



Submitting an Inherited Contract with Great American

Make sure it meets these requirements!

At Great American Insurance Group, we value your business and strive to make doing business with us easy. To help ensure your paperwork is complete and avoid processing delays, please review the questions below when submitting an inherited contract.

What type of inherited contracts will Great American accept?

- ★ Great American accepts **non-spousal** Inherited IRAs and Inherited non-qualified contracts where we can make RMD payments or 72(s) required payments based on the life of a person who is age 75 or under on the date of issue.
- ★ For **Inherited IRAs**, the contract with Great American generally must be set up and funded in time to begin the RMD payments by December 31 of the calendar year following the decedent's death (or the RMD payments must have begun before the direct rollover or IRA-to-IRA direct transfer to Great American)
- ★ For **inherited non-qualified cases**, the contract with Great American must be set up and funded in time to begin the 72(s) required payments by the first anniversary of the decedent's death (or the 72(s) required payments must have begun before the 1035 exchange to Great American).

Who can own an inherited contract and stretch payments over a person's life?

- ★ A living person who was the designated beneficiary of the decedent;
- ★ A trust that was the designated beneficiary of the decedent and that qualifies as a look-through trust;
- ★ A trust that is not a look-through trust in cases where the payments can be based on the decedent's remaining life expectancy; or,
- ★ A living person who is a beneficiary of a trust that was the designated beneficiary of the decedent, qualifies as a look-through trust and has distributed its rights to that person.

What is needed if a trust will own an inherited contract?

- ★ The Trust Certification Form (X6017907NW) and/or trust documents must be provided with the new business paperwork.
- ★ If not obvious from the trust documents, a list of all lifetime and remainder beneficiaries of the trust should also be provided.

What products may be sold as an inherited contract?

- ★ Only certain products can be sold as an inherited contract. Please see the product reference guide and state approval chart for details.
- ★ An inherited contract **cannot** be issued with any of our optional riders.

How can my client fund their inherited contract?

- ★ An Inherited IRA can **only** be funded through a direct rollover or an IRA-to-IRA direct transfer.
- ★ An Inherited non-qualified contract can **only** be funded through a 1035 exchange.

How should I title the owner of the inherited contract?

- ★ **If the owner is a living person:**
 - The ownership should be titled as "[Beneficiary Name] as beneficiary of [Decedent Name]"
- ★ **If the owner is a trust:**
 - The ownership should be titled as "[Trust Name] as beneficiary of [Decedent Name]"

What information should be provided in the Owner and Annuitant section of the application?

- ★ **If the owner is a living person:**
 - In the primary owner section, list the address, social security number and date of birth for the beneficiary of the decedent's existing policy.
 - The primary owner should also be designated as the annuitant of the inherited contract.
- ★ **If the owner is a trust:**
 - In the owner information section of the application, provide the trust information, including the tax ID number.
 - The annuitant must be a living individual. The annuitant's personal information, including social security number, should be listed in the annuitant section of the application.
 - **The trust must be listed as the beneficiary of the new contract.**

What additional documents are required to be submitted with an inherited policy, aside from the standard new business paperwork?

- ★ **For Inherited IRA cases:**
 - RMD Systematic Payment Election Agreement for Inherited IRAs (S2652911NW)
- ★ **For Inherited non-qualified cases:**
 - Acknowledgement and 72(s) Systematic Payment Election Agreement for Inherited Non-qualified Annuity (S2658713NW)

Required Minimum Distribution and 72(s) Requirements and Other General Information:

If applicable, the required minimum distribution (RMD) or 72(s) required payment must be taken for the current tax prior to opening the new annuity at Great American. The systematic distributions cannot start until after the first contract year.

When a trust owns an inherited contract, who does Great American base the RMD payments on?

