BLUEPRINT INCOME

Annuity Product Guides

QLACs

Qualified Longevity Annuity Contracts

Defer RMDs and convert your retirement savings into guaranteed lifetime income

INTRODUCTION

As life expectancies lengthen and retirements grow to 30+ years, Americans are increasingly worried about outliving their savings. In response to these struggles and the decline of employer pension plans, the government has made significant advances to its retirement policy and tax code that allow for the purchase of annuities within qualified retirement plans.

With a Qualified Longevity Annuity Contract (QLAC) you can turn the savings in your 401(k) or IRA into a guaranteed lifetime paycheck that you can't outlive. It is the only qualified retirement product that allows you to defer those income payments to as late as age 85. In effect, a QLAC is a special type of deferred income annuity, a.k.a. longevity annuity, that also defers required minimum distributions (RMDs) applicable to 401(k)s and Traditional IRAs.

CONTENTS

A Qualified Longevity Annuity Contract (QLAC) is a special type of longevity annuity that also defers RMDs.

Read on to learn more about this longevity annuity, how it works, the tax benefits, and whether allocating some of your savings towards a QLAC can improve your quality of life in retirement.

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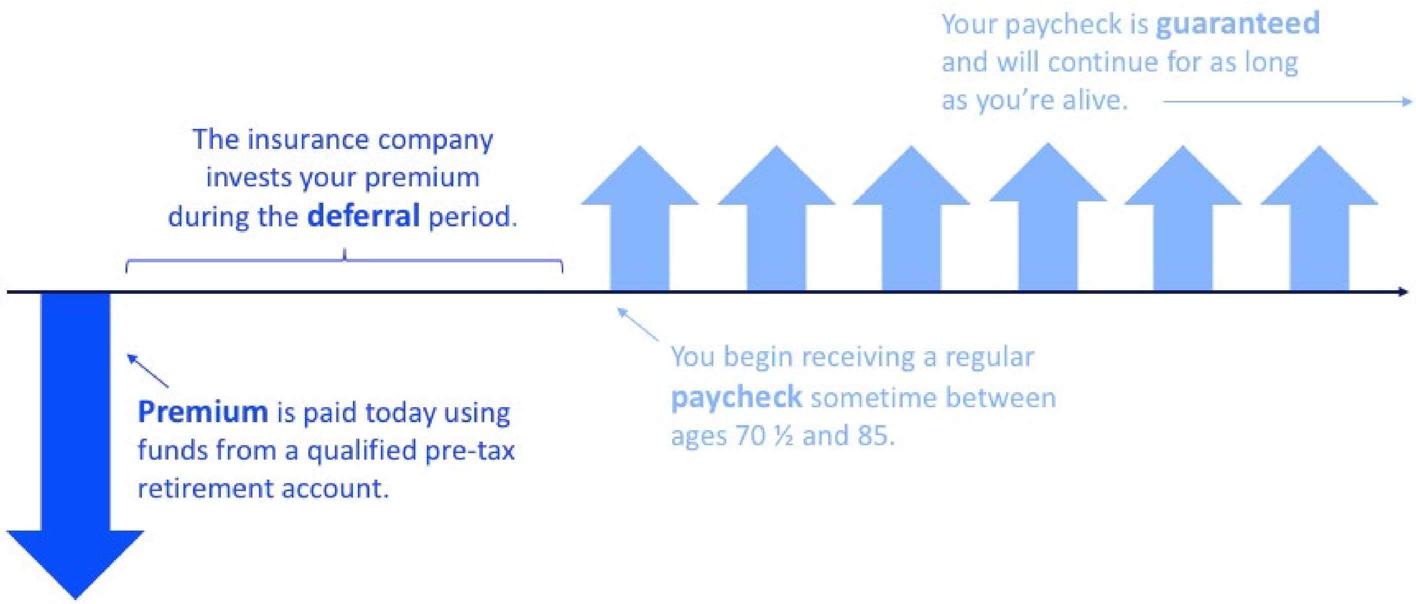
WHAT IS A QLAC?

A QLAC is a special type of longevity annuity purchased with tax-deferred savings from your qualified retirement account. When you buy a QLAC, you commit money now in exchange for a monthly paycheck starting at some point in the future. Why? To reduce your risk in retirement. Turning your assets into guaranteed income for life means you can't outlive your savings. You can think of it like a pension you buy for yourself.



A QLAC is... an **income annuity**.

An income annuity is a contractual agreement between you and an insurance company. In exchange for a lump-sum premium, the insurance company promises to give you a steady, guaranteed paycheck for life (or a certain period of time, a less-common version of the product). The size of the paycheck is specified upfront and depends on factors such as your premium, age, and gender.

More specifically, a QLAC is... a **deferred** income annuity.

A deferred income annuity (a.k.a. longevity annuity) begins annuity payments at a future date, typically 2-40 years after the premium is paid. (In contrast, immediate income annuities begin payments within 1 year.) During the deferral period, the insurance company invests your money on your behalf. The longer you delay starting to receive payments, the greater the size of the payments they'll be able to offer you.

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A QLAC is… purchased with savings from your **qualified retirement account**.

> As a qualified annuity, the money used to make the purchase comes from your 401(k), Traditional IRA, or other qualified plan. The annuity maintains the special tax-deferred treatment meaning that you don't incur any penalties or pay any taxes until income payments begin.

And finally, a QLAC is… **exempt** from required minimum distribution (RMD) rules.

> RMD rules force those older than 70½ to withdraw a specific amount of money from their tax-deferred retirement accounts each year. Using funds from these accounts to buy a QLAC reduces the balance subject to the RMD calculation. That means lower RMDs and lower taxable income during the QLAC deferral period.

In summary, a QLAC is a pension you can buy for yourself using your pre-tax retirement savings. Because of its special designation, QLAC income payments can start later than 70½, reducing your RMDs and associated taxes during that period of time.

