



Is an **Annuity**  
Right for You?

# What is an Annuity?

In its simplest form, an annuity is a contract issued by an insurance company that a person buys with a lump sum or a series of payments with the intention of the benefit to be paid back to them through a stream of payments immediately or in the future. A prominent reason annuities are purchased is to help financially during an individual's retirement. It can provide a source of payments for the remainder of an individual's life and sometimes after to a beneficiary of the owner's choosing. At Southern Farm Bureau® Life Insurance Company (SFBLIC), we offer two different annuities: Qualified Flexible Premium Deferred Annuity and Non-Qualified Single Premium Deferred Annuity. While they are different products, they do have





some similarities. Both of our annuity products have a deferred payout, which means the payout does not begin immediately, allowing your money to grow tax deferred until withdrawn. Our annuity products are also fixed annuities. This means the interest earned is not directly tied to the ups and downs of the stock market. Also, both products have guaranteed income options, known as payment options, that can provide a stream of payments in the future.





## **How do you know which annuity may be right for you?**

Consider the characteristics of each.



# Qualified Flexible Premium Deferred Annuity (QFPDA)

**Qualified:** These annuities are part of a tax qualified retirement program known as an Individual Retirement Annuity (IRA), which consists of a Traditional or Roth IRA. We also offer employer sponsored retirement plans, which are the Simplified Employee Pension (SEP) and the Savings Incentive Match Plan for Employees (SIMPLE).

**Minimum Initial Premium:** To start a Traditional IRA or Roth IRA, \$2,500.00 is required. To start a SEP or a SIMPLE, \$1,000.00 is required.

**Flexible Premium Payment Options:** You determine the timing and amounts of subsequent premium payments.<sup>1</sup>

**Yearly Contribution Limit:** The IRS sets a yearly limit on the amount of money that can be contributed.

**Interest:** The current fixed interest rate is applied to each premium received for a 12-month period. At the end of that period, the money will then earn the current interest rate.<sup>2</sup>

**Withdrawals:** After the first policy anniversary, up to 10% of the accumulated value may be withdrawn without incurring a surrender charge. In year 6 and beyond, there is no surrender charge for any amount withdrawn from the accumulated value; however, the IRS may enforce an *Early Distribution Penalty* in any year of the policy contract, if the owner's age is less than 59 ½.<sup>3</sup>

**Surrender Charges:** During the first 5 years of the contract, withdrawals in excess of any applicable 10% withdrawal privilege amount will be subject to a surrender charge as follows:

Contract Year	1	2	3	4	5	6+
Surrender Charge	5%	4%	3%	2%	1%	0%

**Required Minimum Distributions (RMD):** Depending on the annuitant's age and plan type, the IRS requires a minimum amount to be distributed each year.<sup>4</sup>

**Settlement Options at Maturity:** Choose from different payment options outlined in your contract for the payout schedule that fits you.

# Non-Qualified Single Premium Deferred Annuity (NQSPDA)

**Non-Qualified:** Money contributed is after-tax dollars.

**Single Premium:** Lump sum of at least \$10,000.00 is required with no subsequent premium payments allowed.

**Interest:** The current fixed interest rate is applied to the lump sum premium received for a 12-month period. At the end of that period, the money will then earn at the current interest rate.<sup>2</sup>

**Withdrawals:** After the first policy anniversary, up to 10% of the accumulated value may be withdrawn without incurring a surrender charge. In year 6 and beyond, there is no surrender charge for any amount withdrawn from the accumulated value; however, the IRS may enforce an *Early Distribution Penalty* in any year of the policy contract if the owner's age is less than 59 ½.

**Surrender Charges:** During the first 5 years of the contract, withdrawals in excess of any applicable 10% withdrawal privilege amount will be subject to a surrender charge as follows:

Contract Year	1	2	3	4	5	6+
Surrender Charge	5%	4%	3%	2%	1%	0%

**Settlement Options at Maturity:** Choose from different payout options outlined in your contract for the payout schedule that fits you.

**Now that you know a little more about our annuity products, consider the source of your money and your current tax situation to determine which annuity product may be right for you.**





# Payment Options<sup>5</sup>

When you decide it's time to begin receiving payments from your annuity, there are several options from which to choose.



Guaranteed for as long as you live



Guaranteed for the lives of two joint payees



Guaranteed for a certain number of years



Guaranteed fixed payments



Interest Income

If a maturity date is not chosen, payments will begin on the later of the policy anniversary on or following your 85<sup>th</sup> birthday or following the 10<sup>th</sup> policy anniversary.

The payment amount depends on a number of factors, which include the accumulation value, age, sex, the number of lives and the type of payment option chosen. If a payment option is not chosen, the default will be 10 Year Certain and Life, which guarantees payments for 10 years or as long as the annuitant is living, whichever is longer.





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## So, is an annuity with SFBLIC right for you?

Here are some final questions to ask yourself before purchasing an annuity.

1. Will you use the annuity to save for retirement or a similar long term goal?
2. Do you intend to remain in the annuity long enough to avoid paying any surrender charges to SFBLIC and early distribution penalties to the IRS?
3. Do you understand a fixed annuity has a minimum guaranteed interest rate but could earn a higher rate?
4. Have you consulted with a tax advisor and considered any tax consequences of purchasing an annuity?

This brochure is intended to provide general information about SFBLIC's annuity products. Our goal is to help you better understand the differences between our annuities and to provide information that will help you determine if an annuity is suitable for you.

<sup>1</sup> Each subsequent premium requires a minimum of \$50.00. A contribution schedule of monthly (\$50.00), semi-annual (\$300.00) or annual (\$600.00) is also available. SFBLIC reserves the right to limit or restrict the amount of premium payments made as we deem appropriate.

<sup>2</sup> The current interest rate is subject to change at any time by SFBLIC, but no rate will change more often than once a year. The guaranteed interest rate outlined in your policy contract is the lowest the interest rate can be.

<sup>3</sup> No information presented should be viewed as tax, legal or accounting advice. Neither Southern Farm Bureau Life Insurance Company nor its independently contracted agents are authorized to give such advice. You should consult your own tax advisor or legal representative regarding your particular circumstances. Comments on tax information are based on the current tax law, which is subject to change.

<sup>4</sup> RMDs are not required on Roth IRA plan types.

<sup>5</sup> For full details on each payout option, please see policy contract.

\*All annuity products are subject to suitability review and financial underwriting by Southern Farm Bureau Life Insurance Company in Jackson, MS.

Your Friends  
for Life.



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LIFE INSURANCE COMPANY

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