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What you need to know about Annuities

I hope you find our eCommunications to be helpful, educational, informative, and worthwhile. Contact us if you have questions or concerns as they relate to your specific circumstances or would like to discuss any of these topics in greater detail. We welcome your calls and feedback. To save time, try our Calendar Link to schedule a convenient time. During these unprecedented times, many folks are seeking professional guidance. Feel free to share this information with friends, family, associates, and others who can benefit or may seek professional help or advice from a seasoned veteran who has weathered numerous Black Swan events. We look forward to being a resource and being available to help guide you through these treacherous times.

Very best regards,

John M. Sklencar, RFC

About John M. Sklencar, RFC

John M. Sklencar is **Registered Financial Consultant (RFC)** with the **International Association of Registered Financial Consultants** and has been providing financial advice since 1982. In 2010, John became President and Founder of **Physicians Private Client Group (PPCG)** , an award winning wealth management firm based in Plymouth Meeting, PA to better serve the Retirement, Investment, Insurance and Financial Planning needs of Physicians, Dentists, Hospitals, Medical Practices, Professionals and Accredited Investors throughout the Mid-Atlantic states. PPCG specializes in designing and implementing highly customized, cost effective Retirement Plans for Medical Practices and Professionals and Wealth Accumulation, Preservation, Protection, Distribution and Transfer strategies for individuals. Mr. Sklencar has been dedicated to helping the medical community since 1984.

In 2018, the **Philadelphia Inquirer, Daily News and Philly.com** awarded John with **"Influencer of Finance in Wealth Management."** In **April 2014 & 2013** - John Sklencar was **"Selected as a Top Financial Advisor for Dentists by Dental Practice News."** In **2012, 2006 and 2004** , John M. Sklencar was named as **"One of the top 150 Financial Advisor's for Physicians in the United States"** by Medical Economics. In 2010, Mr. Sklencar formed **Physician's Private Client Group** to market niche financial services to medical professionals throughout the Mid-Atlantic region.

Through his affiliation with **FSC Securities Corporation since 1994** , Mr. Sklencar has been able to develop a team of nationally recognized industry experts across multiple disciplines where he has access to many of the countries leading Attorneys, Economists, Money Managers, Pension Administrators, Financial Institutions and Insurance Providers to provide his client's with a unique array of boutique solutions, strategies, services and programs individually tailored to each clients specific goals and objectives.

From 1994 to 2004, Mr. Sklencar has been a **Registered Principal** with FSC Securities Corporation. In 1994, John served as **Vice President** with CDC Associates, Inc., a **Registered Investment Adviser** . From 1988 to 1993, John was a **Senior Financial Counselor** with **AMA Investment Advisers** , a wholly-owned subsidiary of **The American Medical Association** . Mr. Sklencar traveled the country conducting financial education workshops, provided comprehensive financial plans and implemented retirement, investment and insurance strategies for many physicians and their families. In 1979, John began his career as **Internal Auditor** for the **Internal Revenue Service** where he gained invaluable insight into tax law. Between 1982 and 1988, John held various positions for several prominent Philadelphia investment, banking and insurance institutions, including **Provident Mutual** , **Meritor Financial Group** and **John Hancock Financial Services** .

Mr. Sklencar has been providing educational seminars, workshops and webinars for associations, hospitals, organizations, medical practices and specialty societies, including the **Holy Family University Masters Program** , **Internal Revenue Service** , the **American Medical Association** , the **Medical Society of New Jersey** and the **Montgomery and Chester County Medical Societies** . John is committed to help educating investors about all aspects of financial and retirement planning. John has been a sought out speaker for **Successful Money Management Seminars** and **Financial Strategies for Successful Retirement** .

Mr. Sklencar has a Bachelor of Science degree in **Accounting** from **Drexel University** . Mr. Sklencar is a current member of the **Society of Financial Professionals** . John holds the following **FINRA** securities registrations: **Series 6, 7, 24, 63, 65** . He is licensed for L **ife & Health insurance in NY, PA & NJ** . He attends annual Firm Compliance & Continuing Education Requirements. Mr. Sklencar served as **Secretary** on **Warwick Township's Water & Sewer Board** and their Finance Committee. John is a member of the **American Friends of Italy,** a local non-profit that helps various local charities. John was a **Charter Founding Board member of the Greater Jamison Business Association and Charter Founding Board member of A.O.H. Division 88 - Officer Danny Boyle.** John is an active member in a variety of community groups and has been instrumental in implementing successful fund raising campaigns for several non-profit organizations.

