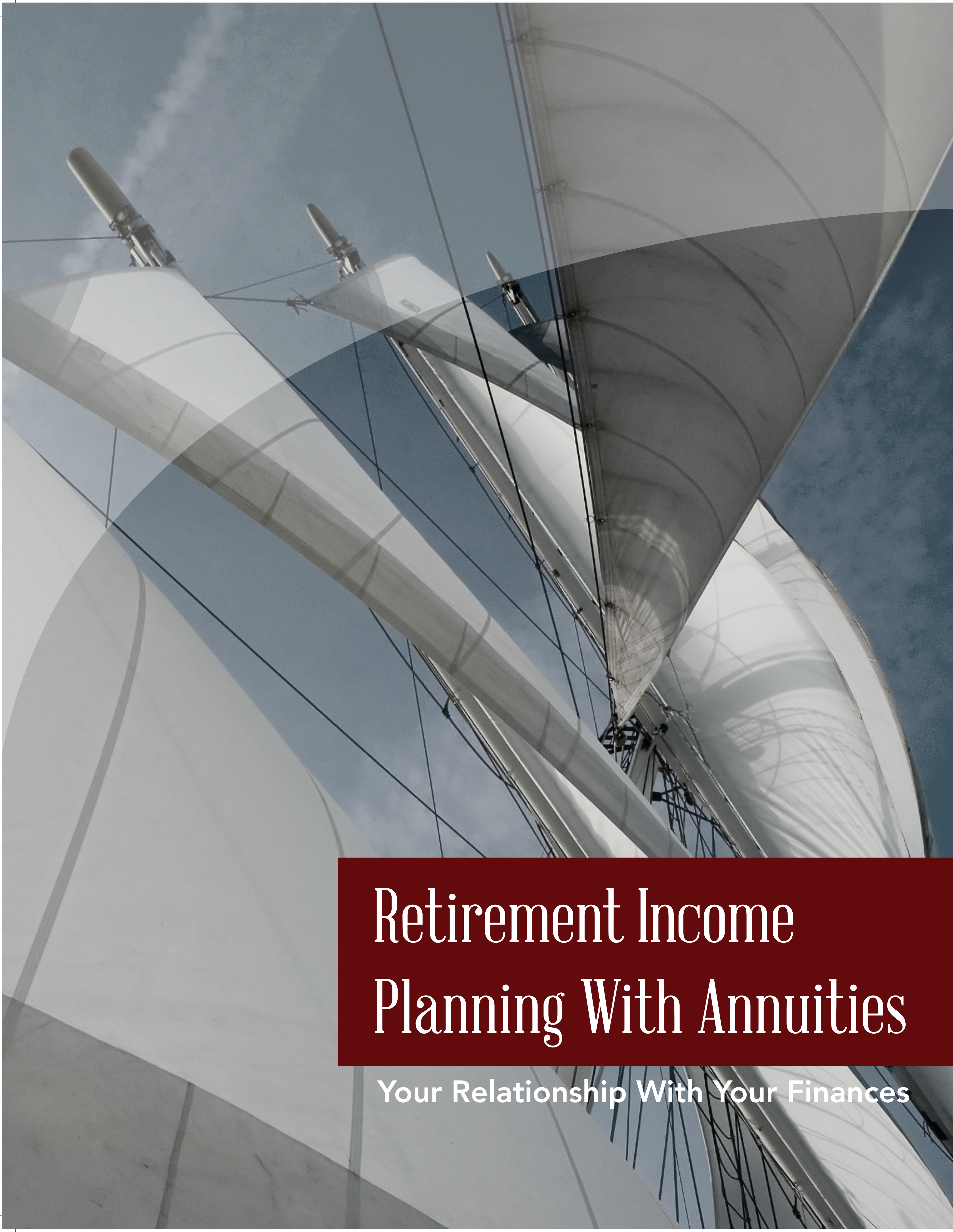

Retirement Income Planning With Annuities

Your Relationship With Your Finances

There are some pretty amazing things that happen around the time of retirement. For many, it is a time of incredible change, perhaps the most dramatic change in your adult life. Unlike marriage or the birth of your children, you might not be surrounded by family and friends ready to chip in and help when it comes retirement day.

