Regulation Best Interest Disclosures: Annuities

TD Ameritrade

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These Regulation Best Interest (Reg BI) disclosures are designed to give you a better understanding of how TD Ameritrade, Inc. (referred to in this document as “TD Ameritrade”, “we” “us” or “our”) recommends and offers annuities to retail clients like you. This includes:

- The types of annuity products and services we might recommend to you.
- The fees or expenses that might be associated with those recommendations.
- Material facts as to our client relationships and conflicts we may have.

Overview of Annuities

In general, there are two types of annuities.

Variable Annuities:

- You can choose from a variety of underlying investment options in which to put your money that act similarly to mutual funds.
- These investment options are subject to market risk. They may increase or decrease in value over time.
- Variable annuities are both insurance products and securities.
- As securities, variable annuities are subject to state and federal securities laws and regulations. These regulations include the SEC’s Regulation Best Interest (Reg BI).
- Additional information about a specific variable annuity is available in its prospectus.

Fixed Annuities:

- These are only insurance products.
- These are not securities and are not subject to Reg BI. However, they are subject to certain state-level regulations, which may include state-level suitability and/or best interest standards.

Entity, Relationship and Scope

The annuities we offer are made available through The Insurance Agency of TD Ameritrade, LLC (the Agency), an affiliate of TD Ameritrade, which is a wholly owned subsidiary of The Charles Schwab Corporation. The Agency operates as a specialty team and offers annuities from select, highly-rated insurance companies. The annuities we offer generally provide favorable features and benefits at relatively low costs. TD Ameritrade retail clients and prospects are referred to the Agency through TD Ameritrade Financial Consultants (FCs) in TD Ameritrade’s branch network and through telephone conversations, as well as from independent Registered Investment Advisors on the TD Ameritrade Institutional platform.

How We Make Annuity Recommendations

Annuity contracts can be fairly streamlined or extremely complex. They have specialized uses and functions within a client’s overall financial plan. We require a considerable amount of information from you before we provide a recommendation that we believe is suited for you. Questions about your current financial position, investing history, risk tolerance, investment objectives, goals, time horizons, and more provide us with insight. Your answers help us evaluate an annuity position as a possible holding for you. When our annuities representatives make a recommendation, they determine its suitability for a client at the time of the recommendation. Neither we nor our annuities representatives have discretionary authority in client accounts, or an ongoing duty to monitor client annuity holdings after they are sold.

Material Limitations

We evaluate annuities across product types, features and benefits, financial strength, and many other factors. We are stringent in our selection, only offering annuities from highly rated carriers. As a result, there may be annuity offerings at other firms that we do not make available. Additionally, our Agency annuities representatives are limited to making recommendations only for annuities and they do not make recommendations about the underlying investment options. If you have needs outside their area of scope and expertise, you may be referred to a different TD Ameritrade representative.

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Types of Annuities

Annuities can be defined as being either deferred or immediate, as well as being variable or fixed.

A ***deferred annuity*** is a long-term insurance product that can provide tax deferral until you begin withdrawing money from the annuity. Annuities also provide a wide range of payout options that can provide you with a variety of guaranteed payments for your lifetime. If, however, you decide to withdraw from your annuity early, you might be subject to withdrawal charges. Amounts withdrawn may be subject to ordinary income tax, and if you're under the age of 59.5 at the time of the withdrawal, you may also be subject to a 10% penalty tax.

A ***deferred variable annuity*** allows you to direct the money placed into your annuity into a variety of underlying investment options based on your own long-term investment goals and risk tolerance. These investment options are subject to market risk and may increase or decrease in value over time. Because of this inherent market risk, you could lose your principal.

Before deciding to purchase a variable annuity, you should consider your need for tax deferral and also for any optional benefits that offer future income and/or death benefit protection, especially in the case of mediocre or negative investment performance. If you are considering purchasing an annuity within a tax qualified account such as an IRA, the variable annuity provides no additional tax benefit, so the purchase should be based on the other features and benefits of the annuity, such as the income or death benefits mentioned above.

