

Gerald & Sandra Whitfield — Annuity Policy X-Ray

YOU	Gerald Whitfield, age 69 (Sandra, age 67)
YOUR ANNUITY	Jackson National Perspective II variable annuity, opened November 2012
YOU DEPOSITED	\$320,000
CURRENT VALUE	\$298,000 (market value of investments inside the annuity)
GUARANTEED IN-COME BASE	\$523,200 (the number your guaranteed income is based on)
ANNUAL FEES	\$9,298/year (3.12% of account value)

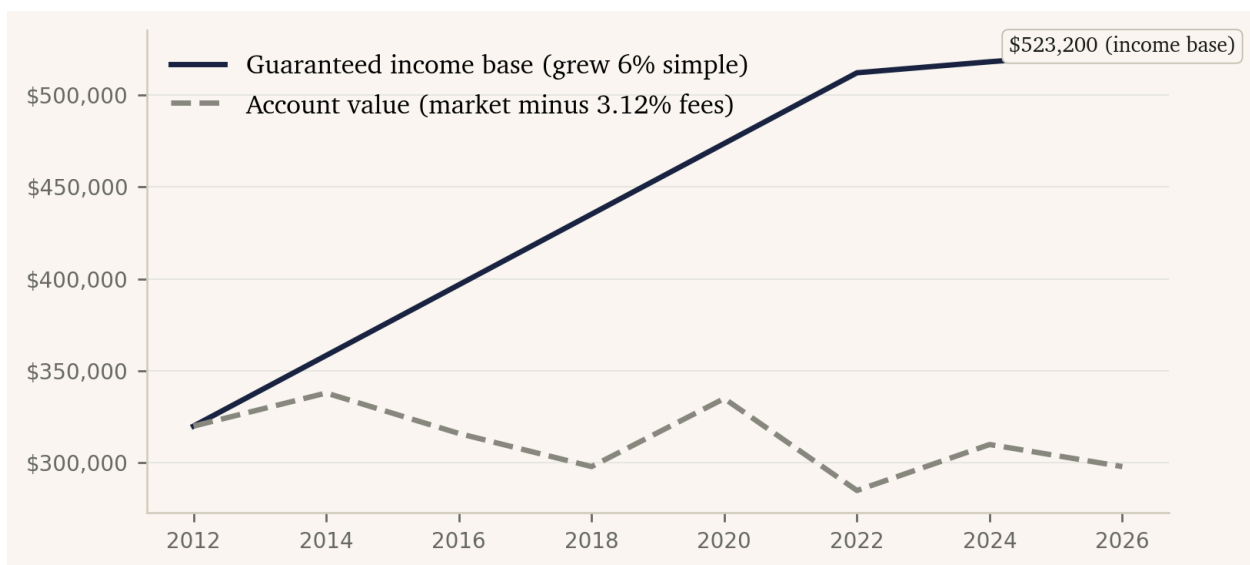
Questions this X-Ray answers

- ♦ What is the “guaranteed income base” and why is it so much higher than the account value?
- ♦ Are the fees too high?
- ♦ Should you exchange this into a cheaper annuity like the new advisor suggested?
- ♦ When should you start taking income?
- ♦ Which option fits your situation?

The reading

The \$523,200 figure on your statement is not money you can withdraw — it's an accounting number used only to calculate your guaranteed income payments. The actual account value is \$298,000. The gap of \$225,000 exists because a 6% guaranteed roll-up has been growing the base every year regardless of market performance, while fees and real market returns left the invested money slightly below your original \$320,000 deposit. The advisor who suggested an exchange did not mention that the roll-up you've earned doesn't transfer to a new contract — you'd reset to whatever base the new annuity starts with. The options below include what happens if you exchange and what happens if you don't.

FIGURE 1 *The two numbers on your statement — and why they diverged*



1 What you have and why the two numbers are so different

Your annuity has two numbers that matter, and they're very different:

Account value: \$298,000. This is the actual money — what’s invested in the stock and bond funds inside the annuity. It goes up and down with the market. If you cashed out today, this is what you’d get.