HISTORY & IMPORTANCE

As defined benefit plans are being replaced by defined contribution plans, individuals are forced to do more retirement planning on their own. A 401(k) does a great job of helping you accumulate assets, but then what happens when you need to turn that pool of money you've accumulated into a steady stream of income you won't outlive?

That's where the QLAC rulemaking from July 2014 comes into play. Not only does a QLAC allow you to convert savings in your 401(k) or Traditional IRA into guaranteed lifetime income, it allows you to delay the start of that income through an exemption to the required minimum distribution rule. With Americans living longer and more concerned than ever about outliving their savings, this is an important enhancement to retirement policy and the tax code.

QUALIFIED PLANS

- ✓ Tax-deferred savings growth
- ✓ Ability to diversify investments through mutual funds and ETFs
- ✓ Matched 401(k) contributions
- ✗ No easy way to turn your savings into income that won't run out

BENEFITS

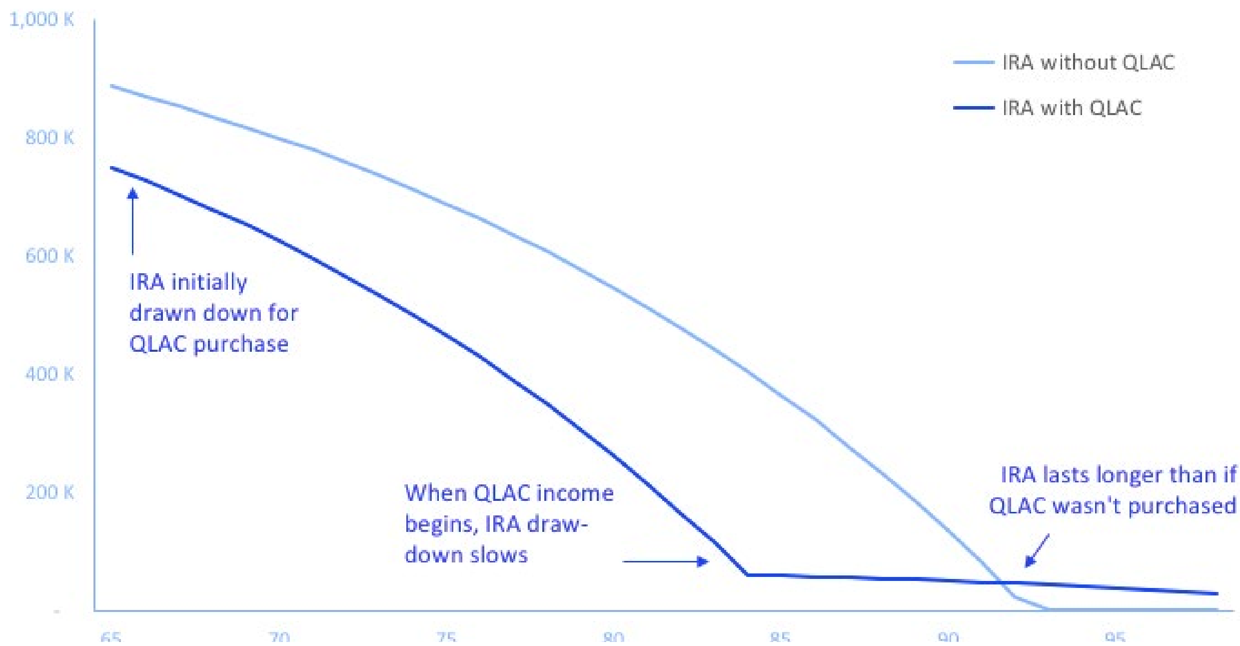
Figuring out how long your retirement savings needs to last is difficult. Guaranteed lifetime income can provide you with peace of mind through a paycheck that you won't outlive. Buying a QLAC offers longevity protection and a number of other benefits:

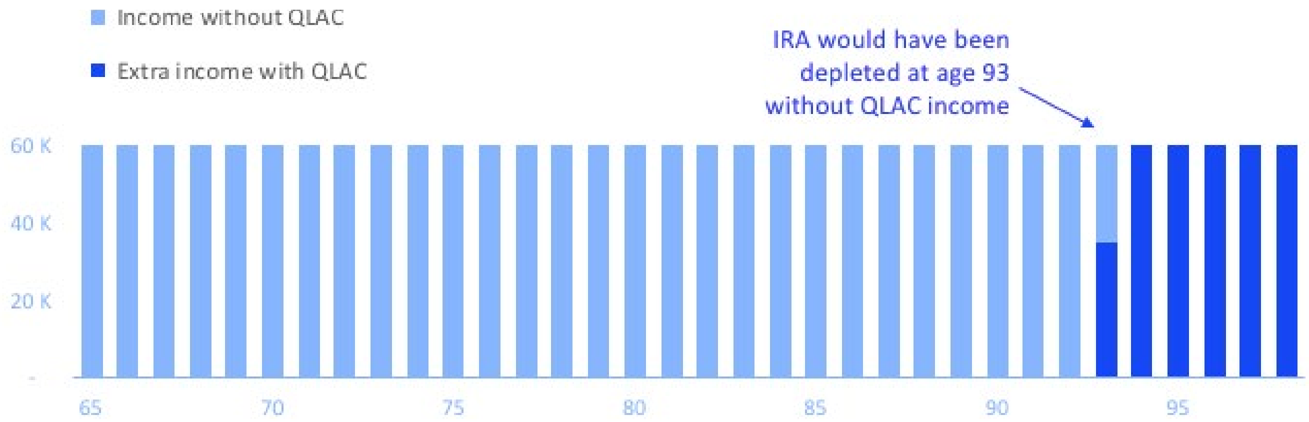
✓ Longevity Protection

Insurance is typically thought of as something you buy to protect you and your family from unfortunate events. By turning your assets into income you can't outlive, the QLAC offers a more pleasant kind of protection: longevity insurance. The longer you live, the more financial value the QLAC provides.

