LEGG MASON
GLOBAL ASSET MANAGEMENT

Investment Products & Strategies

TAX-ADVANTAGED RETIREMENT SAVINGS

Investor Education

Traditional variable annuities (VAs) have long served as a tax-smart retirement savings option. But, in today's market environment, a renewed emphasis has been placed on Investment-Only Variable Annuities (IOVAs), which seek to keep costs low while harnessing the power of tax deferral.

Why IOVAs?

An **Investment-Only Variable Annuity (IOVA)** is an annuity that seeks to provide investors with a simple way to set aside taxable assets in a tax-deferred entity focused on investment. Unlike most traditional variable annuities, there are no additional riders to guarantee a specific death benefit or income stream. It is simply a tax-deferred account similar to a 401(k) or IRA, which you can access without penalty as early as age 59½. Investments in an IOVA involve fees and charges, including but not limited to sales charges, investment management fees and administrative expenses. **Investments in a variable annuity are subject to market risks, including loss of principal.**

Who may potentially benefit from Investment-Only Variable Annuities

- ✓ High income earners in the highest tax bracket with a large portion of investable assets in taxable accounts.
- ✓ Income earners expecting to be in a lower tax bracket after retirement.
- ✓ Investors at least 10 years away from retirement seeking to maximize the benefit of tax deferral.
- ✓ Those who have maxed out their 401(k) or IRA contributions and seek additional tax deferral.
- ✓ Investors with significant exposure to tax-inefficient investments.

Broad investment options

Most IOVAs offer a wide range of underlying funds, with many non-correlated asset classes and alternative strategies like those favored by hedge funds and institutional investors. As most IOVAs do not have an insurance component, the combination of lower fees and a broad mix of funds in a tax-deferred wrapper may help retirement investors build more long-term wealth.

Is an IOVA for you?

If any of these statements sound like you, you're an excellent candidate.

Growth and preservation of assets, not current income, is your primary investment objective

Retirement is more than 10 years away

Optimistic about future market performance

Wealth is largely held in taxable accounts

Taxes in retirement are expected to be lower than today

Higher marginal income tax rates relative to others

Why IOVAs? Because Americans are looking for ways to bolster their retirement savings.

54%

More than half of U.S. investors are worried about not having enough money for retirement.[1]

23%

Only 23% of American workers are very confident they will have enough money for a comfortable retirement.[2]

65

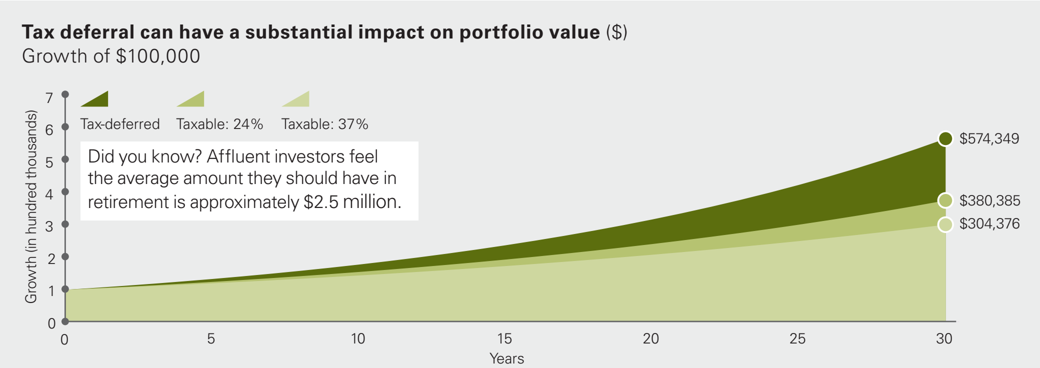
20-30 more years

Americans are living longer; today a person reaching age 65 can expect to live another 20–30 years.[3]

Diversification does not guarantee a profit or protect against loss.

[1] Source: April 2019 Gallup Poll. [2] Source: Employee Benefit Research Institute, April 2019. [3] Source: Social Security Administration.

See how far $100,000 can go



	1-year	5-year	10-year	15-year	20-year	30-year	Redemption value based on 24% tax rate	Redemption value based on 37% tax rate
Tax Deferred ($)	106,000	133,823	179,085	239,656	320,714	574,349	460,505	398,840
Taxable (24%($))	104,560	124,762	155,923	194,867	243,538	380,385	–	–
Taxable (37%($))	103,780	120,384	144,923	174,464	210,026	304,376	–	–

Past performance is no guarantee of future results. All investments involve risk, including possible loss of principal.

Sources: Legg Mason. Shows a compounded annual hypothetical 6% growth over 30 years, with and without taxes. Taxes assumed at 24% and 37% rates. This is a hypothetical example only and does not represent any specific investment product. Actual investments may include fees, charges and other expenses that would affect an investment's return. It assumes no distributions are made during these periods. However, lower maximum tax rates are capital gains and dividends would make the investment return for the taxable investment more favorable. Changes in tax rates and tax treatment of investment earnings may impact the comparative results. Actual returns will vary. Withdrawals of earnings from a tax-deferred account will be subject to ordinary income tax, and early withdrawals can be subject to an additional 10% IRS penalty charge and/or surrender charges tax. Investment return and principal value will fluctuate, and when redeemed, securities may be worth more or less than the original cost.

A smart addition to tax-deferred retirement savings

If you haven't sought tax-deferred retirement vehicles beyond a 401(k) and IRA, you're potentially forfeiting thousands of dollars to taxes every year — and hundreds of thousands over your lifetime.

An IOVA could help you reach your retirement savings potential if:

1. You've "maxed out" your annual contribution to other tax-deferred retirement savings vehicles such as 401(k), IRA, pension, etc.
2. You don't qualify for other retirement vehicles such as a Roth IRA.

What should I know before investing?

All investments involve risk, including possible loss of principal. Equity investments generally provide an opportunity for more capital appreciation than fixed income investments, but they are subject to greater market fluctuations. Fixed income securities may be subject to extension risk, which is the risk that the issuer will repay their obligations more slowly than the market anticipates in the event that market interest rates rise. Issuers also have the right to pay their payment obligations ahead of schedule in the event that market interest rates fall, subjecting securities to prepayment risk.

Confused about financial planning?

Your Financial Professional can help.
Talk to them about this and other investment strategies.

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Variable annuities are long-term, tax-deferred investment vehicles designed for retirement purposes. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Withdrawals made prior to age 59 ½ are subject to a 10% IRS penalty charge and/or surrender charges. Investments in a variable annuity are subject to market risks, including loss of principal. Guarantees are based on the claims-paying ability of the insurer. Variable annuities are sold by prospectus only.

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