Financial Education Series

An Overview of Annuities

Why Consider an Annuity?

An annuity is a long-term investment designed for retirement purposes or other long-range goals and provides the ability to accumulate assets on a tax-deferred basis. People looking to supplement other sources of retirement income, including Social Security and pension plans, may want to consider an annuity. Annuities offer tax-deferred earnings and lifetime income options.

This document is designed to provide you with a better understanding of annuities and the benefits they can provide in helping you plan for a secure retirement and to help you determine if such an investment is right for you. Form CRS and the Regulation Best Interest Disclosure Statement also include additional important information about certain types of annuities. Annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early.

What is an Annuity?

An annuity is a contract between you and an insurance company, under which the insurer agrees to make periodic payments to you at some future date. You can purchase an annuity contract by making either a single purchase payment or a series of purchase payments (Note: certain benefit guarantees may limit additional purchase payments). You should be aware that you are purchasing a product which has an insurance component. Some annuities, called variable annuities, also have an investment component. The investment component, which offers a variety of options such as stocks, bonds and other securities, is subject to market fluctuation and other investment risks.

Note: Variable and buffer annuities involve investment risk and may lose value. Therefore, you should consider your ability to sustain investment losses during periods of market downturns. Before buying any variable or buffer annuity, request a prospectus from a Citigroup Global Markets Inc. Financial Advisor and read it carefully.

The prospectus contains important information about the annuity contract, including fees and charges, investment objectives, risks, death benefits, living benefits and annuity-income options which should be considered carefully before investing. You should compare the benefits and costs of the variable or buffer annuity to other variable or buffer annuities and to other types of investments. In addition, variable annuities often provide the opportunity to add different features, such as income and principal protection features, through the use of riders. While such riders may provide additional benefits, they can add to the cost and/or complexity of the product. You should make sure that you understand how these features work and when they apply before you add them to your investment.

An annuity contract has two phases – the savings (or "accumulation") phase and the payout ("annuitization" or "retirement income") phase. During the savings phase, you make purchase payments into the contract and earnings accumulate on a tax-deferred basis. The payout phase occurs when you begin receiving regular payments from the insurance company by electing an annuity-income option.

"Free Look" Period

Annuity contracts typically have a "free look" period of ten or more days from receipt, during which you can terminate the contract without paying any surrender charges and get back your purchase payments (which may be adjusted to reflect charges and the performance of your investment). You can continue to ask questions during this period to make sure you understand your annuity before the "free look" period ends.

Lifetime Income

Annuities offer several income options for receiving payments from your annuity, including the option to receive payments for the rest of your life (or your life and the life of your spouse, or any other person you designate). This feature, known as annuitization, offers protection against the possibility that you will outlive your assets. Generally, you cannot change the income option once annuity payments begin. If you purchase an annuity that provides income payments within 13 months of purchase, the annuity is considered an immediate annuity.

Tax-Deferred Earnings

Earnings from an annuity grow on a tax-deferred basis. This means that income taxes that would have been paid on interest, dividends or capital gains are deferred until you make a withdrawal from the contract. Therefore, investments may grow faster in an annuity than in a taxable investment vehicle with a similar rate of return, because money that would have been used to pay taxes on earnings remains invested and continues to grow and compound.

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It is important to note, however, that when you withdraw your money from an annuity, you will be taxed on the earnings at the ordinary income tax rate to which you are subject at the time of the withdrawal rather than the lower tax rates applicable to capital gains. In addition, if taken prior to age 59½, these withdrawals may be subject to an additional 10% federal tax penalty. You may benefit from tax deferral only if you hold the annuity as a long-term investment to meet retirement or other long-range goals.

Fixed Annuities

Fixed Annuities offer a fixed rate of return that is guaranteed by the insurance company for a period of one or more years. If you withdraw or transfer from a fixed account during the guarantee period, a market-value adjustment may apply. Similar to price fluctuations of bonds, a market-value adjustment will result in an amount added to or subtracted from the contract value based on the changes in interest rates since the beginning of the guarantee period. In general, if interest rates have decreased, the adjustment will be a positive amount, and if rates have increased, the adjustment will be negative.

Indexed Annuities

An indexed annuity is a special class of annuity that typically seeks to provide the contract owner with an investment return based on a formula linked to the change in the level of one or more widely followed financial market indices, such as the Standard & Poor's 500 Composite Stock Price Index™ (S&P 500), which tracks the performance of the 500 largest publicly traded securities. Note that caps or declared rates limit the maximum amount of upside participation in the applicable index, which will impact the overall return on these investments as compared to the return of the index itself.

Indexed annuities typically seek to provide a guarantee of a minimum accumulation value, death benefit protection, and a variety of payout options. These products are designed for investors who want to limit their downside risk while seeking to participate in the potential benefits of a market-linked vehicle.

The index used, the formula that determines the indexed rate, and the guaranteed minimum value can vary from insurer to insurer and product to product.