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Annuities

Key Strengths

- Interest generated by an annuity accrues tax deferred until withdrawn
- You can receive payments from the annuity for your entire lifetime, regardless of how long you may live*
- There are normally no contribution limits
- There are many different types of annuities to choose from
- You pay taxes only on the earnings portion of annuity payments
- At death, proceeds from an annuity pass free from probate to your named beneficiary

An annuity is a contract between you and an issuer (usually an insurance company).
In its simplest form, you pay a premium in exchange for future periodic payments to begin immediately (an immediate annuity) or at some future date (a deferred annuity) and to continue for a period that can be as long as your lifetime.*

Key Tradeoffs

- Annuities carry fees and expenses
- May have surrender charges
- Contributions are not tax deductible
- There may be tax penalties for early withdrawals prior to age 59½ (subject to exceptions)
- Once you elect a specific distribution plan, annuitize the annuity, and begin receiving payments, that election is usually irrevocable (with some exceptions)

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

Note:*Annuities are long-term tax-deferred investment vehicles intended to be used for retirement purposes. Any gains in tax-deferred investment vehicles, including annuities, are taxable as ordinary income upon withdrawal. For variable annuities, investment returns and the principal value of the available sub-account portfolios will fluctuate based on the performance of the underlying investments so that the value of the investor's units, when redeemed, may be worth more or less than their original value.*

