



GUARANTEED LIFETIME WITHDRAWAL BENEFIT RIDER DISCLOSURE

Thank you for your interest in the RBC Guaranteed Lifetime Withdrawal Benefit Rider. It is important that you understand the benefits, features, and limitations of this Rider before making your purchasing decision. This disclosure is intended to summarize the key provisions of this Rider. Please refer to the actual Rider for a complete description of the Rider's benefits, features, and limitations.

What is the RBC Guaranteed Lifetime Withdrawal Benefit Rider?

The RBC Guaranteed Lifetime Withdrawal Benefit Rider ("Rider") is an optional benefit that can be attached to your annuity ("Contract"). In exchange for an annual charge, RBC guarantees that you can withdraw a minimum amount from your annuity each year for as long as you live. The amount that can be withdrawn is based on a percentage of the Income Base. The percentage used to determine the allowable amount for withdrawal will depend on the Contract provisions, but in most cases, the amount of the withdrawal will be increased by delaying the date you start receiving it.

For example, if you begin lifetime withdrawals at age 65, your allowable percent might be 5.0%. However, if you were to delay taking withdrawals until age 70, your allowable percent might be 5.5%. The allowable percentage at each age will be detailed on Page 1 of the Rider.

This Rider may be suitable for you if you need a guaranteed income stream, but you do not want to give up the control over your Accumulation Value, which is what annuitization would require. If you do not intend to take withdrawals from your annuity, this Rider may not be suitable for you.

How does the RBC Guaranteed Lifetime Withdrawal Benefit Rider work?

The Rider has two primary phases: (1) the Growth Phase, and (2) the Withdrawal Phase. Let's talk about these two phases separately.

The Growth Phase

The Growth Phase begins on the day that the Rider is issued. On the first day of the Growth Phase, the Income Base is equal to the premium payment (plus any applicable premium bonus) plus the Immediate Income Bonus. For example, if your premium payment is \$100,000 and you receive a 5% Immediate Income Bonus, then your initial Income Base will be \$105,000 (or \$110,000 if your annuity contract contains a 5% Premium Bonus).

During the Growth Phase, your Income Base will increase as the result of a [Rollup or Automatic Annual Step-Up](#), but it will decrease as a result of a Withdrawal. Any Withdrawal will reduce the Income Base by the percentage that the withdrawal reduces the Contract's Accumulation Value.

- What is a Rollup? When we issue your contract, we will declare your annual Rollup Rate. This is the rate at which we will increase your Income Base for purposes of calculating your benefit.
- What is an Automatic Annual Step-Up? If your Contract Accumulation Value grows at a rate greater than the Rollup Rate, then we will "step up" your Income Base to match the Accumulation Value.

Let's take a look at an example to see how these features work.

Example 1

Let's assume you purchased an annuity with a premium payment of \$100,000 and a premium bonus of 5%. Let's also assume the Rider Charge Rate is 0.60%, the Rollup Rate is 7.5%, and the Immediate Income Bonus is 5%.

On the date that your Rider is issued, your Income Base is equal to your premium payment, plus any Premium Bonus, plus the Immediate Income Bonus. In our example, the Income Base equals \$110,000.

Issue Date: **Income Base = \$110,000** **Accumulation Value = \$105,000**

In this example, your Income Base would be \$110,000 increased by the Rollup Rate of 7.5%, so it would equal **\$118,250** at the end of the first contract year.

For the first contract year, assume your annuity is credited a total interest return of 5%. The Accumulation Value of your annuity on the Contract Anniversary would be \$105,000 plus a 5% credited interest return, minus the Rider Charge (Rider Charge = Income Base x Rider Charge Rate). Your Accumulation Value would equal **\$109,540.50**.

Because the Income Base is higher than the Accumulation Value at the end of the year, your Income Base would remain as is, and the second contract year would begin with an Income Base of \$118,250.

1st Contract Anniversary: **Income Base = \$118,250** **Accumulation Value = \$109,540.50**

If, however, the Income Base was lower than the Accumulation Value at the end of the year, RBC would automatically Step-Up your Income Base to match the Accumulation Value. In other words, if the Accumulation Value on a Contract Anniversary was \$120,000 and the Income Base was \$118,250, then we would Step-Up your Income Base to \$120,000.

How does the RBC Guaranteed Lifetime Withdrawal Benefit Rider work (cont.)?

We stated before that the Rider has two primary phases: (1) the Growth Phase, and (2) the Withdrawal Phase. Before we talk about the Withdrawal Phase, though, let's discuss four key aspects of the Rider:

1. **Rider Waiting Period** – the waiting period between the Rider's date of issue and the first day that before you can begin taking your Lifetime Withdrawal Amount.
2. **Lifetime Withdrawal Amount (LWA)** – The LWA is the amount that is guaranteed to be available for withdrawal each Contract Year during the life of the Annuitant.
3. **Lifetime Withdrawal Commencement Age** – This is the earliest age at which the Withdrawal Phase may begin.
4. **Lifetime Withdrawal Percentage (LWP)** – This percentage is based on the annuitant's age at the time of the first withdrawal under this Rider. The Lifetime Withdrawal Percentage is used in the calculation of the Lifetime Withdrawal Amount.

The Withdrawal Phase

You can begin to take lifetime withdrawals as soon as the Rider Waiting Period has been satisfied and the Annuitant's Age has reached or exceeded the Lifetime Withdrawal Commencement Age. The initial Lifetime Withdrawal Amount is equal to your Lifetime Withdrawal Percentage multiplied by the Income Base on the first day of the Withdrawal Phase.

$$\text{Lifetime Withdrawal Amount} = \text{Lifetime Withdrawal Percentage} \times \text{Income Base}$$

For example, if you begin withdrawals at age 65 and your Lifetime Withdrawal Percentage is 5.0% and your Income Base is \$350,000, your initial Lifetime Withdrawal Amount equals \$17,500.

