Submitting Inherited Nonqualified Annuity Business

GREAT AMERICAN LIFE INSURANCE CO. a MassMutual company

At Great American Life Insurance Company®, we value your business and strive to make doing business with us easy. We issue both inherited IRAs and inherited nonqualified annuities to non-spouse beneficiaries. Different rules apply depending on the tax qualification. ***To help ensure your paperwork is complete and avoid processing delays for an inherited nonqualified annuity, please review the questions below.***

Who qualifies for an inherited nonqualified annuity from Great American Life®?

- The applicant must be a **non-spouse** beneficiary of a nonqualified annuity. A spouse beneficiary may purchase a standard deferred nonqualified annuity.
- The applicant must be **eligible to stretch distributions over life expectancy** of the applicant or another beneficiary pursuant to Internal Revenue Code Section 72(s).
- The applicant or other beneficiary whose life expectancy will be used to calculate Section 72(s) required payments must be **age 75 or under** on the issue date.

Is there a time limit for funding an inherited nonqualified annuity?

- The Great American Life contract must be set up and funded in time for us to begin the Section 72(s) required payments by the **first anniversary of the decedent's death** (or the Section 72(s) required payments must have begun before the 1035 exchange to Great American Life).
- A failure to begin the Section 72(s) required payments by the first anniversary of death will mean that the entire contract value must be paid out by the fifth anniversary of death. We will not accept a new business application for an inherited nonqualified annuity that is subject to this five year rule.

What products may be sold as an inherited nonqualified annuity?

- Only certain products can be sold as an inherited annuity. Please see the product reference guide and state approval chart for details.
- An inherited annuity **cannot** be issued with an optional income rider or death benefit rider.

Completing the Application

How should I title the owner of the inherited nonqualified annuity?

- **If the applicant is a living person:**
  - The ownership should be titled as "[New Owner Name] as beneficiary of [Decedent Name]"
- **If the applicant is a trust:**
  - The ownership should be titled as "[Trust Name] as beneficiary of [Decedent Name]"
- **If the application form provides a separate line for the decedent's name:**
  - Simply put the applicant's name on the line as the primary owner, and insert the decedent's name on the separate line provided for it, and we will do the rest.

Who should be the annuitant for the inherited nonqualified annuity?

- **If the owner is a living person:**
  - In the owner should also be designated as the annuitant.
- **If the owner is a trust:**
  - The annuitant should be the trust beneficiary for whose benefit the contract is being purchased, or if more than one, the eldest trust beneficiary.

Who should be the beneficiary for the inherited nonqualified annuity?

- **If the owner is a trust,** the trust itself should be named as the beneficiary of the inherited nonqualified annuity.

Funding the Contract

How can my client fund an inherited nonqualified annuity?

- An Inherited nonqualified annuity can **only** be funded through a tax-free **Section 1035 exchange** from the prior carrier.
- If the death claim is paid out directly to the applicant, it is no longer possible to use the proceeds to fund an inherited nonqualified annuity.
- Personal checks, bank cashier's checks or electronic transfers, or brokerage firm checks or electronic transfers cannot be taken under any circumstance.

If my client is the beneficiary of multiple nonqualified annuity contracts, can the funds be consolidated into one single inherited nonqualified annuity?

- Yes, as long as the funds all come from the same decedent – you cannot commingle funds from a nonqualified annuity owned by one decedent with funds from a nonqualified annuity owned by another decedent.
- Qualified funds cannot be commingled with nonqualified funds.

Other Special New Business Forms

What special form for an inherited nonqualified annuity must be submitted with the new business paperwork?

- The applicant must complete **Inherited Nonqualified – Automated 72(s) Payments** (S2658713NW)

What is needed if a trust will own an inherited nonqualified annuity?

- The **Trust Certification and Agreement** (X6017907NW)
- The **Inherited Contract Addendum** (X6057518NW)

Does Great American Life require a death certificate be submitted with the new application?

- No, a death certificate is not required to be submitted with a new business application.
- In limited cases, we may request a photocopy of the death certificate if clarification is needed.

72(s) Required Payment Information

What definitions do I need to know to apply the 72(s) Required Payment rules?

- **Designated Beneficiary:** A Designated Beneficiary is a person who was designated by the decedent to receive the decedent's interest in the nonqualified annuity death benefit, and who is:
    - A living person.
    - A Look-Through Trust.

  An estate is not considered a Designated Beneficiary even if the decedent affirmatively designated his or her estate as beneficiary. A trust that is not a Look-Through Trust is not considered a Designated Beneficiary if the decedent affirmatively designated the trust as beneficiary.
- **Look-Through Trust:** A Look-Through Trust is an irrevocable trust where all of the current and remainder beneficiaries are identifiable living persons. A trust that has a current or remainder beneficiary that is a charity cannot be a Look-Through Trust. A trust that contains a general power of appointment cannot be a Look-Through Trust. Whenever a Designated Beneficiary is a Look-Through Trust, the life expectancy of the beneficiary is based on the age of the eldest trust beneficiary. This is true even if the inherited IRA is set up in a trust beneficiary's name.

Who is eligible to stretch payments over life expectancy?

- A living person who is a Designated Beneficiary is eligible to stretch payments over life expectancy.
- A Look-Through Trust that is a Designated Beneficiary is presumably eligible to stretch payments over life expectancy, although the IRS has given no guidance on this subject. However, allowing a Look-Through Trust to stretch payments over life expectancy is consistent with the parallel Required Minimum Distribution rules for qualified funds. When the Designated Beneficiary is a Look-Through Trust, the 72(s) required payment may be based on the unrecalculated single life expectancy of the eldest trust beneficiary.

If my client has multiple inherited nonqualified annuity contracts, can they take all 72(s) required payments from just one?

- No, they must take the 72(s) required payments for a Great American Life inherited nonqualified annuity contract from that particular contract.

Thank you for choosing Great American Life.