Designating Beneficiaries

FOR FIDELITY NONQUALIFIED DEFERRED ANNUITY CONTRACTS

Contents

Introduction

Leaving a financial legacy is a common goal of any estate and wealth management plan. Understanding beneficiary designations and the different options you and your beneficiaries have is an important first step.

This guide provides general information regarding beneficiary designations for Fidelity nonqualified deferred annuity contracts.* Please make sure you fully understand the specific annuity you are considering before purchasing it, as you will need to understand whether it contains any special provisions regarding beneficiary designations or beneficiary options not listed in this document.

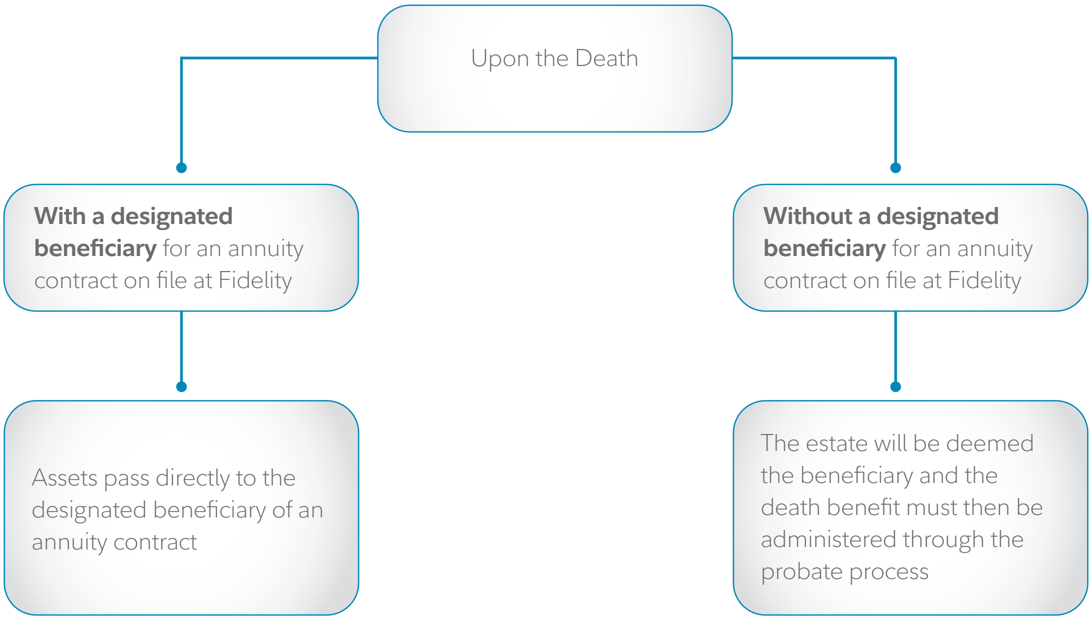
Consulting a tax and legal professional is recommended when considering beneficiary designations, as this guide does not serve as tax or legal advice.

***The options available to beneficiaries of an annuity purchased with money from a qualified plan or IRA differ from those described in this brochure. If you own or are considering purchasing such an annuity, please consult the specific contract for details.**

What Are Death Benefits and What Is a Beneficiary?

Annuities are required by contract (and tax law) to make distributions (called "death benefits") to predetermined or "designated" beneficiaries following the death of an owner or annuitant, depending on the contract (hereinafter "the Death"), within a limited period of time.

Death Benefit



a. Importance of Beneficiary Designation

When you designate a beneficiary, any death benefits payable as part of your annuity contract pass directly to the beneficiary. If an annuity contract owner fails to designate a beneficiary prior to death, in most cases, the estate will be deemed the beneficiary and the death benefit must then be administered through the probate process, and may have tax implications. Probate, or estate administration, is a court-supervised distribution of a decedent's assets, sometimes pursuant to a will, and is a public proceeding that can be costly and take months, sometimes years, to complete.

Avoiding probate is one of the main benefits of designating a beneficiary. All the designated beneficiary needs to do is file a valid written claim with Fidelity to claim the death benefit.

