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*All information should be carefully considered before investing. Withdrawals from annuities, including partial withdrawals and surrenders, may be taxable. If you take a taxable withdrawal before age 59½, you may have to pay a 10% penalty to the IRS in addition to your normal income taxes. Some states may have additional restrictions.*

## The Basics of an Income Annuity

### Guaranteed Lifetime Income\*

#### What is an Income Annuity?

An income annuity is a contract between you and an insurance company under which you make a onetime, lump-sum purchase in exchange for guaranteed lifetime or period certain income payments\*. You can select either an immediate income annuity where payments can begin immediately, or a deferred annuity where you choose the date when you want payments to begin.

#### Income Payment Options

At the time you purchase an income annuity, you select from a variety of guaranteed income payment options\*. These options include:

**Single Life** - Payments continue for your lifetime and end upon your death. This gives you the highest annual payout. No payments are made to your beneficiary.

**Joint and Survivor Life** - Payments continue for your lifetime or the lifetime of your joint annuitant, whichever is longer. No payments are made to your beneficiary.

**Period Certain** - Payments continue for a certain period of at least five years. If you die before the period ends, the remaining payments are paid to your beneficiary.

**Single Life with Period Certain** - Payments continue for a certain period or for your lifetime, whichever is longer. If you die before the period ends, the remaining payments are paid to your beneficiary.

**Joint and Survivor Life with Period Certain** - Payments continue for a certain period, your lifetime, or the lifetime of your joint annuitant, whichever is longer. If you and your joint annuitant die before the period ends, the remaining benefits are paid to your beneficiary.

**Single Life or Joint and Survivor Life with Installment or Cash Refund** - Payments continue for the longer of your lifetime or the lifetime of your joint annuitant, with the guarantee that total payments paid will not be less than your original purchase payment\*. If you and your joint annuitant die before the sum of your annuity payments equals your purchase payment, the difference will be paid to your beneficiary.

#### Taxation

When you purchase an income annuity inside a qualified retirement plan such as a 401(k), 403(b) or IRA, 100% of your income payments are taxed as ordinary income. When purchased outside a qualified plan, part of each payment is considered a return of principal and part as earnings. You will owe income taxes on the part that's considered earnings. The factor that determines which part of the payment that is taxable is known as the "exclusion ratio".

#### Inflation Protection

At the time of purchase, many income annuities allow you can choose to have your payments increase annually to help neutralize the impact of inflation. Without this provision, the purchasing power of your fixed payments will steadily decline over time.

\* Guarantees and benefits are subject to the claims-paying ability of the underlying insurance company

#### Advantages of Income Annuities

Income annuities can play an important role in a retirement income strategy and provide a number of powerful advantages. These advantages include:

**Peace of Mind:** Income for life or a certain period

**Safety:** Income is guaranteed\*

**Simplicity:** No fund picking or market watching

**Predictability:** Income payments are fixed and guaranteed\*

**Flexibility:** You can choose income for your lifetime, that of you and your spouse or for a specific period of time

**Inflation Protection:** Many income annuities help protect against inflation through a cost of living adjustment

*The contents of this communication are not intended to be nor should it be treated as tax, legal, or accounting advice. Additional issues could exist that would affect the tax treatment of a specific transaction and, therefore, taxpayers should seek advice from an independent tax, legal or accounting advisor based on their particular circumstances before acting on any information presented.*

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