Let's take David, a 65-year-old about to retire, as an example. David has $900,000 in his IRA and he's worried about running out of money in the future. He would like to be able to spend $5,000 per month in retirement. Assuming his IRA will earn a 5% return and ignoring inflation for simplicity, he will deplete his IRA by age 93.

With $130,000 of his IRA balance, David can buy a QLAC that pays him a guaranteed $5,500 per month starting at age 85 and continuing for the rest of his life. With the QLAC he'll be able to maintain his lifestyle without depleting his IRA.





QLAC rates based on a $130,000 Mutual of Omaha life-only policy for a male aged-65 with income starting at age 85. Rates as of 10/11/2018.

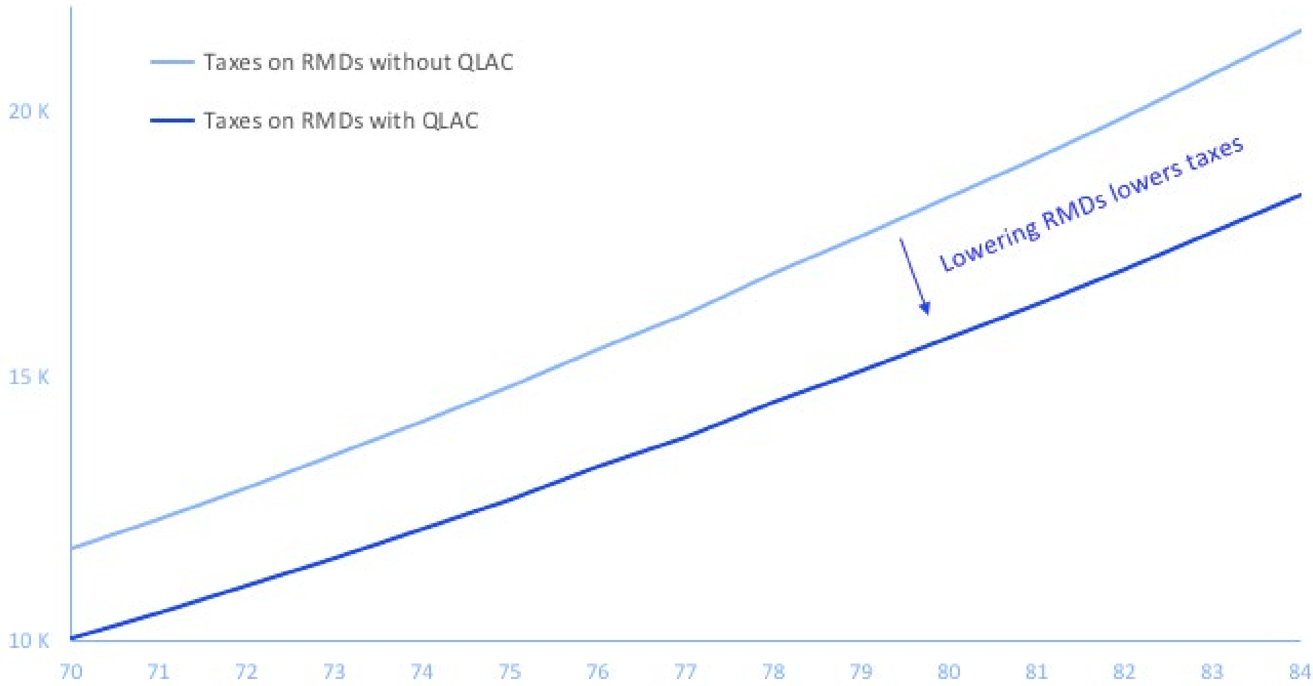
✓ Finite Planning Horizon

Adding a longevity annuity to your portfolio can dramatically simplify your retirement planning. Knowing that at a future date you'll have a paycheck that sustains your lifestyle allows you to manage your remaining assets to a fixed instead of unknown investment horizon. The certainty of guaranteed future income can completely change your approach to investing, withdrawing, and spending.

✓ Required Minimum Distribution (RMD) & Tax Deferral

The RMD is an IRS-mandated minimum amount you must withdraw from your tax-deferred retirement accounts every year starting at age 70½. However, QLACs are exempt from this rule, allowing you to delay distributions until as late as age 85. By moving money out of your 401(k) or IRA and into a QLAC, you can reduce the required withdrawals and associated taxes between ages 70½ and 85, allowing more of your money to work for you on tax-deferred basis.

Adjusting our example above, let's instead assume that David has another source of income that will cover most of his expenses in the near future. He'd like to leave his IRA alone to continue accumulating, but RMD requirements force him to start withdrawing at age 70½. By transferring $130,000 from his IRA into a QLAC, he can reduce his required withdrawals. Assuming a 28% tax rate, David is able to defer over $35,000 of taxes between ages 70½ and 85.



QLAC rates based on a $130,000 Mutual of Omaha life-only policy for a male aged-65 with income starting at age 85. Rates as of 10/11/2018.

✓ Principal Protection

The savings that you allocate to a QLAC are protected from swings in the stock or bond markets. And, by selecting the return of premium & death benefit options (more on this later), you can guarantee that all of your savings will be passed onto your beneficiaries if you pass away prematurely.