Special considerations apply to trust-owned annuities. Please see the sections "Choosing a Beneficiary" and "Ownership and Beneficiary Designations."

b. How to Designate or Change a Beneficiary

Beneficiaries are typically designated when a contract is established, and can be changed by the contract owner at any time prior to the Death. Jointly owned annuities, unlike bank or brokerage accounts, do not always make the surviving owner a beneficiary, so you should consider designating the surviving joint owner as the beneficiary if your annuity contract doesn't automatically do so.

All beneficiary designations must be submitted in a form acceptable to Fidelity. You can complete the Beneficiary Form for Annuities or establish or update your beneficiaries online. Contact your Fidelity Representative or visit Fidelity.com to submit your designations online.

In order to change a beneficiary, the contract owner must submit a beneficiary designation form. Fidelity will provide the contract owner with a written confirmation of the contract change. If for any reason Fidelity is unable to accept a beneficiary designation, the contract owner will receive a letter stating the reason. In this case, any existing designation on file with Fidelity will remain in force until a new, acceptable beneficiary request is received and accepted.

Any change in beneficiary designation generally must be received by Fidelity prior to the Death. Fidelity will not be liable for any death benefit payment made or action taken prior to receiving a requested beneficiary change.

c. Designating Primary and Contingent Beneficiaries

Fidelity recommends designation of a "primary" and a "contingent" beneficiary on the annuity application at the time the contract is established.

The primary beneficiary is the person, persons, or entity to which certain benefits are payable following the Death.

The contingent beneficiary is the person, persons, or entity who becomes the primary beneficiary if the primary beneficiary dies before the owner or annuitant (depending on the contract), except in cases of a "per stirpes" designation. More than one primary beneficiary and one contingent beneficiary may be chosen. Direction may be given to pay the death benefit equally or in different percentages within each beneficiary category.

For situations in which (i) an owner or annuitant (depending on the contract) and (ii) the beneficiary die at the same time, please see "Uniform Simultaneous Death Act" on page 10.

d. Death Benefit Distribution among Designated Beneficiaries

Primary and contingent beneficiary designations, unless otherwise stated, are presumed by Fidelity to be "per capita," meaning if a beneficiary dies before the owner or annuitant (depending on the contract), that beneficiary's share of the death benefit is apportioned among the surviving members of the applicable beneficiary class. As a result, the heirs of the deceased beneficiary will have no right to share in the death benefit.

Upon request, Fidelity will accept a per stirpes beneficiary designation. Per stirpes is a stipulation that states when a beneficiary dies before the owner or annuitant (depending on the contract), the deceased beneficiary's percentage is split equally among his or her surviving descendants.

If a per stirpes distribution of the death benefit is intended, the words "per stirpes" must be included as part of the written beneficiary designation; otherwise, per capita rules will apply. When a contract has a per stirpes beneficiary designation, Fidelity will require satisfactory documentation to identify the descendants entitled to the death benefit.

Choosing a Beneficiary

When designating a beneficiary, there are a number of different options. The option you choose can have an impact on how your beneficiaries will be able to access the death benefit and may have specific tax implications as well. You should consider whether the annuity contract automatically designates a surviving joint owner as the primary beneficiary. If it doesn't, you should consider designating both owners as primary beneficiaries. Please consult your tax and legal counsel to ensure that the beneficiary designations you choose are in line with your overall estate plan.

a. Beneficiary Scenario: Spouse

Naming a spouse as a beneficiary can often provide maximum flexibility. When a spouse inherits a deferred annuity, they may have the following options.**

Continuation	Reregistration of the contract by the "spouse" in his or her own name, which allows for continued tax deferral. This allows the spouse to take withdrawals or elect an annuity payout at his or her own discretion. The surviving spouse should update the beneficiary designation going forward. Note: if the surviving spouse is not yet age 59½ and needs access to the annuity proceeds, it may be more beneficial to accept the death benefit, which is not subject to the 10% penalty tax on withdrawals before age 59½.
Lump-Sum Payout	Immediate payout of the entire interest in the contract. With the lump-sum payout option, taxes are due at time of payout.
Five-Year Payout	Payout of the entire interest in the contract no later than five years from the date of death. Withdrawals taken over the five-year period will come from the taxable portion first, with the nontaxable portion being the last to pay out, pursuant to IRS tax rules of distributions from nonqualified annuity contracts. The person who elects the five-year option is not allowed to name a beneficiary on the contract. Should that party die before the five years are up, that party's estate will receive a lump-sum payment of the remaining assets.
Annuitization	Allows the beneficiary to convert the death benefit to the "payout" or "annuity" phase and begin receiving a stream of income for his or her lifetime, usually payable on a monthly basis. The beneficiary will give up future access to the account value in exchange for the guaranteed stream of income (note that guarantees are subject to the claims-paying ability of the issuing insurance company). This option has to be chosen within 60 days of the date of death, and the first payment has to be taken within one year of the date of death. This option spreads out the taxable consequences of the disbursements over a longer period of time.

