Your guide to annuitization

The Vanguard Variable Annuity is issued by Transamerica Premier Life Insurance Company and, in New York State only, by Transamerica Financial Life Insurance Company.
Learn how annuitization can help you meet your retirement needs

If your long-term goal is to have a steady flow of income during retirement and reduce the risk of outliving your assets, you might want to consider annuitization. By converting your annuity contract into regular payments, you can stretch your retirement savings into a guaranteed lifetime stream of income.* We’ll help you decide if this is the right approach for you and your unique financial situation.

*The lifetime income guarantee is subject to the claims-paying ability of the insurer who issues the contract and not to the performance of the underlying investments.
Questions to ask when considering annuitization

When you annuitize a contract, its accumulated value is converted into regular income payments that can last for a specific number of years or for life. Because you receive a guaranteed income stream, annuitizing can help protect your standard of living in retirement.

Keep these questions in mind when evaluating your particular situation.

Why should I annuitize? Guarantee yourself—and someone else, if you wish—an income stream for life. You can have more confidence in your financial situation, knowing that you may be less likely to outlive your money. As an alternative to annuitizing, you can either arrange for systematic withdrawals or you can make withdrawals whenever you want. However, while these options give you flexibility and greater control over your assets, your payments aren’t guaranteed for life.

When is the best time to annuitize? Everyone’s situation is unique. The best time to annuitize could be at retirement or whenever you need to replace other sources of income.* Generally, the longer you delay annuitizing your contract, the fewer payments you’ll receive and, therefore, the larger each payment will be. Conversely, if you begin receiving payments at a younger age, the payments will be smaller, but they will last as long as you live (or for the period of time you choose).

How much income can I receive by annuitizing? The income you receive depends on the amount you convert, your life expectancy, interest rates, and the payment option you choose.

Can I change my mind after annuitizing? No. The decision to annuitize is final. And once you choose an annuity payment option, that decision is also final. When you annuitize, the accumulated value of your contract is converted to an income stream, and you won’t be able to make withdrawals from your annuity outside of your selected payment option. It’s a good idea to have funds available outside of your annuity to cover unexpected expenses that might arise.

*Payments taken before age 59½ may be subject to a 10% federal penalty tax, unless an exception applies.
Personalize your payments to meet your priorities

By choosing the appropriate payment option and calculation method when you annuitize your Vanguard Variable Annuity, you can tailor your income stream to meet your needs and, if you wish, those of your spouse or others.

Choose a payment option

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<tr>
<th>Payment Option</th>
<th>Description</th>
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<tbody>
<tr>
<td>Life annuity</td>
<td>If you choose yourself as the annuitant, you’ll be guaranteed income for as long as you live. However, payments will stop upon your passing, and nothing will be paid out to your heirs.</td>
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<tr>
<td>Joint and last survivor annuity</td>
<td>If there are two annuitants, such as you and your spouse, payments will continue as long as either of you is living. The survivor, or joint annuitant, can receive payments that are 100%, 75%, or 50% of the original amount.</td>
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<tr>
<td>Life annuity with period certain</td>
<td>You’ll receive payments for life, with a minimum guaranteed payment period ranging from 10 to 30 years. If you die before the period ends, your designated beneficiary receives the remaining payments.</td>
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<tr>
<td>Period-certain annuity</td>
<td>You’ll receive payments for a specific period ranging from 10 to 30 years. If you die before the period ends, your beneficiary receives the remaining payments. This option is available only with fixed payments.</td>
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Source: Morningstar, Inc., as of December 2016. The Vanguard Variable Annuity has an average expense ratio of 0.52%, versus the annuity industry average of 2.26%; excludes fees for optional riders. Actual expense ratios for the Vanguard Variable Annuity range from 0.40% to 0.71%, depending on the investment allocation. The expense ratio includes an administrative fee of 0.10% and a mortality and expense risk fee of 0.19%. The expense ratio excludes additional fees that would apply if the Return of Premium Death Benefit Rider or Guaranteed Lifetime Withdrawal Benefit Rider is elected. In addition, contracts with balances under $25,000 are subject to a $25 annual maintenance fee.
Decide how your payments will be calculated

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<tr>
<td>Fixed payments</td>
<td>Receive the same payment amount for the length of the payment period, without adjustments for inflation. Keep in mind that if you choose this option, your payments may not keep up with the cost of living or inflation.</td>
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<tr>
<td>Variable payments</td>
<td>Allocate your assets among a diverse range of investment portfolios. The first payment will be based on an assumed interest rate (AIR) of 4%. Subsequent payments will vary depending on how your investments perform. You can change your allocation, within certain limitations, without tax consequences.</td>
</tr>
<tr>
<td>Combination payments</td>
<td>Combine the predictability of the fixed option with the growth potential of the variable option by allocating part of your assets to each.</td>
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Variable annuities are long-term vehicles designed for retirement purposes and contain underlying investment portfolios that are subject to investment risk, including possible loss of the money you invest.
How your income payments will be taxed

Each annuity payment returns to you a portion of your original investment and a portion of your accumulated earnings. The way your annuity payments will be taxed depends on whether your Vanguard Variable Annuity was funded with qualified or nonqualified money.