- ★ If the trust is a look-through trust, the RMD or 72(s) required payment may be based off the eldest beneficiary of the trust, who must be age 75 or younger on the date of issue. The date of birth for each trust beneficiary must be provided.
- ★ In the case of an Inherited IRA, if the decedent died after his/her RMD required beginning date, the RMD may be based on the decedent's remaining life expectancy if the decedent would have been age 75 or younger on the date of issue.

If my client has multiple inherited contracts, can they take all RMDs or 72(s) required payments from just one?

- ★ No, they must take the RMD or 72(s) required payments for each Great American inherited contract from that Great American contract.

Can my client move Inherited IRA money via an indirect rollover?

- ★ No, an Inherited IRA must be funded via a direct transfer or direct rollover. The check must come from the transferring company or bank.
- ★ Personal checks cannot be taken under any circumstance.
- ★ Bank cashier's checks are only acceptable if the bank was the custodian or trustee for the prior IRA or retirement plan.

Does Great American require a death certificate be submitted with the new application?

- ★ No, a death certificate is not required to be submitted with a new business application.
- ★ In certain circumstances, we may request a copy of the death certificate if clarification of decedent information is needed.

If my client has inherited multiple contracts, can they be consolidated into one single inherited contract?

- ★ The funds must all come from one decedent – you cannot commingle funds from a non-qualified annuity contract or qualified contract owned by one decedent with funds from a non-qualified annuity contract or qualified contract owned by another decedent.
- ★ Qualified funds cannot be commingled with non-qualified funds.

Thank you for your business!





Member Companies:

Great American Life Insurance Company®

Annuity Investors Life Insurance Company®

Fixed Annuities: PO Box 5420, Cincinnati OH 45201 / 800-854-3649 / 800-482-8126 Fax

Variable Annuities: PO Box 5423, Cincinnati OH 45201 / 800-789-6771 / 513-768-5115 Fax

Overnight Address: 10th Floor, 301 E Fourth St, Cincinnati OH 45202

72(s) SYSTEMATIC PAYMENT ELECTION AGREEMENT FOR INHERITED NONQUALIFIED ANNUITY

Contract # (if known) _____

SECTION I. OWNER

Owner:	S.S. #:
Address:	Date of Birth:
City/State/Zip:	Daytime Phone #: ()

SECTION II. DECEDENT INFORMATION

Decedent:	Relation to Owner:	Date of Birth:	Date of Death:
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SECTION III. 72(s) CALCULATION METHOD

For more information about these 72(s) calculation methods, please refer to the 72(s) Systematic Payment Terms And Conditions for Inherited Nonqualified Annuities: Section II, Description of 72(s) Calculation Methods.

- ☐ 72(s) payments based on Owner's unrecalculated single life expectancy
- ☐ 72(s) payments based on unrecalculated single life expectancy of eldest joint beneficiary who was born on: _____

We will not issue a contract that must be paid out in full within 5 years of the Decedent's death. We will not issue a contract if 72(s) payments are to be based on the life expectancy of a person who would be over age 75

SECTION IV. PAYMENT FREQUENCY

Monthly, Quarterly, and Semi-Annual payments are **ONLY** available via electronic funds transfer to the owner's checking or savings account. If bank information is not provided or is rejected at any time, payments will be made annually to the owner at the address of record. Monthly, Quarterly, or Semi-Annual payments must be a minimum of \$50 monthly, \$150 quarterly, or \$300 semi-annually, and we may alter the payment mode if a net payment fails to meet these minimums. If a payment frequency is not elected, payments will be made on an **ANNUAL** basis.

Select payment frequency: ☐ Monthly (EFT only) ☐ Quarterly (EFT only) ☐ Semi-Annual (EFT Only) ☐ Annual

SECTION V. SYSTEMATIC PAYMENT START DATE

72(s) payments over life expectancy (whether systematic or otherwise) must begin by the first anniversary of the Decedent's death.

72(s) systematic payment start date: ____/____/____. Allow at least 15 days from the date submitted for processing.

