

Understanding How We Are Compensated for Financial Services

Variable Annuities

What is a variable annuity?

A variable annuity is a contract issued by an insurance company, by which the insurance company invests your premium in separate accounts composed of stocks, bonds or other investments. The value of your contract will fluctuate with changes in the value of the separate accounts.

How are we paid for our services?

The insurance company pays Edward Jones a commission at the time you make your investment and typically ongoing trail commissions. The trail commissions are composed of fees and charges imposed under the variable annuity contract, the separate accounts and other sources.

Depending on the pricing structure of the variable annuity, you may pay the insurance company a premium-based charge or sales charge over a period of time, a front-end sales charge when you make an investment, and/or a contingent deferred sales charge ("CDSC") if you liquidate, surrender or withdraw all or a portion of your annuity within a certain time period.

If you surrender your variable annuity before the age of 59½, some or all of the surrendered value may be subject to a 10% penalty under the Internal Revenue Code. Please consult your tax advisor for further details.

In addition to sales charges, variable annuities have ongoing operating expenses that reduce your investment returns. These expenses "pay" the insurance benefit fees, administrative fees, distribution and marketing fees, investment management fees and securities transaction fees. There may also be an additional ongoing expense to add an optional benefit to the contract, such as a withdrawal benefit or an enhanced death benefit.

Revenue Sharing – Certain insurance companies may pay Edward Jones additional amounts known as revenue sharing. For information about revenue sharing, please see www.edwardjones.com/revenuesharing.

Inforce Contract Service Fees – Edward Jones has entered into inforce contract service agreements with certain insurance companies to provide support of certain issued and outstanding annuity contracts. We receive payments for providing these services. For information about inforce contract service fees, please see www.edwardjones.com/revenuesharing.

How does the pricing structure impact the sales charge and annual costs you pay?

Premium-based Charges – When you purchase certain variable annuities, you pay a premium-based charge or sales charge over a period of time, typically seven years. The premium-based charge or sales charge is an amount equal to a fixed percentage of the amount you invest in the contract. This fixed percentage will decrease as the amount of your investment increases above certain levels. The resulting reduced charges are known as breakpoint discounts. The annual operating costs of a variable annuity with this pricing structure are typically comparable to or slightly higher than those of a variable annuity that carries a front-end sales charge. Today, Edward Jones only offers this type of variable annuity pricing structure for new purchases.

You may also pay a CDSC to the insurance company when you liquidate, surrender or withdraw all or a portion of your annuity within a certain time period, typically seven years. The CDSC will reflect breakpoint discounts and will decrease each year until it reaches zero. Edward Jones does not receive a commission or share in any CDSC assessed by the annuity provider as part of a surrender or liquidation.

Front-end Sales Charges – For certain variable annuities, when you make an additional contribution to your contract, you pay a front-end sales charge which is deducted from your investment amount. Generally, the amount of the sales charge, as a percentage of your investment, is reduced as the amount of your investment increases above certain levels. The reduced charges are known as breakpoint discounts. The annual operating costs of a variable annuity with

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this pricing structure are typically comparable or slightly lower than those of a variable annuity for which you pay a premium-based charge.

Other Pricing Structures - In certain circumstances, Edward Jones may hold a variable annuity you purchased before premium-based charges or front-end sales charges were available either from Edward Jones or at another firm. These annuities will have a different or unique pricing structure than those listed above. Generally, you pay a CDSC to the insurance company when you liquidate, surrender, or withdraw all or a portion of these annuities within a certain time period, typically seven years. The annual operating expenses of variable annuities with these types of pricing

structure are typically higher than those of a variable annuity for which you pay a premium-based charge or front-end sales charge.

How is your financial advisor compensated?

Your financial advisor receives a percentage of the commissions and also a portion of any ongoing trail commissions paid to Edward Jones by the insurance company. The trail commissions are composed of fees and charges imposed under the variable annuity contract, the separate accounts and other sources. The total revenue that Edward Jones receives affects Edward Jones' overall profitability and thus may affect any branch bonus your financial advisor receives.