Crediting method

The "crediting method" is the formula used to measure the change in the underlying index. Two common crediting methods are point-to-point and performance trigger, as described below:

Point-to-Point

Indexed interest is applied to the contract value at the end of a selected period of time (e.g., at the end of one or two years). Indexed interest is calculated as the percentage of change in the selected index over the selected period of time subject to a cap and a minimum of 0%. The cap may be reset for each new period of time but will never be less than the minimum declared in the contract. There are three potential outcomes at the end of the selected period of time: the percentage change in the index is greater than the cap, the percentage change in the index is positive but less than or equal to the cap, or the percentage change in the index is negative. Below is an example of each outcome:

- Positive Index Change Greater than Cap Example:
  - Purchase payment = $100,000
  - Annual point-to-point crediting method
  - Index at time of purchase = 1000
  - 3% Cap
  - Value of underlying index at end of 1st year = 1100
  - Change in index (1100 – 1000 = 100) divided by the index value at purchase (1000) equals a 10% increase
  - Since the 10% increase is greater than the 3% cap, the contract value will only be increased by 3% to $103,000
- Positive Index Change Less than Cap Example:
  - Purchase payment = $100,000
  - Annual point-to-point crediting method
  - Index at time of purchase = 1000
  - 3% Cap
  - Value of underlying index at end of 1st year = 1020
  - Change in index (1020 – 1000 = 20) divided by the index value at purchase (1000) equals a 2% increase
  - Since the 2% increase is less than the 3% cap, the contract value will be increased by the full 2% to $102,000
- Negative Index Change Example:
  - Purchase payment = $100,000
  - Annual point-to-point crediting method
  - Index at time of purchase = 1000
  - 3% Cap
  - Value of underlying index at end of 1st year = 950
  - Change in index (950 – 1000 = -50) divided by the index value at purchase (1000) equals a 5% decrease
  - Since the 5% decrease is less than 0, the contract value will remain the same at $100,000

Performance Trigger

A new specified rate is declared at the beginning of each contract year but will never be less than the minimum declared in the contract. If the performance of the selected index is zero or positive at the end of one year, then the specified rate will be credited to the contract.

If the performance is negative, then 0% is credited to the account. Below is an example of each outcome:

- Positive Index Change Example:
  - Purchase payment = $100,000
  - Annual performance trigger crediting method
  - Index at time of purchase = 1000
  - Declared Performance Trigger rate at purchase = 3%
  - Value of underlying index at end of 1st year = 1100
  - Since the underlying index increased, the contract value will be increased by the 3% declared performance trigger rate to $103,000
- Negative Index Change Example:
  - Purchase payment = $100,000
  - Annual performance trigger crediting method
  - Index at time of purchase = 1000
  - Declared Performance Trigger rate at purchase = 3%
  - Value of underlying index at end of 1st year = 950
  - Since the underlying index decreased, the contract value will remain the same at $100,000

Some fixed and indexed annuities may offer an optional guaranteed minimum withdrawal benefit, similar to those available within some variable annuities, that guarantees annual withdrawals of a certain percentage for your life, or for the life of you and your spouse, if you begin taking these withdrawals after a specified age, typically age 59½. Some fixed and indexed annuities may also provide an enhanced death benefit, similar to those available within some variable annuities, that provides a guaranteed annual percentage increase of the death benefit base. If elected, the annual fee for either of these types of benefits will be subtracted from the contract value.

"Buffer" Annuities

Buffer annuities provide a more limited form of downside protection in the form of segment options. Each segment is comprised of:

- An Index linked to the change in the level of one or more widely followed financial market indices, such as the Standard & Poor's 500 Composite Stock Price Index™ (S&P 500), which tracks the performance of the 500 largest publicly traded securities.
- A duration (typically 1 – 6 years), and
- A downside Buffer, which is the maximum index-based percentage performance loss that the insurance company will absorb (e.g., -10%, -20% or -30%).

Any positive change in the level of the index is limited to a performance cap rate, which is set at the insurance carrier's sole discretion and is the maximum percentage increase that will be credited at the end of the selected duration. Indexed interest is applied to the contract value at the end of a selected duration and is calculated as the percentage of change in the selected index over the selected duration subject to a cap on the positive return and buffer on the negative return. Please note that contracts can see a substantial loss in value if the index falls more than the Buffer protection percentage.

Any negative performance up to the elected Buffer will be absorbed by the carrier (e.g., if the change in the elected index over the elected duration was -7% and the elected Buffer was -10%, then the Segment would experience a 0% return).

Any negative performance below the Buffer will be applied to the Segment (e.g., if the change in the elected Index over the elected duration was -17% and the elected Buffer was -10%, then the Segment would experience a -7% return).

