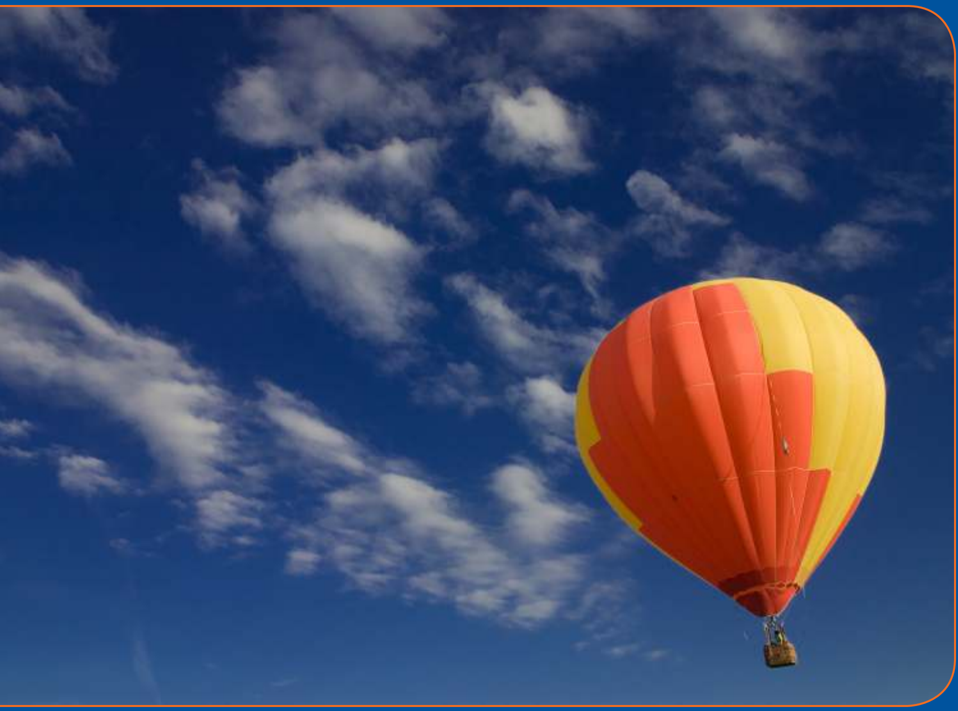


A CONSUMER'S GUIDE TO

Annuities

Understanding Your Choices




An informed today creates a secure tomorrow.

Americans are living longer than ever before, and they are concerned about how to fund these extra years. While there are several different approaches, many people are turning to annuities to protect against outliving their retirement nest eggs.

Before you consider an annuity, however, it is important to make sure you are fully informed about how the product features may benefit you in your individual circumstances. It is also important to verify that the annuity products you consider are sold by ethically-qualified companies who have had their business practices evaluated by the Insurance Marketplace Standards Association (IMSA).

The pages of this guide will explain different aspects of what annuities are and what they are designed to do. You'll also find information about what to expect from an ethical agent or advisor as you explore the purchase of an annuity.

What is an annuity?

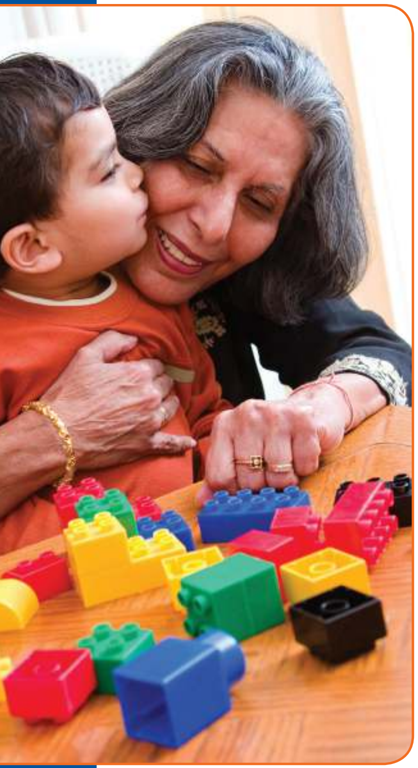
An annuity is…
…a contract between you and an insurance company that allows you to deposit a certain amount of money. In return, the insurer makes payments to you over a period of time spelled out in the contract. An annuity may also provide income to another person, such as a surviving spouse.

An annuity is not…
…a life insurance policy, although some include death benefits. An annuity is not a savings account—generally there are tax penalties for withdrawals before age 59 ½.

Do I need an annuity?
First review all of your savings plans, pensions, Social Security or retirement funds to determine whether you have a need for an annuity in your overall planning and retirement strategy. If you find that you do, become fully informed about what benefits annuities provide, how they work and whether the annuity you are considering is the right one for you based on your age, personal financial needs, objectives, and risk tolerance.

