Your Settlement Options

Income payments that meet your needs

Making the right choice for your future can be a difficult decision. As the owner (or beneficiary) of an annuity or life insurance contract, you may decide that electing a settlement option is your best move. But choosing the right settlement option can also have an impact on your future income. Luckily, Thrivent offers a wide selection of settlement options to meet your specific needs.

- **Fixed Period Income Agreements:** Provide periodic income payments during the time period you select.
- **Specified Amount Income Agreements:** Provide a specific dollar amount for each of your periodic payments.
- **Life Income Agreements:** Provide guaranteed income for as long as you live.
- **Joint Life Income Agreements:** Provide guaranteed income for as long as you, and a second person (often a spouse), live.
- **Flexible Payout Deposit Agreements (FPDAs):** Allow your proceeds to remain with Thrivent at a guaranteed interest rate, and you choose the amount and frequency of those payouts. (Proceeds applied to an FPDA may be immediately taxable.)
- **Deferred Income Settlement Options (DISOs):** Provide up to a five-year tax-deferred holding option for your beneficiaries. At five years, any remaining proceeds must be distributed.*

Making the right choice

To help you choose which settlement option is the right one for you—we created a side-by-side comparison of the features and options. At the end of the comparisons is a quick summary of the advantages of your options.

Fixed Period Amount Income Agreement

Specified Amount Income Agreement

Single Life Income Agreement

Joint Life Income Agreement

Flexible Payout Deposit Agreement (FPDA)

Deferred Income Settlement Option (DISO)*

*DISO is available for beneficiaries of all non-qualified death proceeds regardless of date of death.

A settlement option starts annuity payments from annuities or life insurance to owners or beneficiaries. This table outlines some of the settlement options offered by Thrivent.

	Fixed Period or Specified Amount Income Agreement	Life Income Agreement	Joint Life Income Agreement	Flexible Payout Deposit Agreement (FPDA)	Deferred Income Settlement Options (DISO)*
Highlights	• Fixed Period: Choose the schedule over which periodic payments are made. Once chosen, the dollar amount of periodic payments is calculated. • Specified Amount: Choose a specified dollar amount of the periodic payment. Once the specified dollar amount is selected, the time period for the specified payment amount is calculated. • Planning tip: Choose a fixed period or specified amount that coincides with your monthly car payment or home mortgage schedule. NOTE: A fixed period or specified amount income agreement is limited to 10 years from date of death if the proceeds are from a death claim on a qualified annuity.	• Guaranteed income for life. • May also select a guaranteed payment period. – If distributing money from a tax-qualified retirement plan, the period cannot extend beyond your life expectancy when the agreement is established. NOTE: This option is not available for qualified proceeds from a annuity Death Claim.	• Guaranteed income for life for two people. **Reduction factors** • Can provide larger payments while both annuitants are alive by reducing the dollar amount of the periodic payments after the first death. • A different reduction factor can be selected for each annuitant. • If one annuitant dies during the guaranteed period and one annuitant survives, nonreduced income payments continue until the end of the period. Then, payments are reduced. • The reduction factor does not become effective until after the guaranteed payment period elapses and the occurrence of the first death. NOTE: This option is not available for qualified proceeds from a annuity Death Claim.	• Intended to hold proceeds from life and annuity contracts. You choose the amount and frequency of payouts. • Provides a place for proceeds to accumulate an amount of interest at a guaranteed rate.	• Intended to hold death proceeds from deferred annuity contracts on a tax-deferred basis for up to five years. Only available for non-qualified fixed or variable deferred annuity products. A DISO cannot be issued from Qualified Death Claim proceeds.