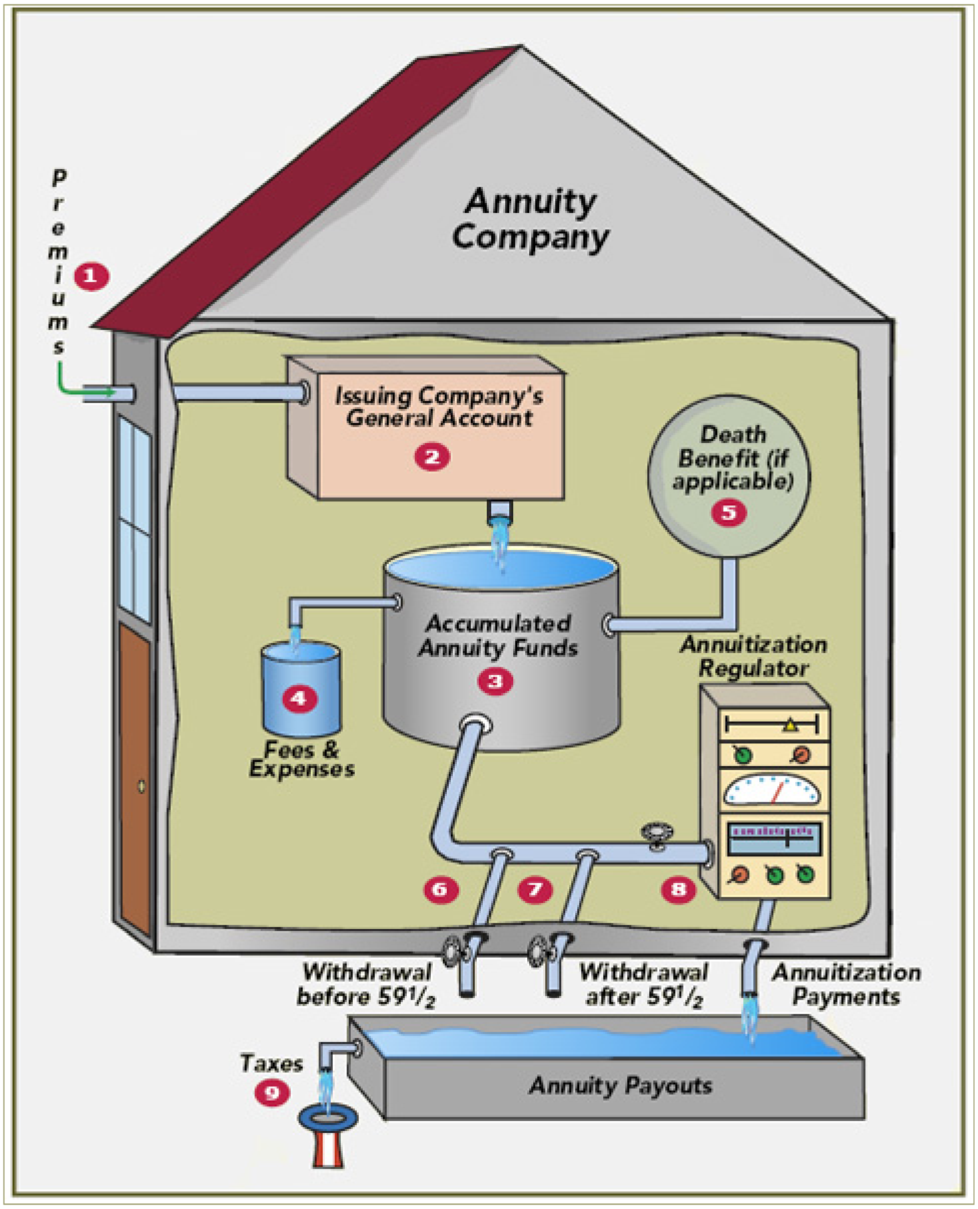
Immediate vs. Deferred Annuities

Immediate annuities	Deferred annuities
Payout begins shortly after the premium is paid.	Payout begins at some specified future date, allowing time for accumulation.
Purchase with a single premium.	Purchase with either a single premium or periodic premiums.
Contract is usually irrevocable--after you enter into the contract, it can't be changed.	Contract can be surrendered or exchanged for another annuity (Section 1035 exchange).
Assets do not accumulate on a tax-deferred basis. They are distributed using a predetermined formula, such as for life, for a fixed period, in a fixed amount, and so on.	Assets accumulate on a tax-deferred basis. When distributions begin, they are made using a predetermined formula, such as for life, for a fixed period, in a fixed amount, and so on.
Each distribution is part tax-free return of premium and part ordinary income, depending on age and the distribution method.	Distributions are first made from any gains/ interest earned and taxed at ordinary income tax rates; tax-free return of premium is distributed last.
No tax penalty on lifetime payments started before age 59½. [1]	A 10 percent nondeductible tax penalty is assessed on the gains (or interest) withdrawn or annuitized before the annuitant reaches age 59½, unless an exception applies.

Notes:

[1]Unless the immediate annuity is purchased with proceeds from a deferred annuity.

How a Fixed Deferred Annuity Works



1. In the accumulation phase, you (the annuity owner) send your premium payment(s) (all at once or over time) to the annuity issuer. If these payments are made with after-tax funds, you may invest an unlimited amount.

2. The annuity issuer places your funds in its general account.* Your annuity contract specifies how your principal will be returned as well as what rate(s) of interest you'll earn during the accumulation phase. Your contract will also state what minimum interest rate applies.**

3. The compounding interest on your annuity accumulates tax deferred. You won't be taxed on these earnings until funds are withdrawn or distributed.

4. The issuer may collect fees to manage your annuity account. You may also have to pay the issuer a surrender fee if you withdraw money in the early years of your annuity.

5. Your annuity contract may contain a guaranteed** death benefit or other provisions for a payout upon the death of the

annuitant. (As the annuity owner, you're most often also the annuitant, although you don't have to be.)

6. If you make a withdrawal from your deferred fixed annuity before you reach age 59½, you'll not only have to pay tax (at your ordinary income tax rate) on the earnings portion of the withdrawal, but you may also have to pay a 10 percent premature distribution tax, unless an exception applies.

7. After age 59½, you may make withdrawals from your annuity without incurring any premature distribution tax. Since nonqualified annuities have no minimum distribution requirements, you don't have to make any withdrawals. However, your annuity contract may specify an age at which you must begin taking income payments.

8. To obtain a guaranteed** fixed income stream for life or for a certain number of years, you could annuitize, which means exchanging the annuity's cash value for a series of periodic income payments. The amount of these payments will depend on a number of factors, including the cash value of your account at the time of annuitization, the age(s) and gender(s) of the annuitant(s), and the payout option chosen. Usually, you can't change the payments once you've begun receiving them.

9. You'll have to pay taxes (at your ordinary income tax rates) on the earnings portion of any withdrawals or annuitization payments you receive.

