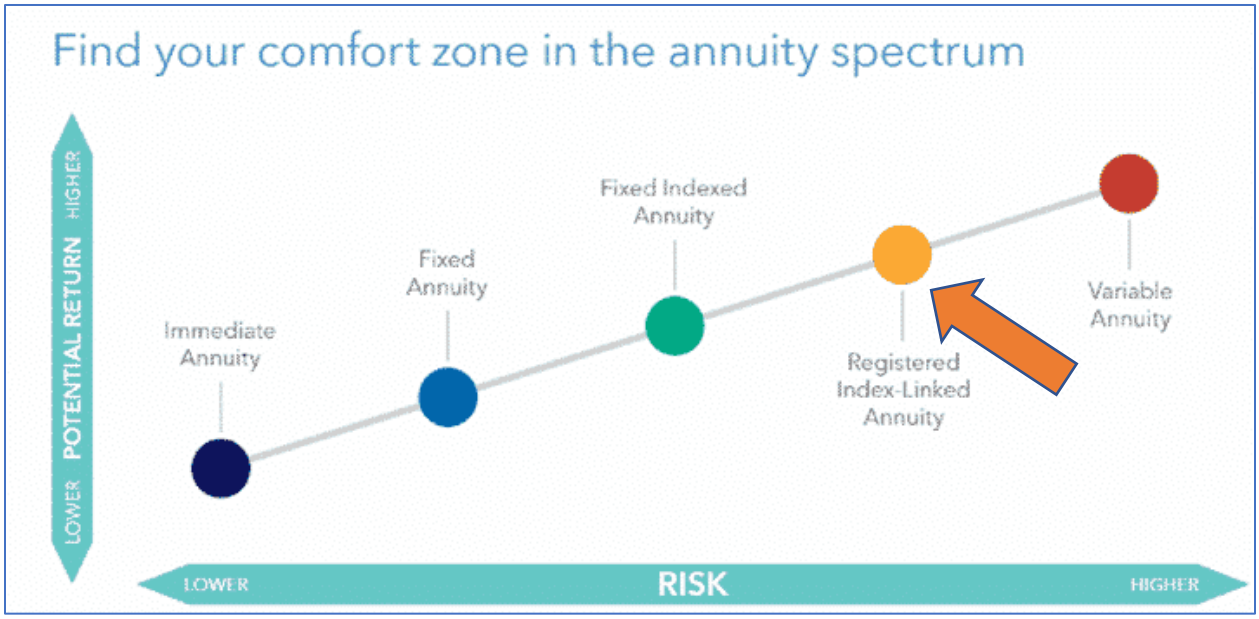

Financial Education – What is a RILA?

- A registered index-linked annuity (RILA) is a tax-deferred long-term savings option that limits exposure to downside risk and provides the opportunity for growth. It offers more growth potential than a fixed-indexed annuity but less potential return and less risk than a variable annuity. A famous example of an index is the S&P 500 which is often used as a benchmark and many money managers have a difficult time beating its return over time.

- What are the types of RILAs?
  - A **floor**: the insurance company guarantees that the investor won't lose more than a certain % in a given period (ex. if the floor is 5% then the most that the investor can lose is 5% in a defined period; if the index loses say 10% then the insurer absorbs the additional 5% not the investor).
  - A **buffer**: the insurance company guarantees that the investor won't lose anything unless the index loses more than a given threshold (ex. if the buffer is 10% in a defined period, then any index loss of 10% or less is fully absorbed by the insurance company; if the index loses say 15% the investor sustains the 5% difference).

- Why would the insurance companies take on such a risk?
  - The insurance companies shield the investor if the index goes down but also shares a portion of the upside when the index goes up. They also use other advanced strategies to hedge their risk and can often offer such protection at no additional fee to the investor.

- How do I get more info or determine if this is a suitable option for me and my family?
  - You can either reach out to me or, if you are already working with a fiduciary financial professional, ask her for advice. A fiduciary has both an ethical and a legal obligation to put your best interest ahead of her own.

The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S. Please note an investor cannot invest directly in an index

All guarantees are subject to the financial strength and claims paying ability of the issuing insurance company, and the guarantees have no bearing on the variable investment performance. The variable investment performance can lose value.

An annuity is intended to be a long-term, tax-deferred retirement vehicle. Earnings are taxable as ordinary income when distributed, and if withdrawn before age 59½, may be subject to a 10% federal tax penalty. If the annuity will fund an IRA or other tax qualified plan, the tax deferral feature offers no additional value. Qualified distributions from a Roth IRA are generally excluded from gross income, but taxes and penalties may apply to nonqualified distributions. There are charges and expenses associated with annuities, such as deferred sales charges (surrender charges) for early withdrawals.

Registered index-linked annuities (RILAs) may have additional expenses. Registered index-linked annuities are subject to market fluctuation, investment risk and loss of principal. For costs and complete details, contact a financial professional.

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