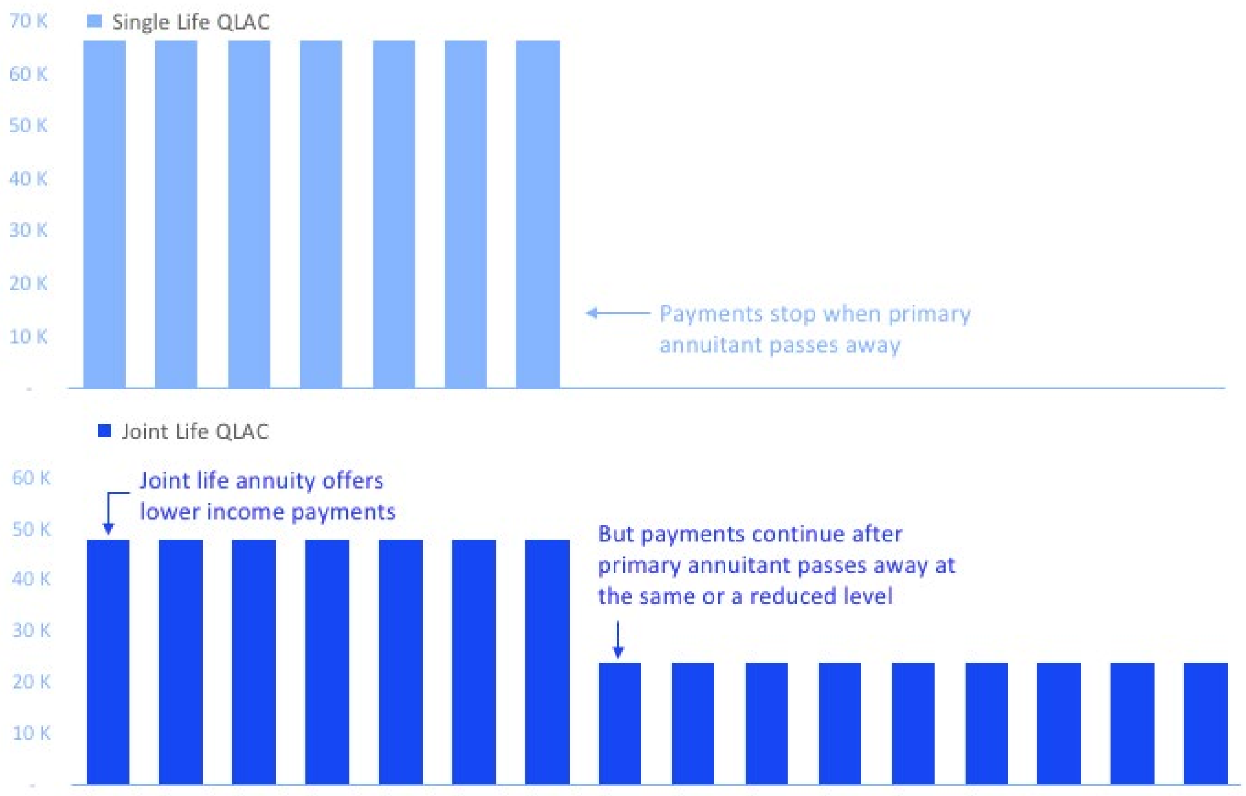
✓ Clear Product Structure

The QLAC has a simple structure. For any amount of premium you would like to put into the contract, the insurance company will tell you how much monthly income they can offer. There are some decisions you'll have to make (more on this later) that affect the level of income, but that's it. The income is net of the insurance company's expenses and the commission collected by the distributor.

✓ Spousal Benefits

QLACs can be set up as joint annuities, which means that payments continue as long as either you or your spouse are alive. Structuring the contract like this is a great way to preserve financial stability and quality of life for the surviving spouse.

Let's continue to use David as our example. David expects that he will pass away before his 62-year-old wife, Eve. He wants to know that that she'll be okay (at least financially) once he's gone, so he's considering adding her to his QLAC. David can purchase a joint life policy that's contingent on her life as well, such that income payments continue until both of them have passed away. The income payments will be lower, but they're expected to be paid over a longer period of time. Since their expenses will decrease when it's just Eve, they've opted for a 50% income reduction, which increases their income while they're both alive.



QLAC rates based on $130,000 Mutual of Omaha single and joint life-only policies for a male aged-65 and a female aged-62 with income starting at age 85. Rates as of 10/11/2018.

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DRAWBACKS

Despite these benefits, QLACs are not good for everyone or for all situations. Here are some of the drawbacks:

✗ No Liquidity or Cash Value

The QLAC is not liquid and does not have a cash value that can be withdrawn or borrowed from. Instead, the QLAC should be thought of as a future paycheck, like a pension. While the value of your money will be growing during the deferral period, its growth will only be reflected in the income amount and will be otherwise invisible to you.

✗ No Market Exposure

The income you'll receive is determined upfront and fixed for the life of the contract, a requirement for the QLAC designation. The funds you use to buy the QLAC will be isolated from the market and any upside (or downside) potential. While this is a positive attribute for those focused on insurance coverage, it isn't the solution for those seeking a more investment-style product.

TYPICAL BUYERS

A QLAC is a powerful way to ensure you have a guaranteed source of income in retirement. That doesn't mean it's right for everyone, and it never makes sense to purchase an annuity with your entire portfolio. Here's the methodology we've developed at Blueprint Income to help you think about whether a QLAC may (or may not) be a fit for you:

Consider buying a QLAC if…

✓ Social Security and/or pension benefits won't cover your regular expenses
✓ You're over 45 but not too far into retirement
✓ You've accumulated between $250,000 and $5 million in retirement savings
✓ You have average or above-average health
✓ You're seeking greater certainty in retirement and more of an insurance product
✓ You'd like to reduce your required minimum distributions and defer associated taxes

A QLAC is probably not the right product for you if…

✗ Social Security and/or pension benefits cover your regular expenses
✗ You're younger than 45 or over 75 years old
✗ You've accumulated less than $250,000 or more than $5 million in retirement savings
✗ You have below-average health
✗ You're seeking higher risk and more of an investment product
✗ You need access to the money immediately

A common objection to QLACs is that they don't build or provide access to cash value unlike other insurance products used for retirement planning. This is true, but the trade off is access to higher guaranteed income than these more liquid products will offer. Using only a portion (always less than 25%) of your portfolio to purchase a QLAC leaves the rest of your assets to provide liquidity and market upside.

