Death Benefit *Riders*

FORTRESS BROKERAGE

FIAs can offer the option to buy a death benefit rider. For consumers who may not be able to qualify for life insurance, due to medical underwriting, this optional paid-for rider may be a solution.

Here's How It Works:

For an additional cost, an annuity owner can add a Death Benefit rider to their FIA (typically only available at policy issue). While the Death Benefit rider does not provide for a large sum of face value, it does provide for some leverage to the annuity owner, in the event of a death (like a final expense policy). This rider is guaranteed-issue, meaning there is no underwriting to qualify for the rider and anyone who is within the age limits of the rider can purchase it. Advisors need to be aware of the tax nature for these death benefit riders. Unlike life insurance, a Death Benefit rider on an annuity will be subject to income tax because the IRS looks at the increased death benefit from an annuity as an increase to income on a tax-deferred basis. Therefore, on Qualified Annuities with a Death Benefit Rider, the entire balance is subjected to income tax whereas on a Non-Qualified Annuity with a Death Benefit Rider, the remaining balance beyond the contract's basis is subjected to income taxation. Not all Death Benefit riders act the same and some do not permit the immediate lump sum payout of the death benefit at claim. It is very important to review the payout options of these Death Benefit Riders for the beneficiary's purpose to determine which carrier has the best payout language.

Common Scenarios To Deploy The Use of Death Benefit Rider on FIA

1. Consumer cannot qualify for life insurance, due to medical impairment.
2. Consumer does not want to touch the annuity funds and wishes to enhance the total payout for the benefit of their beneficiaries.
3. Consumer does not have much life expectancy remaining and wishes to enhance their annuity's payout quickly.