- Positive Index Change Greater than Cap Example:
  - Purchase payment = $100,000
  - 5-year duration
  - Index at time of purchase = 1000
  - 40% Cap
  - -10% Buffer
  - Value of underlying index at end of 5 years = 1500
  - Change in index (1500 – 1000 = 500) divided by the index value at purchase (1000) equals a 50% increase
  - Since the 50% increase is greater than the 40% cap, the contract value will only be increased by 40% to $140,000
- Positive Index Change Less than Cap Example:
  - Purchase payment = $100,000
  - 5-year duration
  - Index at time of purchase = 1000
  - 40% Cap
  - -10% Buffer
  - Value of underlying index at end of 5 years = 1200
  - Change in index (1200 – 1000 = 200) divided by the index value at purchase (1000) equals a 20% increase
  - Since the 20% increase is less than the 40% cap, the contract value will be increased by the full 20% to $120,000
- Negative Index Change Less than Buffer Example:
  - Purchase payment = $100,000
  - 5-year duration
  - Index at time of purchase = 1000
  - 40% Cap
  - -10% Buffer
  - Value of underlying index at end of 5 years = 950
  - Change in index (950 – 1000 = -50) divided by the index value at purchase (1000) equals a 5% decrease
  - Since the 5% decrease is less than the -10% buffer, the contract value will remain the same at $100,000

- Worst Case Scenario:
  - Purchase payment = $100,000
  - 5-year duration
  - Index at time of purchase = 1000
  - 40% Cap
  - -10% Buffer
  - Value of underlying index at end of 5 years = 0
  - Change in index (0 – 1000 = -1000) divided by the index value at purchase (1000) equals a 100% decrease
  - Since the 100% decrease is greater than the -10% buffer, the contract value will decrease by the percentage beyond the buffer (100% - 10% = 90%) to $10,000

Please note that the change in index value up to the cap or beyond the Buffer is only applied to the contract value at the end of the duration. The contract value prior to the end of the duration used to calculate the value for withdrawals, surrender or the death benefit is based on a formula designed to estimate the current fair value of the segment investment option.

The calculation is linked to various factors and may be lower than the original investment even when the index is higher and may be less than the amount you would receive had you held the investment to the end of the duration. It would generally be lower the longer the remaining time period before the end of the duration because the performance Cap is prorated. Generally, you will not receive the full protection of the Buffer prior to the end of the duration, because the interim value reflects only a portion of its downside protection.

Buffer annuities typically have many of the same features found in other types of annuities, such as:

- Surrender Charges
- Annual Free Withdrawal Amount
- Waiver of Surrender Charge for nursing care and terminal illness
- 10% federal tax penalty on withdrawals taken prior to age 59½
- A variety of annuity payout options

Please note that even the annual free withdrawal amount, if taken prior to the end of the selected duration, is subject to the interim value calculation discussed earlier, which could result in reducing the contract value by more than the amount of the withdrawal.

Buffer annuities may also offer some features found in other types of annuities, such as variable investment options (sub-accounts) or an optional return of premium death benefit.

Variable Annuities

During the savings phase, a variable annuity offers a wide range of fixed- and variable-investment options with different objectives and strategies. The value of your variable annuity will vary depending on the performance of the investment options you choose. The variable-investment options are professionally managed portfolios ("sub-accounts") that typically invest in various asset classes that may include stocks, bonds, and money market instruments. Although the sub-accounts within variable annuities are similar in many respects to mutual funds, fees and expenses may differ. Like mutual funds, you bear all the investment risk for amounts allocated to the variable-investment options.

Tax-Free Transfers

You may transfer your money from one sub-account to another, or to a fixed account, within a variable annuity without paying current taxes on any earnings you have made. If market conditions change, for example, you may reallocate money among the investment options without worrying about current taxes. Transfers are subject to any limitations imposed by the annuity/insurance company in the prospectus and by Citigroup Global Markets Inc.

Death Benefits

Most variable annuity contracts include a standard death benefit where your beneficiary is guaranteed to receive a specified amount – typically, the greater of the current contract value or the amount of your purchase payments less the effect of withdrawals. However, some variable annuity contracts may only provide the current contract value as the standard death benefit, which may be less than the purchase payments made into the contract. Some contracts also offer "enhanced" death benefits for an additional charge. This type of death benefit is designed to periodically "lock in" your investment performance and/or guarantee a minimum rate of return on the value of your account. The cost for these optional death benefits typically ranges from 0.20% to 1.20% annually based on the level of benefit provided.

Another optional death benefit that may be available for an additional charge through a rider is the earnings-enhanced death benefit. This feature entitles the beneficiary to a death benefit increased by an amount (typically 25% to 40% of the earnings in the contract) that can be used to help offset taxes that may be due on the death benefit.

Generally, when the owner (or annuitant, as specified in the prospectus) of the annuity dies, the beneficiary is taxed on all appreciation in the account when the death benefit is received, whereas investments held in a taxable account receive a stepped-up cost basis (i.e., the value of the account at the owner's death). The cost for this type of optional death benefit typically ranges from 0.25% to 0.45% annually.

Note:

- Death-benefit guarantees, like all payment obligations of the issuing insurance company, are backed only by the financial strength of the issuing insurance company.

- The death benefits described above may terminate once you elect an income option and enter the payout phase of the contract.
- Depending on the contract, death benefits may be payable upon the death of the owner, the annuitant or both.
- Withdrawals during the savings phase will reduce your death benefit.
- Most optional death benefits must be elected when the contract is issued and cannot be canceled.
- Earnings distributed as death benefits are taxed as ordinary income when received by the beneficiary.

