



IncomeRider.*direct*



Simplified



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What is an Income Rider?

Let's begin with some advice. Make sure you know everything there is to know about Income Riders before you choose to buy one. Unfortunately, too many Income Riders are purchased under the false belief that the typical high guaranteed growth percentage is actual yield. It is not.

With that said, Income Riders are typically attached to deferred Variable Annuities and deferred Fixed Indexed Annuities. Note the word "deferred". Income Riders are a guaranteed living benefit which is essentially a benefit you receive when you are alive which is deferred until you want income. Income Riders contractually work to solve for longevity risk...or the risk of outliving your money. They transfer risk and protect the initial premium placed into a deferred annuity while providing some type of guaranteed income stream. The Income Rider can be attached to a deferred annuity at the time of application. The guarantee for a lifetime income stream at a future start date is determined by you.

Income Riders are an efficient way to plan for income later because they allow you to know what your guaranteed future income stream will be at a specified date. Income Riders allow you to start the income sooner or later than initially planned, and most allow you to start and stop the income stream if needed. If you purchase a deferred Variable or Fixed Annuity with an Income Rider note that the Income Rider is the guaranteed income benefit which means a guaranteed percentage increase for a certain period of time. The accumulation value of the actual annuity which is your real money is the non-guaranteed income. Make sure you understand the annuity you are buying and how an Income Rider may or may not be right for you. You can start by getting a free quote if you want to take a test drive.

WANT MORE INFORMATION?



Get A Free Quote Now!

Is an Income Rider's Guaranteed Percentage True Yield?

No, it is NOT true yield. True yield is found with a CD, bond, or a MYGA (Multi-Year Guarantee Annuity). Income Rider annual guaranteed percentages are only used to calculate the lifetime income stream with the majority of products that are offered.

Here is where things get murky when you are sitting down to buy an annuity and the Income Rider is introduced. As said above, the Income Rider is a guaranteed income benefit which means a guaranteed percentage increase based on the company you are using to buy your deferred annuity. BUT, this money can ONLY be used for lifetime income. It is not available to you to peel off the interest. You can't transfer or access the lump sum. Think of it as Monopoly money, with a catch. The catch is it can only be used for lifetime income. Do not believe anyone who describes it as true yield to you. You must understand this when shopping for an Income Rider. This doesn't make Income Riders bad. It just means you need to understand you are not getting the "big" yield for any reason other than income down the road.



How Do I Choose the Right Income Rider?

First, know what your specific situation is and what your goal will be once you start the income stream from your deferred annuity. Then, see a minimum of 3 different carrier's Income Riders that contractually meet what you are looking for. There are over 20 carriers who offer Income Riders. Don't allow anyone to show you just one product as that product may be the one the agent needs to sell for incentives or he/she just doesn't know enough about other products.

Look closely at the actuarial payout percentage at the time you want to turn on the income stream. For example, if your Income Rider benefit base value is \$300,000 and the actuarial payout percentage is 7%, then your lifetime yearly income stream is \$21,000. But, if the percentage is 5% then your lifetime yearly income stream is \$15,000. Don't be sold on distractions like upfront bonuses, etc. Remember, the actuarial payout rate on an Income Rider is primarily based on your age at the time the payments start.

Also, Income Rider guarantees are only as good as the company backing them up. Always buy from a quality annuity carrier and check all 4 ratings services (A.M. Best, Moody's, S&P, Fitch) and COMDEX Rankings before you buy.

By the time you read all there is here, in the Income Rider's Manual, and run a quote, you will better understand what you should consider.



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**INCOME
RIDER**
OWNER'S MANUAL

ORDER NOW FREE

How Long is an Income Rider Guarantee?

Income Riders allow you to know to the penny what your guaranteed future income stream will be at a specified date of your choice.

Some Income Riders guarantee a contractual percentage for a specific period of time, so make sure that if you want to defer your income for 20, 25 or even 30 years that the Income Rider you are looking at has the contractual guarantee for that period of time. Remember, the Income Rider increase happens only during the deferral period and by a contractual percentage that is credited on the contract anniversary date.

It's important here to know that some Income Rider actuarial percentages increase with each year you defer, and some increase in tranches which could be 5 or 10 years. Each year you wait to turn on the income stream, the Income Rider payout could ratchet to a higher percentage level guarantee. Most Income Riders increase the payout percentage every 5 years. For example, between 65 and 70 years the payout could be 5.5% and between 70 and 75 the payout could be 6.0% and so on.



Is There an Annual Fee?