Guaranteed income base: \$523,200. This is not real money you can withdraw. It’s a calculation number used only to determine your guaranteed income payments. It started at \$320,000 (what you deposited) and grew by 6% per year for 10 years under the rider’s roll-up provision.

The reason the income base is \$225,200 higher than the account value: the 6% guaranteed roll-up has been growing the base regardless of what the market did, while the market returns minus fees left the account value slightly below your original deposit.

Your guaranteed income base (\$523,200) is the most valuable thing in this annuity. If you exchange or surrender, you lose it permanently — and it cannot be rebuilt.

2 The fees and what they buy

You’re paying \$9,298 per year in total fees — 3.12% of your account value. That breaks down as:

FEE	RATE	ANNUAL COST	WHAT IT PAYS FOR
Insurance charges (M&E)	1.30%	\$3,874	Death benefit guarantee, general insurance costs
Income rider	1.15%	\$3,427	The guaranteed lifetime income benefit
Fund expenses	0.67%	\$1,997	Investment management of the sub-accounts
Total	3.12%	\$9,298	

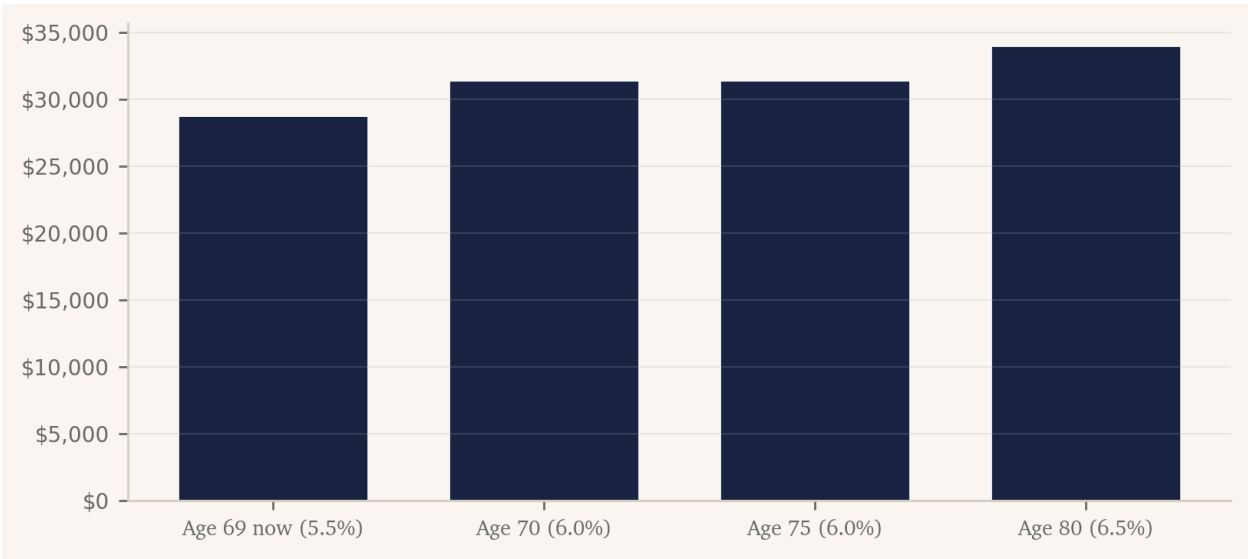
This is high compared to a low-cost investment portfolio (which might cost 0.1-0.5% per year). But the rider fee buys something a low-cost portfolio can't: a guaranteed income for life that doesn't depend on the stock market.

The question isn't whether the fees are high in isolation — they are. The question is whether the guaranteed income the rider provides is worth the cost.

