Understanding variable annuities

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Creating retirement income for the path you travel

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Creating retirement income for the path you travel

Where will retirement take you? Whether you're in the beginning stages of your retirement journey or are ready to retire, chances are the path you initially set may not be the one you stay on. It's important to recognize potential roadblocks and have a retirement strategy that can help you stay on course to meet your retirement goals.

Retirement can be a big financial shift

After years of saving and accumulating, you have to switch gears and create a strategy for taking your money out. A good source for growing retirement assets and creating a sustainable retirement income is a variable annuity.

Work with your financial professional to learn how you can create lasting retirement income with a variable annuity.

Your variable annuity can help you stay on track with your retirement income needs. Think of it like this …

Growth potential

Through a well-diversified portfolio of underlying investments and the benefits of tax deferral, your annuity becomes a growth engine for your future income.

Power to protect

You can protect your annuity assets for your beneficiaries, and choose additional options to help you further grow and protect those assets from the risks you'll face along your journey.

Sustainable income

When you're ready to begin drawing on your retirement income, annuities offer the flexibility to take withdrawals or guarantee an income for as long as you live.

Guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company. The investment performance of the variable investment options is not guaranteed. You can lose money investing in a variable annuity. Diversification is a method used to manage risk. It does not guarantee against loss.

What is a variable annuity?

A variable annuity is a long-term investment product designed to help you save and grow assets for retirement. Once you retire, it can provide a sustainable source of income.

Here's how it works:

- You buy a variable annuity from an insurance company and make one or more purchase payments to fund it. You can choose to add optional living or death benefits for an additional cost.
- The value of your annuity accumulates based on the performance of the underlying investment options you select.
- At retirement, when you're ready to begin taking money out you can take withdrawals, receive a guaranteed stream of income by "annuitizing," or if applicable, receive income offered through the guarantees provided in an optional lifetime income benefit.

What benefits do they provide?

Annuities help you address the financial risks and roadblocks of a long retirement with:

- **A wide range of investment choices** to help you customize your annuity to meet your long-term goals and risk comfort level.
- **Tax-deferred earnings** that help you accumulate retirement assets faster because your investment gains aren't taxed each year. When the time is right and you begin taking income, your earnings will be taxable as ordinary income.
- **A variety of ways to receive income in retirement,** including the ability to annuitize your contract to generate a guaranteed stream of income for a set amount, a set period of time or for a lifetime.
- **The opportunity to add living benefits,** which may provide options for principal protection and income guarantees.
- **The opportunity to protect your annuity assets** for the people you care about once you're gone. Certain annuities offer other optional death benefits that can further protect or enhance the assets you pass on.

Talk to your financial professional
for more information about the benefits and limitations of variable annuities and optional benefits. Optional benefits are available for an additional cost.

Optional benefits are available for an additional cost.

Mapping financial detours

With a variable annuity, you're more prepared to navigate through risks that may detour your retirement years.

Learning about financial detours — and the unique benefits variable annuities provide — may help lessen the impact of these risks on your accumulated assets and the future retirement income you'll depend on.

Market risk

The chance that your retirement investments may do poorly in a given year — or worse, just as you begin to take money out.

Inflation risk

The chance that you may not be able to maintain the purchasing power of your hard-earned retirement dollars.

Longevity risk

The chance you may outlive your retirement savings.

Important considerations

Annuities are investments for the long term. If you need your money in the near future, it may be in your best interest to explore other options. One of the reasons for this is that many annuities have a deferred sales charge, which may apply to certain withdrawals taken in the contract's initial years. Be sure to refer to your annuity prospectus to see if a deferred sales charge applies.

Other expenses associated with annuities include contract charges, a mortality and expense charge, and charges for the variable investment options.

If you purchase a variable annuity as part of an IRA or other qualified-type retirement plan, you will receive no additional benefit from the tax deferral feature of the annuity since IRAs and qualified plans are already tax deferred. Qualified distributions from a Roth IRA are generally excluded from gross income, but taxes and penalties may apply to non-qualified distributions. Please consult a tax advisor for specific information.

There are many choices for receiving income through annuitization, although the terms of the annuity income can't be altered once they go into effect. If you choose to withdraw earnings before age 59½, they may be subject to a 10% federal tax penalty.