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QLAC RATES

The income offered on QLACs will vary over time as market conditions change, being driven most notably by longer-term Treasury and investment grade corporate bond yields. In addition, your personal attributes (age, gender) and the policy options you select will impact the quote. As of October 2018, highly-rated carriers are offering the following QLAC annual income payments for a $100,000 purchase:

Age	Income Start	Male	Female	Joint
60	75	$18,830	$16,830	$17,770
60	80	$32,040	$27,540	$29,620
60	85	$62,280	$50,850	$55,990
65	75	$15,960	$13,750	$14,770
65	80	$25,700	$22,070	$23,750
65	85	$50,950	$40,930	$45,190
70	75	$12,540	$10,970	$11,700
70	80	$22,710	$18,520	$20,400
70	85	$41,690	$32,560	$35,970

QLAC quotes shown as annual income for a $100,000 premium as of 10/1/2018. All quotes are life only. Joint quotes are for a male and female with the same age and 50% continuation.

On our website you can compare quotes across top-rated carriers.

Understanding how your personal attributes and the options you select drive quotes enables you to structure the policy to best suit your needs. Expect to have to think about the following when evaluating a QLAC:

Age: Income will decline as you age. The longer you wait to buy, the less time the insurance company will have to invest your premium before beginning income payments. Holding all else equal, buying income today will be cheaper than buying the same amount in the future.

Gender: Income will be higher for males than females. Because women have longer life expectancies than men, the income they can receive each year will be smaller.

Premium: Income will increase with higher premiums. A portion of the insurance company's expenses incurred are fixed per contract such that incremental premium can go entirely towards buying income. Said another way, there is a discount for larger premium deposits.

Income Start Date: Income will increase the longer you delay its start. Longer deferral periods mean (1) more time for the insurance company to invest your money before starting payments and (2) fewer years of expected income payments.

Single vs. Joint Life: Income will be higher for single life than joint life policies. A joint life policy will provide income as long as either person is alive, which is almost certainly longer than if contingent on one person.

Payout Option: Income will be lower for richer guarantees. Guaranteeing a minimum cumulative income (cash refund / installment refund) increases the amount the insurer expects to pay you. To compensate for the extra guarantee, they will need to lower the recurring payments.

Riders: Income will be lower for each rider added. In general, any extra options or riders added to a policy will require compensating the insurer for additional risk they've assumed. Typically these options increase your guarantee or provide you with extra protection, both of which will result in lower base income amounts.

Finally, you'll usually notice an inverse relationship between the creditworthiness of an insurer and the income they offer. Insurers with higher credit ratings have earned them by maintaining higher capital reserves and more conservative investment portfolios limiting their profitability and thus the income they can offer you. Only highly-rated insurers (A.M. Best rating of at least A) make the cut for inclusion on the Blueprint Income platform. And, even among the insurers we've decided to work with, it's worth distinguishing among the levels of financial strength. The guaranteed income you're promised is only as good as the financial strength and longevity of the insurer backing it.

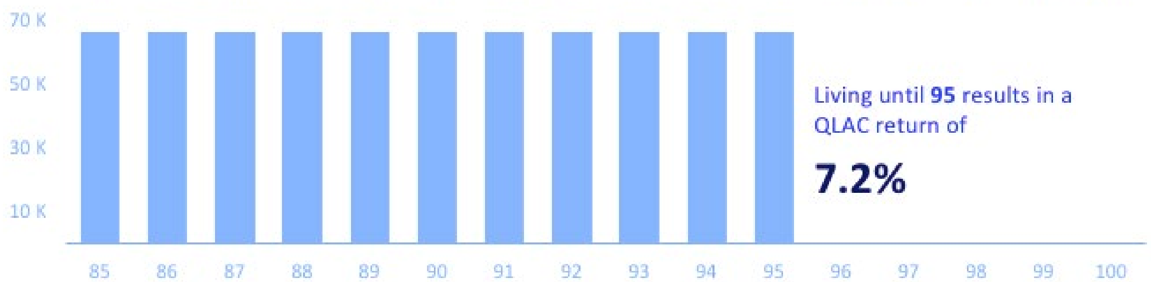
FINANCIAL VALUE

A common question asked when considering moving some of your retirement assets into a QLAC is: what value will I get from this purchase? Typically, pre-retirees look for a quantitative answer, such as an IRR or ROI, that they can compare to returns generated in their fixed income portfolio.

Unfortunately, the value of a QLAC cannot be understood quite so simply or compared to the return of a traditional financial product on an apples-to-apples basis. Why not? Because calculating an IRR or ROI requires knowing the upfront investment and all future income amounts and dates. As a longevity insurance product, the QLAC will provide you with income for as long as you're alive, i.e. end date to be determined!

Instead, we can calculate a range of IRRs based on your potential lifespan. The longer you live, the higher the IRR over the life of the product will be. While thinking about your quantitative return should be a part of your analysis, don't forget about the more qualitative risk reduction and peace of mind the product is providing as well.

In one of our earlier examples, 65-year-old David bought a $130,000 QLAC with income starting at age 85. The policy could wind up generating a 5.1% return if he lives until 90, which increases to 7.2% at age 95 and 8.2% at age 100.



QLAC rates based on a $130,000 Mutual of Omaha life-only policy for a male aged-65 with income starting at age 85. Rates as of 10/11/2018..

TAXATION

The taxation of annuities depends first and foremost on whether the annuity was purchased with pre-tax or post-tax money. If the premium was paid with post-tax money, as with a non-qualified annuity, the portion of any income payments that constitutes a return of that premium will not be taxable. This is not the case for QLACs, which are qualified annuities purchased with pre-tax retirement savings. Because the money used to fund the annuity has never been taxed, all distributions from the annuity will be fully taxable at ordinary income tax rates.

