Qualified Longevity Annuity Contracts

Creating future lifetime income—starting after the required minimum distribution age of 70½

Starting at age 70½, owners of pre-tax accounts must take required minimum distributions (RMDs),[1] which are taxed as ordinary income, from their accounts. However, some investors may not want to take RMDs on their entire pre-tax account balance at age 70½, as it would provide them with more income than they need.

At the same time, today's longer lifespans may have some of those same investors also asking themselves whether they will have enough to cover their expenses in the later years of retirement. It's a good question, especially since there's a 50% chance of a 65-year-old man living to age 85 (and age 88 for a woman).[2] Investors may find themselves needing income later in life to cover essential expenses that may also increase as they age, such as prescription drugs, in-home care, and other health care expenses.

What Is a Qualified Longevity Annuity Contract? (QLAC)

In 2014, the Internal Revenue Service (IRS) and the Department of the Treasury revised rules regarding RMDs. These rules may provide you with greater flexibility for a portion of your pre-tax assets, allowing you to delay taking income payments until you may need them.

A QLAC is a deferred income annuity[3] that allows income to begin beyond age 70½ without conflicting with RMD rules. QLACs provide you with flexibility to defer the income start date until age 85 and can only be funded with assets from a Traditional IRA, or with assets from an eligible employer-sponsored qualified plan—401(k), 403(b), and governmental 457(b).[4]

With a QLAC, you shift the risk of outliving your income to the insurer, who promises to pay you a certain amount of income for the rest of your life. The insurer also assumes your interest and market risk; even if the market and interest rates go down significantly during your deferral period, you still get the same guaranteed[5] income stream.

[1] Generally, you have until April 1 of the year following the calendar year you turn age 70½ to take your first RMD. In subsequent years, the deadline is December 31. RMDs will be required each year for the remainder of your life after 70½.

[2] Stanford Study on Longevity, September 2013.

[3] **Deferred income annuity contracts are irrevocable, have no cash surrender value and no withdrawals are permitted.**

[4] **Traditional IRA includes SEP and SIMPLE IRA. QLACs cannot be purchased with Roth or Inherited IRA dollars.**

[5] **Guarantees are subject to the claims-paying ability of the issuing insurance company.**

Benefits of a QLAC

1. **Helps customize your RMD plan.** You can reduce your RMD and potentially reduce your current taxes. Since the amount you invest in a QLAC is excluded from future RMD calculations, you won't pay taxes on those amounts until you start to receive income.[6]
2. **Provides guaranteed lifetime income later in life.** You decide when you want your income to begin, up until age 85.
3. **Complements Social Security.** Like Social Security, your QLAC will provide consistent, guaranteed income you can count on, beginning on a date in the future that you choose.

Premium Limit

It is important to understand that the IRS has limits on how much money can be invested in QLACs, and you are ultimately responsible for ensuring that you meet applicable rules and limitations. And like RMDs, there are substantial penalties for failing to follow the limits outlined below.

The premium amount is subject to two limitations:

1. Total sum of QLAC premiums **cannot exceed $130,000**[7] regardless of funding source; and
2. QLAC premiums from a given funding source **cannot exceed 25%** of that funding source's value[8]

Investors Who Might Benefit from a QLAC

- Are approaching RMD age (70½) or are currently taking RMDs
- Have existing income that will last for a number of years and do not need all of their RMDs for income now
- Want the flexibility to start additional income between ages 70½ and 85

[6] Purchasing a QLAC solely to reduce one's Required Minimum Distribution (RMD) is a tax decision that may not be appropriate for everyone. Consult an attorney or tax professional regarding your specific situation.

