Planning for the retirement you want

A guide to annuity titling

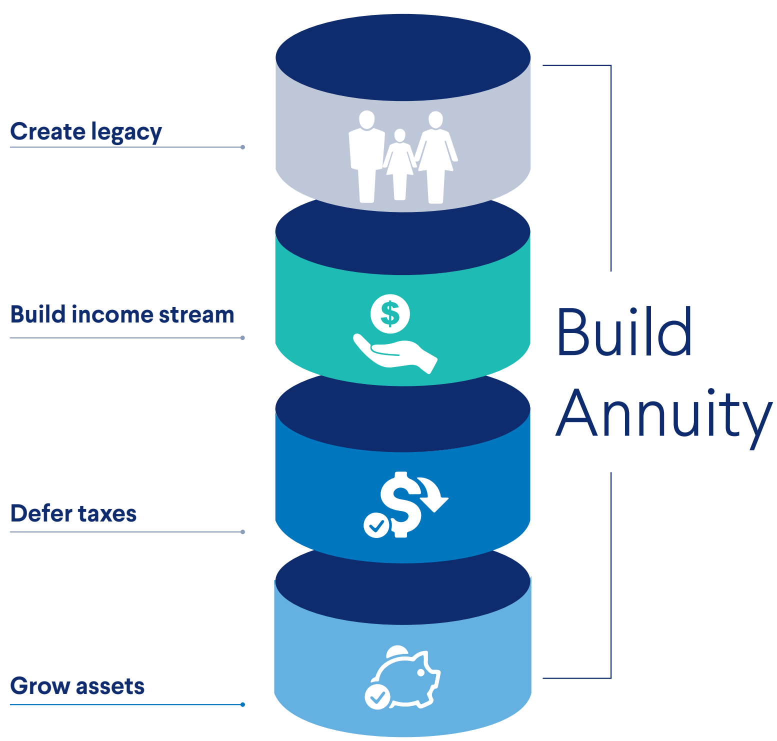
NOT FDIC INSURED | MAY LOSE VALUE | NO BANK OR CREDIT UNION GUARANTEE
NOT A DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

Build your annuity to match your financial goals

Dreaming about the day you can do what you want, when you want? That's what retirement is all about, things that you didn't have time for when you were working.

Think "annuities." They can be an easy way to save today so you don't have to worry about your tomorrow. Annuities can help you to:

- **Grow your assets:** Select from a variety of product options and strategies.
- **Take advantage of tax-deferral:** You don't pay taxes on any earnings or growth in your annuity until you withdraw your money or receive lifetime income, generally in retirement.
- **Build a retirement income stream:** Most annuities allow you to convert your contract to a guaranteed income stream, including for your lifetime and the lifetime of your spouse, if you select that option.
- **Create a legacy:** An annuity with a guaranteed death benefit can help you pass your assets on, while avoiding the probate process.



‘Titling’ and why it matters

Annuity contracts can be complex, and setting up your contract ownership (also known as “titling”) is critically important in ensuring that your intentions are clear. Annuity contracts will have different conclusions depending on the contract ownership.

Generally, there are two types of annuity contracts:

- **Owner-driven contracts:** The age of the contract owner determines what annuities or benefits can be used based on age restrictions and the owner’s death triggers the death benefit.

- **Annuitant-driven contracts:** The age of the annuitant determines what annuities or benefits can be used based on age restrictions and the annuitant’s death triggers the death benefit.

Most carriers, including Delaware Life, are owner driven.

Parties to the annuity

There are four parties to the annuity contract:

- **Owner:** The legal owner of the contract[1] and, for owner-driven contracts, the measuring life of the contract. The owner has the authority to choose or change investment options, request a distribution, and name and change beneficiaries. The owner bears any tax obligation.

- **Annuitant:** Must be a natural person and serves as the measuring life in an annuitant-driven contract or a contract that is owned by a non-natural entity. The annuitant holds no legal powers over the contract and cannot exercise any obligations or make any changes to the contract.

- **Beneficiary:** A person, persons, or entity who receives the death benefit upon the death of the owner or annuitant. The beneficiary is not a party to the contract until the owner’s death.

- **Insurance company:** Issues the contract, is responsible for any guarantees under the contract, and administers the contract.

[1] The owner can be an individual, joint owners, or a non-natural entity such as a trust, or in some circumstances, a corporation. Depending on the type of entity, tax-deferral may or may not be available.

The importance of proper titling

Like much of the annuity industry, Delaware Life Insurance Company is what is known as an "owner-driven" carrier. This simply means that the owner's life is the measuring life of the contract:

- The owner's age determines what contracts and benefits can be used based on age restrictions.
- The owner's death, if the owner is an individual, triggers the termination of the contract and the death benefit is paid to the named beneficiary(ies).

