NASSAU

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NONQUALIFIED ANNUITY BENEFICIARY SETTLEMENT OPTIONS

When an annuity owner dies, the Internal Revenue Code requires that the beneficiary take distributions from the inherited contract; there are a number of different ways that this requirement can be met. The specific options available to any particular beneficiary depend on whether the annuity owner had begun receiving lifetime payouts, whether the beneficiary and the deceased owner were spouses, and whether the beneficiary is a natural person. Once annuity funds are withdrawn, a portion of each payment is taxable to the beneficiary.

Below is a summary of the current requirements; more information is available from Internal Revenue Service Publication 575, available at http://www.irs.gov. We are not providing legal advice to any beneficiary; all beneficiaries should consult with their own tax or financial advisor before making any final decision. Please note that tax laws change from time to time; the information below is current as of September 2013.

1) If the deceased annuity owner had begun receiving lifetime payments from the annuity, the beneficiary must continue to receive any remaining payments over the same payment schedule, or, if permitted by the contract, the beneficiary may receive the payments earlier.
   a) Guaranteed minimum withdrawals are not lifetime payments for purposes of this rule.

2) If lifetime payments had not begun and the sole beneficiary is the surviving spouse of the deceased annuity owner, the spouse may elect to continue the contract and become the new owner. Under this spousal continuation, there are no required distributions under the death of the surviving spouse. The spousal beneficiary may also elect to take payments out during his or her life, under the terms of the contract.

3) If the beneficiary is a natural person who is not the spouse of the decedent:
   a) The beneficiary can wait 5 years to take any distributions from the account. All amounts under the contract must be distributed by the fifth anniversary of the owner's death.
   b) The beneficiary can elect to take payments over the beneficiary's life expectancy, based on a specific IRS table. To be eligible for the life expectancy payout method, payments must begin by the one-year anniversary of the death.

4) If the beneficiary is not a natural person, the beneficiary can wait 5 years to take any distributions from the account. All amounts must be distributed by the fifth anniversary of the owner's death.

	Spouse	Non-spouse	Non-natural person
Beneficiary treat annuity as his or her own	YES	NO	NO
Required distributions based on the age of beneficiary	YES	YES	NO
Immediate Withdrawal	YES	YES	YES

IRS Circular 230 Disclosure: Any information contained in this communication is not intended to be used, and cannot be used, to avoid penalties imposed under the U. S. Internal Revenue Code. This communication was written to support the promotion or marketing of the transactions or matters addressed here. Individuals should seek independent tax advice based on their own circumstances.