

Equity Indexed Annuities



Consumers 1-800-686-1526 • OSHIIP 1-800-686-1578 • Fraud & Enforcement 1-800-686-1527

What are equity indexed annuities?

An equity-indexed annuity is a fixed annuity that earns interest or provides benefits that are linked to an external equity reference or an equity index. When you buy an equity-indexed annuity you own an insurance contract. You are not buying shares of any stock or index.

How are they different from other fixed annuities?

An equity-indexed annuity is different from other fixed annuities because of the way it credits interest to your annuity's value. Equity-indexed annuities credit interest using a formula based on changes in the index to which the annuity is linked. The formula decides how the additional interest, if any, is calculated and credited. How much additional interest you get and when you get it depends on the features of your particular annuity.

Your equity-indexed annuity promises to pay a minimum interest rate. The rate that will be applied will not be less than this minimum guaranteed rate even if the index-linked interest rate is lower. The value of your annuity also will not drop below a guaranteed minimum. The guaranteed value is the minimum amount available during a term for withdrawals, as well as for some annuitizations and death benefits. This minimum does not include any surrender charges that may be assessed due to early withdrawal. The insurance company will adjust the value of the annuity at the end of each term to reflect any index increases.

Common Questions:

Can I take my money out during the term?

In most cases, you can take all or part of the money out of a deferred annuity at any time during the term. There may be a cost if you do. Sometimes the cost is a stated dollar amount. In other cases, you give up index-linked interest on the amount withdrawn. Some annuities do not let you make a partial withdrawal until the end of a term.

What will it cost me to take my money out early?

If you withdraw all or part of the value in your annuity before the end of the term, a withdrawal or surrender charge may be applied. A withdrawal charge is usually a percentage of the amount being withdrawn. The percentage may be reduced or eliminated after the annuity has been in force for a certain number of years. Sometimes the charge is a reduction in the interest rate credited to the annuity.

Continued on page 2 ➡

Questions to ask your insurance agent or the company:

- What is the guaranteed minimum interest rate?
- What charges, if any, are deducted from my premium?
- What charges, if any, are deducted from my contract value?
- How long is the term?
- What is the participation rate?
- For how long is the participation rate guaranteed?
- Is there a minimum participation rate?
- Does my contract have a cap?
- Is averaging used? How does it work?
- Is interest compounded during a term?
- Is there a margin, spread, or administrative fee? Is that in addition to or instead of a participation rate?
- Which indexing method is used in my contract?
- What are the surrender charges or penalties if I want to end my contract early and take out all of my money?
- Can I get a partial withdrawal without paying charges or losing interest? Does my contract have vesting?
- Does my annuity waive withdrawal charges if I am confined to a nursing home or diagnosed with a terminal illness?
- What annuity income payment options do I have?
- What is the death benefit?

Final points to consider

Read your contract carefully after you receive it. It may offer a “free look” period for you to decide if you want to keep the contract. Ask your agent or insurance company for an explanation of anything you don’t understand. If you have a specific complaint or can’t get the answers you need from your agent or company, contact the Ohio Department of Insurance.

Report suspicious sales activity

If you suspect you’ve been a victim of deceptive sales practices, contact the Fraud and Enforcement Division at the Ohio Department of Insurance at **1-800-686-1527** with detailed information about the agent and product. Please call Consumer Services at the Department at **1-800-686-1526** with any questions about your annuity product. Visit the Department's website at www.insurance.ohio.gov for more information.