- 1) IF 72(s) systematic payments are to start in the calendar year of issue, you must** provide us with your portion of the prior 12/31 Fair Market Value of the funds being transferred to GAIG. If you did not receive the entire share of the Decedent's funds (i.e. you were one of two or more beneficiaries), you should only provide your share of the 12/31 fair market value.

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- 2) IF 72(s) systematic payments are to start after the calendar year of issue:**

- ☐ I certify that a 72(s) payment for the year of issue is not required because the exchange is occurring in the same calendar year as the Decedent's death
- ☐ I certify that the full 72(s) payment for the year of issue was taken before the exchange
- ☐ I request a lump sum withdrawal in the amount of \$_____ be paid to me from the new contract. I certify that this withdrawal will satisfy the 72(s) payment requirement for the year of issue. I understand that this withdrawal will be subject to any applicable Early Withdrawal Charge and market value adjustment. Unless I specify otherwise in writing, I agree that my income tax withholding election under section VII below (or the default rules described in that section) will apply to this withdrawal.

SECTION VI. PAYMENT INFORMATION

☐ **Payments to the Owner at the address above.**

☐ Payments are to be sent directly by Electronic Funds Transfer (EFT) to my financial institution account listed below. I also authorize the appropriate GAIG Company and the financial institution indicated below to adjust any over-deposit made to my account. I understand that prior to the initial EFT of my payment, the scheduled payment may be sent via regular mail. Please **fully** complete the information below **AND** attach a voided check, account statement copy, or a letter from your financial institution providing owner(s) name(s), routing number and account number.

Make payment to my: ☐ Checking Account ☐ Savings Account

Financial Institution Name:

Financial Institution Routing Number:

Financial Institution Phone #:

Financial Institution Account Number:

List Names of ALL Owners on the Financial Institution Account:

Please note that an EFT transaction normally takes 2-3 business days for the funds to be credited to your bank account.

SECTION VII. INCOME TAX WITHHOLDING

Federal Withholding - If a withholding preference is not indicated, 10% will be withheld for federal income tax.

☐ Withhold the following federal income tax from my payments: \$ _____ or _____ %

☐ Do not withhold federal income tax from my payments.

State Withholding - If federal withholding is elected, state withholding may also apply due to state requirements.

☐ Withhold the following state income tax from my payments: \$ _____ or _____ %

☐ Do not withhold state income tax from my payments, unless required.

Important Note: Even if federal and state income taxes are not withheld, you are liable for payment of federal and/or state income tax on the taxable portion of the distribution. You may also be subject to penalties under the estimated tax payment rules if your withholding and estimated tax payments, if any, are not adequate. Any withholding election will remain in effect until revoked. You may revoke any withholding election for any payments not yet distributed by notifying the appropriate GAIG Company in writing at any time.

SECTION VIII. OWNER ACKNOWLEDGMENT AND SIGNATURE AUTHORIZATION**I HEREBY UNDERSTAND AND AGREE:**

1. I understand that there is no clear and binding legal authority governing the application of the tax-free exchange rules of Internal Revenue Code Section 1035 to an exchange of a death benefit into a deferred annuity contract, that Great American Insurance Group and its member companies and their agents cannot provide legal or tax advice nor guarantee any particular tax treatment for the exchange of a death benefit for a new deferred annuity contract, and that they recommend that I discuss these issues with my own independent legal or tax counsel. I accept full responsibility for the tax treatment of this exchange, including any tax, penalty, interest, or expenses that might arise out of any challenge of its qualification as a tax-free exchange under Internal Revenue Code Section 1035.
2. 72(s) systematic payments are subject to the "72(s) Systematic Payment Terms and Conditions for Inherited Nonqualified Annuities," which I have received and read, and which I should keep for future reference.
3. 72(s) systematic payments will be reduced by any withdrawals taken from the annuity contract during the same calendar year. 72(s) systematic payments are intended to satisfy the 72(s) required payment for this inherited nonqualified annuity contract for the current year IF no withdrawals from the annuity contract were 1035 exchanged into another annuity contract. If any such exchange occurred, then the 72(s) systematic payments will be insufficient to satisfy the 72(s) required payment for this annuity contract.
4. 72(s) systematic payments are made to the owner and cannot be 1035-exchanged.
5. I am personally responsible for any income tax implications of my 72(s) election. I understand that there is little guidance from the IRS on the calculation of 72(s) required payments, and that the Great American Insurance Group member company cannot guarantee that the 72(s) systematic payments selected will satisfy the 72(s) required payment.

