Fixed annuity basics

A fixed annuity is an investment contract designed specifically to help you reach your long-term financial goals by providing a guaranteed rate of return for a fixed period of time. Fixed annuities guarantee a rate of return and do not fluctuate with investment performance.

**HOW A FIXED ANNUITY WORKS**

Fixed annuities are designed for retirement by allowing tax-deferred money to accumulate. When you invest in a fixed annuity, you pay a lump sum to an insurance company. The insurance company then guarantees a stated rate of interest over a specific period of time. You may choose to accumulate the interest on a tax-deferred basis, meaning you pay no taxes on the interest until you withdraw it or take it as income.

**BENEFITS**

- **Tax-deferred accumulation** – Generally, you purchase a fixed annuity with a single payment. Interest then accumulates tax deferred and upon withdrawal is taxed as ordinary income.

- **Choice of guarantee periods** – Your money is invested for a specific period of time, the guarantee period, which you select based on your investment time horizon. Generally, guarantee periods range from one to 15 years. As a rule, the longer the guarantee period, the higher the rate of interest. Near the end of the guarantee period, renewal rates are announced.

- **Guarantee of interest and principal** – The value of your fixed annuity will increase when interest is added to your contract. Interest is usually compounded annually and credited daily. Fixed annuities are neither FDIC-insured nor backed by the government. Guarantees are based on the claims-paying ability of the issuing company. The claims-paying ability of insurance companies is monitored by independent rating agencies, and your Edward Jones financial advisor can provide the financial ratings for any insurance company whose annuity you are considering.

- **Flexible income options** – During the guarantee period, you have the option to take systematic withdrawals, which are usually limited to your interest. Withdrawal amounts may be started, stopped or adjusted at any time, and minimum withdrawal amounts vary with each contract. You may wish to limit withdrawals to interest-only to ensure you have your original investment to reinvest at the end of the guarantee period. Withdrawals may also be subject to surrender charges and market value adjustments. Withdrawals taken within the first contract year will reduce the stated rate so that the overall yield will be lower.

- **Probate avoidance** – Fixed annuity proceeds paid to the beneficiary upon death are excluded from estate probate; however, any tax-deferred earnings in the contract will be subject to ordinary income tax, and estate taxes would apply to the total value of the contract, if applicable. The payout at death is generally the accumulated value without any imposed charges or market value adjustment.
SUITABILITY

Fixed annuities are not suitable for everyone. We recommend them to clients as long-term investments designed for retirement savings or as part of an overall fixed-income portfolio for short to intermediate maturities. Annuities offer unique ways to provide income during retirement, including income stream for life. If you are looking for lifetime income, a fixed annuity may be a good addition to your investment portfolio. The effects of inflation and taxes, your risk tolerance and your time horizon are items to consider when reviewing your personal situation.

You should consider the investment objective, risks, and charges and expenses carefully before investing.

Withdrawals taken prior to age 59½ may be subject to a 10% federal tax penalty. Surrender penalties are usually assessed if you withdraw all or a portion of your principal during the guarantee period. Such withdrawals may also be subject to a market value adjustment. Some fixed annuities provide waivers for surrender charges under special circumstances, such as a nursing home stay. Ask your Edward Jones financial advisor which fixed annuity may be right for you.

Diversification does not ensure a profit and does not protect against loss in declining markets.

Edward Jones does not provide tax or legal advice. Please consult with a qualified tax or legal adviser for your particular situation.

Guarantees are based on the claims-paying ability of the issuing company.

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