A ***fixed deferred annuity*** works similarly to a CD; you earn a declared interest rate for a specific period, generally between 3 – 10 years. There are no additional fees with these annuities; all the fees and expenses are built into the interest rate. These annuities typically 'lock up' your money for the time period selected, 3 or 5 years for example, and impose a surrender penalty on any withdrawals you make prior to the end of the period. These penalties can range from 3 - 10% or potentially higher, so these annuities are usually only appropriate for a portion of your assets.

Immediate and deferred income annuities are designed to provide a steady stream of income payments, typically during retirement, regardless of market performance. In most cases these annuities do not provide any kind of contract value and have very limited or no liquidity. Therefore, income annuities are generally only appropriate for a portion of your overall portfolio. You should not purchase an income annuity if you don't have cash or other assets to rely on in the case of an emergency or other unexpected expense

Income annuities can be 'income now' (immediate), or 'income later', (deferred). Both are designed to provide a predictable stream of income, beginning either in the next 12 months, or at some pre-set time in the future. These annuities are typically funded with a single, lump sum purchase payment, although some do permit additional payments. In exchange for this payment or payments, the insurance carrier pays you a stream of income payments for your lifetime, for a specific period, or a combination of both, depending on the annuity options you chose.

A ***fixed index annuity*** is a type of fixed annuity that calculates the interest paid to you based on the performance of an underlying index or indices. Like the fixed deferred annuities above, there are no additional annuity fees, although some do offer optional features or benefits for an additional cost. There are surrender charges associated with this type of annuity, which can range from 1 – 9%, depending on when over the life of the contract they are incurred and reduce over the agreed upon holding period.

Visit www.tdameritrade.com/annuities to learn more.

Characteristics of Annuities

The annuities we offer will be in the form of a contract beween you and the insurance company. There are differences from one annuity contract to another as to features, benefits, fees and costs, and minimum and maximum premium amounts. The features of an annuity are explained in the annuity contract and you should review the contract carefully. In addition, information about the particular features, benefits, fees, and costs for a specific variable annuity can be found in its prospectus. You will receive a copy of the prospectus for the variable annuity (or annuities) your Agency annuities representative recommends to you.

Below is General Information About the Annuities We Offer

Annuities can help you save for retirement.	• Annuities offer tax-deferred growth potential. • You pay no federal taxes on the income and investment gains on the funds you invest in your annuity until you make a withdrawal or receive income payments. • When you withdraw your funds, you will pay tax on the gains at ordinary federal income tax rates rather than lower capital gains rates. • When you start taking income payments, you can select payment options that will guarantee you payments for as long as you live. Some annuities offer additional features and guarantees, available as options or riders.
Variable annuities let you select your investment options.	• Your premium contributions (minus any fees and charges deducted from premiums) are invested in the investment options – typically similar to mutual funds – you select. • The value of your investment (usually referred to as your cash value) will fluctuate as the values of the underlying investment options increase or decrease.
Annuities are not short-term savings vehicles.	• Withdrawing funds or surrendering an annuity in the short term after purchase may trigger surrender fees and charges, but the variable annuities offered through our Agency do not have surrender fees and charges. • You can lose money in variable annuities, including potential loss of your initial investment, due to poor performance of the investment options you select and/or the cumulative impact of fees and charges on your cash value.

How Fees and Costs Impact Annuities

Fee Deductions from Premium Payments	• The insurance company may deduct a fee from your premium payment, usually to cover a state insurance premium tax.
Surrender and Withdrawal Charges	• Most annuities impose a surrender charge if you surrender your annuity or make a withdrawal of your cash value during the surrender charge period. The surrender charge and the surrender period are described in the annuity prospectus or contract. As noted above, the variable annuities offered through our Agency do not have surrender fees and charges. • Tax penalties can also apply to surrenders or withdrawals from annuities that are made before age 59 ½.
Ongoing Fees and Expenses	• Variable annuity insurance companies deduct fees and expenses from your policy cash value to cover ongoing fees and expenses such as mortality and expense (M&E) risk fees, administration fees, transaction fees, and fees associated with certain optional riders. • The M&E risk fees are calculated as a percentage of your account value and are described as an annualized rate charged against assets. Some fees, such as administration or transaction fees, are fixed amount fees charged annually or when specific transactions occur and are deducted from your cash value. • If you add riders to your annuity, the fees for those riders will be deducted from your cash value. • You will also pay ongoing fees and expenses for the underlying investment options for the variable annuity in which you invest. These fees and expenses are separate from the fees charged by the insurance company and will be reflected in the performance of the underlying investment options. These ongoing fees and expenses include the fund's management fees, servicing fees, and 12b-1 fees, and are typically charged at an annualized rate against fund assets.

