When people discuss retirement planning, they often focus on wealth accumulation strategies. Equally important, especially the closer you get to retirement, is creating a retirement income plan to generate and sustain your income. Adding a variable annuity with a Guaranteed Lifetime Withdrawal Benefit (GLWB) rider can give you guaranteed income that helps to cover your essential expenses in retirement, regardless of how the market performs.

Manage risks to your retirement

Today, many Americans have greater responsibility for funding their own retirement. So it’s more important than ever to understand and manage your risks, including:

- **Longevity Risk** — Americans are living longer, so will you outlive your money?
- **Inflation Risk** — How will you invest your savings to keep pace with inflation?
- **Withdrawal Risk** — Will your portfolio be able to sustain your lifestyle throughout retirement?
- **Market Risk** — How will you account for the timing of investment gains and losses?

After a lifetime of saving and investing, you need to distribute your wealth prudently to cover your retirement expenses. Many variable annuities are designed to help address these key risks to your future and help you convert your invested assets into a stream of income. With a variable annuity, you can reposition your money for guaranteed income plus a growth opportunity — to help ensure an income lasts as long as you (and your spouse) live.

A variable annuity is generally a long-term contract with an insurance company designed specifically for retirement income. A GLWB rider is available for an additional fee to help ensure that you have the income you need when you need it.

### How annuities can help you meet retirement challenges

- **Longevity** — Annuities can provide a lifetime income stream for one person or for a couple, no matter how long they live.
- **Inflation** — A variable annuity gives you the option to invest in equities, fixed income and sometimes other asset classes through professionally managed investment options (called subaccounts). A multiple asset class portfolio can give an improved chance of outperforming inflation.
- **Taxes** — Because annuities offer tax-deferred treatment of earnings, they can potentially accumulate faster than similar, non-tax-advantaged investments.¹
- **Early losses** — Variable annuities can offer optional guarantees, for an additional cost, to ensure a steady income stream, for life, regardless of how your annuity’s investments perform.

### Variable annuity considerations

- The contract value fluctuates with the markets.
- Insurance and any rider costs and fund expenses reduce performance.
- Contracts usually carry surrender charges, which are applied if you terminate your contract or make large withdrawals before a specified time period.
- For contracts with GLWB riders, withdrawals that exceed annual withdrawal limits defined in those riders will negatively affect the withdrawal benefit as well as reduce the annuity contract value and death benefit.

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1. This assumes you are not subject to the 10% early withdrawal penalty tax on the earnings portion of the withdrawal. If you are subject to this tax, please consult with your tax advisor for information on how it could affect the value of your annuity. The earnings portion is the difference between the contract value and the amount that was invested in the annuity. Taxes and other considerations will affect the earnings portion.

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How does a variable annuity with a Guaranteed Lifetime Withdrawal Benefit rider work?

Depending on your needs, a Merrill Edge Financial Solutions Advisor™ may suggest including a variable annuity with a Guaranteed Lifetime Withdrawal Benefit (GLWB) rider to supplement other sources of retirement income such as Social Security, pension benefits or your personal savings.

Purchasing a GLWB rider

When you purchase a variable annuity contract, you may have the option to select a GLWB rider. For an additional fee, the rider provides guaranteed income in retirement through a "withdrawal benefit" that is protected regardless of how the market performs. You’ll need to decide if you want to have this guaranteed withdrawal for the rest of just your life or if you want to add a spouse’s life to the rider, to guarantee payments throughout his or her lifetime as well. Typically, a GLWB rider can only be added when you purchase your annuity contract, and it may be irrevocable once elected. The rider’s guarantees are based on the claims-paying ability of the issuing insurance company.

Choosing and potentially growing your investments

You’ll need to fund the annuity and choose how you want to invest your money in the annuity’s subaccounts. A Financial Solutions Advisor can help you choose subaccounts that most closely align with your investment objectives, risk tolerance and time horizon. Keep in mind that if you choose a GLWB rider you will likely be required to invest in a predetermined asset allocation strategy or specific subaccounts.