Create retirement

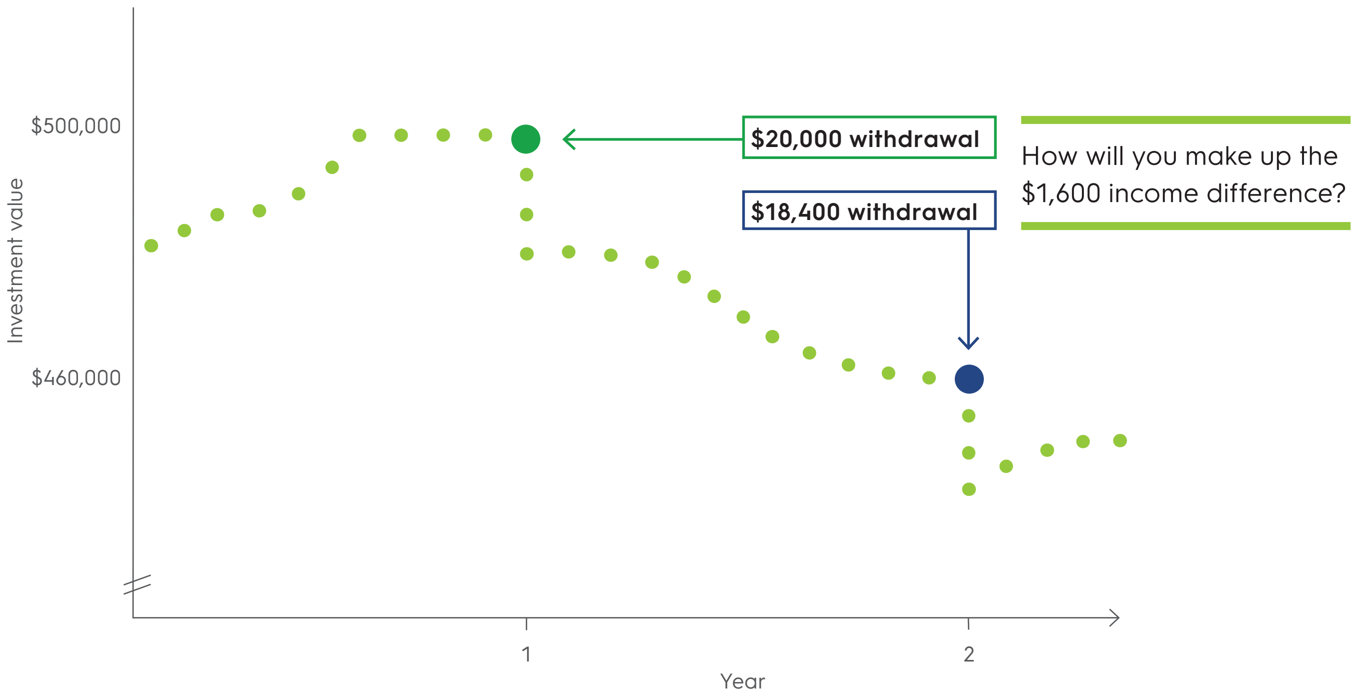
income that lasts

Baby boomers who own an annuity are **more than twice as likely** to feel confident that their retirement savings will last for their lifetime, compared to those who don't own an annuity.

Insured Retirement Institute, 2019 Boomer Expectations for Retirement.

What if markets slide after you've retired?

Adding stocks to your retirement portfolio provides powerful growth potential over the long term. But what about market downturns? Watching your retirement investments slide is unsettling — especially as you approach retirement. A market downturn that occurs as you begin taking withdrawals can do lasting damage to your long-term income. Financial experts refer to this as market risk.



Example Let's assume that when you retire your investment is worth $480,000. Each year, you plan to withdraw 4% of your investment's value. At the end of year 1, your investment has increased to $500,000 so you withdraw $20,000 ($500,000 x 4% = $20,000). The following year, your investment declines in value and your 4% withdrawal produces only $18,400. How will you make up the $1,600 in lost income?

Retreating from the markets would reduce your exposure to this risk, but you'd also lower the growth potential of your portfolio and lessen the ability to provide adequate long-term income.

This is a hypothetical example for illustrative purposes only and is not intended to predict or project investment results. It is not representative of any specific investment or product. Please note the // symbol identifies a break in the vertical axis. Due to space considerations, this presentation focuses on the upper contour of the fluctuating contract value. The base value of the graph is not considered to be zero.

Although variable annuities have options that can help protect retirement income from market risk, the contract value is still subject to market risk.

Market risk — the potential that the markets may do poorly in a given year — or worse, just as you begin to make withdrawals — diminishing your invested wealth either permanently or temporarily.

