Variable Annuities Fact Sheet

Variable Annuity (VA)

A tax-deferred insurance contract that provides investment options in the form of funds called variable insurance trusts (VITs). These products often offer insurance benefits such as guaranteed income or a death benefit. The ability to annuitize assets into a guaranteed lifetime income stream is the fundamental feature that qualifies a product as an annuity.

The Market

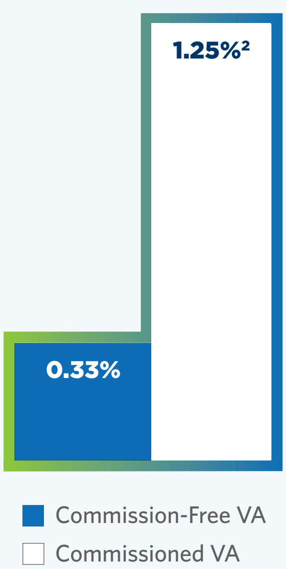
At nearly $2 trillion in size[1], it's no surprise that nearly half of investors own an annuity, and even more are interested in the idea of guaranteed lifetime income.[2] Annuities are often purchased by investors to generate guaranteed lifetime income, but can provide additional benefits to potentially help increase retirement income, maximize tax-efficiency of assets, or ensure a legacy for loved ones.

How VAs Work

The account value of a variable annuity fluctuates with the value of the investment, as assets are invested in the market. Clients have the ability to annuitize their assets into a lifetime income stream. VAs are often sold with added features called riders that can provide additional benefits at added cost. Riders may be living benefits, such as guaranteed lifetime income. Or death benefits, such as a guaranteed return of premium to heirs, if the policyholder dies before annuitization and the account balance is less than premiums minus withdrawals.

Problems with Commissioned VAs

Average Mortality and Expense Charge (M&E)



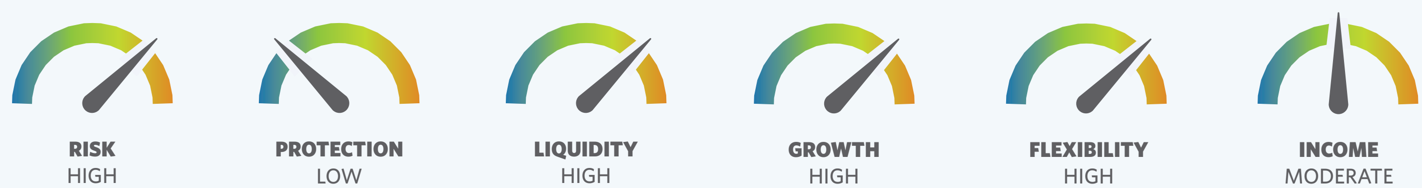
COMMISSIONED VAS

- Average M&E: 1.25%[3]
- Investments often have 12b-1 fees making cost of funds 0.35% - 0.50% more expensive than their comparable mutual funds
- Hidden fees clients may not be aware of
- Surrender charges create illiquidity and impose significant penalties if clients withdraw assets
- Investment restrictions are often imposed. 60/40 investment limitations and/or managed volatility investments are commonplace.

COMMISSION-FREE VAS

- Average M&E: 0.34%[4]
- DPL encourages carriers we work with to utilize institutional share class funds to drive costs down (Not all products we offer do so exclusively.)
- DPL explicitly presents fees associated with all products we utilize
- DPL's VA offerings are free of surrender charges and surrender periods
- Many DPL products offer investment flexibility with a variety of extensive underlying fund options — often less expensive than comparable options on the market.

Variable Annuities: DPL's View [These measures are created within the context of insurance products.]



How to Think About Commission-Free VAs

When your client needs:

ANNUITY RESCUE+: For clients looking to move assets from their high-cost traditional annuity into a low-cost, Commission-Free product, a "1035 exchange" may be appropriate. Annuity Rescue+ may help clients achieve:

- *Lower cost* — if the goal is simply to achieve the lowest cost, DPL recommends using an investment-only variable annuity.
- *Guaranteed income* — often clients purchase an annuity because they like the guaranteed income feature. Depending on your investment approach, DPL will find the product that is best suited for you and your client.
- *Tax-efficient withdrawals* — if your client needs to begin taking income from an annuity, DPL can bring products and strategies to tax-efficiently withdraw funds.
- *Return of premium* — utilizing a 1035 exchange into a solution with a return of premium benefit can be a thoughtful way of essentially "locking in gains", as the amount of the new premium will include any gains from the previous annuity.

TAX DEFERRED GROWTH: For high income earners, low-cost annuities can provide tax deferral to benefit portfolio growth during a client's accumulation phase. Studies show that tax deferral can add 1.00% to 2.00% of additional net return to a client's portfolio, when locating tax-inefficient investments within the annuity.[5]

GUARANTEED LIFETIME INCOME: While other product types are generally better options for guaranteed lifetime income, variable annuities can provide the greatest investment flexibility of the product types that offer this feature — potentially generating additional growth of the portfolio. It may be more appropriate to use a low-cost VA during the accumulation phase and then, when the client is ready to begin taking out guaranteed lifetime income, move into the best available income product.

To learn more about our low-cost, Commission-Free variable annuity solutions, call 888.327.0049 and speak to a DPL Consultant.

[1] Insured Retirement Institute, 2019; https://www.myirionline.org/newsroom/newsroom-detail-view/iri-issues-second-quarter-2019-annuity-sales-report. (9/2019)
[2] Insured Retirement Institute (IRI), "The Language of Retirement 2017: Advisor and Consumer Attitudes Toward Income in Retirement." (10/2017)
[3] Morningstar, 2018
[4] Average calculated based on DPL's nine product offerings with an asset-based M&E charge.. TIAA M&E assumes a $100K - $499k account size.
[5] Morningstar Report: Alpha, Beta, and Now...Gamma (8/2013)

Variable annuities are contracts purchased from a life insurance company that are designed for long-term retirement goals and are subject to market risk, including loss of principal.

No investment strategy insures a profit or protects against losses in a down market.

All guarantees are based on the financial strength and claims-paying ability of the issuing insurance company.

The purchase of an annuity within a retirement plan that already provides tax deferral under sections of the Internal Revenue Code results in no additional tax benefits. An annuity should be used to fund a qualified plan based upon the annuity's features other than tax deferral. All annuity features, risks, limitations, and costs should be considered prior to recommending the purchase of an annuity within a tax-qualified retirement plan. In addition to surrender charges, withdrawals are subject to income tax.

Withdrawals prior to age 59 1/2 may also be subject to a 10% federal tax penalty.

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