3 What the rider pays you, and when

The rider pays a percentage of the \$523,200 income base — for life — and the percentage rises as you age. Here's the schedule:

FIGURE 2 *Your guaranteed income by starting age (based on \$523,200 base)*



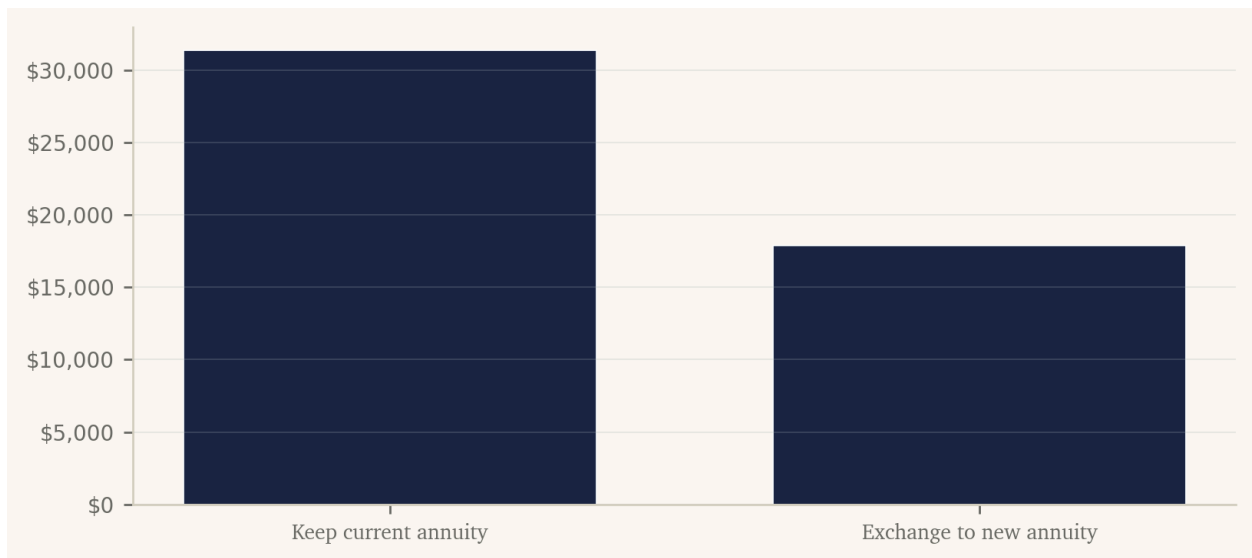
The jump at age 70 is the first one that matters — from 5.5% to 6.0%. The next bump doesn't arrive until age 80. There's no benefit to starting between 70 and 79; the rate stays flat.

4 What the new advisor is proposing — and what you'd lose

The new advisor suggested exchanging this annuity into a newer, cheaper product. Here's what that would mean:

	KEEP CURRENT ANNUITY	EXCHANGE TO NEW ANNUITY
Guaranteed income base	\$523,200	\$298,000 (resets to account value)
Guaranteed income at age 70	\$31,392/year	\$17,880/year (estimated)
Annual fees	\$9,300 (3.12%)	\$6,000-\$7,500 (2.0-2.5%)
Fee savings per year	—	\$2,000-\$3,300

FIGURE 3 *Guaranteed lifetime income at age 70 — keep vs. exchange*



The exchange saves roughly \$2,000-\$3,300 per year in fees — but costs you \$13,512 per year in guaranteed income. You'd pay less but get far less.

The income base is the asset. When you exchange, the new product starts fresh at \$298,000 — the current market value. The \$523,200 income base disappears. At a 6% withdrawal rate, that's the difference between \$31,392/year guaranteed for life

and roughly \$17,880/year. The fee savings don't come close to making up for the lost income.

5 Option A — Keep the annuity and start income at age 70

The basics

Keep the current annuity. When Gerald turns 70 (in about 11 months), start taking guaranteed income. At 70, the withdrawal rate is 6% of the \$523,200 income base — that's \$31,392 per year (\$2,616/month) guaranteed for Gerald's lifetime, and for Sandra's lifetime if you elected joint coverage.

The income is guaranteed regardless of what the stock market does. If the account value drops to zero, Jackson continues paying \$31,392/year for life.

Your fees remain at approximately \$9,300/year. As you withdraw income and the account value decreases over time, the dollar amount of fees will decrease too (since fees are a percentage of account value).