Yes, Income Riders have annual fees and you need to know what the fee is before you sign on the dotted line. It is important to know that the fee is not taken out of the Income Rider valuation (your Monopoly money), but instead is taken out of the accumulation value (your REAL money) and for the life of the policy. This can create a heavy drag against your actual accumulation value return. Insurance companies often use the higher Income Rider value to calculate the annual fee. Each year your Income Rider account grows the costs get bigger too. This is not to say that because there is a fee involved that Income Riders are bad. It says that insurance companies are going to make money and they are not going to offer a high percentage guarantee and not make anything in exchange.

What Do I Need to Understand About Income Withdrawals?

Withdrawals are drawdowns where the income stream you receive is subtracted from the Income Rider value calculation and the accumulation value calculation. Here is where the true value of an Income Rider on a deferred Variable or deferred Fixed Indexed Annuity comes to play. The accumulation value of your annuity will drawdown over time with the subtraction of the income amount, the fees, expenses, and market performance. It could potentially drawdown to zero before you reach your life expectancy. If that were to happen the annuity company is on the hook to pay you as long as you live because it is taking on all of the risk and the true value proposition of the Income Rider comes to light at that point in time. Turning on a lifetime income stream using an Income Rider is simply an actuarial bet with the insurance company. Note that the older you are, the shorter your life expectancy, the higher the payment. The younger you are, the longer your life expectancy, the lower the payment.

What is a Roll-Up Guarantee?

If you hear the words Roll-up don't get confused. It is the contractual percentage annual increase of the Income Rider that accumulates during the deferral years. Make sure you know how long the roll-up is guaranteed. Some are guaranteed until you turn on the income which could be in 2 years or 40 years, but others may only be guaranteed for 5 years. Also, look to see if after a certain number of years, the insurance company has the option to increase the fee. Remember, the roll-up only continues until you turn on the income.

Does an Income Rider Provide Tax Deferred Benefits?

We all know that there are tax deferred benefits in qualified accounts such as a Traditional IRA. Income Riders also provide this benefit as long as you are not withdrawing money or taking income from the Income Rider. The contractually guaranteed percentage increase of the Income Rider grows tax deferred.

Once you begin your payments from your Income Rider you will pay taxes.

Can I Get Joint Income Rider with My Spouse?

Can I Get a Joint Income Rider with My Spouse?

Yes, and with a joint payout your spouse will continue to receive payments once you pass away. Spouses love annuities because of the guaranteed income stream he/she will receive for life. Regardless of how long that may be the annuity company absorbs the longevity risk and will provide the contractually guaranteed lifetime income.

When you set up your Income Rider for a “joint payout” two life expectancies factor into the guaranteed payment. Common sense says that a single life payout is higher than a joint life payout. With the joint life the payout rate will be based on the younger age of the two annuitants.

Income Rider Benefits and Limitations

Income Rider Benefits

- *You choose when the income starts*
- *Can be structured as a Joint Rider*
- *Solves for longevity risk- known as outliving your money*
- *Provides a lifetime income stream guaranteed*
- *COLA & CPI-U increases can be added to some Income Riders*
- *Some Riders offer LTC or Confinement Care benefits*

Income Rider Limitations

- *Annual fees for life of policy*
- *High percentage increase is not yield*
- *Roll-up interest cannot be accessed*
- *Rider value cannot be transferred, or accessed in lump sum*
- *Rider value can only be used for income*

5 RULES for Deciding if an Income Rider is Right for You

RULE ONE: You want to own a deferred Variable Annuity or a deferred Fixed Indexed Annuity with an Income Rider for lifetime guaranteed income at a later date.

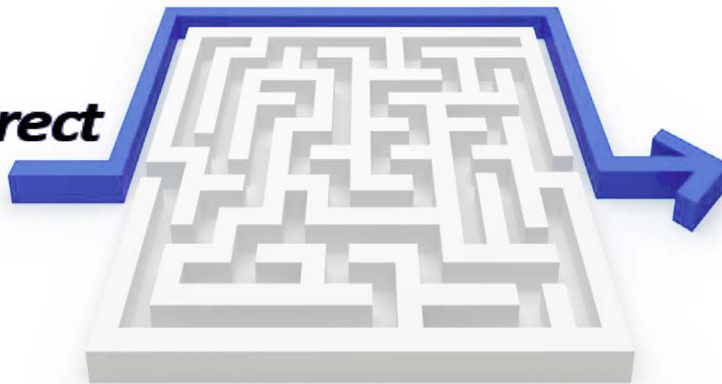
RULE TWO: You understand that the guaranteed growth rate in the Income Rider can **ONLY** be used for income.

RULE THREE: You are willing to pay annual fees throughout the duration of the contract for the guaranteed lifetime income it will provide.

RULE FOUR: You want an annuity with an Income Rider that will provide for your spouse after you pass away.

RULE FIVE: You are willing to learn as much as you can about Income Riders before deciding which one is right for your goals and needs.

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Solves for Longevity Risk

Guaranteed Growth Rate for Lifetime Income