You should consult a tax professional for complete information regarding annuity taxation as it applies to your personal situation. At a high level, each phase of the QLAC contract and its corresponding tax treatment can be understood as follows:

Purchase: At purchase, pre-tax funds will be moved from one type of qualified retirement account to another. Traditional IRAs, 401(k)s, and QLACs all have the same tax status, so moving money among them will not incur any taxes or penalties.

Deferral: No taxes will be owed during the deferral period. QLACs do not have an account value that accumulates, so there isn't actually anything to tax. In fact, even if it had an account value that accrued interest (as with a fixed annuity) or earned capital gains (as with a variable annuity), no taxes would be due. As retirement savings vehicles, annuities can grow on a tax-deferred basis.

Annuitization: Once the QLAC is annuitized, i.e. income payments begin, taxes will be owed. Each distribution from the annuity will be taxed as ordinary income according to your applicable tax bracket. These taxable distributions will be reported to you and the IRS by your insurance company using tax form 1099-R.

Death Benefit: For QLACs with a Refund at Death (a.k.a. return of premium and/or death benefit riders), beneficiaries will receive any remaining value in the contract in the case of the annuitant's premature death, amounting to the difference between the initial premium paid and the cumulative income payments received. Any death benefit owed will be paid directly to the beneficiary, thereby avoiding the probate process. The beneficiary can elect to annuitize the death benefit over his/her life expectancy instead of taking it as a lump sum. Either way, the annuity contract will typically be included in the deceased's estate, and the beneficiary will be taxed on any proceeds they receive at ordinary income tax rates.

Spousal Exception/Continuation: When you designate your spouse as your beneficiary, the annuity is typically not included in your estate.

Tax treatment of these payments can be tricky, so be sure to reach out to a tax advisor for a complete explanation.

DIVERSIFICATION

It is widely accepted that a diversified portfolio is superior to one with singular or uniform market exposure. For nearly every target rate of return, a diversified portfolio of minimally-correlated investments can be constructed that will be lower risk than one investment with equal expected return. When diversifying your retirement portfolio, you will likely select a combination of equity and bond market investments that are appropriate for both your risk-appetite and your investment horizon. In general, your portfolio should tend towards equity investments in the early years and then gravitate towards fixed income investments as you near retirement.

The fixed income assets in your portfolio serve to provide steady, reliable income that is uncorrelated, or inversely correlated, with the equity markets. Sound familiar? This is exactly the purpose that a QLAC or any income annuity serves, with one major added benefit: the annuity will continue to make payments until you die. Allocating a portion of your fixed income portfolio to a QLAC can generate comparable returns (see the Financial Value section) and reduce your longevity risk.

In fact, adding the security of a QLAC to your portfolio can enable you to earn a higher rate of return with the rest of your portfolio. If your QLAC or other annuities generate enough income to cover your retirement expenses, you have even more flexibility to invest the equity portion of your portfolio without putting your livelihood at risk.

One final benefit of owning a QLAC is the ability to invest and manage the rest of your portfolio to a fixed time horizon. That is, you'll know exactly what type of income your portfolio needs to generate and for how long if the QLAC will be covering your expenses starting at a known point in the future.

PRODUCT SPECIFICATIONS

QLACs differ from other longevity annuities, and it's worth understanding the distinction. A QLAC is a type of longevity annuity that is purchased with funds from Traditional IRAs and 401(k)s. The QLAC designation, which came out of a 2014 U.S. Treasury ruling, exempts these annuities from the standard RMD rules, which force those older than 70½ to withdraw a specific amount of money from their tax-deferred retirement accounts each year. As such, the QLAC has extra specific requirements to earn the designation. Here are some relevant details:

QLAC Designation

Annuities must be specifically designated as QLACs to qualify for RMD exemption. Any previously purchased annuities not labeled as a QLAC cannot be reclassified. To be a QLAC, the product cannot have any market-based features, with the exception of an inflation adjustment. There also cannot be any cash surrender value.

Premium Limits

QLAC premiums are limited to the lesser of $130,000 or 25% of your IRA holdings as of December 31st of the previous year.

- If you have $520,000 or more, this means $130,000.
- If you have less than $520,000, this translates to 25% of your IRA.

These limits apply to individuals, meaning that couples with separate IRA accounts could have up to $260,000 worth of QLACs. Note that it's the insured's responsibility to make sure his/her QLAC purchase complies with the premium limitations. If the limits are exceeded, excess premium must be returned by the end of the calendar year following the purchase.

Sources of Funds

QLACs can be purchased with funds from all non-Roth IRAs, 401(k), 403(b), and 457(b) plans. QLACs can not be purchased with funds from Roth IRAs or Defined Benefit plans.

Deferral Period

Deferral of income is allowed until age 85, at which time income payments must begin. To benefit from the RMD exemption, you'd also want to start income after age 70½.

FEATURES & RIDERS

It's best to think of the base QLAC product as that which provides the most income based on your premium, age, gender, and income start date. But, there's room to customize the product or add additional guarantees to meet your needs. In some cases, the insurance company will refer to these options as product features. Other times they'll be listed as riders.

Below are the various ways you can customize your policy, noting that these options can vary from insurer to insurer:

Single vs. Joint Life

QLAC income can be tied to a single or joint life:

- **Single**: income paid over the lifetime of the insured
- **Joint**: income paid over the 'joint life' of two insureds, i.e. as long as one or both are alive

The income level following the loss of the first life can be designed to remain level or decrease. Opting to reduce the income upon the passing of the first spouse (typically to 40-99% of the starting income level) allows for a greater income level while both are alive.

