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Additional FAQs will be added as needed. Please bookmark this page to ensure you're always viewing the most up-to-date version.

RBC GLWB Income Riders FAQs – As of July 15, 2010



What should my client do if he or she decides to terminate the rider contract?

-  In the case that your client would like to terminate the rider but maintain the annuity contract, RBC Insurance requires a letter signed by the client requesting rider termination.



Does the Enhanced GLWB income rider qualify for LTC tax benefits?

-  No, the EGLWB is not an LTC rider and does not qualify for the tax benefits related to the Pension Protection Act of 2006.


What happens to the Income Base Account at the end of the 12 year rollup period?

-  At the end of 12 years, the rollup ceases. There is no option for the client to renew the rollup with an additional charge.
-  The Annual Step Up feature is the only method of increasing the Income Base after rollup ceases.

How is taxation handled in the settlement phase?

-  When the client begins to take income, he/she will be taxed on the gain in the contract at ordinary income levels.
-  If the accumulation value goes to zero, the entire amount of income received will be considered gain and will be taxed at ordinary income levels.


In a joint owner situation, who gets the 1099?

-  In a joint owner scenario, RBC will disburse an income check to each owner and will generate a 1099 on each owner.


What are the six activities of daily living (ADLs)?

-  Bathing
-  Dressing
-  Transferring
-  Toileting
-  Contenance
-  Eating



What happens if the owner decides to transfer ownership of the annuity contract?

-  Except in the case of spousal continuation, the rider will be terminated if the owner or annuitant on the contract has been changed.

Can income payments be sent to someone other than the owner of the contract?

-  No, income payments will only be sent to the annuity contract owner.



What is the commission on the sale of an income rider?

-  There is no commission paid with the sale of an income rider.
-  Commission is only paid with the sale of an RBC index annuity



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What rider information will be included on a client's annual statement?

-  The Income Base amount will always be shown on the statement.
-  If the client has started taking income, the Lifetime Withdrawal amount will also be shown.





What if the client decides that he/she no longer wants to take the income?

-  After the first contract year, income payments can be stopped or started at any time (enhanced income payments are not available until the 5th contract anniversary)
-  If the rider is terminated, it may not be reinstated.



Do income rider charges apply even if a client never elects to take income?

-  Yes. The charges are 60 bps for the RBC GLWB Rider and the RBC Enhanced GLWB Rider.
-  These charges are deducted annually from the annuity's account value.
-  Clients who do not plan on taking income may still be a good fit for an RBC Choice Series Fixed Index Annuity; however, he/she is not an ideal candidate for adding an income rider to an annuity contract.




What is the difference between annuitizing an annuity contract and taking income from the rider?

-  When the client chooses to annuitize the annuity contract, the ability to accumulate funds and other benefits cease.
-  When the client chooses to take income from the rider, death benefits and growth potential are still possible.
-  The rider offers the flexibility to stop income payments if need be.
-  The enhanced income rider offers the potential for an increase in income if certain health issues arise (see contract for conditions and limitations).






What happens if the client is taking income and the accumulation value reduces to zero?

-  The annuity contract will continue; however, all other rights and benefits available under the annuity will terminate including the death benefit.
-  The client's income withdrawal amount and frequency will remain the same.

What happens to the rider's benefits if the client dies?

-  If death occurs prior to receiving income payments, the annuity contract and rider contract will terminate (unless the spouse chooses to continue the contracts under the spousal benefit)
-  If death occurs while income payments are being received, the rider contract terminates and no further income payments will be distributed.
-  The annuity's death benefit will be paid to the contract's named beneficiary(ies) in either of the cases above.

Can an individual younger than age 40 purchase an RBC Insurance income rider?

-  No.
-  Things to consider when purchasing an RBC income rider at a younger age:
 -  Withdrawals cannot be taken until the individual reaches age 50.
 -  Withdrawals prior to age 59½ may incur a 10% federal tax penalty.
 -  The rollup period is 12 years. In the 12th year and beyond, the income base remains constant, it does not grow.

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- This may be an unsuitable sale if the client is concerned about taxes, desires future income and wants to have a death benefit. (Should be examined on a case-by-case basis.)

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How do the bonuses work?


-  The **annuity's premium bonus** is applied to the annuity's accumulation value and the rider's income base at contract issue.
-  The rider's immediate income bonus is applied to the rider's income base at contract issue.

Example using the RBC Enhanced Choice 10 Annuity with RBC GLWB Income Rider




Do additional premiums on the RBC Choice 10 Annuity receive the immediate income bonus at the time of deposit?

-  Yes, any additional premiums contributed in the 1st contract year will be credited with the immediate income bonus of 5% for the RBC GLWB Rider or 1% for the RBC Enhanced GLWB Rider at the time of deposit.



How do annuity withdrawals affect the Income Base during the "Growth Phase"?

-  Any partial withdrawal will decrease the Income Base Account proportionately.







How do withdrawals affect the Income Base during the "Withdrawal Phase"?

-  Withdrawals less than the lifetime withdrawal amount (LWA) will not affect the Income Base or LWA.
-  Withdrawals greater than the LWA and 10% will have MVA and withdrawals charges applied.
-  Excess withdrawals equate to a percentage deduction to the Income Base and the LWA based on that excess amount.

When can my client take his or her first withdrawal?

-  **Regular withdrawals:** After the 1st contract year **and** at least 50 years old
-  **Enhanced withdrawals:** After the 5th contract year, at least 50 years old **and** unable to perform at least two activities of daily living (ADLs) on a permanent basis


What is the benefit to the client?

-  Guaranteed income for life
-  Continued growth in the annuity's accumulation value
-  Supplemental retirement income
-  Liquidity and flexibility
-  Allows client to draw guaranteed income and still pass a death benefit on to heirs
-  Ability to increase income by 50% if client cannot perform 2+ ADLs on a permanent basis (RBC Enhanced GLWB Rider only)

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How is the annual lifetime withdrawal amount determined?

-  The lifetime withdrawal amount is determined by a percentage based on the client's age at the time of the first withdrawal. This percentage is multiplied by the rider's income base to determine the annual lifetime withdrawal amount.

Annual lifetime withdrawal amount annual calculation

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

What additional point-of-sale paperwork must be included when purchasing a rider with an annuity contract?

-  The agent must present the client with the appropriate rider disclosure (Form number: S7418 for the RBC GLWB Rider OR form number: S7419 for the RBC Enhanced GLWB Rider).
-  **Agents must submit the rider supplement to the annuity application (form number: A1041) completed in full with all annuity point-of-sale paperwork.** Note: If there are joint contract owners, the signatures of both owners must appear on the Owner/Applicant's Signature line. Be sure to check for state availability and state-specific forms.