

Variable Annuity Fee Quick Reference Guide.

Variable annuity contracts are generally more expensive than mutual funds. The richer the guarantees carried by a contract, the higher the corresponding costs will be. Fees are charged on account value.

Deferred variable annuity contracts will generally charge:

An administrative fee (typically from 0.10 to 0.25%). This fee covers reporting, generating reports, online security and account access. Administrative fees may be waived for accounts with initial balances of more than \$1 million.

Mortality and expense fees (typically ranging from 1.0% - 1.5%). These fees are used to provide insurance death benefits if the contract holder passes away and to compensate the insurance company for risks associated with holding the contract.

Mortality and expense fees will vary based on how much the insurance company has promised to pay at the death of the owner. Simple death benefit options, such as promising to return the current account balance to the contract owner at death, will have lower mortality and expense charges (0.5 – 1.0%) than those promising more sophisticated death benefits (such as a multiple of the contract premium), or elaborate calculations taking into consideration the highest contract value on specific contract anniversary dates (1.0% - 2.0%).

Fees for any additional optional benefits. These benefits, such as guaranteed minimum returns or sustainable lifetime withdrawals, will add to the cost of a contract. While additional features vary widely by insurer, they can generally be pooled into “income” related features, “death” related features or “access” related features.

Income features guarantee that a cash flow stream from the contract will continue uninterrupted regardless of market fluctuation. Income features vary dramatically by insurance companies but generally range in annual cost between 0.5 – 1.5%. Consumers who do not currently need withdrawals from the annuity contract should consider their options carefully before purchasing this type of benefit.

Death features are generally wrapped into the mortality and expense charges of a contract. The simplest death benefit is a return of the initial premium paid to the insurance company. More complicated features promise an elevated death benefit of some sort. Death provisions can be complicated and are often not needed by consumers using annuities as an investment and retirement tool.

Access features, such as being able to withdraw account dollars free of any early withdrawal penalty in the event of a terminal illness, disability or long-term care need, are common in today's annuity contracts. Access features may be standard in some contracts but may carry additional cost in others.

In addition to these fees, variable contracts will also charge direct or indirect asset management fees. All totaled, a deferred variable annuity will typically range in cost between **1.75%** annually, for a contract with few bells and whistles, to over **3.25%** annually, for a contract with income and death benefit guarantees. Understand the exact purpose of each fee and compare fees across insurance companies before you purchase a variable annuity.

[Here is a video about fees and expenses in variable annuities:](#)



<https://www.youtube.com/watch?v=unuwdbieZ5Q>