I AUTHORIZE the appropriate Great American Insurance Group member company to process this election.

Signature of Owner: _____

Date: _____



72(s) SYSTEMATIC PAYMENT TERMS AND CONDITIONS FOR INHERITED NONQUALIFIED ANNUITIES

DETACH AND RETAIN THIS SECTION FOR YOUR RECORDS

SECTION I. INSTRUCTIONS

To begin 72(s) systematic payments from an inherited nonqualified annuity contract, complete the first two pages of the "Systematic Payment Election Agreement" and forward to our office. The completed form along with any other necessary paperwork should be returned to the appropriate Great American Insurance Group member company at least 15 days before the requested payment date. Please detach this portion of the form and retain for your records. Should you have any questions, please contact your agent or our Client Relations Department.

SECTION II. DESCRIPTION OF 72(s) CALCULATION METHODS

Subject to the restrictions and additional terms and conditions stated in Section III, the owner of an inherited nonqualified annuity contract may elect to receive 72(s) systematic payments in lieu of annuitizing the contract.

AMOUNT OF PAYMENTS

The amount to be paid for any given year will be determined by dividing the Fair Market Value as of the end of the prior year by the life expectancy factor for the distribution year, and then subtracting any distributions already made during the current calendar year. In the case of payments made monthly, quarterly, or semi-annually, the amount to be paid on each payment date will be equal to the remaining amount for the current calendar year divided by the number of remaining payments for the year.

The life expectancy factor will be calculated under one of the following methods:

- **Unrecalculated Life Expectancy of Owner.** The life expectancy factor will be determined based on the Owner's age in the year following the Decedent's death. The life expectancy factor will be reduced by 1 for each succeeding year.
- **Unrecalculated Life Expectancy of Eldest Joint Beneficiary.** In cases where the Decedent had multiple beneficiaries and the Owner's benefit was not segregated, or in cases where the beneficiary is a trust and payments are based on the life expectancy of the trust beneficiaries, the life expectancy factor will be determined based on the eldest beneficiary's age in the year following the Decedent's death. The life expectancy factor will be reduced by 1 for each succeeding year.

We will not make payments based on the five-year rule.

SECTION III. ADDITIONAL TERMS AND CONDITIONS

The following additional terms and conditions apply to systematic payments from an inherited nonqualified annuity contract:

RESTRICTIONS ON 72(s) SYSTEMATIC PAYMENTS FOR INHERITED NONQUALIFIED ANNUITIES

1. **Restrictions on Entry.** You may not begin 72(s) systematic payments after payments are made under a settlement option.
2. **Prior 72(s) Required Payments Made.** The 72(s) required payments (if any) for any prior year must have been paid before 72(s) systematic payments begin.
3. **Time for Election.** A 72(s) systematic payment election must be received by the Great American Insurance Group member company no later than 15 days before the first systematic payment is to be made.

CHANGES AND OTHER ANNUITY CONTRACT ACTIVITY

4. **Changes Limited.** Unless we agree, you may not change or revoke a 72(s) systematic payment election in any year except to annuitize the contract under a settlement option that provides for payments that are at least as rapid as the current 72(s) calculation method.
5. **Additional Exchanges Not Permitted.** You may not make any additional 1035 exchanges into the annuity contract after 72(s) systematic payments begin.
6. **Withdrawals and Surrenders.** Withdrawals and surrenders are permitted after 72(s) systematic payments begin. A withdrawal will reduce the amount of the 72(s) systematic payments to be made later in that calendar year.