All elections are irrevocable.

b. Beneficiary Scenario: Nonspouse

When a nonspouse beneficiary, including an adult child, assumes ownership of a deferred annuity, they may have the following options.**

Lump-Sum Payout	Immediate payout of the entire interest in the contract. With the lump-sum payout option, taxes are due at time of payout.
Five-Year Payout	Payout of the entire interest in the contract no later than five years from the date of death. Withdrawals taken over the five-year period will come from the taxable portion first, with the nontaxable portion being the last to pay out, pursuant to IRS tax rules of distributions from nonqualified annuity contracts. The person who elects the five-year option is not allowed to name a beneficiary on the contract. Should that party die before the five years are up, that party's estate will receive a lump-sum payment of the remaining assets.
Stretch Payout	Payout over the beneficiary's life expectancy. A stretch provision allows nonspousal individual beneficiaries of a nonqualified annuity contract the option to stretch payments from the inherited annuity over their life expectancy. This spreads out the taxable consequences of the disbursements over a longer time period than the lump-sum or five year payout options. When a beneficiary elects this option, he or she should update the beneficiary designation. To take advantage of this option, nonspousal individuals have one year from the date of death to establish the stretch distribution, and they must also take the first payment within that first year for their portion of the inherited contract value. If, for any reason, a beneficiary decides he or she wants to stop the payments, the stretch provision can be terminated and a complete withdrawal of the contract value taken.
Annuitization	Allows the beneficiary to convert the death benefit to the "payout" or "annuity" phase and begin receiving a stream of income for his or her lifetime, usually payable on a monthly basis. The beneficiary will give up future access to the account value in exchange for the guaranteed stream of income (note that guarantees are subject to the claims-paying ability of the issuing insurance company). This option has to be chosen within 60 days of the date of death, and the first payment has to be taken within one year of the date of death. This option spreads out the taxable consequences of the disbursements over a longer period of time.

All elections are irrevocable.

**These options are not available in all nonqualified deferred annuity contracts. Please consult your specific annuity contract for details.

c. Beneficiary Scenario: Minor Child

You may designate a minor child (e.g., a grandchild) as a beneficiary. It is important to note that a minor is legally incapable of filing a valid claim for a death benefit because he or she is not considered an adult in the state of residence until the general age of majority (check with the minor's state law for age of majority). For a parent claiming a death benefit on behalf of his or her child, Fidelity requires a copy of the court approval before settling the claim or acting on the parent's instruction. If a parent is signing as a custodian, a copy of the minor's birth certificate is required. If someone other than the parent has been named as the custodian, a court document is required.

Many states have laws permitting funds payable to a minor to be paid to a parent without court approval, provided that the proceeds do not exceed a certain amount. The check is made payable to the minor with the parent listed as "Custodian" on the check. Be sure to check your local state laws to see how this may apply to your situation.

Depending on state law, the Uniform Transfers to Minors Act (UTMA) age of majority can be greater than the general age of majority. In addition, if the death benefit becomes payable after the minor reaches the applicable UTMA age of majority, the funds will be paid to him or her entirely, because the adult custodian's authority will have terminated by "operation of law."

d. Beneficiary Scenario: Estate

You may designate your "Estate" as the beneficiary. This is not without consequences due to the fact that:

- Naming an estate as a beneficiary can result in added time and expense for family members and other heirs, as the assets must pass through a probate process.
- Beneficiaries and heirs under estates have fewer distribution options. This is because the IRS requires that an annuity death benefit from a contract payable to an estate be fully distributed no later than five years from the date of death. As a result, beneficiaries cannot benefit from the tax advantages associated with "stretching" the contract by taking distributions over their respective life expectancies (see "Beneficiary Scenario: Nonspouse" on page 6).

