

## SUITABILITY CONSIDERATIONS

Consider the ACLI Fact Sheet information found on the Virtual Financial Center (VFC) in relation to the factors listed below when determining if the recommendation to purchase, sell or exchange an annuity is suitable for a Consumer. Each needs analysis review is to be based on the Consumer's then current investment objectives, facts, and circumstances.

### 1 FINANCIAL STATUS (Review personal information, client account form, and any financial profile.)

- A. Is the client age 65 or older?  
 B. Does the value of the client's annuity contract(s) exceed 50% of net worth?

Note: Marital status does not impact suitability directly, but it can affect income needs.

### 2 TAX STATUS (Review employment, client account form, any financial profile, and existing accounts.)

- A. Is the client's tax bracket between 15% and 30% - to take advantage of income tax deferral?  
 B. Has the client already maximized tax-deferred contributions to a qualified retirement plan? The client is aware of the lack of additional tax benefit when purchasing an annuity in an IRA, 401(k) or other tax qualified account.  
 C. Is the client aware that upon death the heirs do not receive a step-up in basis as other investments could? They also realize annuity earnings are subject to ordinary income tax for the heirs or themselves during life.  
 D. Does the client want a person or organization to receive money upon the client's death? Has the client considered the benefits (including income tax-free death benefit proceeds) of a life insurance policy?  
 E. Determine the effect of the projected annuity payments on the client's income tax status.

### 3 INVESTMENT OBJECTIVES (Review employment, client account form, any financial profile, and existing accounts.)

- A. What is the client's investment experience?  
 • The client has owned an annuity or similar product before.  
 • The amount to be invested in this annuity is typical of the average amount the client places in an investment.  
 • The client understands the complexity of the product (including Market Value Adjustment (MVA) and any fees and expenses such as administration, investment management, mortality and expense risk, surrender, and contract fees).  
 B. Does the client need the annuity money before the surrender charge period ends or before age 59 1/2?  
 C. Generally, at least one year is needed before the client can withdraw up to 10% without a surrender charge. The potential 10% federal income tax penalty was explained.  
 D. Does the client want or need a guaranteed income for life?  
 E. Does the client want or need a guaranteed death benefit?  
 F. Does the client prefer to make income tax-free transfers among investment options with professional managers or have the insurance company manage for fixed returns? Can this be done by using an existing account or investment?

### 4 EXISTING ACCOUNTS

- A. Does an existing account or investment achieve the client's objectives?  
 B. If this is a replacement, complete replacement forms and consider these questions:  
 • Will the client pay a surrender charge for a replaced annuity?  
 • Does the current contract provide benefits that make this purchase unnecessary?  
 • Has the client received and signed a written cost and benefit comparison, including any surrender charges, insurance features, fees and expenses, MVA, and the impact on the death benefit if a partial withdrawal or surrender occurs?

### 5 OTHER INFORMATION CONSIDERED (Review all answers on suitability in light of other information referenced.)

### 6 GENERAL COMPARISON (Factors to consider in determining whether a fixed or variable annuity recommendation is suitable.)

Fixed Annuity	Variable Annuity
Do they want a fixed return?	Could they tolerate an investment loss, including loss of principal?
Insurance company manages for fixed returns.	Able to make income tax-free transfers among investment options with professional managers.
Account is potentially subject to claims of insurer's general creditors. Issuer financial strength risk.	Investment options protected from claims of insurer's general creditors.
Generally, a single premium	Generally, flexibility of premium payments
Limited investment experience	Experienced investor