About Annuities

General Information

Welcome!
You have planned and worked hard because maintaining your standard of living throughout retirement is important to you. You will find below information about the benefits of using an annuity to help you manage your finances as you approach and enter retirement.

You can find information about the annuity options that may be available to you (including a description of distribution options) in the “Description of Annuity Forms” section below, as well as by accessing the annuity forms tab. Additional information relating to the terms of the annuity that may be available to you, including:

- the name of the annuity contract and its issuer
- the objectives and goals of the annuity contract
- a description of the costs and other factors taken into account in determining the price of the annuity option
- a description of any limitations on your right to withdraw or transfer amounts allocated to the annuity (and any fees or charges applicable to such a withdrawal or transfer), and
- a description of any fees that will reduce the value of amounts allocated to the annuity option may be found in the “Overview of Plan Investments and Fees” report available on this website.

Guaranteed Income is One Answer
With an ‘Immediate Annuity,, you authorize an annuity provider to use a lump sum amount from your account balance to purchase an annuity, which promises to pay you a fixed monthly income. This income is paid every month for the term of the annuity you select. You can choose to receive income for your entire life, regardless of how long you live. You can even arrange to provide income to your spouse, or another person, after you die.

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In the most basic terms an annuity is an arrangement under which an insurance company, in exchange for payment, agrees to pay you an income in the future.

If you join your plan and your plan offers an annuity, The Prudential Retirement Security Center web site provides Prudential clients with the ability to calculate the cost of immediate, fixed annuities to generate pension income based on their accumulated account balances. Please note you do not have to use your entire balance. In most cases you may use a portion of it.

Below are descriptions of several common types of annuities:

Immediate, Fixed Annuity - An immediate, fixed annuity pays you a specific benefit on a regular schedule, beginning within one year of the time the annuity was purchased. For example, you could receive a payment of $1,000 per month (a fixed amount) beginning today and continuing for as long as you live.

Immediate, Variable Annuity - An immediate, variable annuity pays you a benefit which may change in amount each period, with payments to be made on a regular schedule. The payments begin within one year of the time the annuity was purchased. For example, you could receive a payment of 100 times the unit value of the XYZ Mutual Fund per month (a variable amount) beginning today and continuing for as long as you live. While you may receive payments for as long as you live, the amount of each monthly payment will be different depending on whether the value of the underlying investments goes up or down.

Deferred, Fixed Annuity - A deferred, fixed annuity allows you to invest funds in an account which credits a ‘fixed’ rate of return for a defined period. At some interval, the crediting rate can be reset for a subsequent period. When you are ready to retire, you have the option of converting the balance into a series of regular payments.

Deferred, Variable Annuity - A deferred, variable annuity allows you to invest funds in an account or accounts which credit a return based upon the performance of some investment(s). You often have the ability to select from a number of different investment options and to divide your investment among a number of investment accounts. When you are ready to retire, you have the option of converting the balance into a series of regular payments. This type of annuity is commonly used to accumulate assets for retirement on a tax deferred basis much like you have done in your 401(k), 403(b) or 457 plan or other retirement savings plan.
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For more information about annuities, you can also contact the American Council of Life Insurers-(ACLI). The ACLI offers a complimentary copy of their publication *Annuities, the Key to a Secure Retirement*. The ACLI can be contacted by writing to The American Council of Life Insurers, 101 Constitution Avenue NW, Washington, DC 20001-2133.

There are a number of different ways you can arrange to have guaranteed income paid to you. You may want a guaranteed monthly amount to be paid to you for as long as you live and for that payment to continue to your spouse for as long as he or she lives as well. On the other hand, you may only need a guaranteed income for a certain number of years, for instance, to cover a few years between your actual retirement and when other pension benefits commence.

Description of Annuity Forms

To help you determine which payout option best meets your needs, we have listed a description of many of the common choices. These choices are often called 'Forms of Annuity'.