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	Fixed Period or Specified Amount Income Agreement	**Life Income Agreement**	**Joint Life Income Agreement**	**Flexible Payout Deposit Agreement (FPDA)**	**Deferred Income Settlement Options (DISO)***
Duration	• Choose a guaranteed payment period of up to 30 years. – A shorter guaranteed payment period generally provides greater periodic payments. – Time period may be limited for certain agreements based on IRS requirements. • The shortest time period that the cash value can be distributed as periodic payments is 13 months for level payment patterns, 60 months for fixed percentage increases, and CPI-U adjusted payment patterns.	• Choose a guaranteed payment period of up to 30 years. – A shorter guaranteed payment period generally provides greater periodic income payments. – Time period may be limited for certain agreements based on IRS requirements. • If you choose a guaranteed payment period and die during that period, your beneficiaries receive a death benefit. • You may not recover your initial agreement amount during the guaranteed payment period. – Payments are based on mortality and interest assumptions. – Guaranteed to pay an income for life.	• Choose a guaranteed payout period of up to 30 years. – A shorter guaranteed payment period generally provides greater periodic income payments. – Time period may be limited for certain agreements based on IRS requirements. • If you choose a guaranteed payment period and both annuitants die during that period, your beneficiaries receive a death benefit. • You may not recover your initial agreement amount during the guaranteed payment period. – Payments are based on mortality and interest assumptions. – Guaranteed to pay an income for life.	• Remains in force as long as the balance remains at or above $1,000.	• The death proceeds and any interest earned must be fully distributed within five years of the original decedent's date of death.

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<tr><td>Death Benefit</td><td>• Thrivent offers beneficiaries three death benefit options:
– Continue to receive remaining periodic payments under the Fixed Period or Specified Amount Income Agreement.
– Take the present value of the remaining payments and apply this sum to another settlement option. The new distribution period cannot exceed the time period left under the original Fixed Period or Specified Amount Income Agreement.
– Take a lump-sum distribution of the present value of remaining payments, which may be taxable.</td><td colspan="2">• If you choose a guaranteed payment period and the annuitant dies during that period (or both annuitants die, if Joint Life Income), your beneficiaries will receive a death benefit.
• If this is a Joint Life Income and one annuitant dies, periodic income payments continue until the death of the second annuitant. If the second death occurs during the guaranteed payment period, beneficiaries will receive a death benefit.
• Thrivent offers beneficiaries three death benefit options:
– Continue to receive the periodic payments remaining in the guaranteed payment period.
– Take the present value of the payments remaining in the guaranteed payment period and apply this sum to another settlement option. The new distribution period cannot extend past the end of the original guaranteed payment period.
– Take a lump-sum distribution of the present value of the payments remaining in the guaranteed payment period, which may be taxable.</td><td>• Upon your death the value of your FPDA as of the date of death, plus interest earned to the date of the death-claim payment is paid to the beneficiary.
• Your beneficiaries can choose from these distribution options:
– Take a lump-sum distribution.
– Apply the death proceeds to a new Thrivent product that meets your needs.</td><td>• Accumulated value as of the owner's date of death, with interest credited until the date of distribution.
• Keep DISO agreement in force until the specified end date (five years from the original decedent's death).</td></tr>
<tr><td rowspan="2">Surrendering the agreement</td><td colspan="3">• Can elect to make irrevocable or revocable.
• Cannot make partial surrenders or a total surrender from an irrevocable settlement option.
• Can surrender a revocable settlement option at any time. Can also change to irrevocable.</td><td colspan="2" rowspan="2">• Full surrenders are allowed at any time.
• Partial surrenders:
– Ad hoc partial surrenders are allowed prior to the end date.
– Gain is removed first until it is depleted, then basis is removed.
– Minimum partial surrender is $200.
– At least $1,000 must remain in the agreement after a partial surrender if you would like to keep the agreement in place.</td></tr>
<tr><td colspan="2">• If you are under age 59½ and place the value from an annuity into a settlement option, you may be subject to a 10% federal penalty tax on the taxable amount of each periodic payment.</td><td></td></tr>
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<tr><td>Taxation</td><td colspan="3">Periodic payments
For nonqualified annuities and life insurance contracts, periodic payments have a taxable and nontaxable portion until the cost basis (investment) is recovered. After the cost basis (investment) is recovered, periodic payments are fully taxable.
For traditional IRAs or qualified retirement plans, the entire amount of each periodic payment is generally subject to income tax.
For Roth IRAs, qualified distributions are tax-free; however, nonqualified distributions of gain are taxed as ordinary income.
Full or partial surrenders
For nonqualified annuities and life insurance contracts, surrenders have a taxable and nontaxable portion until the cost basis (investment) is recovered. After the cost basis (investment) is recovered, surrenders are fully taxable.
For traditional IRAs or qualified retirement plans, the entire amount of each surrender is generally subject to income tax.
For Roth IRAs, qualified distributions are tax-free; however, nonqualified distributions of gain are taxed as ordinary income.</td><td>• Taxable income reported each year-end on the interest earned during the calendar year (1099 INT).
• Taxes will not be withheld unless back-up withholding is required.</td><td>• Taxes are assessed whenever surrenders occur, not at the time the DISO is established.
• Gain is removed first until it is depleted. Then basis is removed.
• Tax reporting forms:
– 1099-R sent at year-end (if surrenders occurred during year).
– 5498 (qualified only) sent at year-end.</td></tr>
<tr><td>Tax withholding</td><td colspan="3">• Can elect to have a portion of each periodic payment withheld for tax purposes.
• Can change withholding at any time.</td><td>• If there is a taxable portion from the annuity or life insurance contract that is funding the FPDA, it will be subject to income tax for the year in which the FPDA is established.
• All interest earned in the FPDA is subject to income tax each year, whether or not it is distributed.</td><td>• Federal and state taxes will be withheld based on regulations, unless instructed otherwise.</td></tr>
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<tr><td>Advantages</td><td>• If the entire cash value of the originating contract is annuitized, any taxable gain from original contract is prorated over the period of distribution.
• Provides an income of periodic payments for a fixed period of time (Fixed Period) or a specific dollar amount (Specified Amount).
• Each deferred annuity and life insurance contract has specific guarantees and features for settlement options, such as guaranteed interest rates on income for a Fixed Period, for a Specified Amount, or for Life (Joint and Survivor).</td><td colspan="2">• Can provide guaranteed income for life for one person (Life Income) or two people (Joint Life Income).
• If the entire cash value of the originating contract is annuitized, any taxable gain from original contract is prorated over the period of distribution.
• Each deferred annuity and life insurance contract has specific guarantees and features for settlement options, such as guaranteed interest rates on income for a Fixed Period, for a Specified Amount, or for Life (Joint and Survivor).</td><td>• Provides a guaranteed interest rate and offers access to funds when needed without any penalties.</td><td>• Allow you additional time to make a longer-term financial decision while continuing to defer taxes and grow the inheritance.
• Allow the ability to spread out the tax burden over the course of five years while allowing full access to the funds, instead of reporting the tax gain all at once.</td></tr>
<tr><td>Considerations</td><td></td><td colspan="2">• Individuals with health conditions that could shorten their lives may not be interested in a Life Income with or without a certain period.
• Cannot absolutely assign or transfer ownership.</td><td>• You need $1,000 as a balance from an annuity or life insurance contract to establish and maintain an FPDA.</td><td>• Funds will be fully distributed after the five years, if not taken before.</td></tr>
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When can I receive my payouts?