After the initial calculation, the Lifetime Withdrawal Amount will be recalculated on each Contract Anniversary **or** at the time of an [Excess Withdrawal](#). The Lifetime Withdrawal Amount will be equal to the LWP multiplied by the Income Base at the time of recalculation.

During the Withdrawal Phase the Income Base will increase as the result of an Automatic Annual Step-Up and will decrease as the result of an Excess Withdrawal.

- What is an Excess Withdrawal? If you withdraw an amount more than the Lifetime Withdrawal Amount, the amount over the Lifetime Withdrawal Amount is called an Excess Withdrawal. For example, if you withdrew the entire Lifetime Withdrawal Amount of \$17,500 in March and then withdrew an additional \$10,000 in September of the same year, the \$10,000 would be considered an Excess Withdrawal.

(Please note that during the Withdrawal Phase, Market Value Adjustments and withdrawal charges will not apply to withdrawals that are less than or equal to the LWA. Withdrawals that are greater than the LWA may be subject to a Market Value Adjustment and withdrawal charges.)

Let's look at two examples to see how the calculations work during the Withdrawal Phase.

Example 2

Let's assume your Income Base at the time of your first withdrawal under the benefit is \$250,000 and the Lifetime Withdrawal Percentage is 6.0%. Your initial Lifetime Withdrawal Amount would be equal to \$15,000 (\$250,000 multiplied by 6.0%).

This means that for the rest of your life you can withdraw \$15,000 every contract year. If you never withdraw an amount more than \$15,000, we guarantee – regardless of your annuity's performance – you will always receive an amount of at least \$15,000.

Question: During the Withdrawal Phase, what happens if the Accumulation Value increases and exceeds the Income Base?

Answer: If the Contract Accumulation Value, after reduction for the Rider Charge, on any Contract Anniversary is **greater** than the Income Base, then the Income Base will be **automatically stepped-up** to equal the Contract Accumulation Value.

Therefore, if the Income Base on a Contract Anniversary is \$250,000 and the Accumulation Value is \$260,000, RBC would step-up the Income Base to **\$260,000** and recalculate your Lifetime Withdrawal Amount. The new Lifetime Withdrawal Amount would now be \$15,600.

Example 3

Let's still assume that your Income Base at the time of your first withdrawal under the benefit is \$250,000 and the Lifetime Withdrawal Percentage is 6.0%. Your initial Lifetime Withdrawal Amount would be equal to \$15,000 (\$250,000 multiplied by 6.0%).

Question: During the Withdrawal Phase, what happens if I withdraw an amount that is greater than the Lifetime Withdrawal Amount?

Answer: In order to determine the negative effect of an Excess Withdrawal on the Income Base, we need to use the following formula:

Excess Withdrawal amount (including any applicable withdrawal charges) divided by the result of the Accumulation Value prior to the withdrawal minus the difference between the total withdrawal amount and the Excess Withdrawal amount.

An example will help to clarify this formula. Using the same numbers from above and an Accumulation Value of \$230,000, let's assume that in addition to the \$15,000 Lifetime Withdrawal Amount you withdraw an excess of \$10,000. The formula looks like this:

$$\begin{aligned} & \$10,000 \div [\$230,000 - (\$25,000 \text{ Total Withdrawal} - \$10,000 \text{ Excess Withdrawal})] \\ & = \\ & \$10,000 \div (\$230,000 - \$15,000) \\ & = \\ & \$10,000 \div \$215,000 = 4.651\% \end{aligned}$$

The Income Base of \$250,000 would be reduced by 4.651% so that it would equal **\$238,372.09**. The Lifetime Withdrawal Amount would now equal **\$14,302.33** (The Income Base of **\$238,372.09** multiplied by the Lifetime Withdrawal Percentage of 6.0% = **\$14,302.33**).

In the Withdrawal Phase, what happens if a withdrawal of the Lifetime Withdrawal Amount reduces the Contract's Accumulation Value to zero?

If this happens, the Rider will enter into a phase called the Settlement Phase. The Contract will continue but all other rights and benefits under the Contract, including death benefits, will terminate. The Rider Charge will not be deducted during the Rider's Settlement Phase. During the Rider's Settlement Phase, each Contract Year, total settlement payments of an amount equal to the Lifetime Withdrawal Amount will automatically be paid to you until the death of the Annuitant. After the Rider enters the Settlement Phase, the Rider will terminate when the Annuitant dies.

Can I purchase this Rider for joint annuitants?

Yes. You may choose, at the beginning of the Withdrawal Phase, to have the Lifetime Withdrawal Amount based on the lives of the Annuitant and the Annuitant's spouse (Joint Annuitants), provided that the Attained Age of each of the Joint Annuitants is equal to or older than the Lifetime Withdrawal Commencement Age. If you choose to have Joint Annuitants, then the beneficiary of the Contract will also be the spouse of the Annuitant, despite whether the annuity Contract provides otherwise. The Lifetime Withdrawal Percentage would be based on the younger of the joint annuitants.

Is there a charge for the Rider?

Yes. A charge will be deducted from the Contract's Accumulated Value on the Contract Anniversary. The charge is equal to a percentage of the Income Base. For example, if your Rider Charge Rate is 0.60% and your Income Base is \$50,000 on your Contract Anniversary, then your Rider Charge would be \$300.00 for that year.

Can I terminate this Rider and then reinstate it later?

No. The Rider can be added only at the time the annuity is purchased. It cannot be reinstated at a later time.