NOTE: Not all forms of annuity are available to everyone. To determine which forms are available to you, go to the annuity form tab and your plan’s forms of annuity available will be listed.

**Immediate Life Only Annuity**
Monthly payments are provided throughout your lifetime. There is no death benefit payable under this form of annuity. After you die, no further payments will be made.

**Immediate Period Certain Only Annuity**
Monthly payments are provided for a specified number of months. If you die on or after the annuity commencement date (Date of First Payment), but before receiving the guaranteed number of payments, Prudential will continue to make monthly payments to your beneficiary until the guaranteed number of payments has been made. The number of monthly payments guaranteed is established when the annuity is purchased and may be 60, 120, 180, 240, 300, 360 or any other number accepted by Prudential. Under federal tax law, the length of the period certain may not exceed the joint life expectancy of you and your beneficiary, and may be further limited if you choose a beneficiary who is not your spouse.

For the 'Forms of Annuity' where there is a 'Guaranteed Payment Period', the standard Guaranteed Payment Periods generally available are 5 years, 10 years, 15 years, 20 years, 25 years or 30 years.

**Immediate Life Annuity with a Period Certain**
Monthly payments are provided throughout your lifetime, with a specified number of payments guaranteed. If you die on or after the annuity commencement date (Date of First Payment), but before receiving the guaranteed number of payments, Prudential will continue to make monthly payments to your beneficiary until the guaranteed number of payments has been made. The number of monthly payments guaranteed is established when the annuity is purchased and may be 60, 120, 180, 240, 300, 360 or any other number accepted by Prudential. Under federal tax law, the length of the period certain may not exceed the joint life expectancy of you and your beneficiary, and may be further limited if you choose a beneficiary who is not your spouse.

For the Joint and Survivor 'Forms of Annuity' the percentage payable to the Contingent Annuitant is generally 50%, 66 2/3%, 75% or 100%.

**Immediate Joint and Survivor Life Annuity**
Monthly payments are provided throughout your lifetime. If you die on or after the annuity commencement date (Date of First Payment), a lifetime monthly income will be provided to your Contingent Annuitant, if then living. The amount of lifetime monthly income payable to your Contingent Annuitant will be equal to a percentage of the monthly annuity amount you were receiving (the percentage is selected at the time of purchase: 50%, 66 2/3%, 75% or 100%). If your Contingent Annuitant dies before you, payments stop at your death. If you select a Contingent Annuitant who is not your spouse, the percentage payable after your death may be limited under federal tax law.
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**Immediate Joint and Survivor Life Annuity with a Period Certain**
Monthly payments are provided throughout your lifetime. If you die on or after the annuity commencement date (Date of First Payment), but before receiving the guaranteed number of payments, Prudential will continue to make monthly payments of the same amount to your Contingent Annuitant, if then living, until the guaranteed number of payments have been made. After the guaranteed number of payments has been made, a lifetime monthly income will be provided to your Contingent Annuitant, if then living. The amount of lifetime monthly income payable to your Contingent Annuitant will be equal to a percentage of the monthly annuity amount you were receiving (the percentage is selected at the time of purchase: 50%, 66 2/3%, 75% or 100%).

If you die after receiving the guaranteed number of payments, a lifetime monthly income equal to the percentage of the amount you were receiving (50%, 66 2/3, 75% or 100%) will continue to be paid to your Contingent Annuitant, if then living. If both you and your Contingent Annuitant die before collectively receiving the guaranteed number of payments, Prudential will continue payments of the same amount you were receiving to your beneficiary until the guaranteed number of payments has been made. Under federal tax law, the length of the period certain may not exceed the joint life expectancy of you and your beneficiary, and may be further limited if you choose a beneficiary who is not your spouse. If you select a Contingent Annuitant who is not your spouse, the percentage payable after your death may be limited under federal tax law.