Strategies that can help:

Diversify to help protect against downturns

Although investments in variable annuities are subject to the ups and downs of the markets, a well-diversified mix of the quality investment options available in our variable annuities gives you the potential to better manage the risk of downturns and produce more consistent returns over time.

Stay on track with your investments

Variable annuities offer valuable investment tools to help you stay on track with your investments. Asset rebalancing allows you to keep your investment allocation in line with your retirement goals. Dollar cost averaging is available to help you take advantage of market volatility to provide a lower overall cost per investment unit.

Add protection and income guarantees

If you choose to add an optional living benefit (available for an additional cost), the guarantees it offers can protect — and in some cases even grow — your future guaranteed contract value or income when markets take a tumble. So while the growth of your variable annuity assets is subject to the ups and downs of the markets, you'll have the guarantees of your optional living benefit to fall back on if you need to.

Dollar cost averaging does not guarantee a profit or prevent a loss in declining markets. Since dollar cost averaging involves regular purchases, regardless of fluctuating price levels, consider your ability and willingness to continue to make investments.

Rising costs can take a bite

Each year, the same amount of money buys a little less. That's the risk of inflation. And in a retirement that could last 30 years or more, rising costs can take a big bite out of your accumulated assets. It goes beyond what you pay to fill the tank and your daily cup of coffee. With medical costs rising faster than the rate of inflation and fewer employers offering healthcare coverage for retiring employees, you'll need to account for this increasing expense in your retirement strategy.

THE REAL COST OF INFLATION OVER 30 YEARS (% INCREASE CUMULATIVE)

87%	126%	203%
1 gallon whole milk	Bread per pound	1 gallon regular unleaded gas

U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Indexes, as of August 2019.

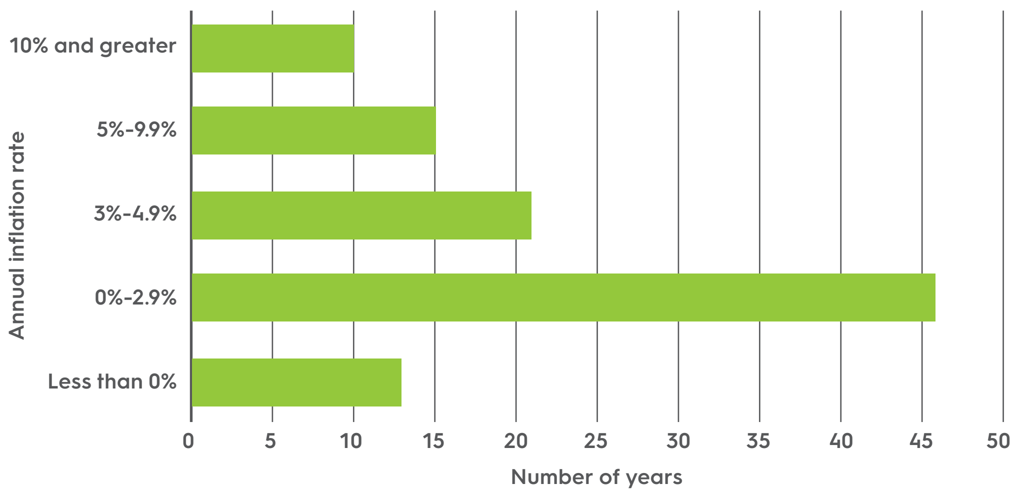
Medical expenses have **increased 297%**

over the last 30 years, far outpacing other categories.

U.S. Department of Labor statistics. Consumer Price Index medical expenses 1998-2019.

Inflation risk — the risk of losing your purchasing power due to rising costs.

ANNUAL INFLATION RATE: A HISTORICAL VIEW 1913-2018



Federal Reserve Bank of Minneapolis, Annual percent rate of change in the Consumer Price Index, 2019.

What about most recently?

Since 2008, rates have averaged 1.75%

Strategies that can help:

Stay ahead of rising costs

Thinking about playing it safe with fixed-income investments? Think again. Without some growth-oriented investments incorporated into your portfolio mix — like stock and bonds — you may come up short as you prepare for a retirement that could last at least 25-30 years. Consider this: to truly maintain the purchasing power of your retirement assets, you need a product that has the potential to grow with or faster than the rate of inflation.

It all adds up

Although it might not seem like much, at a 3.5% rate of inflation annually, prices will double in 20 years.

Create your strategy for growth

Variable annuities provide a wide range of professionally managed investment options — from aggressive growth to more conservative options — so you can create a customized mix of investments that help you strike a balance between risk and the potential for long-term growth.

