

PURCHASING ANNUITIES: IMPORTANT QUESTIONS AND INFORMATION FOR PROSPECTIVE BUYERS

As with the sale of any major insurance purchase, it's important to OM Financial Life Insurance Company and OM Financial Life Insurance Company of New York ("the Companies") that you closely evaluate your financial needs and options carefully. Whenever you enter into any contract such as an annuity contract, you should thoroughly review the language, options and benefits, your personal finances and tax deferral goals, college funding, wealth accumulation, principal protection, retirement goals and overall needs before entering into a contract.

- 1) Evaluate your financial needs and goals.** You should first know what you want to achieve based upon your financial needs. Determine what your current savings and investments are and establish your retirement goals. Do you need income now or are you in a position to allow your savings to grow? Do you want that growth to be at a guaranteed rate of a savings vehicle such as a fixed annuity contract or can you take the risk of a variable annuity that is invested in stocks or bond funds?
- 2) Understand the language describing the Annuity.** There are different types of annuities which offer many options to meet a variety of financial objectives. If you are unsure about the type or terms used to describe an annuity, check with your insurance producer, tax advisor, financial planner, broker, elder attorney or someone who is familiar with your financial circumstances and goals. **Never agree to terms you don't fully understand.**
- 3) Familiarize yourself with the different types of annuities offered by the Companies**

Immediate Annuity- provides income now.

Deferred Annuity- allows savings to accumulate before payouts begin in the future.

Fixed Annuity- a deferred annuity in which your money earns interest at a guaranteed rate.

Index Annuity- a deferred annuity in which earnings accumulate at a rate based upon a formula linked to one or more published equity-based indexes, such as Standard and Poor's 500 Composite Stock Price Index™.

Variable Annuity- a deferred annuity in which your money is put in subaccounts that are invested in stock and bond funds



- 4) **If you are purchasing an index annuity, ask about the current credited interest rate.** How often does it change? What are the minimum guaranteed rates? Are the charge free withdrawal amounts sufficient to meet your income needs?
- 5) **If you are purchasing an index annuity, find out about the index, formula and current factors applicable to the initial indexed interest period.** How often is the indexed interest credited? How may factors change in subsequent periods? What is the level of minimum guaranteed values provided by the contract?
- 6) **If you are purchasing a variable annuity, find out the investment options currently available and review the prospectus for each subaccount.** A prospectus which is required to be provided to potential buyers outlines the objectives and level of risk, as well as the operating expenses and financial statements. Charges differ with each annuity and company.
- 7) **Ask if there are fees or charges for partial withdrawal of funds or full surrender of your deferred annuity contract.** Find out how much the fees are and for how long they apply. Often, after a time specified in the contract, these fees are eliminated. Make sure that you have sufficient income to meet your needs so that you will not need to incur full surrender charges or penalties for early withdrawals.
- 8) **Ask if there is a guaranteed death benefit.** Some annuities include death benefits that may exceed the account value; some do not. Know what benefit is guaranteed, how and when it will be paid, and whether increased benefits may be purchased.
- 9) **Ask how long the “free look” period is.** The free look period is the time in which you have the right to review the contract and return it if you have made the wrong choice. The Companies then will cancel the contract and depending upon your state, refund your initial contribution or the market value of the contract. Free looks usually last at least 10 days and up to 60 days depending upon your state requirements. The free look rules vary from state to state and not every state guarantees free look rights.
- 10) **Evaluate the Companies issuing the annuity.** Only life insurance companies can issue annuities, although they may be sold through financial institutions such as banks and brokerage firms. Make sure the company issued issuing the annuity is licensed in your state, reputable and financially strong. OM Financial Life Insurance Company is licensed in all states (excluding New York) and the District of Columbia. OM Financial Life Insurance Company of New York is licensed only in the state of New York. The Companies have an A.M. Best Rating of A (Excellent) for financial strength and operating performance. 3rd highest out of 15 ratings.

OM Financial Life Insurance Company and OM Financial Life Insurance Company of New York want to make sure you have purchased an annuity product that meets your financial situation and that you are satisfied. A satisfied customer is a long term

OM Financial Life Insurance Company, Baltimore, MD

customer we value. For more information about the Companies and the portfolio of annuity products we offer, please contact us at: <http://www.omfn.com/Annuities/default.aspx>.