

FAQ's

Q: What is the rating for EquiTrust?

A: EquiTrust Life Insurance Company Rating
A.M. Best Company "B+" (Good)

EquiTrust Life Insurance Company is rated B+ (Good) by A.M. Best Company for its relative financial strength and ability to meet its obligations to policyholders.

Q: Are Partial 1035 Exchanges out of policies allowed?

A: Since the IRS has only ruled privately, EquiTrust has chosen not to allow partial 1035 exchanges out of our contracts. Should the IRS ever establish rules governing the partial exchange of annuities between carriers, we will revisit our position at that time.

Q: What types of plans are accepted?

A: Effective 4/21/2010, EquiTrust **will no longer** accept the following types of qualified money*:

- 401(k)
- 403(b)
- 457
- 501(c)(3)
- Defined Benefit Plan
- Pension Plans
- Profit Sharing Plan
- Keogh / HR-10
- Plan money not listed above as an accepted class

*Money coming **out** of one of these plans and into an IRA (rollover, transfer, etc.) **will** be accepted by EquiTrust if such transactions are IRS approved).

EquiTrust **will continue** to accept the following classes of tax-qualified money:

- Traditional IRA
- SEP IRA
- Roth IRA
- SIMPLE IRA – Transfers only; no new or ongoing contributions

Confidence Income Annuity is available for non-qualified and IRA business only.

Q: [Is the Grantor of the Trust required to be the Annuitant for Trust-Owned Annuities?](#)

A: Grantor Trusts: An application for a trust-owned annuity will, generally, be viewed as unsuitable when the Grantor of the Trust and the Annuitant are not the same person. For other trust-owned annuity applications, the Trust Certification Form should be submitted with the application and other required new business forms. Suitability will be reviewed as with any other application.

Q: [Are clients reminded when they need to take an RMD?](#)

A: Yes, year end value letters are mailed each January to owners of qualified plans. Upon the anniversary of the owners 70½ birthday, an additional reminder letter along with a RMD withdrawal form is mailed to the owner.

Q: [Are clients with Certainty™/Certainty Select™ policies notified when their guarantee period ends?](#)

A: Yes, letters are mailed 45 days prior to the end of the guarantee period to remind them they have a 30-day window to decide what to do with the Accumulation Value of their contract. **The 30-day window begins PRIOR to their contract anniversary date.**

Q: [Can owners designate how their beneficiaries will receive the payout at their death?](#)

A: Yes, to designate the death payout, the owner will need to fill out the Beneficiary Designation with Restricted Payout Form - Non-Qualified (ET-2533NQ) or the Beneficiary Designation with Restricted Payout Form - Qualified (ET-2533Q).

Q: [When does the MVA apply?](#)

A: The Market Value Adjustment will only apply if the withdrawal amount exceeds the free withdrawal provision or the contract is surrendered during the surrender charge period. The MVA does NOT apply upon death, to most settlement options, to free partial withdrawals or after the surrender charge period is over.

Q: [Are Spousal Continuations allowed?](#)

A: Yes, if the spouse is listed as the sole primary beneficiary, they may choose to continue the policy.

Q: [Are joint owners allowed on NQ annuities?](#)

A: Yes, if they are spouses, they may be joint owners. It is highly recommended that the beneficiary on a jointly owned contract be listed as "surviving spouse". The distribution rules are applied upon the death of the first owner. Therefore, the entire interest in the contract would be distributed to the primary beneficiary(s) of the contract rather than the Joint Owner.

Q: [Does EquiTrust provide illustrations for index annuities?](#)

A: We do not provide illustrations for predicting future index growth. However, we have historical charts that compare each crediting account to past S&P 500 performance available on our "Sales Tools" link.

Q: Is there a Nursing Home Waiver available?

A: Yes, our Nursing Home Waiver Rider is available at no additional cost on all deferred annuities if the owner is age 80 or younger at issue. The full Accumulation Value, with no surrender charges, is available if confinement begins in contract year 2, and exceeds 90 days. See full waiver details on the Nursing Home Waiver Rider Specimen, available on the “Forms” link (Form 430-NHW).

Q: What are the turnaround times for Annuity New Business & Inforce Administration?

