

Substantially Equal Periodic Payments

Income for Early Retirement

Standard Insurance Company's Substantially Equal Periodic Payments is an annuity income feature that takes advantage of IRS regulations to avoid early-withdrawal penalties from savings.

A Powerful Income Feature

The Standard's SEPP is an income-stream feature designed to capitalize on IRC sections 72(t) and 72(q), which permit penalty-free withdrawals from qualified and non-qualified annuities in Substantially Equal Periodic Payments.

The SEPP may be ideal for those early retirees who wish to begin receiving distributions from their retirement-savings accounts, perhaps supplementing an income until becoming eligible for pension or Social Security benefits.

It also may be great for anyone, retired or not, who has rollover funds from a qualified plan and would like penalty-free access to that money. Although taxable, the SEPP allows for distributions without the IRS 10% early-withdrawal penalty on qualified vehicles like TSAs, IRAs and pension plans. Even those older than age 59½ (and no longer subject to early-withdrawal penalties) may take advantage of the SEPP as a way to receive regular payments.



To be eligible for the SEPP, you must have a balance of at least \$25,000 in a new or existing eligible deferred annuity contract.

Tax Consequences

The payments generated from your initiation of a SEPP will generally be taxable in the year in which you receive them. The good news is that most people move to a lower tax bracket during this time of their lives and will likely pay less in taxes than they would have just a few years earlier. The amount of your payment that is deemed taxable will be based on the tax status of the funds under IRS guidelines; your financial advisor can tell you more.

If, instead of taking a SEPP, you chose to withdraw your savings in a lump-sum payment, you would immediately lose the tax-deferred status. In such a one-time payout, you would be required to pay taxes on the full amount you receive, as well as an IRS 10% early-withdrawal penalty if you are under age 59½.

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A subsidiary of StanCorp Financial Group, Inc.

12278 (01/05)

How Payments Work

Payments must be in Substantially Equal Periodic Payments and paid at least annually. You may choose to receive monthly, quarterly, semi-annual or annual payments. Each payment must be at least \$100, as calculated by one of the three IRS-approved methods. Payments will begin as requested upon receipt of all required paperwork.

Payments must continue for at least five years or until age 59½, whichever is later. The payment method may not be altered or stopped during this time period.

The Annuity Account

The annuity account will continue to be bound by the same contract terms in existence, including interest rates and guarantee periods. However, some changes do occur on selection of the SEPP.

- Additional withdrawals are not permitted from the annuity account.
- If in the contract, the Annuitization Bonus does not apply during payments of the SEPP.
- During the period allowable, additional contributions may be made only up to 30 days prior to the date of the first payment.

Options for Payment Calculation

The Standard offers all three calculation methods approved by the IRS.

Minimum Distribution Method : Lowest Payment

The payment varies each year, usually increasing over time. The amount is calculated annually by dividing the account balance, on December 31 of the preceding year, by a life expectancy factor.

Amortization Method : Moderate Payment

A level payment is calculated by amortizing the fund balance with a life expectancy factor. This method uses the lesser of the policy crediting rate at issue or 120 percent of the mid-term Applicable Federal Rate for the current month as the chosen interest rate in the calculation.

Annuitization Method : Highest Payment

A level payment is calculated by dividing premium by an annuity factor, determined by mortality and interest rates. This method uses 120 percent of the mid-term Applicable Federal Rate for the current month as the discount rate in the calculation.

Integrity and Stability

Since 1906, The Standard has been dedicated to treating customers with integrity — a philosophy that results in strong financial strength ratings.

The following applies if the annuity is purchased through a bank or a credit union: (a) the annuity is not a deposit; (b) the annuity is not guaranteed by any bank or credit union; (c) the annuity is not insured by the FDIC or any other governmental agency; (d) the purchase of an annuity is not a provision or condition of any bank or credit union activity; and (e) some annuities are subject to investment risk and may go down in value.

Riders: SWO-DEF (09/01)