For some, retirement might seem like you are sailing off into the sunset or beginning a permanent vacation.

To you, it might be one of the scariest things you have ever done. If you have experienced some level of financial success, it's because you watched your budget and made sure that you set aside a little bit every month or every year – preparing for this day.

Now you have stepped away from the career that supported you and your family. Perhaps you have successfully put your children through college and paid off your mortgage. A traditional view of retirement would also have you flip a magic switch that will change you from a "saver" to a "spender." That paycheck you have been receiving for the last 40 years is now gone, and it's time to turn your carefully managed retirement plan into a lifetime income.

MANAGE. DEFINE. UNDERSTAND.

Your Relationship With Your Finances

Typically, there are three major changes in the relationship with your finances that occur upon retirement:

- Managing your lifestyle change
- Defining your attitude about investment risk
- Understanding how your savings will be affected

Managing Your Lifestyle Change

"Plans are nothing; planning is everything." - Dwight D. Eisenhower

You may have a vision of what you think your retirement will be like: spending more time with family, traveling or enjoying a favorite pastime. Maybe you even created a financial plan with these visions in mind. You never really know what life has in store for you. The plans you made need to be living and adaptable to ensure they accommodate the reality of your retirement.

There is no better time than the present to review your retirement plans. It is crucial that your assets are structured to grow and generate needed income, but also remain flexible enough to address the unexpected.

Defining Your Attitude About Investment Risk

When you were in your 30s and 40s, it was easy to have a cavalier attitude about what the stock market was doing. You had two things on your side:

- Time
- Steady income from employment

You had time for the market to recover, and you could ride out the ups and downs. It is possible as you near retirement, you no longer have the luxury of time. It is not feasible for you to wait for the economy to bounce back or the stock market to right itself. If you experience a market loss of 20 percent, you might have to learn to live on 20 percent less income for the foreseeable future.

Additionally, if your account were to lose 20 percent, a corresponding 20 percent recovery would not get you back to "whole". In order to recoup the loss, you would actually need a 25 percent gain.

For example, if you had $100,000 and lost 20 percent, your new balance would be $80,000. If the account grew in the following year by 20 percent, the account balance would be $96,000.

In years past, you probably had a regular income stream. If the need arose, you could set an additional amount aside to help get your savings back on track. While working full time and earning an income, you may have had quite a different attitude about your money. Your biggest income producing asset was yourself! Once that asset stops producing income, your other assets are too important to leave to chance.

Understanding How Your Savings Will Be Affected

Managing income: Structured or self managed

For much of your adult life you might have become accustomed to getting a paycheck twice a month, and paying your bills once a month. This constant and structured flow of money in and money out is something that might be second nature to you.

During retirement, your employment paychecks stop and perhaps your Social Security benefits begin. Any additional income you require will need to be created by you. You can either create a new stream of structured income or try to manage the existing income on your own. Creating regular income from a lump sum of money can be more complicated than it appears.

Every year, your account undergoes changes. The market has gone up or gone down – or some amount of interest has been credited. For some accounts, fees will be taken out to cover expenses and riders. As you examine your statement, you need to decide how much to withdraw to maintain your standard of living for the upcoming year, factoring in taxes and the effects of inflation.

Improvised income can be quite dangerous in retirement. Whether the market is up or down, you will still need income every year. In a down market, these systematic withdrawals will exhaust your savings more quickly.

Typically, people feel much more secure knowing that structured income can create regular, secure income for the rest of their lives.