A: New Business - Cash with Apps: Issue within 48 hours
Transfer Apps: Send out transfer paperwork within 48 hours

Inforce - Financial transaction requests: 5-7 business days
Death Claims: 5-10 business days
Nonfinancial transaction requests: 5-7 business days

Q: What forms are accepted via fax?

A: Faxes accepted:

Agent Replacement Questions
(Section J of App)
Amendments
Beneficiary Changes
Delivery Receipts
Owner Changes
Partial Withdrawals or RMDs
Product Disclosures
Reallocation/ Rebalancing Changes
Service Request Form
Systematic Withdrawals
Trustee Certification Forms & Trust Documents

Original signatures required:

1035 Exchange or Transfers Out of EquiTrust
Applications
Death Claims
Financial Needs Analysis
Full Surrenders
Replacement Notices

Q: How are policies issued when there are multiple initial premiums expected?

A: Certainty/Certainty Select

Since Certainty and Certainty Select are single premium annuities, we will wait to issue until all premiums have been received. To determine the effective date, we use a weighted average calculation. This calculation is the sum of each premium multiplied by the date received, divided by the total premium. At the end of the guarantee period, the client will have effectively been credited interest for each day that we had all payments.

Index Annuities

The client may choose 1 of these 2 options for index annuities:

- Issue the policy when the first premium arrives. When the additional premiums arrive, they will be added to the 1-Year Interest Account.
- Client submits the Authorization to Hold Issue Form (ET-2504) and the effective date will be the date the last premium is received.

Confidence Income

Since the Confidence Income is a single premium annuity, we will wait to issue until all premiums have been received. The effective date is the date the last premium is received.

Q: When is the Delivery Receipt required?

A: Delivery Receipts are required to be returned for the following:

- All policies which generate a commission over \$25,000
- All Confidence Income Annuity policies
- All policies in these states: CA, LA, NH, PA, SD, WY

Q: What causes differences in Confidence Income Annuity payment amounts?

A: Payment amounts can be affected by:

- Annuitant's age (Life options only)
- Annuitant's gender (Life options only)
- Fixed Period election, if applicable
- State (premium taxes apply in resident states of CA, ME, NV, SD, WV, and WY)
- Qualified type (payments may vary between IRA and non-IRA qualified plans)
- Payment start date
- Payment frequency

Financial Needs Analysis

Q: Why did you change the Financial Needs Analysis form?

A: EquiTrust has always been committed to providing quality products through appropriate sales. Our current needs analysis program has been an industry leader in seeking to match products sold with client needs. We continually endeavor to improve and strengthen these efforts.

Q: The Account/Financial Profile information is very personal. What if my client does not want to provide that information? Will the application be rejected?

A: Unfortunately it is more likely that the business may not be accepted if questions are not answered. However, we understand page two contains information that some people may be uncomfortable providing. In rare situations where customers refuse to provide the requested information we may choose to contact them for a written explanation.

Q: If the application is a 1035 exchange/transfer, do you still need the financial information?

A: Yes – a completed form is required with each application.

Q: What responses on the form will cause the application to be rejected?

A: We will not be able to approve or deny an application until we review each submitted piece of information. Our process is to thoroughly review each case based on the responses provided by your customer.

Q: If an application is rejected, how will the agent/client be notified?

A: If a fax number is available we will fax to you a copy of the rejection letter sent to the client. Otherwise both will be sent via USPS mail.

Q: Once an application is rejected, can the agent/client appeal that decision?

A: No – in many cases we will have already been in touch with the agent and the client to discuss any questions or concerns and only after careful review would a rejection take place.

Q: If an application is rejected due to replacement issues, how long must my client wait before sending in a new application?

A: Since each case is different and reviewed on its own merits and responses provided by your customer, we are not able to provide specific timeframe requirements regarding replacements. As always, replacements should be necessary and in the best interest of the client. With that in mind, you shouldn't run into problems with rejections related to this situation.

Income For Life

Q: Can the Income Benefit Rider be elected at any time?

A: No, this is an optional rider that must be elected at issue of the Contract. It cannot be added to the Contract once it is in-force. In order to qualify for the Rider, the Owner and Annuitant must be the same person and Joint Owners must be spouses.

Q: What are Income Withdrawals?

