

Any Questions?

Call (949) 862-1233

Understanding Custodial IRA Annuities

Lifetime Retirement Planning with Wells Fargo Advisors

Wells Fargo Clearing Services, LLC (also known as WFCS) serves as the custodian of your IRA at Wells Fargo Advisors. Among its other custodial responsibilities, WFCS is responsible for all tax reporting—which is one of the key benefits of having your annuity held in a custodial account.

Joe Peterson (IRA) WFCS as Custodian

Bonds

Mutual Funds

Annuities

Stocks

Cash

You may have many different types of assets in your IRA, including any combination of bonds, mutual funds, annuities, stocks, or cash. With a custodial IRA, you will receive one year-end statement with the ending values for each asset type, regardless of the assets held in your account. In addition, the Required Minimum Distribution (RMD) amount is calculated using the year-end value of all assets in that IRA and a single 1099-R is issued for distributions from that IRA. The RMD entire interest regulation requires that the actuarial present value of an annuity's "additional benefits" be added to the end of year account value for determining RMDs. This new value is known as the "entire interest." This may require a greater RMD than would have been required if only the account value was used in the calculation. Talk to your financial advisor for more details.

How a WFCS IRA works:

- **Custodian:** All distributions flow through your WFCS IRA to ensure proper tax reporting.
- **Owner:** WFCS is the Custodial Owner of the annuity; you are the Annuitant and the Beneficial Owner.
- **Beneficiary:** WFCS is listed as the Beneficiary of the annuity that is held in your custodial IRA. The beneficiaries you named on the WFCS IRA beneficiary designation form for that IRA will be entitled to those IRA assets. If there is no valid beneficiary form on file, your beneficiaries will be determined using the WFCS IRA Custodial Agreement & Disclosure Statement default beneficiaries.
- **Annuitant:** The person on whom the annuity contract is based and who is entitled to receive benefits from the annuity.

Benefits of a WFCS IRA:

- Consolidates IRA tax reporting and RMD calculations
- Includes your annuity in your household assets for fee waiver purposes
- Provides a consolidated view of your assets
- Assists with beneficiary planning

Beneficiary planning and designations

Because your WFCS IRA can hold your annuity along with your other investments, you will only need to designate your beneficiaries for the IRA not for any particular assets, such as the annuity, held in that IRA. When you receive your contract from the annuity carrier, you will notice that the owner and beneficiary will match the registration on your IRA account. In doing this, it allows the annuity company to “look through” to the beneficiaries designated on that WFCS IRA ensuring that your assets are distributed according to your instructions on file or if no valid beneficiaries on file the default beneficiaries in the WFCS IRA Custodial Agreement & Disclosure Statement.



Variable annuities are long-term investments appropriate for retirement funding and are subject to market fluctuations and investment risk.

Guarantees are based on the claims-paying ability of the issuing insurance company. Guarantees apply to minimum income from an annuity; they do not guarantee an investment return or the safety of the underlying funds. Insurance products are offered through nonbank insurance agency affiliates of Wells Fargo & Company and are underwritten by unaffiliated insurance companies.

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