Variable annuity basics

A variable annuity is an investment contract designed to help you reach your long-term financial goals, such as retirement. Issued by an insurance company, a variable annuity allows you to invest tax deferred and includes an option to turn your assets into income you can’t outlive.

HOW A VARIABLE ANNUITY WORKS

1. Once you invest in a variable annuity, professional managers manage it by investing in a wide range of stocks and bonds.
2. All dividends, interest and capital gains are reinvested. No earnings are taxed until you make a withdrawal.
3. You can move your assets among a variety of funds without affecting your current tax situation.
4. You only pay for what you use, so you control when you pay taxes based on when you make withdrawals.

BENEFITS

• **Lifetime income** – Annuities can provide income for various lengths of time. The lifetime annuitization option is normally only available from an insurance company and may provide lifetime income.

• **Diversification** – Variable annuities enable individuals to invest in professionally managed subaccounts. Subaccounts offer a diversified range of investment objectives, and each subaccount invests in a diversified portfolio of securities. A subaccount is separate from the general assets of the insurance company. Although diversification does not ensure a profit or protect against loss, it is a way to help you manage risk by having assets in more than one place.

• **Professional management** – A subaccount is managed by an individual or a team of individuals who select the investments based on the subaccount’s investment objectives.

• **Asset allocation program** – Based on how comfortable you are with taking risk and your investment objectives, you can design a customized asset allocation portfolio. Because different investment options may fluctuate at different rates, you can choose when to rebalance your asset allocation portfolio automatically on a tax-deferred basis – either quarterly, semiannually or annually. This way, your original asset allocation is maintained over time. Similar to the concept of diversification, allocating assets cannot ensure better performance or eliminate risk of investment loss. It can, however, help you manage risk by choosing to vary investments based on risk tolerance.

• **No contribution limits** – When you invest in an annuity, you are not limited in the amount you can invest.
• **Guaranteed death benefit** – If the policyholder dies, the beneficiary is usually guaranteed the amount originally invested, minus previous withdrawals. Some variable annuities offer death benefit options, which may increase the death benefit over time.

• **Tax-deferred growth** – Increases in the value of the annuity are not subject to taxes until withdrawn. At withdrawal, the earnings will be taxed at ordinary income tax rates.

**Note:** There are no tax advantages to investing in a variable annuity with qualified money, such as assets held in IRAs, 401(k)s or other retirement savings vehicles.

• **Potential liquidity** – Some variable annuities allow policyholders to withdraw a portion of their investment, and others allow full withdrawals. Withdrawal policies are defined in the annuity contract; potential withdrawals may be subject to a contingent deferred sales charge, income tax or other penalty.

• **Living benefit** – Some variable annuities enable the policyholder to elect an optional living benefit. Such benefits can provide certain guarantees* for contract withdrawals or annuitization payments during a lifetime. This benefit may require additional fees, charges or expenses, and may be subject to eligibility limitations for the “living benefit” rider.

• **Probate avoidance** – When the death benefit in a variable annuity is paid to the named beneficiary, the proceeds may not be included in the probated estate. However, the proceeds are subject to ordinary income taxes and estate taxes. If you’re seeking a death benefit not subject to taxation, consider life insurance.

*Guarantees are backed by the claims-paying ability of the issuing insurance company.

---

**SUITABILITY**

Variable annuities are not suitable for everyone. We recommend them to clients as long-term investments designed as one component of saving for retirement. Annuities offer unique ways to provide income in retirement, including an income stream for life. If you are looking for lifetime income, a variable annuity may be a good addition to your investment portfolio.

For additional information about variable annuities, visit [www.sec.gov/investor](http://www.sec.gov/investor) and search for “variable annuities” in the “Search SEC.gov” box.

Variable annuities are offered and sold by prospectus. You should consider the investment objective, risks, and charges and expenses carefully before investing. The prospectus contains this and other information. Your Edward Jones financial advisor can provide a prospectus, which should be read carefully before investing.

Investments in variable annuities are subject to market risk and loss of principal. The investment return and principal value will fluctuate, so that accumulation units, when redeemed, may be worth more or less than their original cost. Ask your Edward Jones financial advisor which variable annuity may be right for you.

Withdrawals taken prior to age 59½ may be subject to a 10% federal tax penalty.

Edward Jones is a licensed insurance producer in all states and Washington, D.C., through Edward D. Jones & Co., L.P., and in California, New Mexico and Massachusetts through Edward Jones Insurance Agency of California, L.L.C.; Edward Jones Insurance Agency of New Mexico, L.L.C.; and Edward Jones Insurance Agency of Massachusetts, L.L.C.

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