**Immediate Life Annuity with a Full Cash Refund**
Monthly payments are provided throughout your lifetime. The total purchase price of the annuity is guaranteed to be paid back to you. If you die on or after the annuity commencement date (Date of First payment), but before monthly payments in an aggregate amount equal to the total purchase price of the annuity have been made, the difference between the total purchase price and the amount you received will be paid to your beneficiary in a lump sum.

**Immediate Life Annuity with an Installment Refund**
Monthly payments are provided throughout your lifetime. The total purchase price of the annuity is guaranteed to be paid back to you. If you die on or after the annuity commencement date (Date of First Payment), but before monthly payments in an aggregate amount equal to the purchase price of the annuity have been made, the difference between the total purchase price and the amount you received will be paid to your beneficiary in monthly installments. Under federal tax law, the length of the period over which the installment payments are made may not exceed the joint life expectancy of you and your beneficiary, and may be further limited under federal tax law if you choose a beneficiary who is not your spouse.

**Immediate Life Annuity with a Modified Cash Refund**
Monthly payments are provided throughout your lifetime. A predetermined death benefit is guaranteed to be paid back (example: the amount you have contributed to the annuity purchase) to you in monthly payments. If you die on or after the annuity commencement date (Date of First Payment), but before monthly payments in an aggregate amount equal to the predetermined death benefit have been made, the difference between the predetermined death benefit and the amount you received will be paid to your beneficiary in a lump sum.

**Escalator Option**
Monthly benefits will increase annually throughout your lifetime. Each year, upon the anniversary of the annuity, the benefit payments will increase by the chosen Escalator Percentage amount. The Escalator Percentage also will apply to any payments made to Contingent Annuitants and beneficiaries. The Escalator Percentage amount that you choose may range from 1% to 4%. This optional feature may be added to certain forms of annuity.

**For all Annuity Forms**
If you die before your annuity commencement date, your premium will be returned in accordance with the relevant beneficiary rules and Prudential will be relieved of all associated obligations.

For all Life Annuity forms, the final payment is made on the first day of the month in which you die.

**Additional Forms of Annuity**
You may be allowed to purchase forms of annuity which are slightly different from those listed above. For example, you may be able to select a certain period of a duration other than the number of years shown.

**Group Annuities**
Although most states use different definitions of which 'groups' are allowed to purchase annuities on behalf of their participants, qualified pension plans are generally allowed to enter into group annuity contracts. Employers with plans such as 'defined contribution', '401(k)', '403(b)' and '457' are common sponsors. Under group contracts, qualified plan sponsors can obtain group pricing rates which may be more economical than individual pricing. In addition, many states allow annuity issuers to offer group rates to their own customers who have eligible rollover distributions and a relationship with selected sponsors or plan service providers.

**Individual Annuities**
Since many people are not covered by a traditional pension or do not have access to an annuity from their employer's plan, a large number of insurers offer annuities to individuals directly. These 'individual annuities' can be purchased from licensed insurance agents.
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Considerations

Should you consider an annuity?

As you plan your retirement, you'll need to determine the best combination of assets, investments, annuities, Social Security benefits, and pension benefits to meet your financial needs. If you determine that you do not have sufficient guaranteed income, you may want to consider converting some of your retirement plan account balance into guaranteed monthly payments with an annuity.

When considering an annuity or a type of annuity income payment, some of the following questions may be helpful in determining what best meets your needs:

1. How much monthly income do I need to meet my expected retirement expenses?
2. Do I have adequate sources of guaranteed income from Social Security and traditional pension plans?
3. How much investment risk do I feel comfortable taking?
4. How much risk of outliving my assets do I feel comfortable taking?
5. If I incur a large expense, such as unexpected medical bills, will it severely deplete my income producing investment base?
6. If I buy fixed monthly annuity payments, do I have enough assets to invest in other areas to supplement my monthly income as inflation erodes the value of my pension in years to come?
7. Do I have a spouse I want to provide income for after my death?
8. Do I have children I want to provide with an inheritance?
9. Do I have tax issues I want to discuss with my tax advisor before making a final decision?

