INCOME Promise Select® | Case study

A simplified approach to managing trust payments

Administering a trust can be a complex process. In addition to ensuring that the trust is managed properly, many times the trustee is required to provide an ongoing payment stream to the trust beneficiary. That's where a single-premium immediate annuity (SPIA) such as INCOME Promise Select® might help.

Using a trust to purchase an immediate annuity

Using a trust to purchase an immediate annuity for the trust beneficiary, with the trust beneficiary as the payee, allows them to receive monthly payments directly from the annuity provider without the trustee's involvement.

This helps trustees to:

- Simplify the payment process by removing themselves from the monthly task of receiving and making payments
- Meet the obligation of providing a monthly income stream for as long as the beneficiary is alive
- Select a cash refund option to ensure that the beneficiary of the policy (the trust) will receive any remaining unpaid premiums in a lump sum, even if the annuitant (the trust beneficiary) passes away before the entire premium of the policy is paid out
- Change the payee at any time if they would like to make the trust the recipient of the payments in the future

The tax-efficient angle

With a trust-owned immediate annuity, the trust can pass the taxable portion of the annuity payments on to the trust beneficiary rather than the trust, because the trust beneficiary is the recipient of the taxable income.

Why is this important?

In general, individual income taxation results in less tax being owed when compared with trust income taxation.

For instance, in 2026, the highest income tax rate for a trust is 37% on income over $13,451, whereas an individual taxpayer doesn't reach the 37% tax bracket until income is over $539,901.

ON THE NEXT PAGE
How could a financial professional help simplify the payment process for a trustee and help protect trust assets for the beneficiary?

Meet Ian and James

Ian has recently been made the trustee of a trust that was funded at the death of his mother; it will provide an income stream for his father, James, age 60. The income stream can consist of both earnings and trust principal. The terms of the trust require Ian to provide an ongoing payment stream of $10,000 a year, paid monthly, to James, the trust beneficiary. To help simplify the payment process, Ian decides to use the funds from the trust to purchase an INCOME Promise Select single-premium immediate annuity with a cash refund payment option.

Let's take a look at the figures.

Trust beneficiary age: 60

Product type: A nonqualified single-life SPIA with a cash refund payment option

Premium amount: $156,127[1]

Trust payment requirement: $10,000 a year, paid monthly

TOTAL MONTHLY PAYMENT

$833.33, of which:

Taxable gain	Tax-free return on investment
$343.50	$489.83

YEARLY TOTALS

Taxable gain	Tax-free return on investment
$4,122	$5,878

Cash refund payment option

If James were to pass away in 5 years, only $50,000 of the premium would be paid out.

Because Ian selected the cash refund payment option, the remaining $106,127 would be paid as a lump sum back to the trust as the beneficiary of the annuity policy.

As the trustee, Ian is then required to handle the remaining funds (reinvest, disburse to other trust beneficiaries, etc.) according to the terms of the trust.

The bottom line

INCOME Promise Select provides a simplified, straightforward product solution to an income planning issue that trustees might be seeking to solve by:

- Providing a way for the trustee to meet their payment obligation under the trust
- Helping to mitigate the risk of the trust beneficiary outliving trust assets
- Ensuring that the full value of the annuity is paid out

[1] This figure assumes rates for a 60-year-old man generating $10,000 a year paid monthly as of June 29, 2026.

We're here to help

If you'd like to learn more about this Nationwide income solution or how our annuity products could help your clients meet their income and wealth transfer goals, contact our Annuity Solutions Center at **1-800-321-6064,** or speak with your local Nationwide annuity wholesaler.

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