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## Get More Income from an Impaired Risk Immediate Annuity



***If you have a medical condition or disability that may shorten your life expectancy, you may qualify to receive immediate annuity payments that are larger than standard payments.***

Having enough income during retirement is a challenge and concern for most retirees. Immediate annuities offer a retirement planning option by providing a guaranteed income. (Payment guarantees are based on the claims-paying ability of the annuity issuer). In exchange for the payment of a single, lump-sum premium to an insurance company, you receive a stream of payments for either a fixed period of time (such as ten years) or for the rest of your life. The amount of each payment depends on the premium paid, your age, gender, and whether the annuity is for an individual or a couple.

If you have a medical condition or a disability that may shorten your life expectancy, you may qualify to receive immediate annuity payments that are larger than standard payments. Known as a medically underwritten immediate annuity, an impaired risk immediate annuity, or a substandard immediate annuity, this annuity lets you benefit by either reducing your premium for a specific stream of payments or by receiving larger payments for the same premium.

### Get more income for your premium

Ordinarily, before an insurance company establishes the amount of the annuity payments it will make to you, it first must estimate how long it will have to make those payments. To project the length of time payments are expected to be made, companies refer to actuarial tables that project the life expectancy of a person of your particular age and gender. But if you demonstrate to the company, primarily through your medical records, that due to a health impairment your life expectancy is shorter than the actuarial projection, then the company projects that it will make payments over a shorter period of time. Since it anticipates making fewer payments, the company can make higher payments for the same premium, or it can make the same payments for a smaller premium.

### Some qualifying medical conditions

The following are examples of health conditions that

may qualify for medical underwriting. The list has been compiled from various companies offering impaired risk annuities. It is not intended to be an exhaustive list.

Alzheimer's	Diabetes	Muscular Dystrophy
Alcoholism	Heart Attack, Heart Disease, Angina	Obesity with Complications
ALS (Lou Gehrig's Disease)	High Blood Pressure	Organ Transplant
Angioplasty or Heart Surgery	Hodgkin's Disease	Organic Brain Syndrome
Cancer (except basal cell)	Injury Due to Falls or Imbalance	Paraplegia or Quadriplegia
Chronic Hepatitis/ Hepatitis C	Leukemia	Parkinson's Disease
Congestive Heart Failure (CHF)	Liver Disease	Renal Failure
Cirrhosis of the Liver	Mental Illness	Stroke

**Example:** A 70-year-old man pays \$100,000 as a lump-sum premium for an immediate annuity and receives \$861 per month (\$10,332 per year) for the rest of his life (life only option). But if he has a health condition (such as heart disease or diabetes) that changes his actuarial age to 75, his distributions increase to \$1,003 per month (\$12,396 per year) for the same \$100,000 premium. As an alternative, he can reduce his single premium payment for a life only option from \$100,000 to \$85,865, and receive the original payout of \$861 per month.

**Note:** This hypothetical example is for illustration only and does not reflect actual insurance products or



**Optional benefits/riders are available for an additional fee and are subject to contractual terms, conditions and limitations as outlined in the disclosure document and may not benefit all investors.**

*performance, nor is it intended to promote a specific company or product.*

## Some additional features

Impaired risk immediate annuity payments are almost always for life only, meaning the payments will continue as long as you live, but will end at your death. A few impaired risk immediate annuities include a return of premium rider (available at an additional cost) that ensures that if you don't live long enough to receive the return of your premium payment, your beneficiary will continue to receive payments from the company until the total of all payments made equals your premium payment. As with ordinary immediate annuity payments, impaired risk immediate annuity payments generally do not change once they've begun. However, some companies offer impaired risk immediate annuities with an inflation rider (available at an additional cost) that increases the payments by a predetermined percentage each year.

## Qualifying for an impaired risk annuity

In general, the issuer must determine that you have a demonstrable health condition that can result in a life expectancy that is shorter than normal. Most insurance companies that offer impaired risk annuities require that you provide medical information to document your health condition. Medical records and reports from your doctors and any facilities from which you receive treatment for your health condition are often all that is required, although some issuers may request an examination or interview with the company's doctor.

## Why should you buy an impaired risk immediate annuity?

- The payments are larger than standard immediate annuity payments.
- You can get standard immediate annuity payments for a premium that is less than the cost of a standard immediate annuity.

- It can provide a guaranteed\* income for the rest of your life, regardless of changes in interest rates, fluctuations in market performance, or increases in inflation.
- The income stream can be used to pay long-term care or life insurance premiums.
- The certainty of a guaranteed\* income may allow you to assume more risk in allocating other assets for greater growth potential.
- You can use the increased income to make charitable donations or gifts to grandchildren for education.
- If you can't qualify for long-term care insurance, yet face prolonged costs for such care, the increased payments offered by an impaired risk immediate annuity can be used to pay for some, if not all, of these medical expenses, preserving some of your other assets for your estate.
- A portion of your payments may not be subject to income tax. Each immediate annuity payment is part nontaxable return of your investment in the contract and part payment of accumulated earnings (until the investment in the contract is exhausted). Generally, only that portion of each payment that represents accumulated earnings is subject to income tax.

*\*Payment guarantees are based on the claims-paying ability of the annuity issuer.*

## Is an impaired risk immediate annuity right for you?

Immediate annuities, including impaired risk immediate annuities, require that you relinquish control over a lump sum of money in exchange for a steady income. Before buying an impaired risk immediate annuity, you may want to be sure you have other savings available to cover unexpected expenses that may arise. Also, some impaired risk immediate annuities offer payments only for the duration of your life. While you won't outlive the payments, you could die without receiving at least the return of your investment in the annuity. Weigh the advantages of the impaired risk immediate annuity against the potential drawbacks to determine if it's the right choice for you.

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