Generate income to cover living expenses

Accumulating retirement savings now can help create dependable income that you'll rely on later. Once you retire, the options for income guarantees offered by variable annuities — including any optional lifetime income benefits you purchase — can provide reliable, lifetime income to ensure a portion of your living expenses will be covered.

Investments in variable investment options will fluctuate and when redeemed may be worth more or less than when originally invested. Although past performance is no guarantee of future results, equity investments have historically outperformed inflation over the long run. While equities provide greater return potential than fixed income investments, they generally entail more risk of loss as well, particularly over a short time period.

Retirement can be long

Americans are living longer than ever before. But many of us are still underestimating our life expectancies and overestimating our financial resources. It's key to account for those years in your retirement strategy so you don't run the risk of outliving your retirement assets — otherwise known as longevity risk.

Strategies that can help:

Create an income that lasts

Variable annuities are one of the few financial products that can guarantee income payments for life, through annuitization. If you choose to annuitize your contract, you can select from a variety of options specifying how frequently you want to receive your income payments, and for how long. You can even choose for payments to continue for your lifetime or the lives of both you and your spouse.

Powerful income protection and flexibility

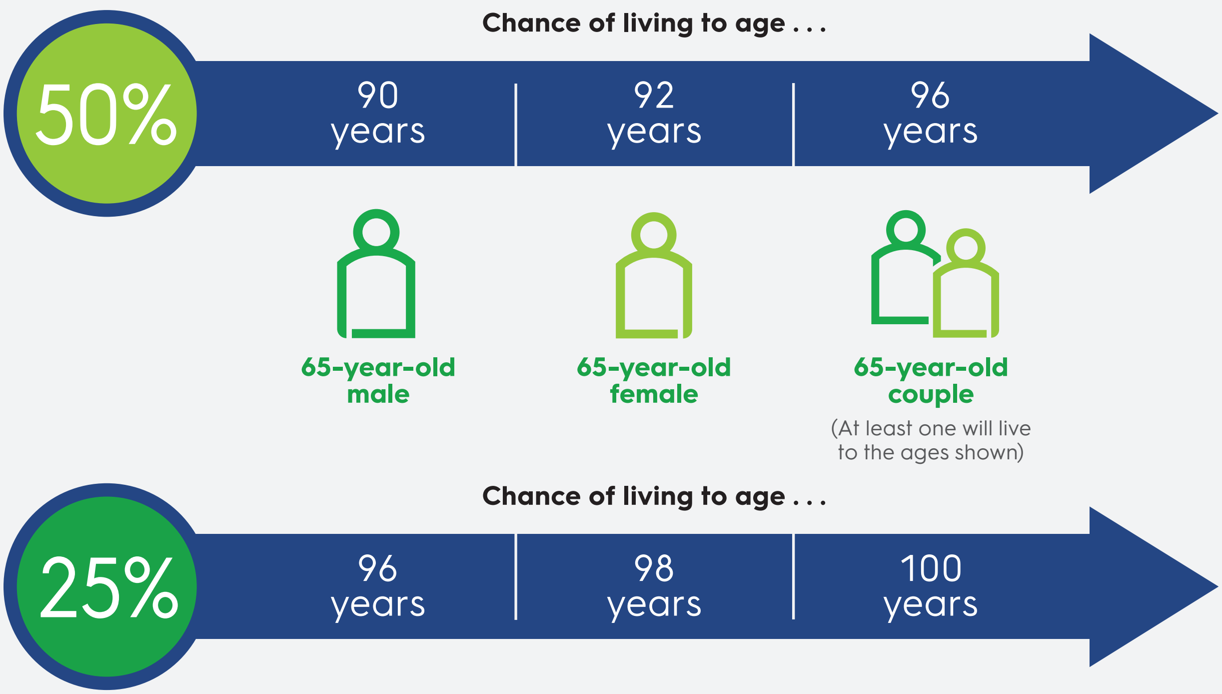
A different way you can receive lifetime income from an annuity is through an optional lifetime income benefit. Although they come at an additional cost, most lifetime income benefits provide income growth and protection features that can enhance and lock in increases to your future or current income. Along with providing guaranteed lifetime income, many offer increased flexibility to access your annuity assets.