Costs and Fees Will Vary

The commissions, surrender charges, and ongoing fees and expenses associated with annuities vary by insurance company and the type of annuity. More information regarding the commissions, surrender charges, and ongoing fees and expenses for variable products is available in the variable annuity's prospectus. You can access prospectuses for the variable annuities we offer at tdameritrade.com/regbi.

Before deciding to purchase a variable annuity, you should consider your need for tax deferral. You also should consider your need for any optional benefits that offer future income and/or death benefit protection (especially in the case of mediocre or negative investment performance). If you are considering purchasing an annuity within a tax qualified account such as an IRA, you should note the variable annuity provides no additional tax benefit, so the purchase should be based on the other features and benefits of the annuity, such as the income or death benefits mentioned above.

Compensation to the Agency

The Agency receives compensation from the issuing insurance carrier. This could come in two forms: (i) up-front compensation payable upon sale of the annuity to you and calculated based on the amount of annuity premium you contributed, and (ii) ongoing payments calculated based on the prevailing value of your annuity. The up-front compensation to us on new annuity sales ranges from 0% to 5% of the amount you put into the annuity, and the ongoing payments range from 0.15% to 0.50% of the prevailing cash value. While you do not pay these amounts directly, the insurer factors this compensation into your ongoing annuity cost. The all-in annual costs for new annuities available through our Agency can range from approximately 0.28% to 4.77%.

Compensation to Sales Personnel

The Agency sales personnel receive compensation from the Agency (or TD Ameritrade, as the case may be) in connection with annuity sales. The compensation consists of a base salary and incentive compensation. The incentive compensation is based, in part, on sales volumes generated. Incentive compensation is not specific to a particular annuity so our Agency representatives can select an appropriate annuity for you without a product conflict.

Annuities are long-term investments designed for retirement purposes. Withdrawals of taxable amounts are subject to income tax and, if taken prior to age 59½, a 10% federal tax penalty may apply. Early withdrawals may be subject to withdrawal charges. Optional riders are available at an additional cost. All guarantees are based on the claims paying ability of the insurer. An annuity is a tax-deferred investment. Holding an annuity in an IRA or other qualified account offers no additional tax benefit. Therefore, an annuity should be used to fund an IRA or qualified plan for annuity features other than tax deferral. Product features and availability vary by state. Restrictions and limitations may apply.

Investors should carefully consider a variable annuity's risks, charges, limitations, and expenses, as well as the risks, charges, expenses, and investment objectives of the underlying investment options. This and other important information is provided in the product and underlying fund prospectuses. To obtain copies of the prospectuses, contact an annuity specialist at 800-347-7496 or email annuities@tdameritrade.com. Please read them carefully before investing.

Investment and Insurance Products: Not FDIC Insured * No Bank Guarantee * May Lose Value

Insurance products/services are offered through The Insurance Agency of TD Ameritrade, LLC. Brokerage services provided by TD Ameritrade, Inc., member FINRA/SIPC. The Insurance Agency of TD Ameritrade, LLC and TD Ameritrade, Inc. are both subsidiaries of The Charles Schwab Corporation. TD Ameritrade is a trademark jointly owned by TD Ameritrade IP Company, Inc. and The Toronto-Dominion Bank.

An insurer's financial strength rating represents an opinion by the issuing agency regarding the ability of an insurance company to meet its financial obligations to its policyholders and contract holders. A rating is an opinion of the rating agency only, and not a statement of fact or recommendation to purchase, sell or hold any security, policy or contract. These ratings do not imply approval of our products and do not reflect any indication of their performance. For more information about a particular rating or rating agency, please visit the website of the relevant agency.

All guarantees are based on the claims paying ability of the insuring company.

The annuity products offered are issued by separate and unaffiliated third-party insurance carriers. TD Ameritrade and these companies are not responsible for each other's policies or services.