Properly Structuring Nonqualified Annuities

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Learn about commonly used methods of setting up annuities.

The correct structure for an annuity—that is, who should be the owner, the annuitant, and the beneficiary—depends on your particular circumstance and the nature of the annuity contract. The chart below provides some **commonly used structures for owner-driven, nonqualified annuity contracts.**[1] Although this chart only offers general guidelines, it may be helpful as you try to find the structure that best suits your financial goals.

Consult a financial representative for help in keeping your annuity structure as simple as possible and identifying the options that are available to you under your specific contract.

COMMONLY USED NONQUALIFIED ANNUITY STRUCTURES

SCENARIO #1: Married couple with children	SCENARIO #2: One Owner	SCENARIO #3: Trust[6]
OWNER: Husband JOINT OWNER: Wife ANNUITANT:[2] Husband BENEFICIARY:[3] Children	OWNER: Husband or wife JOINT OWNER: None ANNUITANT:[2] Same as owner BENEFICIARY:[3] Spouse	OWNER: Name of trust JOINT OWNER: None ANNUITANT:[2] Trustee or living person designated by trustee BENEFICIARY:[3] Name of trust
DISPOSITION AT DEATH:[4] When first of joint owners dies, surviving spouse may continue contract or receive death benefit under the distribution-at-death rules. If both owners die, then contract pays to children under distribution-at-death rules.[5]	DISPOSITION AT DEATH:[4] When owner dies, surviving spouse may continue contract as his or her own if sole beneficiary ("spousal continuation rule"), or may choose among distribution-at-death options.[5]	DISPOSITION AT DEATH:[4] When annuitant dies or is changed, distribution-at-death rules are triggered.[5]

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

1 With owner-driven contracts, payment of death proceeds is triggered by death of owner. With annuitant-driven contracts, payment of death proceeds is triggered by death of annuitant.

2 Death of annuitant before annuity start date generally does not trigger death claim unless contract has non-natural owner.

3 If no beneficiary is named or living, the contract generally specifies a default beneficiary. For trusts, it is strongly encouraged (often mandatory) that the trust be named both owner and beneficiary.

4 Assumes death occurs before annuity start date. If death occurs after annuity start date, payments may end if contract was annuitized for a single life, or continue if annuitized over a joint life period.

5 Distribution-at-death rules are: Balance may be paid in lump sum; entire balance must be distributed within five years of date of death; balance may be distributed over life, or term certain not longer than life expectancy of beneficiary, if payments begin no later than one year after date of death.

6 Trustee signs on behalf of trust.

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