Living Benefits

Many annuity products have "living benefits" that provide principal and/or income guarantees to help protect your investment from declining markets during the savings phase – insurance for your purchase payments. There are three basic types of living benefits, each with a distinct objective. The chart below provides a summary and some additional considerations. The actual guarantees and corresponding fees will vary by contract. These benefits are optional and are available for an additional cost. Minimum holding periods and investment restrictions may apply. Deviations from these limitations may result in material reduction or termination of benefit. As with any optional benefit, it is important to weigh the costs against the benefit when adding such riders to your contract. Read the prospectus carefully with regard to the benefits you elect.

The cost for these optional living benefits typically ranges from 0.70% to 1.75% annually.

Dollar-Cost Averaging

Dollar-cost averaging is a feature that allows you to systematically invest equal amounts into the same investment options at regular intervals over a set period of time. Many variable annuities offer you the option of automatic dollar-cost averaging by using a money market or fixed account option to hold money and then invest it into the available investment options of your choice. Since dollar-cost averaging programs require an initial investment in the fixed account and then the periodic transfer of all funds into subaccounts that are subject to market risk, the annual effective yield on the fixed account is paid on a declining balance.

Automatic Rebalancing

The allocation within your variable annuity may change over time due to changing market conditions. Most variable annuities

Living-Benefit Option	Benefit Description	Risk Consideration
Guaranteed Minimum Accumulation Benefit (GMAB)	Generally, this benefit guarantees the return or a specified percentage of your purchase payments at the end of a waiting period, typically five or ten years from issue or last step-up, regardless of your investment performance. If your contract value is below the guaranteed amount at the end of the waiting period, the issuer will increase your contract value to equal the guaranteed amount (adjusted by any withdrawals).	At the end of the waiting period, the benefit may be renewed to protect your purchase payments for another waiting period, depending on the terms of the contract. If the benefit is not renewed, your purchase payments will become subject to market risk and may lose value. Additionally, some contracts require that all of your assets be allocated in specified investment options during the waiting period.
Guaranteed Minimum Income Benefit (GMIB)	Generally, this benefit guarantees a lifetime income stream when you annuitize the GMIB amount after a waiting period, typically ten years from issue or last step-up, regardless of your investment performance. The GMIB amount may be based on your premium payments (adjusted by any withdrawals) compounded annually at a rate typically between 4% and 5% (often referred to as the roll-up value), or it may equal the greater of the contract's highest anniversary value or the roll-up value. Withdrawals generally reduce the roll-up value dollar-for-dollar up to the roll-up percent and pro-rata thereafter.	The income stream is often limited to payments for life with a minimum number of payments guaranteed. The GMIB income stream is determined by applying the GMIB payout rates to the GMIB amount, although you may receive a higher income stream by annuitizing under the regular provisions of your contract. In this case, the GMIB provides no additional benefit. The GMIB amount must be annuitized. It is not available as a lump-sum payment.

Living-Benefit Option	Benefit Description	Risk Consideration
Guaranteed Minimum Withdrawal Benefit (GMWB)	Generally, this benefit guarantees a return of your purchase payments or a higher stepped-up benefit base via annual withdrawals typically equal to 3% – 7% of your benefit base even if the contract value declines to zero due to withdrawals and/or poor market performance. It may also guarantee these annual withdrawals for your life, or for the life of you and your spouse, if you begin taking these withdrawals after a specified age, typically age 59½.	During the withdrawal period, withdrawals in excess of the benefit withdrawal limit (3% –7%) may negatively affect the guarantee. Additionally, some contracts require that all of your assets be allocated in specified investment options. Generally, there is no waiting period to begin withdrawals. Withdrawals not taken generally do not accumulate or carry over to the next year.

Note: All living-benefit guarantees are backed only by the claims-paying ability of the issuing insurance company.

offer programs that automatically rebalance your portfolio back to your original desired allocation. You select the frequency for rebalancing your portfolio when you set up the program.

Note: Dollar-cost averaging and automatic rebalancing do not assure a profit or protect against a loss. Before beginning a dollar-cost averaging program, you should consider your ability to continue purchases through periods of fluctuating price levels.

Other Annuity Features and Benefits

Withdrawals

Annuity contracts generally offer the right to withdraw up to 10% of the contract value annually without incurring a surrender charge (discussed below). However, withdrawals of earnings are subject to applicable income tax and, if taken prior to age 59½, a 10% IRS penalty tax may also apply. You are generally not required to begin withdrawals at age 72 (unless your annuity is held in a qualified plan), so your money can keep growing tax deferred until you need it. Annuity distributions are generally not required until age 90, although this rule varies by contract. Withdrawals reduce your contract value, death benefits and living benefits. Depending on the annuity contract, a withdrawal will generally reduce the death and living benefits on a dollar-for-dollar or pro-rata basis. A pro-rata reduction means that the withdrawal will reduce the benefit by the same proportion that the withdrawal reduces the contract value. If at the time of the withdrawal, the contract value is less than the benefit amount, a pro-rata reduction will reduce the benefit by an amount greater than the withdrawal. For example, if the contract value is $200,000 and the death benefit is $300,000, a withdrawal of 50% of the contract value or $100,000 will also reduce the death benefit by 50%, or $150,000 (the proportional decrease in the contract value), not merely by the amount of the withdrawal. Please read the prospectus and/or contract carefully.