A: Income Withdrawals are guaranteed amounts that may be withdrawn from the Contract for the life of the Owner(s), even if the Accumulation Value is depleted to zero. Income Withdrawals allow for a guaranteed stream of income for life without annuitizing. While taking Income Withdrawals, the Owner continues to maintain all of the benefits of the underlying deferred annuity. Income Withdrawals are not subject to Surrender Charge or Market Value Adjustment.

Q: Is there a charge for this Rider?

A: There is a charge for the Rider, equal to 0.50% of the Accumulation Value on each Contract Anniversary, after Interest and Index Credits are applied. The charge is guaranteed for the life of the Rider and will not change. The charge is deducted proportionately from each crediting account. The charge is not deducted from the Benefit Base or the Minimum Guaranteed Contract value. In the event that the Rider is terminated and the Contract continues, the charge will be deducted proportionately to the amount of time elapsed between contract anniversary and Rider termination.

Q: How soon can Income Withdrawals start?

A: Income Withdrawals can start anytime after the second contract year, as long as the Owner (and any Joint Owner) is at least age 50.

Q: How are Income Withdrawals Amounts determined?

A: The initial Income Withdrawal Amount is equal to the Benefit Base, multiplied by the Income Withdrawal Percentage. Each of these terms is defined below.

Subsequent Income Withdrawal Amounts are re-determined at each Contract Anniversary and are equal to the greater of the prior Income Withdrawal Amount, or the current Benefit Base multiplied by the original Income Withdrawal Percentage.

Benefit Base – This is a secondary value that grows separately from other Contract values and used solely to determine the Income Withdrawal Amount. It is equal to Premiums, plus applicable Premium Bonus, plus applicable Accumulation Value Bonus, less Withdrawals, accumulated at a 7% compounded rate for 20 years or to the start of Income Withdrawals, if earlier. The Benefit Base is not available upon surrender, death or annuitization.

Income Withdrawal Percentage – This is a percentage that is based on the Owner's age at the time they elect to begin Income Withdrawals. **A Single Owner can elect to take Income Withdrawals based on either a single life or joint lives (if spouse is sole beneficiary). Joint Owners must elect to take Income Withdrawals based on joint lives.**

Q: How may Income Withdrawals be taken?

A: Income Withdrawals may be taken monthly, quarterly, semi-annually or annually. Any mode other than annual must be taken EFT. Income Withdrawals will continue for the life of the Owner(s), even if the Accumulation Value is depleted.

Q: Are Income Withdrawal Amounts free?

A: Yes, once Income Withdrawals begin, the annual penalty-free withdrawal amount is the greater of 10% of the Accumulation Value, or the Income Withdrawal Amount.

Q: Can more than the Income Withdrawal Amount be taken?

A: Yes, after Income Withdrawals begin, the Owner can withdraw more than the Income Withdrawal Amount. Any amount withdrawn over the Income Withdrawal Amount is considered an Excess Withdrawal. Excess Withdrawals may be subject to Surrender Charges and Market Value Adjustment, if they exceed the free partial provision of the Contract. Excess Withdrawals reduce the Benefit Base and future Income Withdrawal Amounts proportionately to the decrease in the Accumulation Value. Excess Withdrawals are not allowed if the Accumulation Value is zero. Required Minimum Distributions are not considered Excess Withdrawals.

Q: In what situations can Income Withdrawal Amounts increase?

A: At the time Income Withdrawals begin, the Benefit Base is compared to the Accumulation Value. If the Accumulation Value is higher, the Benefit Base is set equal to the Accumulation Value and this is the amount used to determine the initial Income Withdrawal Amount.

On each Contract Anniversary after Income Withdrawals begin, the Benefit Base is compared to the Accumulation Value. If the Accumulation Value is higher, the Benefit Base is set equal to the Accumulation Value. Subsequent Income Withdrawals can increase if at any time the Benefit Base becomes higher than the original Benefit Base at the time Income Withdrawals began.

Q: In what situations can Income Withdrawal Amounts decrease?

A: Income Withdrawal Amounts can decrease from year to year if Excess Withdrawals are taken. Excess Withdrawals reduce the amount of future Income Withdrawals proportionately to the decrease in the Accumulation Value.

Q: Can Income Withdrawals be stopped and restarted?

