PRCUA Life™

Life Insurance & Annuities

Member Benefits

ANNUITIES

Defined

Polish Roman Catholic Union of America

984 N. Milwaukee Ave. • Chicago, IL 60642

(800) 772-8632 | PRCUA.org |

The Polish Roman Catholic Union of America (PRCUA) is the oldest Polish fraternal organization in America. It was founded in 1873 in the spirit of brotherhood to unite and help Polish immigrants. Since then, PRCUA has developed into a dynamic fraternal benefit society, whose life insurance and annuity cerficates rank among the best offered.

What is a PRCUA*Life* annuity?

An annuity is retirement product that offers a form of financial security. It is a contract between you and the **PRCUA***Life* in which you make a lump sum payment or series of payments and, in return, can choose to obtain regular disbursements beginning either immediately or at some point in the future. The goal of an annuity is to provide a steady stream of income during your retirement years for as long as you live. **PRCUA***Life* offers both non-qualified and qualified annuities.

Key Highlights

- Guaranteed rate of return
- Money grows tax-deferred
- Up to 10% can be withdrawn annually without surrender charges
- May be purchased up to age 90 and 11 months
- No maintenance fees

Qualified Annuities

Monies in a pension, IRA, 401(k), or 403(b) are defined as qualified money

Traditional IRAs

- Contributions are tax-deductible, subject to IRS guidelines
- A Required Minimum Distribution (RMD) must be taken starting at age 70½ or a penalty may apply
- Taxed on all payouts when you withdraw the money in retirement

ROTH IRA

- Contributions are not tax-deductible
- Distributions are not taxed if IRS requirements are met
- Required Minimum Distribution (RMD) rules do not apply

SEP IRA

- a basic retirement account, much like a traditional IRA
- stands for "Simplified Employee Pension," and is a retirement account for business owners and self-employed individuals
- contributions may be tax-deductible, and investments grow tax-deferred until retirement, when distributions are taxed as income

TSA

- a **t**ax-**s**heltered **a**nnuity designed for employees of certain nonprofit and public education institutions
- provides a method of saving for retirement by making pretax contributions toward accumulating savings on a tax-deferred basis

SIMPLE IRA

- an employer-sponsored retirement plan offered within small businesses that have 100 or fewer employees
- stands for "Savings Incentive Match Plan for Employees"
- Small businesses may favor SIMPLE IRAs because they are a less expensive and less complicated alternative to a 401(k) plan that can still offer employees an opportunity to contribute to their retirement

Non-Qualified Annuities

- Contributions are not tax-deductible
- No IRS restrictions on deposits or withdrawals, but withdrawals made before age 59½ may be subject to penalty

The Difference Between a Rollover and Transfer

Rollovers

A rollover moves funds from one retirement savings account or plan, like an IRA or 401(k), to a new or consolidated IRA. Rollovers from an IRA are subject to federal income tax unless you complete the transaction within 60 days of receiving the funds. Also, IRAs can be part of a tax-free rollover only once every calendar year. This means that if you make a tax-free rollover of a distribution from an IRA, you can't make another rollover from the same IRA within that same year.

Direct Rollovers

A direct rollover is when funds are moved from one institution to another on your behalf. 1035 exchanges, also considered direct rollovers, are tax-free movements of funds between non-qualified accounts.

Trustee-to-Trustee Transfers

A trustee-to-trustee transfer moves funds from one qualified plan to another on your behalf. Transfers can take place as often as you like, and they are not taxable transactions.

Funding a Certificate of Deposit and Funding an Annuity — What's the Difference?

Principal guarantees

Bank Certificates of Deposit (CDs) are insured by the FDIC up to $250,000 per person at each bank. In the event of a bank failure, the FDIC will make you whole against any losses up to that amount. **PRCUA***Life* annuities are not FDIC insured, but are backed by **PRCUA***Life*'s legally mandated reserves.

Tax treatment

Bank CDs are taxable accounts unless you hold them in a retirement account like an IRA. By contrast, **PRCUA***Life* annuities generate income on a tax-deferred basis, and you don't have to pay taxes on the gains until you withdraw funds.

Withdrawals from annuities can be subject to a 10% early withdrawal IRS penalty that applies to retirement accounts if they're made before age 59½.

Renewal provisions

At the end of the term of a bank CD, you have the option to renew the CD for another period. However, the rate of interest you'll earn may change, with the potential either to rise or fall depending on financial market conditions.

Fixed annuities also have guaranteed annual percentage yields (APYs) of 1, 2, 3 years or more, but when surrender charges end, the annuity stays in existence until the maturity date, which depends on the age of the annuitant. Unlike bank CDs, **PRCUA***Life* annuities contain minimum guaranteed APYs for the life of the annuity, which can add some extra income if or when CD rates fall.

Penalties for Early Access to your Money

Banks may charge penalties for early withdrawals from CDs that usually vary with the length of the CD.

Fixed annuities often include provisions that allow you access to at least some of your account balance without penalty. For example, **PRCUA***Life* annuities allow for a 10% annual free withdrawal every twelve months. However, unless you are 59½, IRS penalties may apply.

Deposits/Contributions

A bank CD is fixed in nature — you open one with a certain amount and usually cannot make additional deposits. With a **PRCUA***Life* annuity, you can make additional contributions. The limit depends on the type of annuity.

In summary, annuities have features that set them apart from bank CDs, so it's important not to think of them as interchangeable. Some will favor annuities and others CDs, but you must decide which features you find most valuable to choose between a bank CD or a **PRCUA***Life* annuity.

<u>Availability</u>

All fixed and variable annuities are governed by a comprehensive state regulatory framework. State laws govern the organization and licensing of insurance companies, and state insurance departments oversee insurance company operations. Generally, annuity contracts and amendments must be filed with, and approved by, each state in which contracts are sold. Insurance agents need to be licensed in each state in which they operate. Only licensed insurance agents may sell annuity contracts.

PRCUA*Life* is duly licensed in the United States of America in the states of Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Texas, Vermont, West Virginia, and Wisconsin.

Call us today to address any questions you may have, or visit our website at PRCUA.org/annuities to view our current Annuity Portfolio!

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