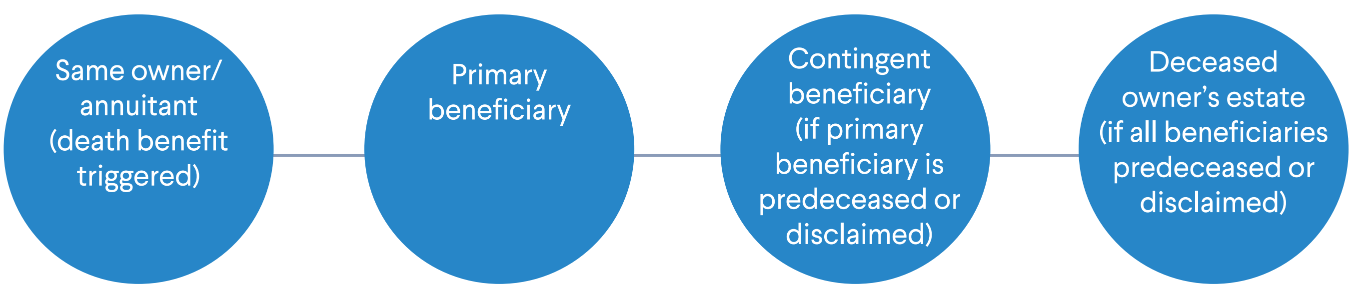
Typically, the annuitant will be the same as the owner, but the owner can name another individual as annuitant. If the annuitant dies before the owner, there is no effect on the contract—the owner just names a new annuitant, and the contract continues. The contract only terminates if the owner dies.

Contract value vs. death benefit value

In titling, two terms that are often used interchangeably—but are actually different—are "contract value" and "death benefit value."

- The contract value is the amount of money that is accrued in the annuity. Further, the amount payable upon liquidation of the contract is often referred to as "current surrender value" or "cash surrender value."
- The death benefit value is the amount payable to the beneficiary (or beneficiaries) once the owner or annuitant dies, depending on the type of contract.[2]

Sample death benefit flow:



[2] Anytime a non-owner annuitant dies before the owner, there will be no consequences and the owner will become the annuitant, or be able to name a new annuitant (depending on the terms of the contract), and there is no step-up value to the contract or death benefit because the owner did not die (owner-driven contract).

Different types of ownership

Single ownership – Non-spouse beneficiary

Same owner/Annuitant
Owner: Robert
Annuitant: Robert
Beneficiary: James

Contract Value = $100,000
Death Benefit Value = $150,000

- On Robert's death, the contract terminates and the $150,000 death benefit is paid to James.
- No option to continue the contract.

Different owner/Annuitant
Owner: Robert
Annuitant: Anthony
Beneficiary: James

Contract Value = $100,000
Death Benefit Value = $150,000

- If Anthony dies before Robert, the contract does not terminate.
- Robert names a new annuitant and the contract continues until Robert dies.
- On Robert's death, the contract terminates, and the $150,000 death benefit is paid to James.
- No option to continue the contract.

Single ownership – Spouse beneficiary

Owner: Robert
Annuitant: Robert
Beneficiary: Melinda (spouse)

Contract Value = $100,000
Death Benefit Value = $150,000

On Robert's death, Melinda, as the surviving spouse, has the option to terminate the contract and take a death benefit, or to continue the contract.

Joint ownership

Joint owners - Spouse
Owner: Robert and Melinda
Annuitant: Robert and Melinda
Beneficiary: James

Contract Value = $100,000
Death Benefit Value = $150,000

- On Robert's death, the contract does not terminate and Melinda, as the surviving spouse, can continue the contract or select a death benefit and end the contract.
- As a spousal joint owner, Melinda supersedes the primary beneficiary if Robert dies.
- If Melinda decides to continue the contract, upon Melinda's death, the contract terminates and the death benefit is paid to James.

Joint owners - Non-spouse
Owner: Robert and Anthony
Annuitant: Robert
Beneficiary: James

Contract Value = $100,000
Death Benefit Value = $150,000

- Upon the death of Robert or Anthony, the contract terminates.
- The death benefit is paid to the surviving owner, not to the beneficiary, James.

Titling considerations for trusts[3]

Revocable trusts

- The annuitant must be an individual whose Social Security number is associated with the trust.
- The annuitant's age will be used to determine benefits under the contract.
- Death of the annuitant would trigger a death claim.
- Ownership can be changed from the revocable trust to the person whose SSN is used to establish the trust.