Whenever possible, individual beneficiaries should be named instead of estates.

e. Beneficiary Scenario: Trust

If you plan to leave your assets to a trust—a legal entity managed by a trustee or trustees for the benefit of designated beneficiaries—it is important to understand how trust distributions work.

Trustees are appointed through a trust document to manage and distribute the funds while the grantor is alive, or after his or her death.

The General "Trust as a Beneficiary" Rule

If a trust is named as the beneficiary of an annuity, the annuity must pay out in its entirety to the trust within five years as measured from the date of death.

Ownership and Beneficiary Designations

Certain life events may impact your decisions when it comes to beneficiary designations. Outlined in this section are several potential scenarios to help you with designating beneficiaries.

a. Ownership Scenario: Joint Contract Owners

Most contracts allow for joint owners. In some instances, depending on the annuity contract language, upon the death of the first owner, the surviving owner will be treated as the beneficiary over any other named beneficiaries. If the surviving owner elects to continue the contract, he or she must submit paperwork to update the beneficiary designation. Due to tax laws governing annuity products, it is generally not advisable for a contract to be owned jointly other than between legally married spouses, even in situations where the joint owners would be a parent and an adult child. In addition, adding a nonspouse joint owner to an existing contract is a taxable event, as all gains and accumulated interest will be taxable to the original owner for the year the joint owner was added.

Furthermore, whether the contract is an existing contract or a new contract, adding a nonspouse joint owner can result in gift tax implications. For example, if a parent funds an annuity and names an adult child as joint owner, the parent is considered as having gifted half the purchase payment to that child. If this gifted amount is in excess of the annual exclusion amount, the parent may have to file a gift tax return with the IRS, and his or her unified credit for estate and gift taxes will be reduced.

For "annuitant-driven" contracts, please see "Annuitant-Driven Death Benefits" on page 11.

b. Ownership Scenario: Trust

In certain limited circumstances, annuities can be purchased in the name of a trust. If an annuity is owned by a trust, a living person must be named as the sole annuitant of the contract. If an annuity is owned by a revocable grantor trust, the grantor of the trust must be the sole annuitant.

Whenever a trust is the owner of an annuity, it may be important that the trust also be named as the beneficiary. If a trust owns a contract and names a designated beneficiary other than the same trust, the distribution of the death benefit will cause the annuity assets to leave the trust, which may conflict with the original purpose of trust ownership. In all cases, it is the responsibility of the trustee, not Fidelity, to ensure that the beneficiary designation on file with Fidelity is consistent with the objective of the trust.

Other Beneficiary Considerations

a. Annuitized, or Payout, Contracts

There may be special beneficiary considerations for contracts that are "annuitized." Annuitization is the irrevocable decision by the owner to convert the contract to the "payout" or "annuity" phase and begin receiving a stream of income, usually payable on a monthly basis. Depending on the contract terms and the annuity option elected, if the annuitant/measuring life dies after the contract is annuitized, the following may occur:

Payments continue until the expiration of a guarantee period.	For example, if the owner elected an annuity option with a 10-year guarantee, but died after four years, payments would continue to the designated beneficiary for an additional six years (i.e., through the end of the 10-year guarantee period).
Payments stop permanently.	A "life" or "life only" annuity option provides for the highest payout amount. However, there is a trade-off because no further payments are due after the last surviving annuitant dies. Therefore, there would be no need for a beneficiary under this annuitization option.
Lump-sum death benefit is payable.	Based on the annuity contract, if available and elected, a beneficiary could receive a lump sum. In general, a lump-sum death benefit will be calculated based on the present value of the payments remaining under the guarantee period.
You should consult your contract and, if applicable, prospectus to determine which death benefit options, if any, are available after the contract is annuitized.	

b. Disclaimers

Depending on the circumstances, a beneficiary may wish to permanently give up, or irrevocably "disclaim," his or her right to the death benefit. Disclaimers may also be used after the Death to adjust for unforeseen consequences of an estate plan and to achieve optimum tax results.

