Establish a reliable income stream now with an income annuity

MERRILL EDGE®
Bank of America Corporation

You have potential to receive retirement income guaranteed by an insurance company for a set period of time, even for the rest of your life if you choose.

How does an income annuity work?

You use a lump-sum portion of your assets to purchase an income annuity contract from an insurance company. In return, you receive a guaranteed stream of income for a specific period of time, or for the rest of your life (or your spouse's life, or both of your lives, if you choose) — no matter how long you live.

You can begin receiving income immediately if you choose a Single Premium Immediate Annuity (SPIA) or in about 15 months or more if you choose a Deferred Income Annuity (DIA). The amount of income you receive is based on several factors:

- How much money (premium) you pay to buy the contract
- Your life expectancy — based on your current age and gender
- The interest rate environment at the time you purchase the contract
- The payout option you choose
- Any additional features you select

Costs are embedded in the income formula, so your initial purchase amount is all you pay. Once you purchase an immediate annuity, it's an irrevocable contract that can't be voided after the free-look period.

What is the difference between a SPIA and a DIA?

With a SPIA, you need to begin receiving income sometime during the first year. However, if you don't need the income that soon, you might want to consider a DIA instead.

The annuity payout rates for a DIA are based on the same factors used to determine SPIA income payments, plus one additional factor — the length of time between when you pay your premium and start receiving income. There is a minimum waiting period of 15 months to two years, and the longer you wait to start income payments, the larger the periodic income payment will be.

Finally, a DIA can also be designated as a Qualified Longevity Annuity Contract (QLAC). The Treasury department and IRS finalized a rule that supports the use of DIAs in retirement plans and IRAs if they meet certain standards to be QLACs. You can exclude the QLAC from retirement account values when taking Required Minimum Distributions (RMDs), typically at age 70½. This reduces RMDs during the early years of retirement while creating a lifetime income from the QLAC to start later in retirement (as late as age 85). The maximum total QLAC premium(s) allowed is the lesser of $125,000 or 25% of your account balance as of December 31st prior to the QLAC contribution. The account values used to calculate RMDs can therefore be reduced by the QLAC premium, and RMD payments out of the QLAC can be delayed for up to 15 years. Since you are carving out a portion of your retirement account assets and investing them in a QLAC with lifetime income beginning at an advanced age, the life of your retirement assets is extended.

ANNUITIZATION (PAYOUT) OPTIONS	Guaranteed Income	Guaranteed Income for Life
Guaranteed Income Period You or your surviving beneficiary receive guaranteed income for a specific period of time.	✓	
Single Lifetime Income You receive regular income payouts until death — guaranteed. However, once you die, there is no payout to your beneficiary. Lifetime income payouts are largest with this option.	✓	✓
Single Lifetime Income With a Guaranteed Period You may receive payouts as long as you live but not less than a guaranteed period, generally ranging from five to 30 years. This means that, should you pass away before that period ends, payouts will continue to your beneficiary until the end of the period.	✓	✓
Joint Lifetime Income When one spouse dies, the other will receive a percentage (e.g., 50%, 75% or 100%) of the previous payout for the rest of his or her life. There is no payout to a beneficiary once both spouses have died.	✓	✓
Joint Lifetime Income With a Guaranteed Period Payouts are made as long as you or your spouse lives, but not for less than a guaranteed period. If both you and your spouse die before the period ends, your beneficiaries receive the remaining payouts until the end of the guaranteed period.	✓	✓
Single or Joint Lifetime Income Annuity With Cash Refund You receive income until you pass away. If the total amount of income you receive by the time of death is less than the premium you paid, your beneficiary will receive a lump-sum refund of the difference.	✓	✓

How can an income annuity benefit you?

Guaranteed income

An income annuity can provide reliable income to help cover fixed living expenses for the rest of your life, regardless of the market's ups and downs.

Lower portfolio risk

An income annuity can also allow you to be more aggressive in investing your other retirement assets for growth — knowing that you don't have to be too conservative for fear of losing the money you need for income.

Flexible planning

An income annuity can be customized for any number of personal objectives, including providing income for your spouse if you die, and as an inheritance for your children.

Tax advantages

When purchased with non-qualified funds (money that is not currently in an IRA or employee-sponsored retirement plan), only a portion of each income payout is taxable, since it's considered a partial (non-taxable) return of your original premium. If you use money from a pre-tax qualified retirement account to purchase an income annuity, the income distributed from the plan is fully taxable. However, the tax burden is spread out over the life of the payments, and as a retiree you may be in a lower tax bracket.

Questions?

VISIT merrilledge.com/fsalocator to find a Merrill Edge Financial Solutions Advisor™ at select Bank of America financial centers.

CALL 888.ML.INVEST (888.654.6837)
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