Bypass Probate

By simply naming a beneficiary, the assets of your annuity are transferred directly to your beneficiaries rather than your estate, thus bypassing probate.

Other Tax Considerations

The tax rules that apply to annuities can be complicated. Before investing, you should consult a tax advisor about the tax consequences of investing in an annuity.

Annuities in Tax-Advantaged/ Retirement Accounts

Although tax-deferred growth is a key advantage of an annuity, if you are investing in an annuity through a tax-advantaged retirement plan (such as a 401(k) plan, 403(b), IRA, SEP or Keogh), you will get no additional tax advantage from the annuity because the retirement account already provides tax-deferred growth. You should only consider buying an annuity in a tax-advantaged retirement plan if it makes sense because of the annuity's other unique features, such as guaranteed lifetime income payments, guaranteed living benefits and death-benefit protection.

Unlimited Contributions

A nonqualified annuity (an annuity purchased outside a tax-advantaged retirement plan with after-tax dollars) may offer advantages over other tax-favored retirement plans such as a 401(k), 403(b), IRA, SEP or Keogh, because there is no IRS-imposed limit to the amount that can be contributed for tax-deferred growth. While it is advisable to first make the maximum allowable contributions to your qualified plan, it may be appropriate to invest any additional assets earmarked for retirement into a nonqualified annuity.

No Annual Tax Reporting

There are no required annual IRS forms to be filed for nonqualified annuities. There is no IRS reporting requirement until you actually make a withdrawal from the annuity. Qualified plans that invest in annuities will have the December 31 actuarial value (policy value including any imbedded income or death benefit values) reported to the IRS beginning in the year the client turns 72 in order to calculate Required Minimum Values for distribution purposes.

IRC 1035 Exchange

Section 1035 of the Internal Revenue Code allows for the direct exchange of an annuity or life insurance contract for another annuity without tax consequences. A 1035 exchange may be appropriate if your contract is older and does not provide features offered in newer products such as more flexible or enhanced death benefits, living benefits or a wider choice of investment options.

Note: While this type of exchange is a tax-free event, other charges, such as a surrender charge, may be incurred, or a new surrender charge period may be imposed. Discuss the exchange with your Financial Advisor and speak to your tax advisor regarding the tax treatment of the exchange and to understand what charges may be incurred to determine whether the benefits of the new annuity outweigh the costs of surrendering the old one.

Effective October 24, 2011, the IRS issued guidelines concerning the tax treatment of partial 1035 exchanges of annuity contracts. If a surrender of, or a withdrawal from, either contract occurs within 180 days of the partial 1035 exchange, the partial 1035 exchange will be treated as a taxable event unless the amount is received as an annuity for a period of ten years or more or during one or more lives.

If no distributions are made from either contract within 180 days, the IRS will treat the partial 1035 as a tax-free exchange and treat the two annuities separately even if they are issued by the same insurance company. You should seek advice from your own tax advisor regarding your particular circumstances.

Spousal Continuance

Some annuities offer your spouse the opportunity to continue the contract in the event of your death. The spousal-continuation feature allows your spouse to continue the contract at the greater of the contract value or the death benefit amount. This has the advantage of locking in a potentially higher death benefit, and at the same time delaying a taxable event for the new beneficiary.

Charges and Fees

There are charges and fees associated with annuities, some of which are not found in other investment products. These charges cover the cost of contract administration, portfolio management and the insurance benefits (death and living benefits, and lifetime income options).

The most common fees are:

Contingent Deferred Sales Charge ("Surrender Charge")

Most annuities do not have an initial sales charge. This means that 100% of your funds are available for immediate investment. However, insurance companies usually assess a contingent deferred sales charge, known as a surrender charge, to an annuity owner who liquidates a contract (or makes a partial withdrawal in excess of a specified amount) during the surrender charge period. The surrender charge is generally a percentage of the amount withdrawn and declines gradually during the "surrender period." A typical surrender schedule has an initial surrender charge ranging from 6% to 9% and decreases each year the contract is in force, until the surrender charge reaches zero. Generally, the longer the surrender charge schedule, the lower the contract fees. Most contracts will begin a new surrender charge period for each subsequent purchase payment.

"B Share" variable annuities' surrender charges typically range from five to seven years. However, some contracts offer a "liquidity" rider that reduces the surrender charge schedule to four years in exchange for an increased Mortality and Expense Risk Charge during the first four years. Please see the discussion below for details regarding the Mortality and Expense Risk Charge. Please read the prospectus carefully with regard to the applicable surrender charges and surrender schedule for your annuity contract.

Generally, "B Share" annuities are the lower cost alternative provided you are willing to keep your investment until the end of the surrender period. However, if you value the option to access your money earlier, you may prefer the shorter surrender period available by electing a "liquidity" rider. You should read the description of costs carefully, including the applicable surrender schedule in the variable annuity prospectus, before you decide to invest. You should weigh the higher costs of variable annuities versus the benefits before you invest. Also, since annuity terms differ and not all variable annuities offer the benefits described above, you should understand the features, benefits and costs of the variable annuity you are considering. You can find this information in the prospectus for the variable annuity. Please read it carefully before you invest.