A: Yes, the Owner(s) may elect to stop and restart Income Withdrawals. While Income Withdrawals are stopped, partial withdrawals in excess of the Income Withdrawal Amount will be considered Excess Withdrawals and will reduce future Income Withdrawal Amounts, in the event that the Owner(s) decides to restart Income Withdrawals. If Income Withdrawals are restarted, the Income Withdrawal Amount will be equal to the greater of the prior Income Withdrawal Amount adjusted for Excess Withdrawals, or the current Benefit Base multiplied by the original Income Withdrawal Percentage.

Q: How are additional Premiums handled?

A: Additional Premiums, plus any applicable bonuses, applied before Income Withdrawals begin are added to the Benefit Base. Additional Premiums are not allowed after Income Withdrawals begin, even if Income Withdrawals are subsequently stopped.

Q: What happens at the contract Maturity Date?

A: On the contract Maturity Date, if the Owner(s) elects a Life Only payout option, the annual annuitization payment will never be less than the annual Income Withdrawal Amount. If any other payout option is elected, the annuitization payment will be equal to that available under the Contract.

Q: What happens upon the Owner's death?

A: Upon death of the first Owner, the Rider terminates unless the surviving spouse elects Spousal Continuation, and is the sole beneficiary or the Joint Owner.

If Income Withdrawals have not started, the surviving spouse can start Income Withdrawals as early as the third contract year, as long as they are age 50. The Income Withdrawal Amount will be based on the current Benefit Base and the Single Life Income Withdrawal Percentage using the spouse's attained age.

If Income Withdrawals have already started and the surviving spouse is less than age 50, the Rider will automatically terminate and Income Withdrawals will cease.

If Income Withdrawals have already started and were based on joint owners, they will continue at the same amount until the death of the surviving spouse. If Income Withdrawals have already started and were based on single owners, the Income Withdrawal Amount will be recalculated as the current Benefit Base multiplied by the Single Life Income Withdrawal Percentage using the spouse's attained age.

Q: Can the Rider be terminated?

A: Yes, anytime after the second contract year, the Owner may terminate the Rider. The Rider automatically terminates in the following situations:

- Death of first contract Owner, unless spousal continuation is elected
- Full Surrender
- Annuitization
- Contract is Stretched
- Excess Withdrawals that reduce the Accumulation Value to zero
- Owner or Annuitant change, with some exceptions
 - ⊗ If owner is non-natural and ownership is changed to another non-natural owner
 - ⊗ If owner is non-natural and the owner is changed to the annuitant
 - ⊗ If owner is the annuitant and ownership is changed to a non-natural owner

Once the Rider is terminated it cannot be restarted.

Q: Is there different treatment for different types of withdrawals?

A: Yes, refer to the following grid for treatment of withdrawals.

Type of Withdrawal	Reduction to Accumulation Value	Reduction to Benefit Base	Reduction to future Income Withdrawal Amounts
Partial Withdrawal taken prior to Income Period	Dollar amount of withdrawal	In proportion to the reduction in Accumulation Value	Not Applicable
Income Withdrawal	Dollar amount of withdrawal	Dollar amount of withdrawal	Not Applicable
Excess Withdrawal	Dollar amount of withdrawal	In proportion to the reduction in Accumulation Value	In proportion to the reduction in Accumulation Value

Q: How are Income Withdrawals taxed?

A: In general, taxation of Income Withdrawals is similar to taxation of other partial withdrawals from the Contract. You should consult your tax advisor for specific tax advice. Income Withdrawals prior to age 59-1/2 may be subject to early withdrawal penalty. In states that recognize Civil Unions, the intention is to provide the same benefits as provided to spouses, however there may be adverse tax consequences as civil unions are not recognized on a federal level.

Stretch IRA

Q: What is a Stretch IRA?

A: A Stretch IRA gives a beneficiary the option to take distributions over an extended period, rather than all at once, which allows for longer periods of tax-deferred accumulation and helps minimize the tax burden of a lump sum distribution. This is an appealing feature for clients who wish to leave a financial legacy of their qualified assets for loved ones, and to provide a cash flow and tax advantages for future generations.

Q: How is a Stretch IRA established?