Irrevocable trusts

- In order to receive tax deferral, the annuitant must be a beneficial owner of the trust.
- Anyone who is an income or remainder beneficiary, or in certain cases the grantor, is considered a beneficial owner and serve as an annuitant.
- The annuitant's age will be used to calculate benefits under the contract.
- It is best practice for the trust to be listed as a primary beneficiary.
- The ownership can be changed from the irrevocable trust to the annuitant.
- The annuitant must be a beneficial owner of the trust in order for the annuity contract to receive tax deferral according to IRC 72(u).

Special considerations for entity titling

- It is the best practice that the annuitant is involved with the entity.
- The annuitant's age will be used to determine eligibility for and amount of benefits under the contract.
- It is the best practice for the entity to be listed as the sole primary beneficiary.
- According to Internal Revenue Code Section 72(u), if any annuity contract is held by a "non-natural person" and that person is not holding the contract as an agent for a natural person:
  - The contract is not treated as an annuity contract for income tax purposes, and
  - Income on the contract for each tax year is treated as ordinary income received or accrued by the owner/entity during that tax year.
- An entity may not own an IRA and is only allowed ownership of a non-qualified plan.
- Insurance carriers often will not issue any entity tax returns. Instead, it will issue IRS Form 1099-R reflecting only withdrawals that have occurred in the current tax year.
- Any amounts shown on the 1099-R may not reflect the amount reportable as taxable income by the entity named above.
- The data that can be used to calculate this income is available on the quarterly annuity performance statement for the annuity.
- When an annuitant or co-annuitant named on the contract dies or is removed from the contract, full distribution of the contract may be required under relevant provisions of the Internal Revenue Code Section 72(s).
- Corporate ownership may not be an option with all products.

[3] Delaware Life does not require a copy of the trust document. The Trustee Certification form identifies if trustees can act independently or collaboratively and contains other important disclosures. Delaware Life will require the Trust Affidavit form.

Non-natural entity ownership

Revocable trust
Owner: Marc's Revocable Trust
Annuitant: Marc
Beneficiary: Marc's Revocable Trust

Contract Value = $100,000
Death Benefit Value = $150,000

- On Marc's death, the contract terminates and the death benefit is paid back to Marc's Revocable Trust.
- The only beneficial owner is the grantor of the trust, so the annuitant must be the grantor.
- This contract receives tax deferral because the annuitant is a beneficial owner of the trust.

Irrevocable trust
Owner: ABC Trust
Annuitant: Macey
Beneficiary: ABC Trust

Contract Value = $100,000
Death Benefit Value = $150,000

- ABC Trust owns this contract and has full control over the contract.
- In this example, Macey is an income beneficiary and can be named as the annuitant.
- Macey has no control over the contract and makes no decisions regarding the contract.
- Any withdrawals are paid to the owner of the contract, ABC Trust, and ABC Trust is responsible for any taxation on any withdrawals.
- On Macey's death, the contract terminates and the death benefit is paid back to ABC Trust.
- This contract receives tax deferral.

Corporation

Owner: Acme Corporation
Annuitants: Jennifer
Beneficiary: Acme Corporation

Contract Value = $100,000
Death Benefit Value = $150,000

- Acme Corporation owns the contract and has full control.
- Any withdrawals are paid to the owner of the contract, Acme Corporation, and Acme Corporation is responsible for any taxation on withdrawals.
- Jennifer, age 60, is the CFO of Acme Corporation and her age allows Acme Corporation to purchase a specific benefit.
- On Jennifer's death, the contract terminates and the death benefit is paid back to Acme Corporation.
- There is no tax deferral on this contract.
- An IRS Form 1099 will be sent to Acme Corporation each year for any unrealized gain inside the contract.

Additional considerations from Delaware Life

Please contact your financial professional for specific information as there may be different requirements depending on a specific situation. Some of the required forms could include:

- The correct application must be submitted (product & state)
- Delaware Life transfer form (required if requesting a transfer)
- Applicable state replacement forms should accompany the paperwork
- Signed and dated Disclosure Statement
- Non-Natural Owner acknowledgement form
- Corporate Resolution
- Suitability form (if applicable)
- Delaware Life does not require corporate paperwork

Note: Delaware Life does not allow for annuity contracts to be owned by employer-sponsored qualified plans such as 401(k), 403(b), or 457.

delawarelife.com

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Customer Service: 877.253.2323

Guarantees, including optional benefits, are subject to the claims-paying ability and financial strength of the issuing insurance company, and do not protect the value of underlying investment options within a variable annuity, which are subject to risk.

Annuities are long-term financial vehicles designed for retirement purposes. All withdrawals of taxable amounts, including earnings, are taxable as ordinary income and, if taken prior to age 59½ , may be subject to a 10% federal tax penalty.

Delaware Life Insurance Company (Waltham, MA) is authorized to transact business in all states (except New York), the District of Columbia, Puerto Rico and the U.S. Virgin Islands and is a member of Group One Thousand One, LLC (“Group1001”).

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