If your needs change, most variable annuities allow you to change your underlying subaccounts without incurring any fees for transferring among the subaccounts. Depending on your contract, you may also be able to make additional contributions to the variable annuity after your initial investment.

Another key benefit of a variable annuity is that any earnings, or gains, in the subaccounts grow tax-deferred until they are withdrawn. Because variable annuities offer this tax-deferred treatment of earnings, they can potentially accumulate faster than similar, non-tax-advantaged investments. This tax-advantaged treatment is not offered to variable annuities that are owned by a non-natural person, such as a corporation or certain trusts.

Determining your future income payments

As noted earlier, the GLWB can provide guaranteed income that lasts a lifetime through a “withdrawal benefit.” The Benefit Base will determine the amount of your future guaranteed income payments. While the Contract Value is the actual value of the investments in your annuity’s subaccounts, the Benefit Base is the figure your future guaranteed income payments will be based on. Typically, the Benefit Base initially equals the contributions made to the annuity.

The following examples demonstrate the two situations in which your Benefit Base can increase during the accumulation phase.

Examples of a benefit base roll-up and step-up

**Roll-up**

Benefit Base “rolls-up” each year

Contract value

Generally, your Benefit Base will automatically increase, or “roll-up,” by a certain percentage each year for a specified time period (as defined in your contract), even if the Contract Value does not increase.

**Step-up**

Benefit Base “steps-up” each year

Contract value

If on the anniversary of your contract date (or the date specified in your contract), the Contract Value is greater than your Benefit Base, you can “step-up” your Benefit Base to the higher Contract Value.

Taking withdrawals

With a GLWB, you can withdraw up to a specific amount each year for the rest of your life, no matter how the investments in your subaccounts perform. The amount you are able to withdraw is based on your Benefit Base and age or the age of the younger of the two individuals if you purchased the rider on two lives (i.e. yours and your spouse’s). Although your earnings have grown tax-deferred throughout the accumulation phase, you will need to pay income taxes on the portion of the withdrawals that are gains experienced by the investments in your subaccounts.

*The Benefit Base may accumulate at a minimum rate of return for a specified period of time or only until the first withdrawal, if sooner. You may also have the option to “step-up” the Benefit Base to the Contract Value after a specified waiting period (typically one year). Step-ups could also be automatic under some GLWBs, usually at the annuity’s anniversary. If you step-up the Benefit Base, new terms and conditions, as well as new charges in effect at the time of the step-up may be applied to the GLWB rider.*
Hypothetical example – Guaranteed Lifetime Withdrawal Benefit for two lives

Here’s another way to understand how a GLWB works: A hypothetical married couple approaching retirement, ages 66 and 64, meet with a Merrill Edge Financial Solutions Advisor and discover that their expected sources of income are not enough to cover their estimated expenses in retirement. Their Financial Advisor suggests that they purchase a variable annuity, with a GLWB rider offering a 5% withdrawal rate at age 68. The couple pays an additional fee for this rider with a “roll-up” provision that allows the Benefit Base to compound at 5% a year until the earlier of ten years or the first withdrawal. The rider also guarantees an automatic annual Benefit Base “step-up” to the current Contract Value on each contract anniversary, if higher. Since the couple is purchasing the rider on both their lives, the amount they are able to withdraw is based on the younger spouse’s age.

This hypothetical scenario above is for illustrative purposes only and is not meant to represent the performance of any specific annuity. If this were an actual example, various costs would be factored into the gross return, including annual insurance charges of the annuity, annual contract charges, any applicable distribution charges, investment management fees of the variable subaccounts, the cost for any optional features, and any other applicable fees. Please read the prospectus carefully for descriptions of the underlying costs.
What questions should you ask?