*These funds are invested as part of the general assets of the issuer and are therefore subject to the claims of its creditors.

**All guarantees are subject to the claims-paying ability of the issuing company.

Advantages and Disadvantages of Tax-Deferred Fixed Annuities

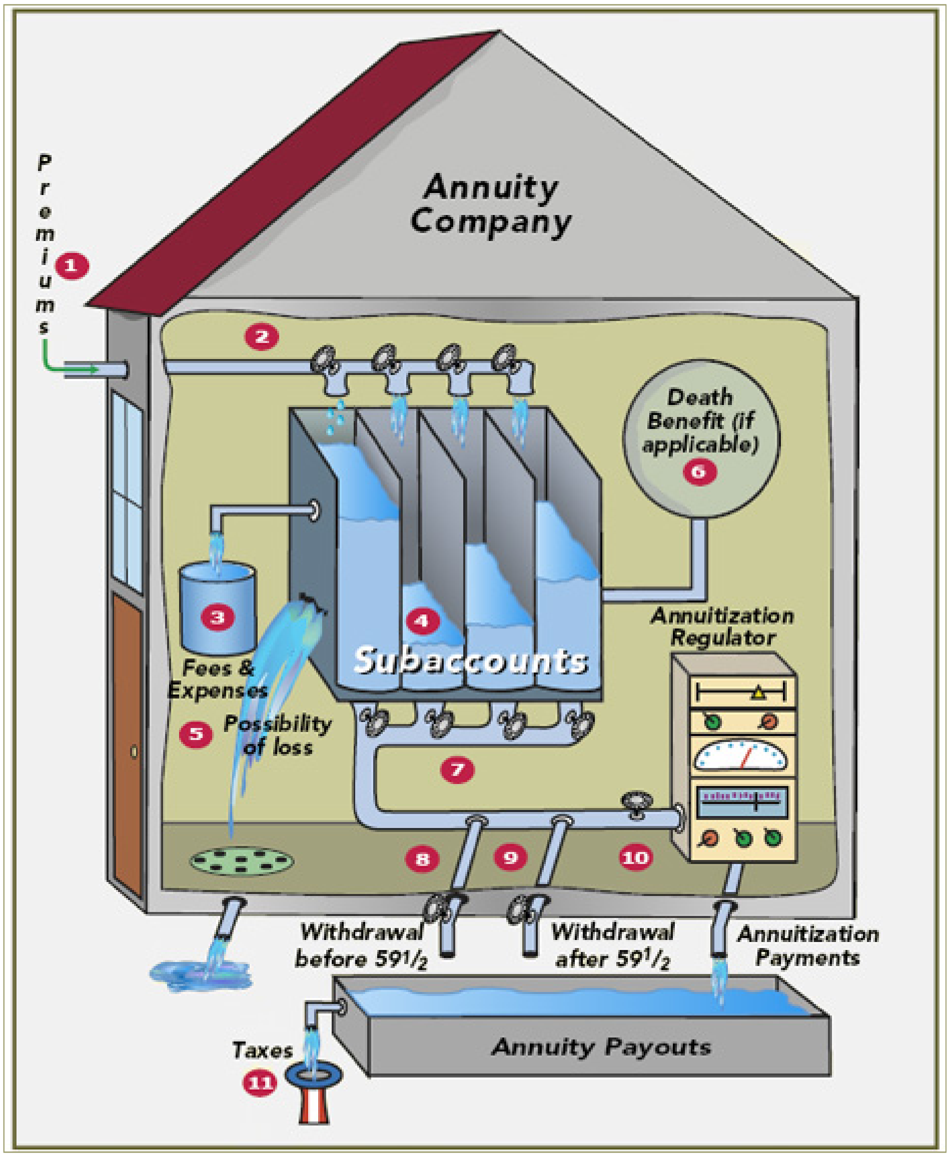
Advantages

- Fixed annuity contracts offer compound growth without anxiety about fluctuations in the stock market
- Income taxes are deferred
- Interest rates are generally competitive
- Proceeds paid to a named beneficiary are exempt from probate
- Proceeds may also be exempt from state inheritance taxes
- You may have the right to take 10 percent (or more) of the account value annually without paying surrender charges (but you are subject to the IRS penalty on withdrawals made before age 59½)
- If the owner has a medical need for long-term care in a nursing home, tax-deferred earnings may be withdrawn, subject to state laws
- Switching to another company can be done without incurring any income tax liability (see Section 1035 of the Internal Revenue Code)
- Values may be transferred from a life insurance contract to a tax-deferred annuity through a Section 1035 exchange
- You may turn the accumulated account value into a stream of income that you cannot outlive, though the amount you receive may be higher using other payout options
- You may take withdrawals at some future date when your personal income tax bracket may be lower than it is during your peak earning years (subject to penalty and surrender charges)
- Depending on your state, account values may be protected from creditors