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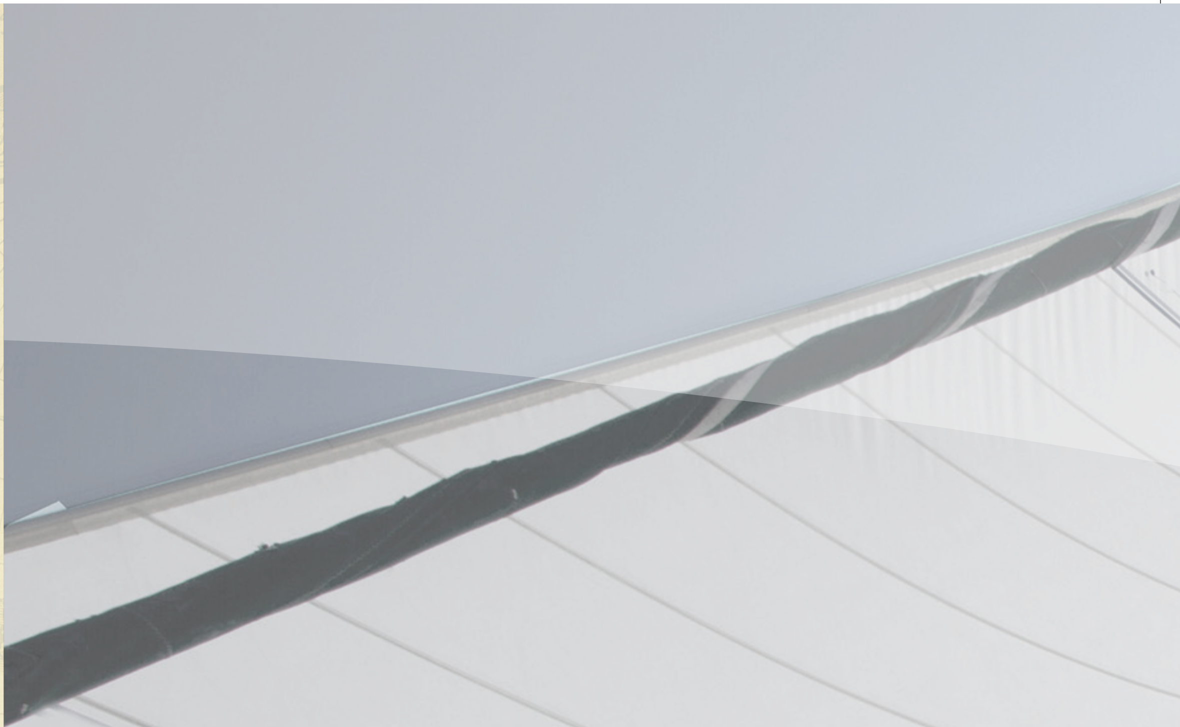

Solutions

How do you address these realities and create a lifetime income for your retirement?

The good news is you are not the only person to wrestle with these challenges and there is a solution.

What you need is a safe harbor for your retirement assets, a vehicle that can:

- **Outpace inflation and give you the growth you need**
- **Provide protection against market risk**
- **Create an income stream that is self-managing and perpetual**

Financial service companies have created products that specifically address these needs and have proven to be a fit for retirees. These products are called fixed indexed income annuities, and they offer benefits such as:

- **Growth**
- **Structured income**
- **Lifetime income**

Growth

Indexed annuities are like other annuities, but instead of growing by an interest rate that is declared by an insurance company, they are linked to the performance of a market index. As opposed to a variable annuity that can go up or down in value and doesn't protect your principal, an indexed annuity has built-in safeguards that ensure your principal, as well as past gains, remain protected.

It is important to note that indexed annuities rarely, if ever, include any fees that would be deducted from your account. On the other hand, variable annuities typically have fees that are assessed even if the market goes down.

For instance, a variable annuity often contains a variety of charges and fees. These fees can increase if you add optional riders to your policy. The basic fees associated with variable annuities are Mortality and Expense Risk Charges and administrative fees which average around 1.4 percent. Also, the underlying sub-accounts carry their own fees which average around 1 percent. If you add an income rider or death benefit rider, these fees can easily exceed 4 percent per year. In order to break even from these charges, the sub-accounts would need to grow by 4 percent each and every year.