There are several features of the GLWB that should be reviewed when considering a variable annuity:

- Does the withdrawal benefit have a “step-up” provision? If so, how does it work?
- Does the withdrawal benefit have a “roll-up” provision? If so, how does it work?
- What are the allocation restrictions for my investments?
- If I withdraw more than the benefit allows, what is the impact?
- What are the fees and charges? Can they change? If so, under what circumstances?
- Can I make additional contributions to my contract? Can the insurance company restrict additional contributions?

How are annuities taxed?

Any earnings accumulate on a tax-deferred basis unless the annuity is owned by a non-natural person, such as a corporation or certain trusts. All withdrawals are subject to ordinary income tax to the extent of any gain. A 10% additional federal tax may apply to withdrawals taken prior to the contract owner turning 59½.

How can you determine if variable annuities may be right for you?

Your retirement income strategy depends on your individual needs, goals, risk tolerance, investment time horizon and liquidity requirements. There are many ways to generate retirement income. A Merrill Edge Financial Solutions Advisor can help you determine if a variable annuity is appropriate for your overall financial and retirement strategy.

Variable annuities are long-term investments designed to help meet retirement needs. Like most investments, variable annuities include certain fees and expenses, such as administrative fees, sales charges, and mortality risk expense charges. The return and principal value of variable annuities are subject to market fluctuations, investment risk and possible loss of principal so that, when redeemed, variable annuities may be worth more or less than the original amount invested. All contract guarantees, including optional benefits, are provided by the issuing insurance company and are based on its claims-paying ability. Optional guaranteed benefits typically require investment restrictions and may be irrevocable once elected. Please refer to the prospectus for additional information. Asset allocation does not ensure a profit or protect against loss.

Variable annuities are sold by prospectus only. A Financial Solutions Advisor can provide you with more information, including a current prospectus. Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses provide this and other important information. You should read the prospectuses carefully before investing or sending money.

All annuity contract and rider guarantees, including optional benefits and any fixed subaccount crediting rates or annuity payout rates, are backed by the claims-paying ability of the issuing insurance company. They are not backed by Merrill Lynch or its affiliates, nor do Merrill Lynch or its affiliates make any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

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1 Withdrawals are taxable as ordinary income to the extent of gain, and if made prior to age 59½, may also be subject to a 10% additional federal tax. Early surrender charges may also apply. Please refer to your contract’s prospectus for detailed information about how withdrawals can affect your annuity’s death benefit and/or your living benefit as well as your retirement account.

2 A Guaranteed Lifetime Withdrawal Benefit (GLWB) rider is an optional benefit that typically must be elected at issue if the owner(s)/annuitant(s) are within the age specifications as set forth in the contract rider and prospectus. GLWB riders are available for an additional charge and may be irrevocable once elected. GLWB riders guarantee a client can withdraw an annual amount (typically 4% to 7%) of their guaranteed protection amount (GLWB Base) for their entire lifetime. GLWB riders may guarantee withdrawals for one or two lives (typically spouses).

Typically the GLWB Base equals contributions made under the contract. The GLWB Base may accumulate at a minimum rate of growth of 5 – 7% for a specified period of time. Clients may also have the option to “step-up” the GLWB Base to the contract value after a specified waiting period (typically one year). The step-ups could also be automatic in some designs (typically on each contract anniversary). If the step-up occurs, terms, conditions and charges in effect at the time of the step-up may apply. Withdrawals that exceed the annual withdrawal limit may incur applicable surrender charges, negatively affect the GLWB Base, and reduce the contract value and death benefit. Typically any portion of the annual withdrawal limit not withdrawn during a contract year may not be carried over to the next contract year.

Typically clients must allocate assets within specified investment options as set forth in the contract rider and prospectus. GLWB riders typically cannot be elected concurrently with any other living benefits. For non-qualified and stand-alone qualified annuity contracts, annuitization must occur by the annuitant’s age 95, and at that date any Guaranteed Minimum Death Benefit ("GMDB") will no longer apply. Clients should contact the issuing insurance company prior to the maturity date to discuss options including changing the annuitant, if permitted by the annuity contract. For custodial held qualified contracts, annuitization at age 95 may not be required.