



THE ANNUITY STORE

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Disclosure Statement Instructions

(FOR USE with 84-24 DURING THE 6/9/17 THROUGH 12/31/17 TRANSITION PERIOD ONLY)

GENERAL CONSIDERATIONS:

The information in these instructions is being provided by The Annuity Store (“TAS”) for use by Financial Professionals in connection with recommendations the Financial Professional makes to an IRA or Qualified Fund owner and prospective life insurance or annuity owner (“Customer”) related to the purchase, ownership, and maintenance of a life insurance or annuity policy (“Product”) utilizing the distributive proceeds or withdrawal(s) from an IRA or Qualified Fund assets for the Product’s purchase.

The Disclosure Statement accompanying these Instructions is one form of a template the Financial Professional may use to comply with the disclosure mandates of PTE 84-24. As a fiduciary, the Financial Professional must provide the disclosures to the Customer and obtain Customer approval of the transaction in order to accept compensation arising out of the purchase, ownership or maintenance of a Product using IRA or Qualified Fund assets.

Financial Professionals should inquire of the insurance company issuing a Product as to that company’s specific forms and requirements.

The Disclosure Statement provides important information for the Customer to consider in determining whether to make such a purchase and in that regard, the information is also intended to satisfy the requirements and conditions of the U.S. Department of Labor exemption 84-24 (PTE 84-24).

The Disclosure Statement is not intended to provide legal advice to the Financial Professional and is not adapted to the specific circumstances or objectives of any individual Financial Professional.

The Annuity Store, its affiliates, and their employees and representatives do not give legal advice. Financial Professionals are encouraged to consult with their own legal counsel for specific legal advice and assistance.

Failure to satisfy the requirements of PTE 84-24 may expose the Financial Professional to excise tax penalties, fees, and costs for participating in a prohibited transaction in violation of ERISA regulations and laws.

TAS has developed training to assist Financial Professionals in understanding their fiduciary obligations and PTE 84-24. The training is available in the Resource Center at www.theannuitystore.com.

The Disclosure Statement has blanks for information that the exemption requires to be disclosed to the Customer. As described below, there are other requirements of PTE 84-24 that must be satisfied before the exemption can be relied upon. Those requirements may be added to the Disclosure Statement, but are not required to be included in the Disclosure Statement.



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In recommending an annuity or a life insurance Product, the Financial Professional must act in the best interest of the Customer.

All statements by the Financial Professional about the recommended Product, fees and material conflicts of interest (*see* “Defined Terms”) must not be materially misleading. Failure to disclose a material conflict of interest is considered to be misleading. Information about the contract, carrier, material conflicts of interest and additional fees for holding the contract must be included on the Disclosure Statement.

The Product transaction: a) must be effected in the ordinary course of the Financial Professional’s business; b) must be on terms at least as favorable to the retirement investor as an arm’s length transaction with an unrelated party would be and; c) **the commission to be received by the Financial Professional must not exceed reasonable compensation for the services provided.**

The Financial Professional must not be a trustee or fiduciary with discretionary authority over the investment of assets of the IRA.

The disclosures must be provided to the Customer in writing prior to execution of the transaction. (Note that other insurance company requirements may differ).

After receipt of the disclosures, the Customer must acknowledge in writing the receipt of the disclosures and approve the Product transaction.

SPECIFIC INSTRUCTIONS:

1. The Customer name should be identified in the Disclosure Statement.
2. The Product name, Product type and the issuing insurance company should be identified in the Disclosure Statement.
3. The Financial Professional’s name should be identified in the Disclosure Statement. The Financial Professional’s affiliation with the insurance company and any limitations on Products the Financial Professional can offer should be specified in the Disclosure Statement.
4. The Financial Professional’s commission, expressed as a percentage of gross annual premium for the first year and each succeeding year, should be disclosed in the Disclosure Statement.
5. The Disclosure Statement must specify charges, fees, discounts, penalties or adjustments which may be imposed under the recommended Product in connection with the purchase, holding, exchange, termination or sale of the Product.

All such conditions should be disclosed, as well as their financial impact on the Customer.



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SUCCESS MADE SIMPLE

The Product Preliminary Contract Summary/Statement of Understanding for fixed index annuities; or the Product illustration for fixed index universal life insurance, or the Product Prospectus for variable annuities, describe the charges, fees and penalties associated with Insurance Carrier Products. The Financial Professional should provide the Customer with a copy of any such document specified in the Disclosure Statement.

The Financial Professional should check with the insurance company issuing the Product for specific information on applicable Product charges, fees and penalties.

6. The PTE 84-24 exemption conditions its relief on, among other things, the requirement that the statements by the Financial Professional “about recommended investments, fees, material conflicts of interest, and any other matters” relevant to a Customer’s decision are not materially misleading at the time they are made.

Failure to disclose a material conflict of interest is considered to be a misleading statement.

Receipt of additional compensation by the Financial Professional from sources other than the amount generally offered by the insurance carrier issuing the Product may create a material conflict of interest for the Financial Professional that should be disclosed in the Disclosure Statement. Moreover, the failure to disclose such additional compensation as a material conflict of interest could be a misleading statement prohibited under PTE 84-24.

Cash or noncash compensation received by the Financial Professional including, but not limited to, payments from marketing organizations, incentive trips, prizes, awards, marketing credits any other forms of compensation should be considered by the Financial Professional in determining whether such compensation is a material conflict of interest that should be listed in the Disclosure Statement.

The Disclosure Statement provides space for the Financial Professional to disclose any material conflicts in addition to the commission percentage.

7. The completed and written Disclosure Statement must be delivered to the Customer and approved and signed by the Customer at the time of execution of transaction. (Note that other insurance company requirements may differ).
8. PTE 84-24 requires that the completed and signed Disclosure Statement must be maintained by the Financial Professional for a period of six (6) years, in a manner that is reasonably accessible for audit and examination.

DEFINED TERMS:

Best interest: This means that the Financial Professional must act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims, based on the investment objectives, risk tolerance, financial circumstances and needs of the retirement



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investor, without regard to the financial or other interests of the Financial Professional or any affiliate or other party.

Material conflict of interest: A material conflict exists when a person has a financial interest that a reasonable person would conclude could affect the exercise of its best judgment as a fiduciary in rendering advice to a plan or IRA. All cash and noncash compensation received by the Financial Professional for the sale of a Product using money from an IRA or other qualified plan should be considered in determining whether a material conflict of interest exists.

Other charges, fees, discounts: Charges, fees, discounts, penalties or adjustments which may be imposed under the recommended contract in connection with the purchase, holding, exchange, termination, or sale of the contract.