You may choose a payment frequency of monthly, quarterly, semiannually or annually—with your payment occurring at the beginning (or end) of your chosen frequency period.

What about my required minimum distributions?

Required minimum distributions (RMDs) are the periodic mandatory withdrawals from a tax-qualified retirement plan, such as:

- IRA
- 403(b)
- 401(k) plan

They generally must begin in the year following the year you reach age 72.** Payments from a settlement option satisfy the RMD requirement for that settlement option only, not for any other tax-qualified retirement plans. Ask your financial professional for additional information about RMD rules.

How are my periodic payments calculated?

The resulting payments will not be less than what is guaranteed in the originating Life or Annuity contract—but may be higher, depending on the environment at the time the settlement option is elected.

A minimum amount from your annuity or life insurance contract is required to issue one of these settlement options. The minimum amount will vary, depending on the requirements of the originating contract.

**SECURE Act raised the RMD age from 70½ to 72 for those individuals who attain age 70½ in 2020 or later.

Get guidance from someone who gets you.

Your financial professional can discuss your settlement options with you in greater detail to see if it's a good fit for your retirement strategy.

Guarantees based on the financial strength and claims-paying ability of Thrivent.

Thrivent is the marketing name for Thrivent Financial for Lutherans. Insurance products issued by Thrivent. Not available in all states. Thrivent.com/disclosures.

Thrivent and its financial advisors and professionals do not provide legal, accounting or tax advice. Consult your attorney or tax professional.

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