A disclaimer must be:

- Irrevocable and unconditional by its terms
- Written, explicit, and signed by the beneficiary
- Filed with Fidelity no later than nine (9) months from the death of the person on whose life the death benefit is based

It is highly recommended that a beneficiary not execute a disclaimer unless it is done in consultation with his or her own legal counsel. For more information on disclaimers, see Internal Revenue Code Section 2518, together with the applicable state law on this subject.

c. Impact of Divorce on Beneficiary Designations

In the event of a divorce, beneficiary designations should be updated immediately with Fidelity. Depending on the applicable law, a divorce may not automatically revoke a designation or similar transfer-on-death instruction in favor of a former spouse.

d. Uniform Simultaneous Death Act

Enacted in all states, the Uniform Simultaneous Death Act ("the Act"), may affect payment of a death benefit. In summary, the Act provides that if there is insufficient evidence that an insured and his or her beneficiary died other than simultaneously, the beneficiary will be deemed to have died before the insured. The death benefit will then flow accordingly.

Example: Dave purchases an annuity and designates Joan and George as beneficiaries. Dave and Joan then die in a plane crash and there is insufficient evidence to determine they died other than simultaneously. Because under the Act Joan, as the beneficiary, is considered to have died before Dave, the insured, her share of the death benefit becomes payable to George as the surviving beneficiary. It is not payable to Joan's heirs unless Joan is a per stirpes beneficiary.

Importantly, many states have enacted a version of the Act that requires a beneficiary to survive the insured by at least 120 hours (five days); otherwise, he or she will be deemed to have died before the insured. You may want to check with your tax or legal counsel to determine your state's specific requirements.

Example: Bob purchases an annuity and designates Michael and Susan as beneficiaries. Bob and Susan are in a car accident together and Bob is killed instantly. Susan, one of the beneficiaries, dies 72 hours later. In a 120-hour jurisdiction, Susan's share of the death benefit becomes payable to Michael. It is not payable to her heirs, unless it is a per stirpes designation, even though there is no question she died after Bob.

e. Complex Beneficiary Designations

As the estate planning community becomes more aware of the planning issues associated with retirement benefits, some planners have responded by offering their own custom beneficiary designations. Financial institutions, including Fidelity, have different positions on whether to accept such designations. Moreover, these positions may change over time. When considering the effectiveness of a customized or complex designation, it may be beneficial to determine whether the designation:

- Puts you or the contract administrator in the position of having to interpret a will or trust
- Refers to specific sections of a will or trust
- Is otherwise unclear or confusing

If you find any of the points above apply, consider simplifying the beneficiary designation. If you don't, payment of the death benefit may be delayed. A good rule of thumb for a complex designation: It should tell the contract administrator how to fill out the payee line on the death benefit check.

f. Annuitant-Driven Death Benefits

Annuitant-driven death benefits pay a death benefit upon the death of the annuitant. If there is a surviving joint contract owner, the death benefit remains payable to the designated beneficiary. This may be contrary to the expectations of a surviving owner who may be the spouse of the decedent. Therefore, you should carefully review your contract to determine whether the death benefit is "annuitant driven." This is why we generally recommend having both owners listed as beneficiaries of annuitant-driven contracts.

Furthermore, a contract owned by a non-natural person, such as a trust, is always annuitant driven. The death of the annuitant will trigger a death benefit payout to the beneficiaries on file with Fidelity.

Conclusion

Designation of beneficiaries is an essential component of any estate and wealth transfer plan. For some people, more wealth will transfer through beneficiary designation contracts than by any other method. This is just one reason periodic review of beneficiary designations with an estate planner is an important step in ensuring that the estate is managed as you intended. A beneficiary review should be conducted whenever a significant life event occurs, such as marriage, civil union or domestic partnership, disability, birth of a child or grandchild, divorce, or death.

Next Steps

1. **Review and update** your listed beneficiaries for any annuity contracts you own.
2. **Be sure to designate a beneficiary** for any new annuity contract.
3. **If you have any questions,** speak with a Fidelity professional.
4. **Be sure to consult a tax professional** before making or updating beneficiaries.

Fidelity does not provide tax or legal advice. Consulting a tax or legal professional is recommended when considering beneficiary designations, as this guide does not serve as tax or legal advice.

Have any questions?

Call 800.634.9361.

The information contained herein is general in nature, is provided for informational purposes only, and should not be construed as legal or tax advice. Always consult an attorney or tax professional regarding your specific legal or tax situation.

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