

Understanding Variable Annuities and Registered Index-Linked Annuities (RILAs)

An Educational Overview Provided by Maplewood Investments, Inc.

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Variable annuities and Registered Index-Linked annuities are sold by prospectus only. Before purchasing an annuity, you should consider the features of the contract, applicable investment options, index strategies, and investment objectives as well as the risks, charges, and expenses associated with the annuity and its investment options. The prospectus contains this and other information, which should be read carefully before investing. Please contact your registered representative if you have any questions after reviewing this information.

It is important for you to understand how Maplewood and your Registered Representative are compensated, and to be aware of potential conflicts of interest that may exist for Maplewood and your Registered Representative.

If you wish to learn more about annuities, you may wish to review the investor alerts available on the FINRA website. See The Complicated Risks and Rewards of Indexed Annuities at <https://www.finra.org/investors/insights/complicated-risks-and-rewards-indexed-annuities> and Should you Exchange Your Variable Annuity? at <https://www.finra.org/investors/insights/exchange-variable-annuity>.

What is a Variable Annuity?

A variable annuity is a contract between an investor and an insurance company. In exchange for premium payments, the insurance company agrees to make periodic payments to the investor either immediately or at a future date. When the contract begins paying income, it is commonly referred to as having been annuitized.

Variable annuities are long-term investment vehicles designed to grow wealth on a tax-deferred basis, commonly used for retirement planning. They offer a range of investment choices called subaccounts, which may include equity funds, bond funds, money market instruments. Some contracts also include index-linked investment options with buffers or floors to limit downside exposure.

Key Features of Variable Annuities

Variable annuities may offer the following benefits:

- Tax-deferred treatment of earnings
- Guaranteed death benefits (subject to contract terms)
- Living benefit riders providing income guarantees
- Optional annuitization for lifetime income
- Tax-free reallocation between investment options
- Automated investment strategies, such as rebalancing or dollar-cost averaging

Note: All guarantees are based on the claims-paying ability of the issuing insurance company and do not apply to subaccount investment performance.

Important Considerations and Risks

- **Market Risk:** Subaccount values fluctuate with market conditions. Investment losses are possible.
- **Fees:** Typical annual fees include:
 - Mortality & Expense (M&E) charges: 1.00%-1.95%
 - Administrative fees: \$0-\$50
 - Underlying fund expenses (varies by fund)
- **Surrender Charges:** Withdrawals may incur charges, especially in the early years of the contract.
- **Tax penalties:** Withdrawals before age 59 ½ may be subject to a 10% IRS penalty, in addition to ordinary income tax.
- **IRA Purchases:** There is no additional tax benefit when purchasing an annuity inside a tax-advantaged account. Consider if the additional annuity features justify the fees.

Death Benefits and Living Benefits

Because of its unique features, a variable annuity may provide potential benefits not typically found in other investments.

Guaranteed Death Benefit

If the contract is not annuitized at the time of the owner or annuitant's death, a payment is made to the beneficiary, typically equal to the greater of:

- The contract value, or
- A guaranteed minimum (e.g., original premium)

Stepped-up Death Benefit

Some contracts offer periodic resets of the death benefit to lock in investment gains. This feature may expire at a certain age.

Living Benefit Riders

These may provide income guarantees for a set period or for life. Types include:

- Guaranteed Minimum Withdrawal Benefits (GMWB)
- Guaranteed Lifetime Withdrawal Benefits (GLWB)

Refer to the contract prospectus for details, or speak with your Registered Representative.

Investment Options and Transfers

You can reallocate assets among the annuity's investment options without incurring current taxes. However, insurance companies may impose:

- Transfer restrictions (e.g., 12 transfers per year)
- Fees for excessive trading

Investment programs may include:

- Dollar-Cost Averaging (DCA)
- Portfolio Rebalancing

What is a Registered Index-Linked Annuity (RILA)?

A RILA is a type of annuity that offers market-linked growth potential while providing some downside protection through features like buffers or floors. RILA contracts are complex insurance and investment vehicles and like all annuities, are long-term investments not intended to meet short-term financial needs or goals. Because of their complex structure, RILAs may not be suitable for all investors. You should fully understand how the cap, participation rate, buffer, or floor can impact your investment return.

RILAs track index performance (e.g., S&P 500) without offering direct investment in the index. They include trade-offs such as:

- Cap Rates: Maximum potential gains
- Participation Rates: Percentage of index gains credited
- Spreads: Percentage deducted from index gains
- Buffers/Floors: Limited downside risk

Example: A 10% buffer means the insurance company absorbs the first 10% of losses. Losses beyond this are borne by the contract owner.

Index Crediting Methods

RILA strategies vary by product. Components may include:

Component	Description
Cap	Maximum rate credited for a period
Spread	A deduction from the index return
Participation Rate	% of index gain you receive
Floor	Max loss you bear; insurer covers excess
Buffer	Portion of losses insurer absorbs
Trigger Rate	Flat return if the index is flat or up
Dual Direction	Potential for positive return even in modest of market losses

Returns are formula-based and do not reflect ownership of index securities

RILA Risks to Consider

- Market Risk: Depending on contract structure, loss of principal is possible.
- Complexity: RILAs involve unique trade-offs that may be difficult to understand.
- Liquidity Limitations: Withdrawals may be subject to surrender charges and market value adjustments (MVAs).
- Caps and Participation Limits: Limit of upside potential.
- Substitution of Index: The insurance company may change the index used.
- Taxation: Subject to income tax on earnings; early withdrawals may incur IRS penalties.

Additional Considerations

1035 Exchanges

You may exchange one annuity for another through a 1035 exchange, preserving tax deferral. However:

- You may lose existing benefits or features.
- Surrender charges may apply.
- A new surrender charge period may begin.

Free-Look Period

Most states require a 10–30 day free-look period during which you can cancel the annuity contract and receive a refund of either premiums or contract value, depending on state law.

Share Class Comparison

Share Class	Surrender Period	Typical M&E Fees	Notes
B-Share	5-7 years	1.00%-1.45%	Surrender charge applies; suitable for long-term investors
B-Share w/Liquidity Rider	4 years	1.50%-1.90% (reduced after year 5)	Higher fees for added liquidity
C-Share	None	1.25%-1.95%	No surrender charge; higher ongoing fees; limited rider options

Insurance Company Guarantees

All guarantees, such as death benefits and income riders are backed solely by the claims-paying ability of the issuing insurer. They are:

- Not FDIC-insured
- Not guaranteed by Maplewood Investments, Inc.
- Subject to the insurer's financial strength

Compensation Disclosure

Maplewood Investments, Inc. and its Registered Representatives receive commissions from insurance companies when you purchase a variable annuity or RILA. These commissions vary by:

- Product type
- Share class
- Features selected

This compensation may create a conflict of interest. Your Registered Representative is required to act in your best interest and can help assess whether a specific annuity is suitable for your goals.

Variable annuities and RILAs are not right for everyone. Before purchasing, you should:

- Understand the fees, risks and features
- Consider whether you need the guarantees offered
- Evaluate the contract in the context of your financial plan

If you have questions or need help reviewing an annuity, contact your Registered Representative or request a copy of the product prospectus.

For more information, see Maplewood's Brokerage Master Disclosure and Customer Relationship Summary (Form CRS) at <https://maplewoodinvestments.com/disclosures>.