

Combo Or Split Annuity Concept

Some people with CDs withdraw and use all their interest earned on them each year, so when CD and Annuity rates are similar, tax-deferral may not initially mean much to them. But, you can still show them how annuities can help increase current income in those times by explaining the "Combo/Split Annuity Concept".

This is simply taking a lump sum of money, and splitting it into a Deferred annuity, AND an Immediate annuity. The Immediate annuity (SPIA) pays the client a monthly, guaranteed income for a set number of years while the Deferred annuity is steadily growing back to the original total deposit, also on a guaranteed basis. Below is an example:

Total of \$100,000 into "Combo" Annuity idea	SPIA	SPDA
"Split" \$100,000 this way	\$31,459.00	\$68,541.00
SPIA creates guar. mo. income for 10 yrs	\$295.00	***
Tax-free* part of monthly payment (appx 89%)	\$262.00	***
Total guar. SPIA income over 10 yrs. (\$295 x 120)	\$35,400.00	***
SPDA guar. value at end of 10 yrs.	***	\$100,000.00

* Over a 10 year period in this particular case, the \$262 amount is basically considered "return of premium", and not taxable. Figures based on March 2004 factors available from one of our carriers. Rates change often, so call for details. We don't give tax or legal advice, please ask your advisor.

Compare the above income to what a CD would create today (after tax), and you will see why a "Split Annuity" could help your client with current income on a guaranteed basis. Even if a CD were paying the same rate as the annuity, 100% of the CD interest is taxable because it is ALL considered income, whether you pull it out or not. Shorter term annuities (5 - 6 years) are also available, and will still work well this way. The higher the tax bracket of the annuitant, the better this concept works compared to taxable alternatives.

CALL YOUR RAM GROUP MARKETING REPRESENTATIVE FOR A COMPLETE POWERPOINT PRESENTATION & EXPLANATION ON THIS CONCEPT AND TO DISCUSS THESE CONCEPTS AND THEIR VARIATIONS

800-686-4238

******Important Note: The information in this section is only intended as a general overview and is not intended to provide tax advice. There may be carrier, product or state variations or there may have been changes in the tax law that may affect the information in this section. Please consult a tax-advisor for specific tax advice. Also, please consult RAM Group and the specific carrier for specific product and state variations.***