Qualified accounts
If you purchased your annuity with a rollover of qualified pre-tax money, your entire payment will be taxed as ordinary income.

Nonqualified accounts
If you purchased your annuity with nonqualified after-tax money, you’ll owe income tax only on the earnings. Your nonqualified annuity payments will be calculated differently depending on the payment option you choose.

• Fixed payments. We determine your exclusion ratio, or a measure of the amount that isn’t subject to income tax because it’s considered to be a return of the original money you invested. For example, if your exclusion ratio is 80%, only 20% of the amount of your payments will be subject to income tax, at ordinary income tax rates.

• Variable payments. We calculate the taxable portion by dividing the amount you annuitize by the total number of expected payments. This dollar amount represents the portion of each payment that won’t be taxed. The remaining portion of each payment is taxable at ordinary income tax rates.

Keep in mind that your annuity payments may eventually become fully taxable. Once the money you originally invested has been returned to you—typically after you’ve lived beyond your life expectancy—you’ll owe income tax on the full value of each remaining payment. Also, several states levy a tax on the value of your annuity when you annuitize. For details, consult the prospectus or call us.

Payments taken before age 59½ also may be subject to a 10% federal penalty tax, unless an exception applies.
We’re here to help

Call our licensed annuity specialists at 800-462-2391 to discuss your distribution options. We can help you decide whether annuitization is right for you, walk you through the entire process, and help you complete the necessary paperwork.

If you want to know how the tax implications of annuitization will specifically impact you, you should consult a tax advisor or attorney. Vanguard can’t offer tax advice or recommend a specific annuity distribution option.

KEY TERMS

Annuitant
The individual whose age will be used to calculate annuity payments.

Annuitization
The conversion of a lump sum of money into an income stream that lasts for an individual’s life, for as long as either the annuitant (and/or joint annuitant) is living, or for a specific number of years.

Assumed interest rate (AIR)
The rate of return used to calculate the first variable payment. Subsequent payments will be higher or lower, depending on whether the actual rate of return during the payment period is higher or lower than the AIR. The AIR isn’t a guaranteed rate of return.

Fixed payments
Annuity payments that remain the same for the life of the annuitant.

Period certain
The number of years for which the issuing company agrees to make annuity payments.

Variable payments
Annuity payments whose value fluctuates with the performance of the underlying investments.
This material was prepared for general distribution. It is being provided for informational purposes only and should not be viewed as an investment recommendation. If you need advice regarding your particular investment needs, contact a financial professional.

The Vanguard Variable Annuity is a flexible-premium variable annuity issued by Transamerica Premier Life Insurance Company, Cedar Rapids, Iowa (NAIC No. 66281), and in New York State only, by Transamerica Financial Life Insurance Company, Harrison, New York (NAIC No. 70888). Form No. VVAP U 1101 (in Florida, Form No. VVAP U 1101 (FL), in Oregon, Form No. VVAP U 1101 (OR)(R), and in New York, VVA NY 0208 (R13)). GLWB Rider Form No. RGMB 43 0811 (in Florida, RGMB 43 0811 (SI)(FL)), RGMB 43 0811 (JT) (FL), in Oregon, RGMB 43 0811 (SI)(OR), RGMB 43 0811 (JT)(OR), and in New York, RGMB 43 0811 (SI) (NY)(REV), RGMB 43 0811 (JT)(NY)(REV). Return of Premium Death Benefit Rider Form No. VVA RP 0811 (in Florida, VVA RP 0811 (FL), in Oregon, VVA RP 0811 (OR), and in New York, VVA RP 0811 (NY)(REV)), without agent representation. Policy and rider form numbers may vary by state and may not be available in all states. The Vanguard Group administers the Vanguard Variable Annuity for the issuer. Its variable annuity and investment costs rank among the lowest in the industry, according to Morningstar, Inc., December 2016.

The Vanguard Group, Transamerica Premier Life Insurance Company, and Transamerica Financial Life Insurance Company do not provide tax advice. Investors are encouraged to consult a tax advisor for information on how annuity taxation applies to their individual situations.

Same-sex couples have the right to marry in all states. The parties to each marriage that is valid under the law of any state will be treated as a spouse as defined in this policy. Individuals in other arrangements, such as civil unions, registered domestic partnerships, or other similar arrangements, that are not recognized as a valid marriage under relevant state law will not be treated as married or as spouses as defined in this policy for federal tax purposes. Please contact a qualified tax advisor prior to purchasing to discuss how exercising spousal continuation benefits under this contract or any rider benefits may affect you. Please refer to the Vanguard Variable Annuity prospectus for more information.

For more information about Vanguard variable annuity products, visit vanguard.com to obtain fund and variable annuity contract prospectuses or, if available, summary prospectuses. Investment objectives, risks, charges, expenses, and other important information about the product are contained in the prospectus; read and consider it carefully before investing.