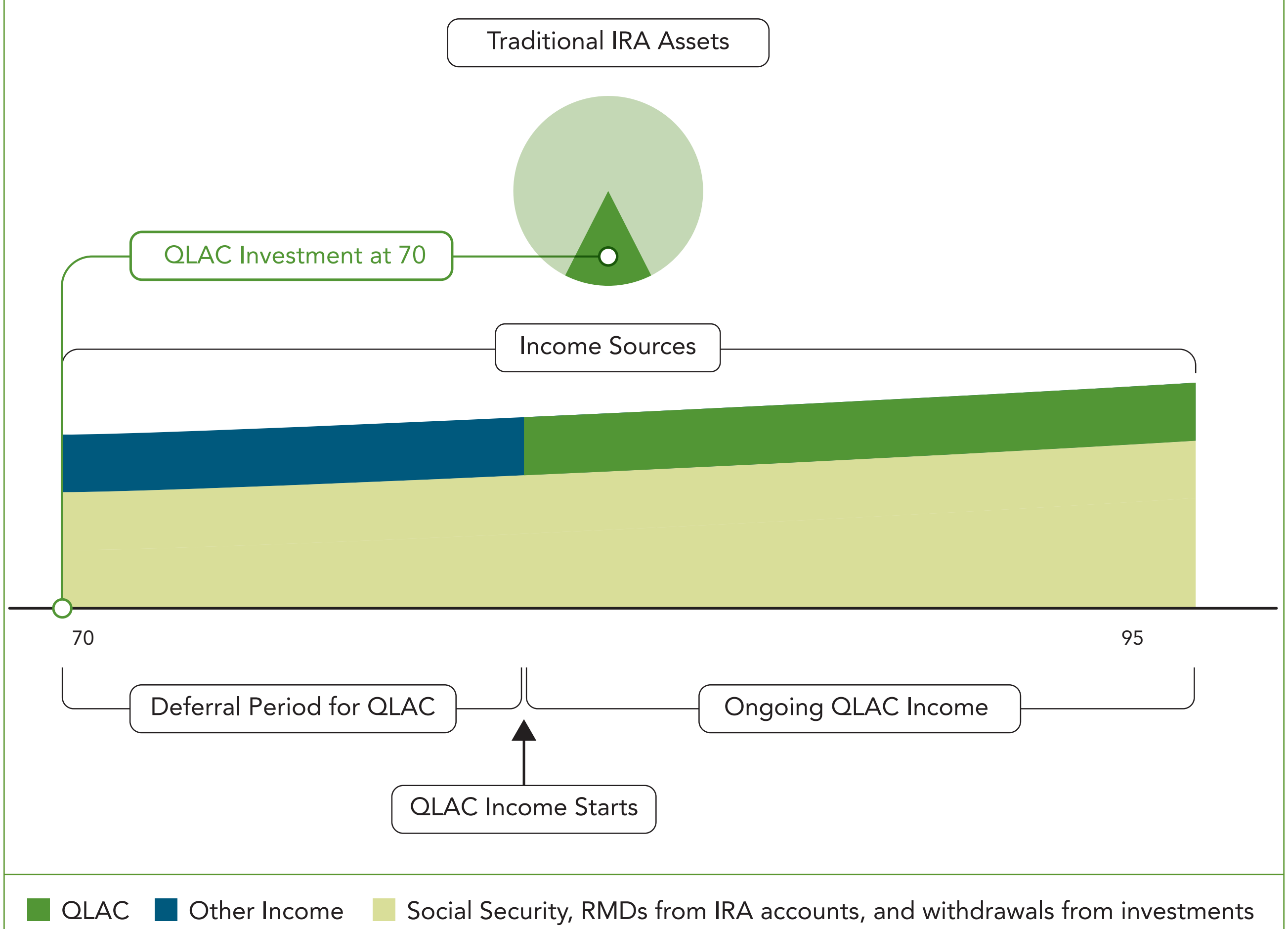
[7] The premium limitation is as of January 2018.

[8] QLACs cannot be purchased with Roth or Inherited IRA dollars; value of such IRAs cannot be included in determining 25% premium limit. If Funding Source is Traditional IRA, 25% limit is calculated by combining the total value of all Traditional IRAs as of December 31st of the previous year. If Funding source is Employer sponsored qualified plan (401k, 403b and governmental 457b), 25% limit is calculated on an individual plan basis based on the plan's account value on the previous day's market close. If you previously purchased a QLAC, the calculation of your 25% limit is more complicated. Please contact an attorney or tax professional for additional details.

To make it easier to understand how a QLAC might fit into your retirement income plan, consider the hypothetical example in the chart below.

In this example, an investor is approaching age 70½ and does not currently need her full RMD for income. By investing a portion of her Traditional IRA assets in a QLAC at age 70, she would not have RMD requirements on the assets invested in the QLAC, and she would receive guaranteed lifetime income starting at a date of her choosing. During the deferral period, she would rely on Social Security, RMDs from IRA accounts, withdrawals from investments, and other income, such as part-time work or a sale of a business, to cover expenses.

Hypothetical Example: Investing a Portion of Traditional IRA Assets in a QLAC at Age 70



The above is a hypothetical example of potential income sources and how one may consider investing a portion of Traditional IRA assets into a QLAC. **It is not intended to predict or project income payments. Your actual income payments may be higher or lower than those shown here.**

Quick Facts and Features

Income start date	• Maximum age of 85
Lifetime income options[9]	• Life only (single or joint) • Life with cash refund (single or joint)
Withdrawals	• Not allowed

Next Steps

As part of a comprehensive retirement income plan, Fidelity can help you understand the potential benefits of a QLAC and whether it may be appropriate for your situation. In addition, we can help you find the insurance company that will best meet your individual needs. We encourage you to consider speaking with a Fidelity Representative today.

Want More Information?

Go to **Fidelity.com/deferredincome** or call **800.544.2442**

[9] Available QLACs may not offer all Lifetime Income options listed.

This information is intended to be educational and is not tailored to the investment needs of any specific investor.

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