Disadvantages

- The tax-deferred growth will ultimately be taxed, perhaps to a beneficiary in a higher income tax bracket
- There is no step-up in basis at death, and capital gains tax rates are not applicable, so all income is taxed as ordinary income
- Due to possible surrender charges and IRS tax penalties for early withdrawal, the annuity is not considered a liquid asset
- Ownership by a corporation or any other "non-person" subjects the growth to annual income taxes
- Some surrender charges may last for many years
- Some contracts offer a higher rate of interest if you annuitize and a lower rate if you surrender the contract
- In some states, state premium taxes may reduce the amount of value available for future payments
- Annuities are not federally insured

How a Variable Annuity Works



1. In the accumulation phase, you (the annuity owner) send your premium payment(s) (all at once or over time) to the annuity issuer. If these payments are made with after-tax funds, you may invest an unlimited amount.

2. You may choose how to allocate your premium payment(s) among the various investments offered by the issuer. These investment choices, often called subaccounts, typically invest directly in mutual funds. Generally, you can also transfer funds among investments without paying tax on investment income and gains.

3. The issuer may collect fees to manage your annuity account. These may include an annual administration fee, underlying fund fees and expenses which include an investment advisory fee, and a mortality and expense risk charge. If you withdraw money in the early years of your annuity, you may also have to pay the issuer a surrender fee.

4. The earnings in your subaccounts grow tax deferred; you won't be taxed on any earnings until you begin withdrawing funds or begin taking annuitization payments.

5. With the exception of a fixed account option where a guaranteed* minimum rate of interest applies, the issuer of a variable annuity generally doesn't guarantee any return on the subaccounts you choose. While you might experience substantial growth in

your investments, your choices could also perform poorly, and you could lose money.

6. Your annuity contract may contain provisions for a guaranteed* death benefit or other payout upon the death of the annuitant. (As the annuity owner, you're most often also the annuitant, although you don't have to be.)

7. Just as you may choose how to allocate your premiums among the subaccount options available, you may also select the subaccounts from which you'll take the funds if you decide to withdraw money from your annuity.

8. If you make a withdrawal from your annuity before you reach age 59½, you'll not only have to pay tax (at your ordinary income tax rate) on the earnings portion of the withdrawal, but you may also have to pay a 10 percent premature distribution tax.

9. After age 59½, you may make withdrawals from your annuity proceeds without incurring any premature distribution tax. Since nonqualified annuities have no minimum distribution requirements, you don't have to make any withdrawals. However, your annuity contract may specify an age at which you must begin taking income payments.

10. To obtain a guaranteed income stream* for life or for a certain number of years, you can annuitize which means exchanging the annuity's cash value for a series of periodic income payments. The amount of these payments will depend on a number of factors including the cash value of your account at the time of annuitization, the age(s) and gender(s) of the annuitant(s), and the payout option chosen. Usually, you can't change the payments once you've begun receiving them.

11. You'll have to pay taxes (at your ordinary income tax rate) on the earnings portion of any withdrawals or annuitization payments you receive.

*All guarantees are subject to the claims-paying ability of the issuing company.