Structured, Lifetime Income

Financial tools are designed to do specific things. For example, life insurance pays a lump sum amount to beneficiaries. Checking accounts are used to pay bills and manage short-term cash. Health insurance helps pay medical bills.

Income annuities are specifically designed to create income – either today or at some point in the future. When you place a lump sum into an income annuity, the plan is custom designed to address a primary retirement need: on going income.

If income is not needed right away, these products contain a provision commonly referred to as a "roll up".

http://www.sec.gov/investor/pubs/sec-guide-to-variable-annuities.pdf

Fixed indexed income annuities offer benefits such as GROWTH, STRUCTURED INCOME and LIFETIME INCOME.

The Advantage Group Research

In 2003, The Advantage Group, a nationally-recognized annuity research group, published a study demonstrating how a fixed indexed annuity would have performed during the very turbulent five-year period from September 30, 1998 to September 30, 2003. The study examined the performance of the mere (14) fixed indexed annuities that were available in 1998 and averaged their credited interest over that time frame.

Over the five-year period, fixed indexed annuities that reset annually averaged 35.67 percent in interest. This resulted in a return of more than 7 percent per year during a period of time when many retirees lost large sums of money.

Taking Control Of Your Retirement Savings

Even though the number of workers retiring with a traditional pension are at all-time lows, the need for guaranteed income in retirement continues to be extremely important.

There are several scenarios where qualified plans such as 401(k)s, 403(b)s and IRAs can be transferred into an annuity. Many annuities can offer the income dependability of a traditional pension, but with greater flexibility and enhanced retirement features. Establishing a guaranteed income stream through the purchase of an individual annuity creates a level of financial security many retirees find comforting. Additionally, you may be able to reduce the amount of fees and charges inside your savings plan by transferring your retirement savings from a company-sponsored plan to an individual annuity you choose. Understanding the transition from your working years to your retirement years is an important step. If creating financial stability and a dependable income is one of your retirement goals, purchasing a properly structured annuity is an important solution to consider.

The Income Annuity "Roll Up"

Depending on your future income needs, an income vehicle can be structured and set in place to create that income for you.

If you need income in the near future, it is possible to set aside that money today and take advantage of an income annuity that includes a "roll-up" value. If you use a "roll-up" type of income annuity, each year the value available for a lifetime income increases by a set amount. This increase will continue until you begin taking income, regardless of market performance. This guarantee* (feature?) provides excellent financial peace of mind that your investments are growing, even with an uncertain economy or volatility in the stock market.

These products don't just generate income for a few years, rather, they create an income stream that is contractually guaranteed* to last the rest of your life. These contracts can be set up for individuals or spouses who need stable income and potential growth.

For all these reasons, a fixed indexed income annuity has become one of the most popular options for retirees looking to protect their assets and prepare for a successful retirement. It may be a great fit for you!

Let's take a look at some of the concepts and terminology that you might encounter as you research fixed indexed income annuities that fit your situation.

Indexing

An indexed annuity is an insurance contract linked to a common market index, such as the S&P 500. If the index experiences a gain, you are entitled to share in the earnings. If the index experiences a loss, your account is protected against that loss with a modest baseline rate. Indexed annuities are fixed annuities that provide an opportunity to potentially earn more interest than other safe money alternatives. The indexed annuity returns vary based on participation in a market index, and unlike variable annuities, you are insulated against market losses. Growth potential for indexed annuities can be strong, and has returned over 15 percent in the past.

Incorporating indexed annuities into your overall retirement plan can afford you the following benefits:

- Safety and guarantee of principal
- Minimum guarantees
- Tax deferral
- Penalty-free withdrawal and liquidity options
- Guaranteed lifetime income*
- Stock market index-participation growth
- Probate avoidance
- Ability to select and customize enhanced features, such as:
    - Guaranteed growth rates
    - Lifetime income (Based on either single or joint life)
    - Death benefit
    - Health care protection

Here is an example of how a fixed indexed annuity with an income rider works.

