

ANNUITY DEFINITIONS

Term	Definition
Accumulation Phase	The first phase of a deferred annuity during which the contract accumulates funds from the payments made into the annuity and accrues interest and earnings on investments.
Annuitization	The point in time when an annuity's settlement option is chosen.
Annuity	A purchased contract in which one party (annuity issuer) agrees to pay the purchaser, or the person(s) the purchaser designates (the payee or payees), a return on money deposited with the annuity issuer (either in the form of a single lump sum or several payments deposited over several months or years) according to the terms of the annuity contract.
Annuity-Funded Burial	An annuity contract with an irrevocable designation of the cash surrender value (CSV) to a funeral provider as the primary beneficiary. The value of the contract is to be paid to a funeral provider in exchange for agreed-upon goods and services.
Assignable	A provision in an annuity contract permitting the contract ownership or payments to be transferred. <u>Non-assignable</u> An annuity is non-assignable if there is a provision in the annuity that prohibits the disbursement, transfer or sale of income or principal in any manner contrary to the terms of the annuity contract.
Balloon Payment	A lump-sum payment scheduled at the end of a series of smaller periodic payments that is selected as part of a payment agreement.
Commuted Cash Value	A provision in an annuity contract that allows the owner of the annuity to cash the contract for the present value of all future payments.
Deferred Annuity	An annuity contract under which periodic payments will begin sometime in the future. A deferred annuity contract provides the purchaser with the opportunity to accumulate savings over an extended period before the contract enters its payout phase. A deferred annuity has two phases: 1) the accumulation phase; and 2) the annuitization phase (also called the payout phase).
Deferred Payment	Payments that do not start within one payment interval of the annuitization date.

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Free Look Period	Under Minnesota law, the purchaser of an annuity has the right to cancel an annuity contract within ten days following the date of receiving a copy of the annuity contract.
Immediate Annuity	An annuity contract under which the periodic payments will begin within one payment interval following the payment of the annuity premium. A payment interval is the period that will elapse between payments (a month, a calendar quarter, a year).
Partial Surrender	A withdrawal of some amount less than the entire cash value of the annuity.
Payment Interval	The amount of time between periodic payments. The period may be, but is not limited to, weekly, monthly, or yearly. The payment interval is selected when the settlement option is chosen.
Periodic Payments	Payments received at a regular interval, such as monthly, to which the client is entitled under an agreement through a retirement fund, annuity, etc. For annuities, a periodic payment is an annuity payment disbursed to the payee(s) based on a payment interval (i.e., a month, calendar quarter or year) chosen by the annuity owner(s).
Premium (Annuity)	A payment or payments made to fund an annuity.
Revocable	A provision in the annuity contract allows for the contract terms to be modified and/or the contract to be terminated at any time by the annuity owner.
Settlement Option	The arrangement the owner chooses for the payee(s) to receive payment. This includes the amount of each payment, how often payments are made and the length of time over which the payments are to be made.
Term Certain Annuity	An annuity under which payments are scheduled to continue for a specified period of time, such as for 10 years, irrespective of the annuitant's lifetime.
Variable Annuity	A type of annuity in which periodic payments vary according to income generated by assets in an underlying investment portfolio. Payment amounts may fluctuate because the annuity payments vary based upon the performance of the market.