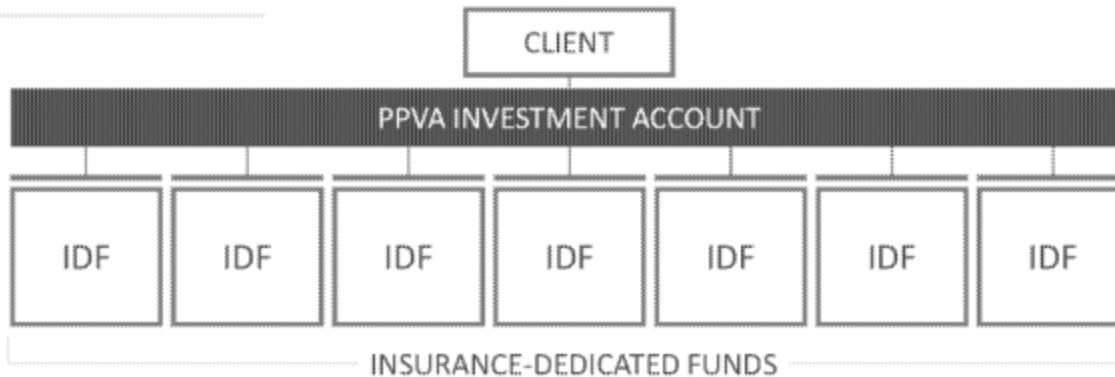


Overview of Private Placement Variable Annuity (PPVA) Investment Accounts

Private Placement Variable Annuity

STRUCTURE



TAX CHARACTERISTICS

- ▶ Investment returns accumulate on a tax-deferred basis *I.R.C. Section 72*
- ▶ Assets within a PPVA Investment Account may be reallocated without tax *Rev. Rul. 81-225 and Rev. Rul. 82-54*
- ▶ When withdrawals are taken from a PPVA Investment Account, deferred gains are subject to tax at ordinary income rates. There is a 10% excise tax on the gain element of withdrawals taken before age 59½ *I.R.C. Section 72*
- ▶ If a private foundation or public charity is designated as the beneficiary of a PPVA Investment Account, deferred gains become fully exempt from income and estate taxes at the death of the annuitant
- ▶ IRC Section 1035 permits tax-free exchanges from other annuities or life insurance policies to a PPVA Investment Account *I.R.C. Section 1035*

ATTRIBUTES

- ▶ NO limits on contributions
- ▶ NO upfront loads or surrender charges
- ▶ NO restrictions on withdrawals
- ▶ NO distributions required until age 95 or older
- ▶ NOT subject to life insurance company credit risk
- ▶ NO K-1s

KEY MARKET APPLICATIONS

For Families:

- Personal investments
- Retirement income
- Charitable Legacy planning
- Restructuring retail variable annuities
- Regulating timing of fiduciary income
- Pre-immigration planning
- Non-grantor foreign trusts

For Institutions:

- UBTI / ECI / FIRPTA blocker



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