Annual Contract Charges for Insurance and Maintenance

You will pay several fees and charges when you invest in a variable annuity. Among these are mortality and expense risk charges and administrative and distribution fees. These asset-based charges are assessed daily and typically range from 0.95% to 1.30% annually. However, if a "liquidity" rider is elected, which reduces the length of the surrender charge schedule to 4 years, this fee will typically range from 1.70% to 1.80% during years 1-4, then equal 1.30% in years 5 and beyond.

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These and other common fees are described below:

- **Mortality and Expense Risk Charge (M&E)**

  The M&E charge compensates the insurance company for insurance risks it assumes under the annuity contract. M&E charges are deducted from the value of the subaccounts. The fees for the optional death and living benefits described above are charged separately and are not included in this M&E charge.

- **Administrative and Distribution Fees**

  These fees cover the costs associated with servicing and distributing the annuity, including the cost of transferring funds between subaccounts, tracking purchase payments, issuing confirmations and statements, and customer service. Administrative and distribution fees are also deducted from the value of the subaccounts.

- **Contract Maintenance Fee (Annual Fee)**

  This is an annual flat fee for recordkeeping and administrative purposes, ranging from $30 to $50, deducted on the contract anniversary. This fee is typically waived for contract values over $50,000.

- **Underlying Sub-account Expenses**

  Fees and expenses are also charged on the sub-accounts. These include management fees, which are paid to the investment advisor, who is responsible for making investment decisions affecting the securities in your sub-accounts. This is similar to the investment manager's fee in a mutual fund. Expenses include the cost of buying and selling securities as well as administering trades. These asset-based expenses will vary by sub-account and typically range from 0.12% to 2.38% annually.

Charges and fees may vary depending upon the type of annuity as well as other factors and are all disclosed in the annuity contract prospectus and in the sub-account prospectus fee tables. Be sure you understand all the charges and fees before you invest.

These charges and fees will reduce the value of your account and the return on your investment.

Pros and Cons of Buying an Annuity

The below chart outlines some of the advantages offered by standard or optionally elected features within each type of annuity.

Pros	SPIA	DIA	Fixed	Indexed	Buffer	Variable
Tax-deferred growth potential in the accumulation phase		x	x	x	x	x
Tax-free/penalty-free transfers among underlying investment options					x	x
Non-qualified purchase payment amount is unlimited (subject to carrier approval)	x	x	x	x	x	x
Death benefit options for beneficiaries that bypasses probate	x[1]	x	x	x	x	x
Investment flexibility, such as dollar cost averaging & automatic rebalancing					x	x
Lifetime income options without giving up control of assets				x		x
Certainty of lifetime income amount	x	x				
May allow limited access to funds (e.g., free withdrawal amounts, nursing care or terminal illness provisions, etc.)			x	x	x[2]	x
Safety of Principal	x	x	x	x		

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This chart outlines some of the disadvantages associated with each type of annuity.

Cons	SPIA	DIA	Fixed	Indexed	Buffer	Variable
Withdrawals are taxed as ordinary income instead of the lower capital gains rate, as with liquidations from investments.		x	x	x	x	x
Average fees/expenses tend to be higher than other investments.						x
Withdrawals in excess of a stated allowable percentage are generally subject to surrender charges if made within the contract's required holding period.			x	x	x	x
There may be a 10% federal tax penalty on taxable amounts withdrawn before age 59½.		x	x	x	x	x
Lack of access to principal	x	x	[3]	[3]	[3]	[3]
Lack of or limited market participation	x	x	x	x	x	
Investment performance may decrease contract value					x	x

As you can see, some types of annuities may be less suitable than others depending on your needs. Please note that product features may vary substantially and may not be available within all carriers' products or in all states. It is important to check with financial advisor for product and feature availability in your state.

[1]There is no death benefit if a "Life Only" option is elected and payments have commenced.

[2]An interim value adjustment may apply within a buffer annuity if the annual free withdrawal amount is taken prior to the end of the selected duration.

[3]A surrender charge or other adjustment may apply to withdrawals above the annual free withdrawal amount. An interim value adjustment may also apply within a buffer annuity if the annual free withdrawal amount is taken prior to the end of the selected duration.

How Citigroup Life Agency, LLC (which in California operates as Citigroup Life Insurance Agency, LLC), Citigroup Global Markets Inc. and Your Financial Advisor Are Compensated When You Buy an Annuity

Citigroup Global Markets Inc. (CGMI) through its licensed insurance agency Citigroup Life Agency, LLC (CLA), which in California operates as Citigroup Life Insurance Agency, LLC, offers a selection of annuities from approved insurance company families or providers. We review and evaluate each provider, whose products we offer, based upon various factors including but not limited to:

- Quality and competitiveness of products offered;
- Financial strength of the provider;
- Systems compatibility and ability to provide technological support for the sale and servicing of contracts;
- Ability and commitment to support our advisors and clients through training, education and sales literature; and
- Level of interest and demand among our clients and advisors.