Optional living benefits discussed in this material are available for an additional cost. Along with the benefits they provide, they come with restrictions and limitations, which may include annual withdrawal limitations, holding periods before cancellation can occur and investment restrictions. Generally, the guarantees they offer pertain to annual income streams, rather than contract values. Please see the specific company prospectus for details regarding the benefits, limitations, risks and costs associated with these products.

Longevity risk — the risk of outliving your available income in retirement.

Chances of living beyond age 65?

Make sure you account for the possibility of living a longer life — so your assets last as long as you do. Once you reach age 65, the chart shows your chances of making it into your 80s and 90s.



Assumes a person is in good health. 2012 Individual Annuity Mortality Basic Table projected for mortality improvement from 2012-2018.

Put tax laws on your side

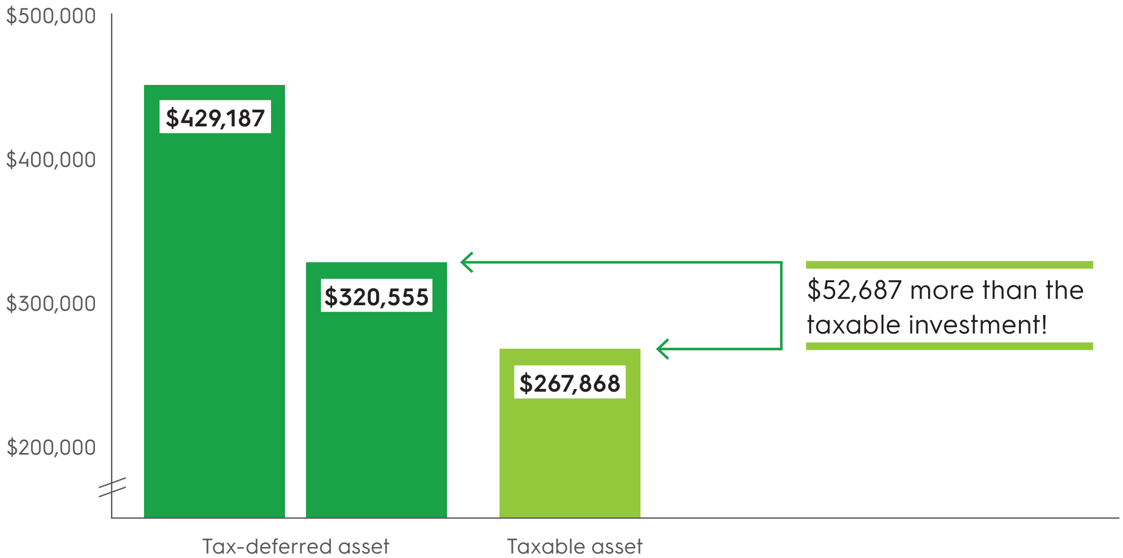
Taxes are also an important element to consider when creating a financial strategy for your retirement journey. The good news is that variable annuities put the power of tax deferral to work in your favor.

- **Accumulate savings faster.** Annuity earnings grow tax deferred because you don't pay taxes until you make withdrawals, so your savings accumulate faster than if earnings were reduced by taxes each year. When the time is right and you begin withdrawals, your earnings will be taxable as ordinary income.
- **Change your investments without creating a "taxable event."** You don't have to worry about the tax implications of rebalancing your portfolio, changing your mix of investments, transfers or other changes.
- **Obligations can be shifted in the future.** In retirement, your tax rate could be lower than it is now. That would provide you with the advantage of tax-deferred compounding as you accumulate your retirement savings, while also potentially allowing you to pay taxes at a lower rate in the future.

Keep in mind, your tax rates could be higher in retirement. Tax laws are unpredictable, and today's tax rates may not be the same in the future.

SEE THE BENEFITS OF TAX DEFERRAL

Example This example assumes an initial investment of $100,000, an annual 6% rate of return and an accumulation time frame of 25 years.



This is a hypothetical example for illustrative purposes only and is not intended to predict or project investment results. It assumes no withdrawals and a 33% ordinary income tax rate. Please note the // symbol identifies a break in the vertical axis of the graph. Due to space considerations, this presentation focuses on the upper contour of the fluctuating contract value. The base value of the graph is not considered to be zero.

This example is designed to show how tax-deferred compounding works, and is not representative of any specific product. Actual tax rates and tax treatment will vary for different taxpayers and products and will impact the results shown. Consider your personal investment time horizon and income tax bracket, both current and anticipated, when making an investment decision. If charges for a variable annuity were included, the tax-deferred results would have been lower.