Note: *Variable annuities are sold by prospectus. You should consider the investment objectives, risk, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the variable annuity, can be obtained from the insurance company issuing the variable annuity or from your financial professional. You should read the prospectus carefully before you invest.*

Advantages and Disadvantages of Variable Annuities

Advantages

- You have a greater variety of investment choices than can be provided by a fixed annuity
- Taxation on investment growth is deferred
- Proceeds paid to a named beneficiary are exempt from probate
- Proceeds may also be exempt from state inheritance taxes
- You may have the right to withdraw 10 percent (or more) of the account value annually without paying a surrender charge (but you are subject to the IRS penalty on withdrawals made before age 59½)
- If the owner has a medical need for long-term care in a nursing home, tax-deferred earnings may be withdrawn, subject to state laws
- Transferring to another insurance company can be done without incurring any income tax liability (see Section 1035 of the Internal Revenue Code)
- You may turn the accumulated account value into a stream of income that you can't outlive
- You may turn the accumulated account value into a monthly income stream linked to the performance of your investments
- You may take withdrawals at some future date when your personal income tax bracket may be lower than it is during your peak earning years (subject to penalty and surrender charges)
- Moving account values from one account to another within your annuity doesn't create any current income tax consequences
- Depending on your state, account values may be protected from creditors
- You may have guaranteed death benefits regardless of investment performance (depending on the contract)

Disadvantages

- Compared with mutual funds, variable annuity investment accounts often carry higher fees and expenses, due to insurance and contract charges
- Tax-deferred growth will ultimately be taxed, perhaps to a beneficiary in a higher tax bracket
- All gains are taxed at ordinary income rates and not at capital gains rates when distributed
- Guaranteed death benefits generate mortality chargesthat reduce your investment return
- Surrender charges may be significant in early years and may continue for many years
- Due to possible surrender charges and IRS tax penalties for early withdrawals, the annuity is not considered a liquid asset
- Withdrawals before age 59½ are subject to tax penalties, in addition to income tax on earnings
- In some states, state premium taxes may reduce the amount of value available for future payments
- Ownership by a corporation or other "non-natural person" may subject earnings within the annuity to be taxed in the year they're earned

Note: *Any guarantees associated with payment of death benefits, income options, or rates of return are based on the claims-paying ability of the variable annuity issuer.*

Note: *Variable annuities are long-term investments suitable for retirement funding and are subject to market fluctuations and investment risk including the possibilty of loss of principal. Variable annuities contain fees and charges included, but not limited to, mortality and expense risk charges, sales and surrender (early withdrawal) charges, administrative fees, and charges for optional benefits and riders.*

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Fixed vs. Variable Annuities

	Fixed annuities	Variable annuities
Minimum guaranteed interest paid	**Yes**	**No**[1]
Minimum death benefit	**Yes**	**Yes**
Possibility of losing principal due to fluctuation in investment values	**No**[2]	**Yes**
Multiple investment options	**No**	**Yes**

Notes:
[1]Unless fixed account option is available and elected
[2]Subject to the state guarantee association limits, you can lose principal if the insurance company goes bankrupt

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Understanding Annuity Expenses

Sales charges	Many annuities impose a sales charge. Normally, the sales charge is in the form of a back-end load, also known as a contingent deferred sales charge (CDSC). CDSCs are usually incurred if the owner surrenders the contract, or withdraws funds that exceed the "free withdrawal" amount (a specified amount usually equal to 10% of the contract value). A CDSC applies for a certain number of years, and the amount of the charge normally decreases with each year. For example, a 7% CDSC may be imposed in the first year but may be reduced by 1% each year for seven years, reaching 1% in the seventh year of the contract and 0% thereafter. A sales charge does not have to be a CDSC, though. Instead of a CDSC, an annuity may impose an initial sales charge, also known as a front-end load. Front-end loads are applied as a set percentage of each premium payment (e.g., 3%).
Mortality risk charge	This charge compensates the insurance company for the risks assumed with the guaranteed minimum death benefit feature and for guaranteeing minimum annuity settlement option rates. For fixed annuities, this charge is factored into the fixed annuity rate. For variable annuities, this charge is a stated rate (usually about 1% of the accumulated value).
Expense charge	This charge compensates the insurance company for administration expenses. Also included is a proportionate share of federal taxes paid by the issuer. It does not apply to fixed annuities.
Premium taxes	Imposed by some states, usually about 2% of premiums.
Subaccount management fees	These apply only to variable annuities and cover expenses incurred to manage variable annuity subaccounts.
Annual policy fee	Some companies impose a flat annual fee on each policy.
Fees for option features	If you purchase optional benefits (also known as riders), such as enhanced death benefit guarantees and guaranteed minimum income benefits, additional fees are applied.
Transaction fees	May be imposed for excessive account transfers on variable annuities, withdrawals, and other transactions. This charge does not apply to fixed annuities.

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