Starting income at 70 gets you \$31,392/year guaranteed for life — roughly \$2,616/month added to your Social Security and other income.

When this fits

You want guaranteed income to supplement Social Security and you value the certainty. \$31,392/year on top of your current \$82,800 brings your combined income to over \$114,000 — a meaningful improvement.

It stops making sense if you don't need the income and would rather let the account value continue to grow in the market. Once you start withdrawals, the roll-up stops (it already stopped at year 10, but step-ups are still possible if the market pushes the account value above the benefit base).

How to do it

Call Jackson National at 1-800-644-4565. Tell them you want to start lifetime withdrawals under the LifeGuard Freedom Flex rider at the 6% rate when Gerald turns 70. They will confirm the exact income amount and payment schedule. You can choose monthly, quarterly, or annual payments.

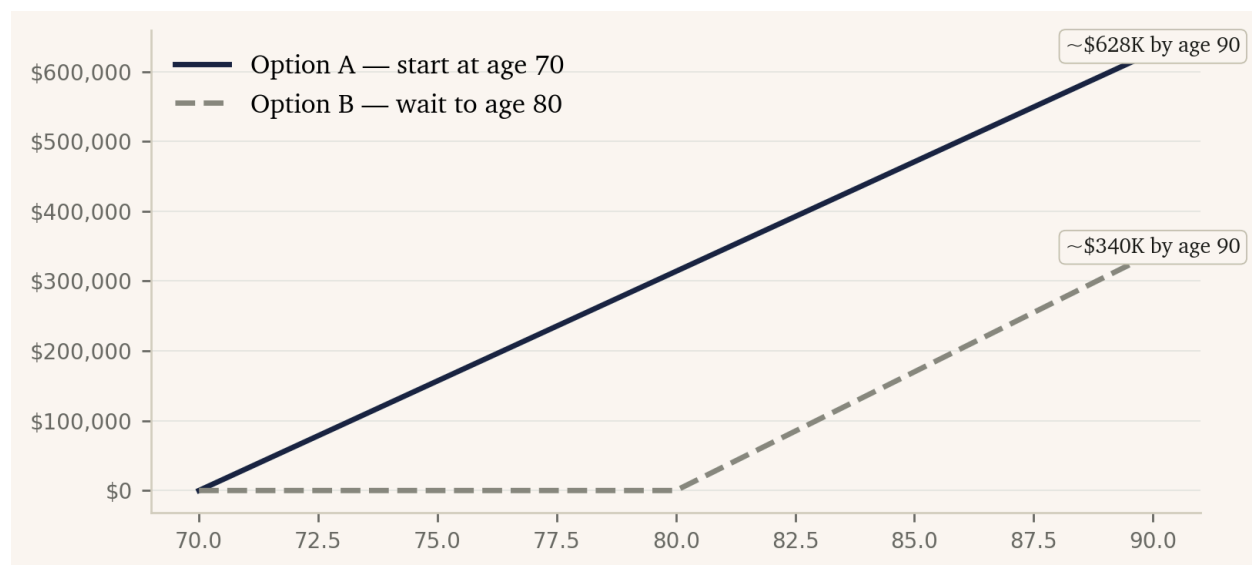
6 Option B — Keep the annuity and wait until age 80

The basics

Same as Option A, but delay income until Gerald turns 80. At 80, the withdrawal rate increases to 6.5% of \$523,200 — that's \$34,008 per year (\$2,834/month).

The trade-off: you wait 11 years to start income. During that time, you're paying roughly \$9,300/year in fees without receiving any income. Over 11 years, that's approximately \$102,000 in fees paid while waiting.

FIGURE 4 Cumulative income received — Option A (start at 70) vs. Option B (wait to 80)



The extra \$2,616/year you'd earn by waiting (the difference between \$31,392 and \$34,008) would take about 39 years to recoup the \$102,000 in fees paid during the wait. That math doesn't work.

Waiting until 80 earns you \$2,616/year more — but costs you \$102,000 in fees during the wait. It takes 39 years to break even. Start at 70.

When this fits

Almost never. The only scenario: you have more than enough income from other sources and you're treating this purely as a longevity hedge for very old age.