An alternative to buying a joint life annuity is to purchase a single life annuity with a Refund at Death (a.k.a. death benefit or cash refund) and designate your spouse as the beneficiary. Upon your passing, he/she will have the option to continue the contract in his/her name until the benefit has been paid out.

Payout Options

Income can be based purely on lifespan or can have a guaranteed component:

- **Life Only**: payments stop at death (or later of two deaths for joint)
- **Life with Refund at Death**: additional guarantee over life only that pays beneficiaries the difference between the premium and sum of all payments already received upon insured's death

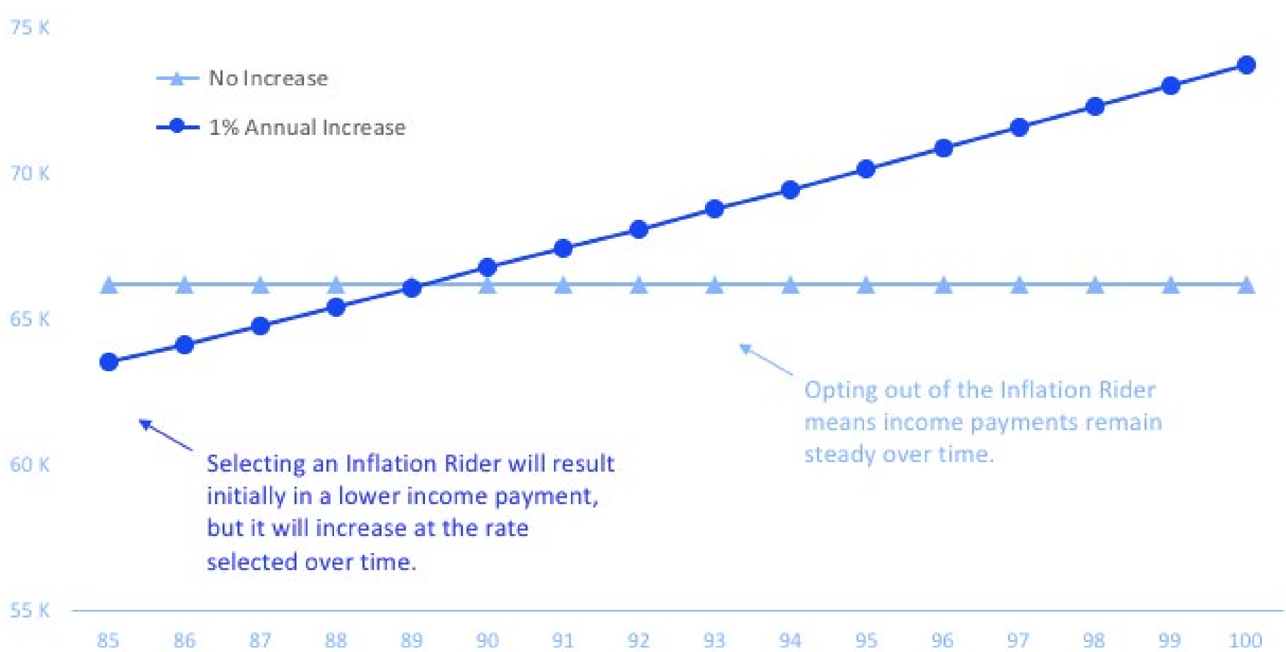
Payout Frequency

Income payments can be made monthly, quarterly, semi-annually, or annually.

Inflation Protection

Most insurance carriers offer an inflation adjustment or annual increase rider that will adjust the QLAC income payments annually for inflation. The adjustment made could be predetermined (between 1-5%) or in some cases be based on a Consumer Price Index. Providing these increases will require a lower starting income. Note that the rider does not cover the deferral period, instead only going into effect once the income stream begins.

To illustrate, let's continue with David, our 65-year-old who wants to purchase a $130,000 QLAC with income starting at age 85. His initial quote excluded inflation protection and got him $5,510 per month ($66,200 per year). If he'd like his income payments to keep pace with inflation, estimating it to be 1% per year, he'll have to accept a lower initial income of $5,290 per month ($63,500 per year) which will increase over time.



QLAC rates based on $130,000 Mutual of Omaha life-only policies with and without a 1% increase rider for a male aged-65 with income starting at age 85. Rates as of 10/11/2018.

Because inflation affects the purchasing power of money, it presents a challenge for retirement, which could last 40 years. While we're currently experiencing a period of low inflation, it's averaged 3.2% over the past century, meaning that prices have almost doubled every 20 years.

Adding an inflation rider to your QLAC is one way to mitigate the risk of declining purchase power, but it's probably not the most efficient as the extra protection will come at a cost. Consider instead more direct ways to earn inflation-adjusted dollars. Your Social Security benefit, for one, will be indexed for inflation through a Cost of Living Adjustment. And, for the rest of your assets, maintaining exposure to equity markets and investing in inflation-linked bonds, such as TIPS or I-Bonds, can provide an effective hedge.

Additional Premium Payments (Flexible or Subscription)

With some carriers you have the ability to fund your QLAC over time, either through a flexible premium option or on a subscription basis. This is a good approach for those betting on pricing improvements or anticipating converting more of their IRA into income as it grows over time.

