learn about annuities.

Properly Structuring Nonqualified Annuities

Wondering how to set up your annuity?

The correct structure for an annuity—that is, who should be the owner, the annuitant, and the beneficiary—depends on your particular circumstances and the nature of the annuity contract. The following grid gives **common structures for owner-driven, nonqualified annuity contracts**.[1] Recognize, however, that this chart offers only general guidelines. You should consult a qualified tax advisor to identify the options available to you under a specific nonqualified annuity contract and to choose the option that best suits your particular financial goals.

Nonqualified Annuities

Scenario #1: One Owner	Scenario #2: Husband and wife with children	Scenario #3: Trust[6]	Scenario #4: Minor
Owner = Husband or wife **Joint owner** = None **Annuitant**[2] = Same as owner **Beneficiary**[3] = Spouse **Disposition at death**[4] When owner dies, surviving spouse may continue contract as his or her own if sole beneficiary (so-called "spousal continuation rule"), or may choose among distribution-at-death options.[5]	**Owner** = Husband **Joint owner** = Wife **Annuitant**[2] = Husband **Beneficiary**[3] =Surviving joint owner **Contingent beneficiary** = Children **Disposition at death**[4] When first of joint owners dies, surviving spousal owner may continue contract or receive death benefit under distribution-at-death rules.[5]	**Owner** = Name of trust **Joint owner** = None **Annuitant**[2] = Trustee or living person designated by trustee **Beneficiary**[3] = Name of trust **Disposition at death**[4] When annuitant dies, distribution-at-death rules are triggered.[5]	**Owner** = Minor with custodian named under state's Uniform Transfer (or Gift) to Minors Act (UTMA/UGMA) **Joint owner** = None **Annuitant**[2] = Child **Beneficiary**[3] = Estate of child **Disposition at death**[4] When child dies, lump sum is paid according to distribution-at-death rules.[5]

The best advice may be to keep the annuity structure as simple as possible. This usually means naming the same person as owner and annuitant, and naming the spouse as primary beneficiary.[7]

[1] With owner-driven contracts, payment of death proceeds is triggered by death of owner.

[2] Death of annuitant before annuity start date generally does not trigger death claim unless contract has non-natural owner.

[3] If no beneficiary is named or living, the contract generally specifies a default beneficiary.

[4] Assumes death occurs before annuity start date.

[5] Distribution-at-death rules are: Balance may be paid in lump sum; entire balance must be distributed within five years of date of death; balance may be distributed over life, or term certain not longer than life expectancy of beneficiary, if payments begin no later than one year after date of death.

[6] Trustee signs on behalf of trust.

[7] Beware of adding or changing owners, as this action may constitute an income and/or gift tax event.

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