How to do it

Nothing for now. Call Jackson when Gerald approaches 80 to start withdrawals at the 6.5% rate.

7 Option C — Exchange to a cheaper annuity (the new advisor's proposal)

The basics

Move the money via a 1035 exchange to a new annuity with lower fees (2.0-2.5% instead of 3.12%). The new product would have its own rider with a fresh income base starting at \$298,000.

You'd save roughly \$2,000-\$3,300 per year in fees. But your guaranteed income drops from \$31,392/year to roughly \$17,880/year — a \$13,512/year reduction that lasts for life.

You'd save \$2,000-\$3,300/year in fees but lose \$13,512/year in guaranteed income. The new advisor's proposal costs you more than it saves.

When this fits

Only if the current rider has no value — for example, if you never plan to take guaranteed income and you'd rather just invest the money with lower fees. In that case, Option D (surrendering entirely) is probably better than exchanging to another annuity.

It stops making sense the moment you plan to use the guaranteed income — which, given your retirement situation, you should.

How to do it

We do not recommend this. If you proceed anyway: the new advisor would handle the 1035 exchange paperwork. Before signing anything, confirm in writing what guaranteed income the new product provides compared to the current \$31,392/year.

8 Option D — Surrender the annuity and invest the money yourself

The basics

Cash out the \$298,000 and invest it in a low-cost portfolio (index funds, bonds, etc.) with fees of 0.1-0.5% per year. No surrender charges — the surrender period expired in 2019.

There's no tax on the surrender because your account value (\$298,000) is less than what you deposited (\$320,000). The IRS considers this a loss, not a gain.

Invested at 5% net of fees, \$298,000 would grow to roughly \$485,000 in 10 years. You could withdraw 4% per year (\$11,920 initially, growing with inflation) using a standard retirement withdrawal strategy.

The trade-off: you lose the \$523,200 income base and the \$31,392/year guaranteed income for life. Your investment returns depend entirely on the market. In a bad market, your money could shrink significantly — and there's no floor, no guarantee, and no income for life.

You'd save roughly \$9,300/year in fees and have full control. But you lose the guarantee — your income depends entirely on the market, and a bad decade could cut it in half.

When this fits

You're a confident investor, you have enough other income that this money is truly discretionary, and you don't need the guaranteed floor. Or you're philosophically opposed to paying 3.12% in fees.

It stops making sense if you need this money to be a reliable income source. The guaranteed \$31,392/year from the rider is worth paying for in your situation — two retirees with moderate savings and no pension.

How to do it

Call Jackson National at 1-800-644-4565 and request a full surrender. They will send you \$298,000. No tax (account is in a loss position). Open a brokerage account at Schwab, Fidelity, or Vanguard and invest in a balanced portfolio. This cannot be undone — the rider and income base are gone permanently.

9 Which option fits you?

IF THIS DESCRIBES YOU...	CONSIDER...
You want guaranteed income starting soon and value certainty	Option A — start income at 70 (\$31,392/year for life)
You don't need income now and want to save on fees	Option D — surrender and invest (only if you're a confident investor)
You're wondering about the new advisor's exchange proposal	Don't do it — it costs more in lost income than it saves in fees

The rider is the asset in this annuity. It's worth \$31,392/year for life — and it's worth paying the 3.12% fee to keep it. The new advisor's exchange proposal would save you \$2,000-\$3,300/year in fees while costing you \$13,512/year in guaranteed income. That's not a savings — it's a loss.

The most likely path for you: start income at age 70 and add \$2,616/month to your household income. If you haven't started by then, call Jackson in the month Gerald turns 70.

Hi Gerald — I hope this review gave you a clearer picture of where things stand and what your real options are. These decisions are personal, and there's no single right answer — just the one that fits your situation. If anything in here raised questions, or if you'd like to talk through the trade-offs, I'm always happy to get on a call. You can reach me at rikin@getsure.org or (925) 391-8282.

Warm regards,

Rikin Shah

Co-Founder, GetSure Insurance Agency