

EquiTrust Life Insurance Company®
Policy on Joint Ownership of Fixed Annuity Contracts as of 09/2019

An applicant may request joint ownership of a fixed annuity because they are under the misconception that joint ownership of an annuity is like joint ownership of a bank account. It is not.

With a joint bank account, either of the persons named on the account can make a withdrawal from the account without permission from the other. With joint ownership of an annuity, the signatures of both owners are required to exercise the rights of ownership.

Further, if a withdrawal is taken from an EquiTrust annuity, the primary owner will receive a 1099 form. This means that the primary owner assumes the tax liability for the withdrawal, even if the entire withdrawal was spent by the joint owner. Any joint owner under age 59 ½ would also be liable for the 10% penalty tax on any taxable amount of his or her portion of the withdrawal.

Additionally, when a contract has non-spousal joint owners, the distribution at death rules are applied upon the death of the first owner. Depending upon the product and beneficiary designations used, this could mean that the entire interest in the contract would be distributed to the beneficiary(ies) of the contract, rather than to the Joint Owner.

If joint ownership by a married couple is desirable for other reasons, the primary beneficiary must be listed as “surviving spouse” for the spousal exception to the required distribution rules to apply. If someone other than the spouse is named as the designated beneficiary, or even if the spouse is the beneficiary along with another person, regardless if the surviving spouse is a joint owner, the spousal exception is lost. ***Some EquiTrust products provide an exception this, and state that upon the death of the first owner, the surviving owner is deemed the primary beneficiary. It is important that you are familiar with the product you are selling as well as the needs of the client to ensure that ownership is being structured properly.***

The desirability of joint ownership should always be carefully reviewed before naming more than one owner to an annuity. Any questions regarding the taxation of an annuity contract should be referred to a tax advisor.