Evaluating providers in this manner allows us to focus our marketing and sales-support resources on the providers of greatest interest, and those that offer the most competitive and suitable products for our clients and their Financial Advisors. Our Financial Advisors are not permitted to recommend investments in products from providers that we have not reviewed, evaluated and approved.

Revenue Sharing

For each variable annuity product we offer, CGMI seeks to collect from providers a support fee, or what has come to be called a revenue sharing payment. These revenue sharing payments are in addition to the mortality and expense risk charges, administrative fees, contract maintenance (or "annual") fees, applicable contingent-deferred sales charges and underlying sub-account expenses disclosed in the contract prospectus and in sub-account prospectus fee tables.

Revenue sharing payments are paid out of the provider's revenues or profits and not from a client's contract value or the assets of a sub-account. However, the provider's revenues or profits may in part be derived from the product fees and expenses described in the prospectus. No portion of these revenue sharing payments to CGMI is made by means of brokerage commissions generated by the provider, the sub-account investment companies or their affiliates.

It is also important to note that Citigroup Global Markets Inc. Financial Advisors receive absolutely no additional compensation as a result of these revenue sharing payments.

Currently, these providers pay revenue sharing fees on variable annuity assets of up to 0.05% per year ($5 per $10,000) on client assets, calculated quarterly, based upon the aggregate value of variable-annuity assets (including assets invested in fixed rate accounts within variable annuities) invested in contracts for which we are designated as the broker/dealer or agent of record, to the extent such contracts have been in force for more than one year. Providers may also pay an additional fee ranging up to 0.20% ($20 per $10,000) of the initial premium payments to new contracts or of subsequent premium payments to existing contracts. These fees are subject to change. This rate is subject to volume discounting (that is, as the number of assets increases, the basis-point charge for those assets will decrease). We separately receive revenue sharing fees charged at different rates from mutual fund families whose funds we offer directly, which may include fund families whose products are offered within approved providers' sub-accounts, but those separate fees do not take into account any assets held within variable-annuity sub-accounts. You can obtain a listing of these providers online or by contacting your Financial Advisor.

Representatives of approved providers — whether they remit revenue sharing payments or not — are, subject to the discretion of our Managers, provided access to our branch offices and advisors for educational, marketing and other promotional efforts. Although all approved providers are provided with such access, some providers devote more staff and resources to these activities and therefore may have enhanced opportunities to promote their products to our Financial Advisors. This fact may, in turn, lead our Financial Advisors to focus on those products when recommending variable annuity investments to our clients instead of on products from those providers that do not commit similar resources to educational, marketing and other promotional efforts.

Commissions

Each time an annuity is purchased through a Financial Advisor, the provider pays Citigroup Life Agency, LLC compensation, in the form of a commission, based upon the product and share class selected and the amount of the client investment. We, in turn, pay a portion of the commission to our Financial Advisors. Financial Advisor commissions generally range from 0.25% to 4.50% of contributions. Compensation may also include annuity contract-servicing payments (sometimes called trails), typically ranging from 0% to 1% of annuity assets, which are payable each year as long as the contract is in force. We pass all or a portion of these trails on to the Financial Advisor. Upfront and trail commission payments are paid out of the insurance companies' assets, but derived from the product fees and expenses described in the marketing materials, contract, and, for variable and buffer annuities, prospectus and statement of additional information.

Expense Reimbursements

CGMI may be reimbursed by approved providers, their parent or affiliated companies, or other service providers for the expenses we incur for various sales meetings, seminars and conferences held in the normal course of business. These reimbursements may be viewed as a form of revenue sharing but are not included in the data provided above. Although providers independently decide what they will spend on these activities, we are aware that some providers allocate their promotional budgets based upon prior sales and asset levels and that they work with our branch offices or advisors to plan promotional and educational activities on the basis of such budgets. We do not contribute in any way to providers' determinations of how to allocate their promotional budgets or to their spending decisions in this regard.

Compensation We Receive from Providers

CGMI and other Citi affiliates receive from certain approved providers or their parent or affiliated companies compensation in the form of commissions and other fees for providing traditional brokerage services, including related research and advisory support, and for purchases and sales of securities for their own portfolios or the portfolios of subaccount investment companies. CGMI and other Citi affiliates also receive other compensation from certain approved providers or their parent or affiliated companies for financial services performed for the benefit of such companies. We prohibit linking the determination of the amount of such brokerage commissions and service fees charged to an approved provider or its parent or affiliated company to the aggregate values of our overall variable product sales or client holdings of these products or to offset the revenue sharing or expense reimbursements described above. Moreover, such brokerage commissions and other service fees are not paid to or shared with our variable products business units.

For additional information on a particular provider's payment and compensation practices, please refer to the provider's product prospectus and statement of additional information.

Before You Decide to Buy an Annuity, Consider the Following Questions:

Investment Goals

- Will you use the annuity primarily to save for retirement or a similar long-term goal?
- Are you investing in the annuity through a retirement plan or IRA (which would mean that you are not receiving

any additional tax-deferral benefit from the variable annuity)?