A: **Option 1 – Beneficiary elects to stretch at death of original owner.**

No additional paperwork is required from the original IRA owner. However, if the owner's intent is to provide beneficiaries the option to stretch when they inherit the account, the IRA owner must name a beneficiary (or beneficiaries) on the account. Upon the owner's death, the beneficiary has until December 31 of the year following the owner's death to elect a Stretch IRA.

When a beneficiary requests to stretch an IRA, the following information is required:

- Claimant Statement, form #ET-2700
Name of Beneficiary on this form must be worded "[original owner's name] IRA (deceased [date of death]) F/B/O [beneficiary's name], beneficiary." If only the beneficiary's name is listed, this will be treated as an immediate distribution of the account and all the proceeds will be included in the beneficiary's income.
- Stretch IRA Disclosure Statement, form #ET-2536
- Certified copy of Death Certificate
- Form W-9

Option 2 – Original owner elects restricted payout for the beneficiary.

This provides the owner the opportunity to discuss his/her wishes with the beneficiary, as well as documentation and peace of mind. In order to make this election valid, the beneficiary must also sign the Restricted Payout Qualified Contracts, form #ET-2533Q. Note that this restriction can be revoked at any time by the owner.

When the original owner requests to have a restricted payout, the following information is required:

- Names of beneficiary (or beneficiaries) on application
- Beneficiary Designation with Restricted Payout Qualified Contracts, form #ET-2533Q

Q: What will the beneficiary receive when they begin the stretch?

A:

- Specimen contract for the product that was purchased by the decedent
- Product specific Stretch IRA continuation agreement
- Stretch IRA RMD letter outlining the terms of the RMD payments to be sent to the beneficiary

Q: What if an IRA owner names multiple beneficiaries?

A: Each beneficiary can elect individually how their share of the proceeds will be paid out under the options that are available. Any beneficiary electing to stretch their share of the IRA will have an individual "subaccount" in which their portion of the proceeds are then segregated from the rest and tracked separately to account for any gains, losses, or distributions.

Q: Is it possible to have a Trust as beneficiary and still stretch the contract?

A: IRS regulations permit a trust to be named as beneficiary and the contract can be stretched as long as certain requirements are met. If the rules are complied with, the trust is considered a “see-through” trust. The IRS “looks through” the trust and uses the oldest trust beneficiary’s life expectancy as the “Application Distribution Period” or ADP. All trust beneficiaries must be individuals and the trust must be valid under state law and be irrevocable at the IRA owner’s death.

Q: What are the Required Minimum Distribution rules for beneficiaries?

A: ***If the IRA owner is over age 70-1/2 at the time of death:*** If required minimum distributions (RMDs) have already begun, the designated beneficiary must base RMDs for years after the year of the owner's death on the **longer of:**

- a. The beneficiary's single life expectancy; or
- b. The owner's life expectancy. The beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the owner's death, reduced by one for each subsequent year.

If the IRA owner is under 70-1/2 at the time of death:

The beneficiary can receive distributions over a period not to exceed the beneficiary's life expectancy. If no election is made by December 31st of the year following the owner's death, the distributions must be taken under the 5-year rule.

Q: Does EquiTrust accept IRAs that have already been stretched?

A: No, we do not allow stretched IRAs if the previous owner is deceased.

Other Information

- EquiTrust does not allow non-qualified policies to be stretched, however the original owner may restrict the distributions by completing the Beneficiary Designation with Restricted Payout Non-Qualified Contracts, form #ET-2533NQ.
- Currently, we will allow transfers out only; transfers in of already-stretched contracts are not accepted.
- Specimen contracts are available to beneficiaries considering a Stretch IRA.
- Additional contributions cannot be made to a Stretch IRA.
- The procedure for the penalty-free withdrawal is the same as all other EquiTrust Life policies. No surrender charges or MVA are applied on RMD amounts.
- The RMD is the minimum that is required. The beneficiary who stretches is able to take more than the RMD, but a surrender charge and/or MVA may apply if more than the penalty-free partial withdrawal amount is taken.
- Beneficiaries who elect to stretch an IRA may also name a beneficiary in the event of their death and prior to assets being depleted. In order to do so, a Beneficiary Designation, form #ET-2532 will need to be completed in addition to the paperwork listed above.
- To help you and your clients better understand the benefits of stretching IRA assets, see the "Stretch IRA" educational piece, form #ET-STR-1104