The IRS sets the timing and amount that must be withdrawn from IRA, 403(b) or other tax-advantaged plans. That amount is known as the required minimum distribution (RMD). Withdrawals prior to age 59½ may incur a 10% IRS tax penalty in addition to income tax.

If the annuity is part of an IRA, or other qualified-type retirement plan, plan rules apply to purchase payment amounts. Additionally, these plans are already tax deferred and the annuity does not provide any additional benefits relative to tax deferral.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by, any taxpayer for the purpose of voiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

Create a payout engine

After the accumulation years, when you're shifting into retirement and need to start generating income, your variable annuity becomes a payout engine. Think of yourself at a crossroads with a variety of income paths available — you have the flexibility to choose the route that best meets your needs.

If you want to retain flexibility or want a hands on approach to managing your money

Consider systematic withdrawals

- You determine how much to withdraw and how often
- You retain the flexibility to make changes in the future
- Your annuity's value remains invested as you desire, subject to investment gain or loss
- Earnings on your annuity contract continue to be tax deferred
- Withdrawals end once the money in your contract is exhausted

If you want guaranteed income payments you can count on

Consider annuitization

- You turn your contract into a guaranteed stream of income
- You decide if it will be for a set amount, a set period of time or for a lifetime
- Depending on the options available within your contract, you may be able to choose whether your income payments are fixed, variable (subject to market fluctuation) or a combination of both
- Income payments continue according to the income option selected, even if the payments you have received exceed the value of your annuity at annuitization
- Once you "annuitize" your contract, it can't be changed

If you aren't ready to lock in a stream of income payments but still want to guarantee future income payments or withdrawals

Consider optional lifetime income benefits

- These benefits offer extra insurance to help protect your retirement income from poor investment performance
- They also offer growth opportunities that can enhance your income
- You can have flexibility to retain control over your assets, and still receive a guaranteed income stream
- Optional lifetime income benefits come at an additional cost, and along with their benefits, have limitations
- Availability varies by product

Talk to your financial professional to gain more insight and information on these variable annuity payout options.

Upon annuitization, all benefits and guarantees provided by optional benefits terminate unless noted otherwise. If you annuitize your contract and choose a life-only payment option, there is no guarantee of return of the contract value annuitized. Withdrawals prior to age 59½ may be subject to IRS penalties in addition to income tax. Withdrawals may be subject to a deferred sales charge.

Power to protect your loved ones

Building a retirement strategy is more than saving enough to generate an adequate income. You want to ensure that your loved ones will be financially okay when you're gone — right? Protecting the people you care about makes your retirement journey even more rewarding.

Variable annuities provide you with the power to protect your beneficiaries

- A minimum death benefit guarantee comes standard on every contract.
- Your contract will state the value available to your beneficiaries. This is typically the current contract value. In some cases, it may be the return of your purchase payments (adjusted for any withdrawals) if greater.
- Optional death benefits are available for an additional cost to provide even greater protection, and in some cases enhance your annuity's death benefit for your heirs and estate legacy.

Stay on course

with a variable annuity and a knowledgeable guide. Finding the right path to retirement can be challenging. So it's important that you get the right directions and resources before you set out on your journey.

A financial professional can help you map out a strategy using the:

- **Growth potential**
- **Protection power**
- **Sustainable income**

that a variable annuity can provide.

At Securian Financial, we're here for family. And we're here because of it.

Family doesn't have to branch from your tree, but it always shares your roots. Roots woven by common understanding, shared values and mutual respect. Like you, we believe a rewarding life is really about being present in the here and now, and that your financial picture should support the everyday moments as much as the major milestones. That's why our insurance, investment and retirement solutions give you the confidence to focus on what's truly valuable: banking memories with those who matter most.

Some products and optional features may not be available in all states and features may vary by state. Not all products, features and optional benefits are available from all selling broker-dealers and certain products may not be sold in combination.

An annuity is intended to be a long-term, tax-deferred retirement vehicle. Earnings are taxable as ordinary income when distributed, and if withdrawn before age 59½, may be subject to a 10% federal tax penalty. If the annuity will fund an IRA or other tax qualified plan, the tax deferral feature offers no additional value. Qualified distributions from a Roth IRA are generally excluded from gross income, but taxes and penalties may apply to non-qualified distributions. Please consult a tax advisor for specific information. There are charges and expenses associated with annuities, such as deferred sales charges for early withdrawals. Variable annuities have additional expenses such as mortality and expense risk, administrative charges, investment management fees and rider fees. Variable annuities are subject to market fluctuation, investment risk and loss of principal.

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