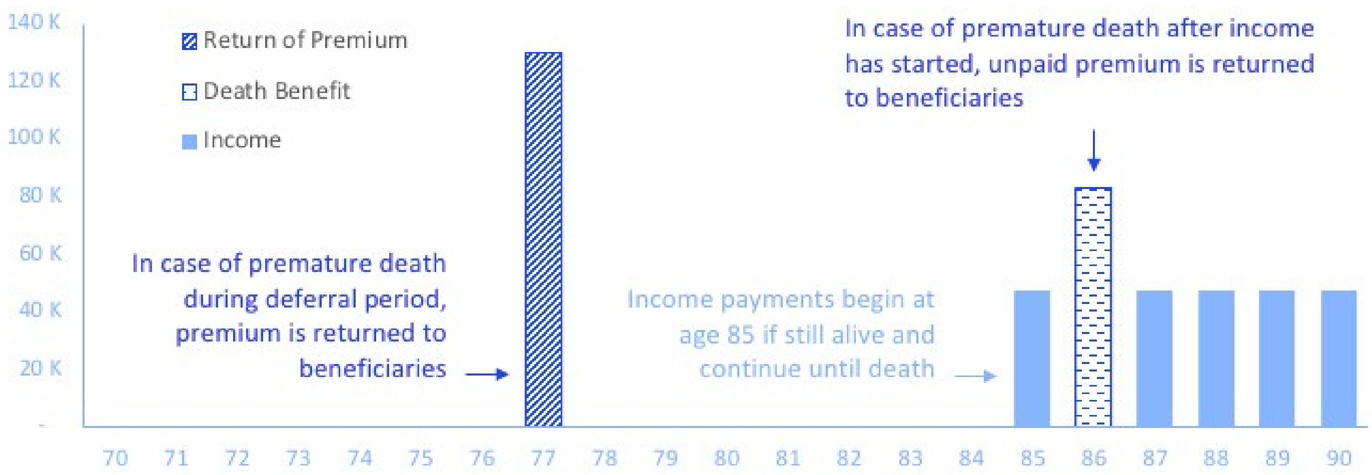
Income Start Date Flexibility

Some insurers' products allow you to change your income start date after purchasing the annuity, sometimes even more than once. Keep in mind that changing your income start date will affect your payments (increasing them if the start date is pushed back and vice versa).

Principal Protection

Through the Refund at Death (i.e. return of premium and death benefit riders), you are guaranteed that your principal (premium paid into the contract) will be returned to your beneficiary should you pass away before getting it back through income payments. The return of premium option protects you before the income start date, and the death benefit rider protects you thereafter. Terminology varies from carrier to carrier, but we simplify it and always line up quotes apples-to-apples on our platform.

For example, if our 65-year-old pre-retiree David is worried about losing money in the event of prematurely passing away, he can add the Refund at Death (i.e. return of premium and death benefit riders) to his QLAC. His $130,000 QLAC policy will offer a lower monthly income to cover the cost of the richer guarantee, but any unrecognized value in the contract will be passed onto his heirs. Should David pass away before income payments begin, his $130,000 premium will be returned to his beneficiaries. If he passes away after income payments have begun but before those payments are cumulatively $130,000, his beneficiaries will receive $130,000 less the total income payments made.



QLAC rates based on $130,000 Mutual of Omaha life-only policies with and without return of premium and death benefit riders for a male aged-65 with income starting at age 85. Rates as 10/11/2018.

BUYING TIPS

Buying a QLAC is a long-term commitment, so dedicate enough time and attention to doing it right! In addition to being available to help walk you through the process, Blueprint Income has compiled a list of things to keep in mind:

QLAC Designation

Annuities must be specifically designated as QLACs to qualify for this special treatment. If you bought a product that wasn't labeled a QLAC, it can't be reclassified.

Available Carriers

There are now about a dozen companies that offer QLACs, including New York Life (rated A++ by A.M. Best), Guardian Life (A++), Pacific Life (A+), Lincoln Financial (A+), Mutual of Omaha (A+) and Foresters (A). Before you buy, you'll want to compare quotes and product features — and remember, not all companies sell all products in all states.

Where To Buy A QLAC

QLACs are sold via insurance agents, brokers, and financial advisors. It's also possible to shop for a QLAC online via our website. We limit our product offerings to only those sold by top-rated insurers (A.M. Best rating of at least A), and our Quote Tool allows you to easily compare quotes side-by-side.

Consider Your Agent/Broker's Incentives

The Department of Labor worked for nearly a decade to reform the requirements for giving financial retirement advice. The goal was to ensure that advisors, agents, and brokers put their clients' best interests before their own. The reforms were not implemented, so you should be extra cognizant when considering an annuity purchase to understand your agent or broker's incentives. How are they compensated on the sale? How do they select the products they're showing you? Do they work with only one or a handful of insurance companies?

Compare Quotes Apples-to-Apples

Some financial products are too unique to be compared to one another, but this isn't the case with QLACs. You should be able to see quotes from different carriers that are exactly the same in all major respects except two: price and credit rating.

Credit Ratings Matter

It can be enticing to just go with the company that offers the highest payout, but be careful. The value of a QLAC is undeniably linked to the claims-paying ability of the insurance company. The insurer needs to be around at least as long as you are! Buying from only highly-rated insurers is the way to go.

Consider Buying In Chunks Or As A Subscription Over Time

If you're still years away from retirement, are optimistic about pricing improving, and/or would like to diversify across carriers, you can buy QLACs in pieces over time. Keep in mind that, all else being equal, waiting to buy will reduce the amount of income the insurance company can offer. In addition, the pricing usually isn't quite as good at smaller purchase sizes.

Options For Buying With 401(k) Funds

401(k) plan sponsors are currently not required to offer QLACs to their employees and adoption has been slow. If you are looking to use funds in your 401(k) to buy a QLAC, you have a few options:

- Roll your 401(k) funds into an IRA. You will then have to wait until January 1st of the next calendar year to purchase your QLAC. Don't forget the value caps that apply, so ensure you are transferring enough into an IRA account that allows you to purchase a QLAC for the value you want. For example, in order to purchase a $130,000 QLAC, you'd need to have at least $520,000 in your IRA.
- Talk to your benefits department and ask them for more retirement income options within your 401(k). Supply follows demand!
- Have Blueprint Income write a letter to your plan sponsor. We are happy to send benefits departments more information on the QLAC product and why it makes sense to include in 401(k) plans. Just send us an email (support@blueprintincome.com); we'd love to hear from you.