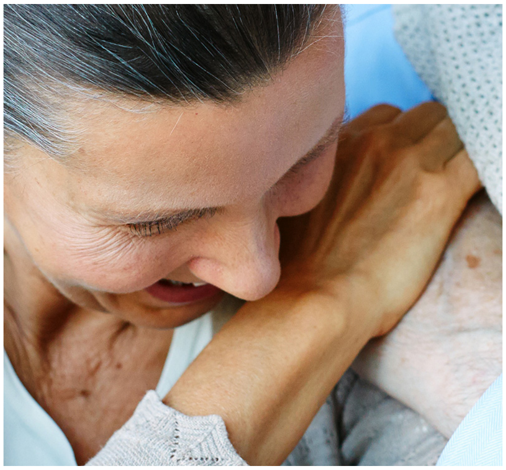
Managing retirement income can be complicated. Continually monitoring expenses and making adjustments to savings and investments can be difficult and demanding (and potentially complex from a tax standpoint). It's not a financial task that everyone enjoys. Annuity income can make that task simpler.

Do I have enough of a retirement savings "cushion" to deal with disappointing investment returns or declining interest rates?

A period of poor investment market performance or low interest rates can push even conservative retirement income projections to the edge. Fixed annuity income replaces those uncertainties with guarantees.

Simplify your retirement income

Talk with your financial professional today about receiving an annuity income estimate that can help you decide which income option is best for you. Learn how annuity income can help take some of the work out of achieving a financially secure retirement.



At Securian Financial, we're here for family. And we're here because of it.

Family doesn't have to branch from your tree, but it always shares your roots. Roots woven by common understanding, shared values and mutual respect. Like you, we believe a rewarding life is really about being present in the here and now, and that your financial picture should support the everyday moments as much as the major milestones. That's why our insurance, investment and retirement solutions give you the confidence to focus on what's truly valuable: banking memories with those who matter most.

Access more

For more information about the rating agencies, and to see where our ratings rank relative to others, visit securian.com/ratings.

An annuity is intended to be a long-term, tax-deferred retirement vehicle. Earnings are taxable as ordinary income when distributed, and if withdrawn before age 59½, may be subject to a 10% federal tax penalty. If the annuity will fund an IRA or other tax qualified plan, the tax deferral feature offers no additional value. Qualified distributions from a Roth IRA are generally excluded from gross income, but taxes and penalties may apply to non-qualified distributions. Please consult a tax advisor for specific information. There are charges and expenses associated with annuities, such as deferred sales charges (surrender charges) for early withdrawals. Variable annuities have additional expenses such as mortality and expense risk, administrative charges, investment management fees and rider fees. Variable annuities are subject to market fluctuation, investment risk and loss of principal. Variable products are not available in New York.

Income payments and withdrawals from immediate annuities are generally taxable as ordinary income in the year in which taken. When purchased as part of an IRA or other qualified plan, the IRA or qualified plan already provides tax deferral of earnings and the annuity contract does not provide any additional tax deferred treatment of earnings. Withdrawals taken from a qualified plan prior to age 59½ may incur a 10% federal tax penalty. Qualified distributions from a Roth IRA are generally excluded from gross income, but taxes and penalties may apply to non-qualified distributions.

Keep in mind that the Annuity Income Option, Frequency and Payment Dates cannot be changed once elected. Availability of some Period Certain durations may be limited.

This information should not be considered as tax or legal advice. Clients should consult their tax or legal advisor regarding their own tax or legal situation. This is a general communication for informational and educational purposes. The information is not designed, or intended, to be applicable to any person's individual circumstances. It should not be considered investment advice, nor does it constitute a recommendation that anyone engage in (or refrain from) a particular course of action. If you are seeking investment advice or recommendations, please contact your financial professional.

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