STAN SMITH IS **63 YEARS OLD.** HE HAS **$100,000 TO INVEST** IN A PRODUCT THAT WILL PROVIDE HIM INCOME IN 10 YEARS. BY PLACING THE MONEY IN AN ANNUITY CONTRACT WITH A **7 PERCENT INCOME RIDER,** STAN IS GUARANTEED* TO HAVE **$196,715** IN HIS INCOME ACCOUNT **AT AGE 73,** AS LONG AS HE DIDN'T TAKE ANY DISTRIBUTIONS DURING THOSE 10 YEARS. **AT AGE 73,** STAN WOULD BE **GUARANTEED* $11,803 ANNUALLY** FOR AS LONG AS HE LIVES, ASSUMING A **6 PERCENT PAYOUT FACTOR.**

Annual Reset

Most fixed indexed annuities utilize a concept known as annual reset. This strategy allows interest earned to be "locked in" annually, and the index value is "reset" at the end of each year. This means that future decreases in the stock market will not affect the interest already earned. Annual reset can potentially offer higher credited interest than other methods should the stock market fluctuate. It also increases policyholder value and allows an index credit to be added to the index account on each anniversary. The anniversary date is the actual day the annuity was purchased. Once added, the credit is "locked-in" and can never be taken away, even if the index performs negatively in the future. The index credit of your initial premium now becomes the guaranteed index account "floor" which participates in all index crediting moving forward. This new amount will participate in future index growth, giving you the advantage of compounding. Additionally, the index starting point is reset each year on the anniversary of your policy.

This strategy is extremely beneficial when the index experiences a severe downturn or loss during the year. The account will not participate in any losses during the contract year and will still be credited from that point forward.

This an ideal product solution if you are looking for the potential of market index participation returns without any risk of loss. Your indexed annuity contract with the annual reset feature does not have to make up previous losses in order for the annuity to earn additional interest. Each contract year, the index's ending value becomes next year's starting value.

Income Rider

A lifetime income benefit rider allows you to take lifetime income from your indexed annuity without losing control of your retirement assets. Income riders are designed to provide safety of investment, predictability, guarantees, lifetime income and financial clarity to people who are worried about running out of money in retirement.

At the time of annuity purchase, insurance companies will offer you the option to add an income rider to the policy. This is possible because the lifetime income is in the form of regular withdrawals from your annuity rather than annuitized payments. Most income riders will guarantee a set amount of growth each year for the life of the contract which is determined by multiplying your income account value by a guaranteed income percentage. The guaranteed income percentage is based upon your age at the time you elect payments.

You also have the ability to stop and restart the guaranteed income benefit at your sole discretion. An important feature of the income account is the visibility of the account balance. This is important because the value of the guaranteed lifetime income stream can be monitored.

Summary

As you begin retirement, you will experience three major shifts regarding how you relate to your finances.

Fixed indexed income annuities:

- Can provide an additional income buffer by offering guaranteed growth and lifetime income
- Are insulated from market risk and periodically lock in gains, ensuring you continue moving forward
- Can create an income you can't outlive

Regardless of how you get to retirement or what your goals are, one thing is clear; it can be disastrous if you manage your finances in retirement the same way you managed your money during your working years. Also, retirement strategies are much different today than they were in the past. The economy is completely different. People are living longer and the tools available to you are more advanced.

Today, you can manage your lifestyle, avoid market volatility and create a lifetime income by doing a little planning and research. Fixed indexed income annuities can address each of the changes that retirement brings and can help you financially survive even thrive during your retirement – and enjoy the next stage of your life even more!

JACK MARION, one of the country's premier experts on indexed annuities, states:

"An index annuity is a fixed annuity offered by an insurance company and provides Americans with zero risk to their principal. There is no catch to this; if the market drops by 10, 20, or even 30 percent, the worst you could receive that year is zero.

"The index annuity earns a minimum rate of interest and offers the potential for excess interest based on the performance of an index. Fixed index annuities pay a minimum rate and the potential for more interest, depending on the performance of an independent equity or bond index."

* Safety and guarantees are based on the claims paying ability of the company and terms of the contract being honored. Surrender charges or penalty for early withdrawal may apply.