

Client Sample 2 - Example of an Annuity That Should Be Replaced

Client Sample 2 Summary

Review Purpose Evaluate whether an older annuity still aligns with current goals, fees, and liquidity needs	Review Date May 7, 2026
Advisor ABC Wealth Planning	Client Name Sample Client B

1. Contract Identification

Insurance Company / Carrier Legacy Benefit Life	Product / Contract Name Premier Variable Annuity Plus
Contract / Policy Number PVA-9031142	Issue Date June 10, 2013
State of Issue Ohio	Agent / Advisor Prior advisor relationship
Writing Agency / Broker-Dealer Not currently serviced by original firm	Review Date May 7, 2026

2. Parties

Owner Name: Sample Client B DOB / Entity Type: 03/22/1958 Relationship to Annuitant: Self	Joint Owner (if any) Name: None DOB / Entity Type: Not applicable Relationship: Not applicable
Annuitant Name: Sample Client B DOB: 03/22/1958 Age: 68	Co-Annuitant (if any) Name: None DOB: Not applicable Age: Not applicable

Primary Beneficiary(ies)

Adult daughter - 100%

Contingent Beneficiary(ies)

Grandchildren, per stirpes

Trust / Entity Owner Details (if applicable)

Not applicable

Power of Attorney / Authorized Signer

Daughter listed as emergency contact only

3. Tax and Registration

Tax Type

Non-Qualified

Qualified / Non-Qualified Status

Non-qualified annuity with significant unrealized gain

Cost Basis / After-Tax Basis

\$175,000

Required Minimum Distribution (RMD) Applicable?

No. RMDs do not apply to this non-qualified contract.

1035 Exchange / Transfer Source

Potential 1035 exchange being evaluated to avoid current taxation on gains if replacement proceeds

Federal Tax Withholding Election

To be reviewed if distributions are taken; no immediate taxable liquidation recommended

State Tax Withholding Election

Ohio withholding as applicable upon distribution

4. Contract Details

Annuity Type

Variable Annuity

Premium Type

Single premium with legacy rider election

Initial Premium

\$175,000

Subsequent Premiums

None

Current Contract Value

\$322,300

Surrender Value

\$322,300

Accumulation / Deferral Start Date	Maturity / Annuitization Date
June 10, 2013	No near-term annuitization need; primary focus is efficient retirement income planning
Crediting Strategy / Subaccounts	Minimum Guaranteed Rate / Floor
Actively managed equity and bond subaccounts Legacy income rider attached	No principal protection floor on market-based subaccounts
Index / Benchmark (if applicable)	Participation / Cap / Spread / Buffer / Floor
Not applicable	Not applicable

5. Income and Death Benefit Riders

Income Rider Type

Legacy Guaranteed Minimum Income Benefit (GMIB) style rider

Income Rider Summary

This older rider offers a future income calculation, but it is less flexible than many modern guaranteed lifetime withdrawal benefit designs and may require more restrictive election terms. GMIB-style riders are older income guarantees that can be less flexible than GLWB structures.

Current Rider Status

Active, but under review. The rider has not been elected, and the client is uncertain whether the feature still justifies the ongoing cost.

Income Benefit Base / Roll-Up Feature

Illustrative income base: \$311,500. This example assumes a 6% annual roll-up rate on the original premium during the deferral period for income-base purposes only, not for lump-sum access. The income base is separate from the actual account value and would be used only for future income calculations under the rider.

Estimated Income Election Terms

The current rider would require additional analysis of annuitization or restricted payout terms before election. That complexity reduces its appeal for a client seeking flexibility and simplicity.

Income Rider Fee

0.95% annually in addition to base contract and subaccount expenses. Optional rider fees can materially increase total annuity cost over time.

Death Benefit Rider

Enhanced annual step-up death benefit rider. Beneficiaries receive the greater of current contract value or the highest locked-in anniversary value, subject to rider terms. Enhanced death benefit riders commonly use return-of-premium or step-up formulas and add cost.

Death Benefit Rider Fee

0.40% annually. Enhanced death benefit riders often carry an additional charge beyond the base contract.

Planning Considerations

The rider package adds meaningful complexity and cost. Before any replacement recommendation, it is important to confirm whether the existing income guarantee or stepped-up death benefit still offers enough value to offset the ongoing fees and whether comparable benefits are needed in a new contract.

6. Fees and Liquidity

Surrender Charge Schedule

No remaining surrender charges due to contract age

Free Withdrawal Provision

Yes, but ordinary income taxation applies to gains on withdrawals

Market Value Adjustment (MVA)

No MVA

Annual Product Fee / Administrative Fee

1.25% mortality and expense / administrative charges plus 0.95% rider fee

Underlying Fund / Subaccount Expenses (if applicable)

Average subaccount expenses approximately 0.85% annually

Penalty Considerations

No carrier surrender penalty remains, but ongoing internal expenses are high relative to current client objectives.

7. Suitability and Review Notes

Client Objective

Simpler retirement income planning, lower ongoing costs, and reduced market exposure

Time Horizon

Retirement income may begin within 1 to 3 years

Liquidity Needs

Moderate liquidity needs and preference for greater clarity around accessible value

Risk Tolerance

Conservative; no longer comfortable with ongoing market volatility inside the contract

Replacement / Exchange Involved?

Yes. A replacement may be appropriate if a full comparison confirms improved fit, lower ongoing expenses, and preservation of tax deferral through a 1035 exchange.

Reasons for Recommendation / Review Findings

This contract appears less suitable today because the client's goals have shifted toward stability, simplicity, and lower ongoing costs. The annuity no longer has surrender charges, but it continues to carry comparatively high internal fees and investment complexity relative to the client's current needs. Based on this review, exploring replacement options may be reasonable if a new contract provides meaningful cost savings, appropriate guarantees, and no loss of valuable existing benefits.

Outstanding Service Needs / Follow-Up Items

Complete a side-by-side comparison of existing and proposed contract features.
Confirm whether any current rider benefits would be forfeited before proceeding with a replacement recommendation.