72(s) SYSTEMATIC PAYMENT AMOUNTS AND TERMS

7. **Minimum Payments.** If Monthly, Quarterly, or Semi-Annual payments are elected, the initial net payments must be a minimum of \$50 monthly, \$150 quarterly, or \$300 semi-annually. The appropriate Great American Insurance Group member company may alter the payment mode if the initial or any subsequent net payment fails to meet these minimums.
8. **Duration of Payments.** Unless changed or terminated as provided in these terms and conditions, 72(s) systematic payments will continue for the unrecalculated life expectancy of the designated person or until a death benefit is due under the annuity contract.
9. **Life Expectancy Calculations.** 72(s) systematic payments will be calculated based on unrecalculated life expectancy of the designated person as determined in accordance with the Section 72(s) rules of federal tax law.



72(s) SYSTEMATIC PAYMENT TERMS AND CONDITIONS FOR INHERITED NONQUALIFIED ANNUITIES

SECTION III. ADDITIONAL TERMS AND CONDITIONS *(continued)*

- 10. 72(s) Required Payment.** 72(s) systematic payments will be reduced by any withdrawals taken from the annuity contract during the same calendar year. 72(s) systematic payments are intended to satisfy the 72(s) required payment for this inherited nonqualified annuity contract for the current year IF no withdrawals from the annuity contract were 1035-exchanged into another contract. If any such exchange occurred, then 72(s) systematic payments will be insufficient to satisfy the 72(s) required payment for the annuity contract.
- 11. Uncertainty of Tax Law.** There is little guidance from the IRS on post-death Section 1035 exchanges or the calculation of 72(s) required payments. It is understood that the company does not guarantee that the tax-free treatment of the exchange under Section 1035 or that the 72(s) systematic payments selected will satisfy the Section 72(s) required payment.
- 12. No Rollover or Direct Transfer.** 72(s) systematic payments may not be 1035-exchanged into another contract.
- 13. Payment Frequency.** Monthly, Quarterly, or Semi-Annual payments are only available via electronic funds transfer to the owner's checking or savings account. If bank information is not provided and/or should bank information be subsequently rejected at any time, future payments will be made annually by check mailed to the owner at their address of record.
- 14. Changes and Termination.** The company reserves the right to change or terminate 72(s) systematic payments at any time without advance notice. Upon termination, we may require you to annuitize the contract under a settlement option that provides for payments over a fixed period no longer than the remaining non-recalculated life expectancy, to surrender the contract, or to assume full responsibility for withdrawing the 72(s) required payment from the contract.

EFFECT ON OTHER ANNUITY CONTRACT PROVISIONS

- 15. Early Withdrawal Charges.** Early Withdrawal Charges and market value adjustments, if any, will be waived on an amount equal to the 72(s) systematic payments. We may also choose to waive proportionality adjustments, if any, or to apply those charges on a nondiscriminatory basis. However, if the contract is surrendered within 12 months of a 72(s) systematic payment, or if it is annuitized within 12 months for a period that does not qualify for a waiver of charges and adjustments, then applicable charges or adjustments that were waived with respect to that payment will be retroactively applied. 72(s) systematic payments for a year will reduce the amount of any other penalty-free withdrawals which otherwise may be available under the annuity contract during that year. A partial withdrawal will reduce the amount of the 72(s) systematic payments to be made later in that year.
- 16. Availability of Annuity/Account Value.** Under certain annuity contracts, the Annuity/Account Value is available upon maturity only if annuitization payments are to be made for life or some minimum number of years. Under certain annuity contracts, fixed period annuitizations must be for at least some minimum number of years. 72(s) systematic payments will not count towards meeting any such minimum requirement.
- 17. Contract Minimums.** We may surrender your contract and pay the cash surrender value to you at any time that 72(s) systematic payments reduce the Surrender Value below the minimum requirement of the annuity contract.