- Do you intend to remain in the annuity long enough to avoid paying any surrender charges, market value adjustments, or interim value adjustments if you have to withdraw money?
- For variable annuities, are you willing to take the risk that your account value may decrease if the underlying investment options perform poorly?
- For buffer annuities, are you willing to take the risk that your account value may decrease if the underlying index options perform below the selected buffer percentage?
- Have you consulted with a tax advisor and considered all the tax consequences of purchasing an annuity, including the effect of annuity payments on your tax status in retirement?

Costs and Benefits

- Do you understand the features of the annuity?
- Do you understand all of the fees and expenses that the annuity provider charges?
- Do you understand the various ways in which CGMI and your Financial Advisor are compensated in connection with your annuity purchase?
- If an annuity offers a bonus credit, will the bonus outweigh lower renewal rates or higher fees and charges that the product may charge?
- Are there features of the annuity that you could purchase more cheaply separately?
- If you are exchanging one annuity for another one, do the benefits of the exchange provide a substantial financial benefit that outweighs the costs, such as any surrender charges to be paid on the old annuity and the impact on your liquidity resulting from any new surrender charge schedule for the new annuity?

Senior Suitability Considerations

In recent years, regulators have expressed concern about annuity sales to the elderly. There are a number of key points of interest you should consider in advance of investing, including your investment risk tolerance, liquidity and potential long-term care needs, life expectancy in contrast with the investment holding period, fees and charges of the product, tax consequences, as well as your ability to understand all the features, benefits and costs of the investment.

For More Information

Before purchasing an annuity, you owe it to yourself to learn as much as possible about how they work, the benefits they provide and the charges you will pay. For more information, contact a Citigroup Global Markets Inc. Financial Advisor or visit the following websites:

- Securities and Exchange Commission at www.SEC.gov
- Financial Industry Regulatory Authority ("FINRA") at www.finra.org
- The FINRA Investor Alert, "Should You Exchange Your Variable Annuity?" at https://www.finra.org/investors/alerts/should-you-exchange-your-variable-annuity
- American Council of Life Insurers at www.acli.com
- Insured Retirement Institute at www.irionline.org

You may also contact your State Insurance Department if you wish to file a consumer complaint.

FOR IMPORTANT INFORMATION PLEASE SEE NEXT PAGE

Citi Personal Wealth Management is committed to your long-term financial success. You can expect professional guidance tailored to your needs, convenient access to Citi's global resources, and a broad range of diverse investment products.

For more information, please contact your Citi Personal Wealth Management Wealth Advisor.

Important Information

Variable annuities are subject to risk, including the possible loss of principal. Variable annuities are sold by prospectus only. You should consider the investment objectives, risks, charges and expenses of the annuity carefully before investing. **Please consult your advisor for a copy of the product prospectus for this and other information. Please read the prospectus carefully before investing.** Variable annuities are offered in conjunction with Citigroup Life Agency LLC ("CLA"), which is an affiliate of CGMI and Citigroup Inc. In California, CLA does business as Citigroup Life Insurance Agency, LLC (license number 0G56746).

Indexed annuity guaranteed rates and caps will never be set below the minimum stated in the contract. The insurance company determines, at its discretion, guaranteed rates and caps in excess of the minimum guaranteed in the contract. All initial guaranteed periods may not be available at all times or in all states. It is important to note that indexed annuity contracts commonly allow the insurance company to change the cap rates on a periodic — such as annual — basis. Such changes could adversely affect your return. No single index crediting method will provide the highest interest credit in all market scenarios. The guaranteed minimum cap rates are established when the annuity is purchased and are disclosed in the annuity contract. Read your contract carefully to determine what changes the insurance company may make to these features. The indexes are not available for direct investment, and index performance does not include the reinvestment of dividends.

Buffer annuities are a long-term investment designed for retirement purposes. They have limitations, exclusions, charges, termination provisions and terms for keeping it in force and are not guaranteed by the broker/dealer, the insurance agency, the underwriter, or any affiliates of those entities from which they were purchased. All representations and contract guarantees, including the death benefit and annuity payout rates, are subject to the claims-paying ability and financial strength of the issuing insurance company. Because you agree to absorb all losses beyond your chosen buffer percentage, there is a risk of substantial loss of principal. Please refer to "Risk Factors" in the contract prospectus for more details. Please consult your advisor for a copy of the product prospectus which contains information about the contract's features, risks, charges, and expenses. You should read the prospectus and consider its information carefully before investing.

Investments in annuities are not FDIC-insured or bank-guaranteed and may lose value.

This is not an offer to buy or sell any investments, insurance products or other products named.

Diversification and asset allocation do not protect against loss or guarantee a profit.

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Guarantees are backed by the claims-paying ability of the issuing insurance company.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

Portions of this document have been excerpted or paraphrased from the online publication "Variable Annuities: What You Should Know," which can be found at the U.S. Securities and Exchange Commission website, http://www.sec.gov/investor/pubs/varannty.htm. We encourage you to read this publication.

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