

# How to structure an income annuity contract

The relationship between the owner, annuitant and beneficiary impact when and how a death benefit is payable. That's why it's important to know who's who when structuring an income annuity contract.

- The annuitant is the person on whose life the annuity is based and doesn't receive any payment unless there is a Direction of Payment completed.
- The owner has all rights and control of the contract including the right to direct payments and to name beneficiaries. The owner is also the first person to receive the death benefit upon the death of the annuitant/joint annuitant.
- The beneficiary is the person who's entitled to receive any death benefit if the owner and any joint owner are deceased and the annuitant and joint annuitant die.



## Additional considerations

- If an owner has specified benefit instructions, payments must be made according to those instructions.
- If the beneficiary is a minor, certain restrictions apply.
- Any time a Life Income Only benefit option is elected, payments stop at the death of the annuitant, and no death benefit is paid.
- At death of the annuitant, payments may or may not be continued, based on the benefit option elected. See the Benefit Options section of this document.

## Income annuities

A death benefit is triggered upon the death of the annuitant/joint annuitant. The timing and amount depends on the benefit option selected.

### Single owner/annuitant—same person | death of owner/annuitant

#### Beneficiary designated

A death benefit consisting of any remaining payments will continue to the beneficiary. Refer to the *Benefit options* section for explanation of different benefit options.

#### No beneficiary designated

The commuted value of any remaining payments will be paid in lump sum to the owner's estate.

### Single owner/annuitant—different people

#### Death of owner

The beneficiary becomes the new owner, and will receive any remaining payments if applicable. If the beneficiary pre-deceased the owner, the commuted value of any remaining payments will be paid in lump sum to the owner's estate.

#### Death of annuitant

A death benefit is paid to the owner and is based on the benefit option selected. Refer to the *Benefit options* section for details on the different options available.

### Single owner/joint annuitants

#### Death of owner

The beneficiary becomes the new owner and will receive any remaining payments if applicable.

#### Death of first joint annuitant

Payments continue to the owner based on the benefit option selected.

#### Death of surviving joint annuitant

The death benefit is paid to the owner and is based on the benefit option selected. Refer to the *Benefit options* section for details on the different benefit options available.

## Joint owner/joint annuitant—same person

### Death of first joint owner/annuitant

The surviving joint owner continues the contract as the sole owner/annuitant.

### Death of surviving joint owner/annuitant

A death benefit consisting of any remaining payments will continue to the beneficiary. Refer to the *Benefit options* section for details on the different benefit options available.

## Joint owner/join annuitant—four different people

### Death of first joint owner

No death benefit is paid. Remaining payments continue to the joint owner.

### Death of surviving joint owner

The beneficiary becomes the new owner and will receive any remaining payments if applicable.

### Death of first joint annuitant

Payments continue to the surviving owners based on the benefit option selected.

### Death of surviving joint annuitant

The death benefit is paid to the surviving owners, and is based on the benefit option selected. Refer to the *Benefit options* section for details on the different benefit options available.

## Joint owners/single annuitant

### Death of first joint owner

No death benefit is paid. Remaining payments continue to the joint owner.

### Death of surviving joint owner

The beneficiary becomes the new owner and will receive any remaining payments if applicable.

### Death of annuitant who is also an owner

A death benefit consisting of any remaining payments will continue to the surviving joint owner. Refer to the *Benefit options* section for details on the different benefit options available.

### Death of annuitant who is not an owner

The death benefit is paid to the surviving owners, and is based on the benefit option selected. Refer to the *Benefit options* section for details on the different benefit options available.

## Benefit options

### Fixed period income\*

Payments are made for a fixed period. The owner can select a period ranging from five to 30 years. If the annuitant dies before the fixed period expires, payments continue until the end of the period.

### Life income

Payments continue for the annuitant's lifetime (maximum issue age is 79).

### Life income with guaranteed period

Payments continue for a guaranteed period of time (five-to-30-year guaranteed period) and thereafter as long as the annuitant is alive. If the annuitant dies before the end of the guaranteed period, payments continue until the end of the guaranteed period.

### Joint and survivor

Payments are based on the lives of two annuitants and stop at the death of the surviving annuitant. The owner may add a guaranteed period of five to 30 years. The owner may also choose an option that lowers the amount of income (from 1 to 99 percent) after the first death or primary annuitant's death. This option is not available if both joint annuitants are over the age of 79.

### Life income with cash refund

Payments are made during the annuitant's lifetime. If the annuitant dies and the total of all payments made is less than the original premium amount paid, a lump-sum death benefit is paid. (Available for single and joint survivors).

### Life income with installment refund

Payments are made during the annuitant's lifetime. If the annuitant dies and the total of all payments made is less than the original premium amount paid, installment payments continue until the total of all payments equals the original premium amount paid. (Available for single and joint survivors).

\* Only fixed period income options between five and fifteen years are available in Maryland. Fixed amount income option is not available in Maryland.

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