

Stretch the tax deferral of your low-cost¹ variable annuity



For contract holders who want to provide their beneficiaries² with more tax-efficient options³ when inheriting a non-qualified contract than the traditional lump-sum or five-year withdrawal period, Fidelity Investments offers a stretch provision on non-qualified Fidelity Retirement Reserves[®] and Fidelity Personal Retirement Annuity[®], in addition to traditional annuitization.

What's a stretch provision?

A stretch provision allows nonspouse beneficiaries of a non-qualified annuity contract the option to stretch payments from the inherited annuity over their life expectancy. This option spreads out the taxable consequences of the disbursements over a longer time period, allowing assets to stay invested tax deferred for the long term.

How does it work?

Upon the death of an owner or annuitant, depending on the contract, nonspousal beneficiaries have **one year** from that date to establish and begin receiving their stretch distributions.

Once elected:

- Distributions from the annuity will be recalculated annually based on account value and life expectancy of the beneficiary.
- Distribution frequency must be set for monthly, quarterly, semiannual, or annual distributions. Once elected, the frequency of distribution cannot be changed.
- Fidelity will provide an annual Form 1099, which will indicate the portion of the distribution that is reportable as income for that year.⁴ (See Tax Exclusion Ratio example.)
- Beneficiaries may not make additional payments into the contract, take ad hoc distributions, or make changes to the amount distributed.
- Beneficiaries can fully surrender the contract at any time and receive the remaining contract value.

The above rules help ensure that a beneficiary's tax reporting of the distributions complies with IRS guidelines.

What if a beneficiary changes his or her mind?

If, for any reason, a beneficiary decides he or she wants to stop the payments, the stretch provision can be terminated. In this case, any remaining contract value is distributed via a lump sum. A simple call to Fidelity is all that is needed to get the process going.

Please note that if there is more than one beneficiary, each may choose his or her own preferred method of distribution to receive his or her portion of the account value: lump sum, five-year withdrawal, annuitization, or stretch.

Learn more.

Talk to Fidelity to learn how a non-qualified annuity stretch provision:

- Can provide beneficiaries with increased flexibility for withdrawal options
- May allow beneficiaries to withdraw money in a tax-efficient manner
- Can keep assets invested tax deferred over a long period of time
- Can be a valuable option in estate planning

Tax Exclusion Ratio

Assume a 65-year-old beneficiary elects to take annual stretch payments. On the valuation date (the first payment date), the amount of the distribution is determined by dividing the account value by life expectancy, while the annual amount excludable from tax is determined by dividing the cost basis by life expectancy. If the account value is \$100,000, the cost basis is \$60,000, and life expectancy is 20 years, the distribution will be \$5,000 ($\$100,000 \div 20$) and the exclusion amount will be \$3,000 ($\$60,000 \div 20$), so that \$2,000 is subject to tax. Each subsequent year, the distribution amount will be recalculated and will depend on the account value at the time, but the exclusion amount will remain \$3,000 for the duration of the stretch payments.

Before investing, consider the investment objectives, risks, charges, and expenses of the annuity and its investment options. Contact Fidelity for a free prospectus or, if available, a summary prospectus containing this information. Read it carefully.

Investing in a variable annuity involves risk of loss—investment returns and contract value are not guaranteed and will fluctuate.

Fidelity does not provide legal or tax advice. The information herein is general in nature and should not be considered legal or tax advice. Consult an attorney or tax professional regarding your specific situation.

¹According to 12/31/22 data on non-group open variable annuities from Morningstar, Inc., at 0.25% Fidelity Personal Retirement Annuity's annual annuity charge is significantly lower than the national industry average 1.05% annual annuity charge. Underlying fund fees also apply.

²Only natural persons are eligible to elect the stretch provision; nonnatural entities such as trusts must choose another option.

³Traditional beneficiary payment options include lump sum and five-year withdrawal. When taking a lump sum, any gains would be taxed at the beneficiary's ordinary income tax rate. Similarly, under the five-year election, withdrawals would be treated as distributions of gain first and be subject to the beneficiary's ordinary income tax rate, but the entire value must be withdrawn over the five-year period. Beneficiaries may also elect a lifetime annuitization, where they would receive fixed lifetime income, with 10 years guaranteed, based on the claims-paying ability of the issuing company, where payments would receive exclusion ratio treatment.

⁴If the stretch provision is elected for a nonqualified annuity, a portion of your distribution will be considered a return of premium and will not be subject to ordinary income tax. The amount that is taxable will be determined at the time the stretch provision is elected. A calculation will be made by the insurance company to determine the "exclusion amount," which will determine the percentage of each payment that will be excluded from income tax.

Fidelity Personal Retirement Annuity (Policy Form No. DVA-2005, et al.) and Fidelity Retirement Reserves (Policy Form No. NRR-96100 et al.) are issued by Fidelity Investments Life Insurance Company, 900 Salem Street, Smithfield, RI 02917, and, for New York residents, Personal Retirement Annuity (Policy Form No. EDVA-2005, et al.) and Retirement Reserves (Policy Form No. EVA-91100 et al.) are issued by Empire Fidelity Investments Life Insurance Company®, New York, N.Y. **Fidelity Brokerage Services, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917**, and Fidelity Insurance Agency, Inc., are the distributors. A contract's financial guarantees are subject to the claims-paying ability of the issuing insurance company.