Qualified Plans

To encourage retirement savings, the federal government allows for a variety of retirement plans under which people can invest money on a tax deferred basis. This includes traditional pension plans, and a number of others such as 401(k), 403(b), Keogh, SIMPLE and SEP plans. Each of these plans has different rules that govern how much money can be invested, how it can be invested, when it can be withdrawn and how it can be withdrawn. However, the one feature all of these plans have in common is that they ‘qualify’ for tax deferral on investment earnings and in many cases, on the amounts contributed. For this reason, they are commonly called ‘qualified plans’.

Section 457 Plans - Many government agencies sponsor retirement programs which are similar to the types of qualified plans mentioned above. These plans are called 457 Plans after the section of the tax code which describes them.

Individual Retirement Accounts (IRAs) and Individual Retirement Annuities

Like qualified plans, Individual Retirement Accounts and Annuities provide tax deferral on the income and gains produced by those investments. However, an IRA is not a ‘plan’ and therefore is not subject to the same rules as qualified plans. An IRA is simply a tax favored vehicle which an individual can establish at a financial services company like Prudential or a bank or a brokerage firm.

Frequently Asked Questions

Q. What if I purchase an annuity but die before the first payment is made?
A. If you die before your annuity commencement date, your premium deposit will be returned and Prudential will be relieved of all associated obligations.

Q. How do interest rates impact annuities?
A. Generally speaking, the price of an annuity changes as interest rates change. As interest rates rise, the cost to purchase an immediate, fixed annuity will fall. This is because the funds used to purchase the annuity can be invested by Prudential to yield a higher return. On the other hand, when interest rates fall, the cost to purchase an immediate, fixed annuity will rise.

Q. What is the interest rate credited on Prudential’s immediate annuity?
A. The price of a payout annuity can include many different components. Some annuity providers deduct administrative fees and investment expenses from your account balance up front, and then apply an interest rate to the balance in order to calculate a monthly benefit. Others use your entire account balance in calculating your monthly benefit but lower the interest rate they credit on the annuity in order to cover the administrative and investment related expenses.

For example, assume two annuity providers charge exactly the same for investment and administrative expenses and provide exactly the same monthly benefit for your deposit amount. One provider uses your entire deposit amount but reduces the interest rate in order to cover these expenses. The second deducts the expenses directly from your
account balance and then uses a higher interest rate to calculate your benefit. The first annuity provider could produce a 7% interest rate and the second a 7 1/2% interest rate. There would be a 1/2% difference in the rate quoted, although the two annuity providers are charging identical amounts for these expenses and providing the same benefit amount.

Because the manner in which an interest rate is presented can lead to incorrect conclusions about which annuity has the best price, we do not present our 'rate'. If you are concerned about getting the best price, we encourage you to compare our quote to quotes from other insurance carriers and determine which provides the best monthly benefit per account balance. However, you should feel comforted to know that one of the reasons your plan entered into a contract to include Prudential group annuities as a distribution option is that group pricing tends to be more favorable to you, the participant.

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**IMPORTANT NOTICE:** This is only a brief summary of the terms of some of the annuity forms which are available. If you elect an annuity distribution from Prudential, you will receive a certificate from Prudential which describes the annuity form in greater detail and which refers to the terms of the contract under which the annuity is provided.

Group annuities are insurance contracts issued by The Prudential Insurance Company of America (Newark, NJ) and The Prudential Retirement Insurance and Annuity Company (Hartford, CT). The Prudential Insurance Company of America and The Prudential Retirement Insurance and Annuity Company are Prudential Financial companies. Each company is solely responsible for its financial condition and contractual obligations. Guarantees are based on the claims-paying ability of the issuing company.

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Since individual circumstances vary, you should consult your own legal, tax, accounting and investment advisors on the applicability of the products described on this site to your circumstances.

Prudential is authorized to transact business in all U.S. States and the District of Columbia. Product availability varies by state.

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