A comprehensive consideration of your needs is the first step in any sound retirement strategy.

Not sure if your agent or advisor's annuity recommendations come from an ethically-qualified company? Visit ***www.IMSAethics.org*** *for a list of current IMSA-qualified companies.*



What benefits do annuities offer?

Annuities offer features that make them useful retirement tools for some individuals, including:

Annuities provide retirement income. When you purchase an annuity, you can choose payments that last a lifetime or for a time that you specify. Lifetime payments can be made throughout your life or extended to last the lifetime of your spouse or another person. Keep in mind that extending payments through the life of a second person generally reduces the amount of the periodic payment.

Earnings are tax-deferred. You can build up savings in annuities without paying federal income taxes on gains on the funds until you begin to withdraw money. Each company sets maximum amounts for initial contributions to your annuity, and most annuities allow you to contribute additional money at any time. (If you assign an annuity as collateral for a loan, however, the tax-deferred treatment of the account ends.)

Products can provide beneficiary protection. If you die before your payments begin, some annuities will guarantee that your designated beneficiaries will receive either the amount you contributed (adjusted for withdrawals) or the market value of the funds in the account at your death, whichever is greater.

How much do I have?

How much will I need?

How much will my beneficiary need?

Questions to Ask Before You Buy

Annuities are complex products, and making the right choice can be challenging. Before you decide which, if any, annuity is best for you, make sure you consider the following key questions:

Will I need the money I'm spending on this annuity in the next few years?

Annuities are designed for the long-term. If you think you may need the money in the next few years and decide to withdraw it, you may be subject to company fees and tax penalties.

Do I have the money to pay for this annuity?

Don't borrow money—using a mortgage, for example—to purchase an annuity product.

What will I gain—or lose—by exchanging one annuity product for another?

If you are considering replacing one annuity for another, carefully compare your old product with the new one. Are the death benefits the same? Is there a surrender charge to get out of the old annuity? Are the annual fees and new surrender charges higher for the new product? Will there be a new surrender charge period for the new product?

Should I buy this annuity using money from my retirement plan or IRA?

Be cautious, as there may not be any additional tax benefits to an annuity above those you already receive in your existing retirement, 401(k), or 403(b) plan. Consult your tax advisor before purchasing an annuity.

Look for the IMSA logo

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Once you and your agent or advisor have looked at your overall financial picture and have discussed what you want from an annuity, you have some choices to make.

Which annuity is right for me?

There are many types of annuity products, but understanding your needs should be your agent or advisor's initial focus long before any product is recommended.

When talking with your agent or advisor, ask plenty of questions to determine the best product for you, such as:

- What if I want to receive income immediately?
- Can I let my money grow until I need it down the road?
- How do I protect against outliving my income?
- Can I provide income for my spouse and other dependents after I'm gone?
- Has the insurance company had its business practices certified by **IMSA**?

Choice # 1:

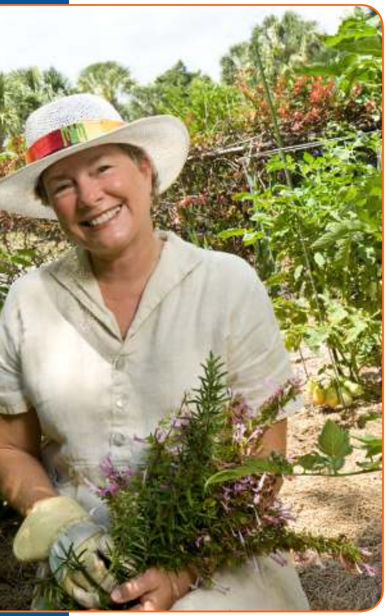
Do you want the money sooner or later?

- Sometimes called an "income strategy," an ***immediate annuity*** converts an initial lump sum into a series of periodic payments that begin within one year from the time of your lump sum payment.
- A ***deferred annuity*** is often referred to as a "savings strategy" because you pay a premium whenever you want in the amounts you choose, subject to company limits. During an "accumulation period," earnings build up, tax-deferred, on the premiums you deposit into your annuity. Payments—known as "annuitization"—begin at a time you specify (normally a few years or more into the future.

Choice # 2:

Is a fixed annuity or a variable annuity best for you?

There are two basic types of annuities— fixed and variable. Both can offer a variety of payment or contribution options.



Fixed Annuities

Fixed annuities can be either immediate or deferred. The premiums you deposit earn an interest rate guaranteed by the insurance company. It is important to understand that the insurance company may adjust the initial interest rate after the guarantee period, so be sure to read the fine print. While your earnings are predictable, these products generally do not offer the opportunity for adjusted returns if the market performs well.

Tip: Remember to determine what your monthly payment will be for an immediate annuity and compare it with your long-term financial needs.

Fixed deferred annuities are designed for people who can and want to defer their income payments. These products guarantee a minimum rate of interest during the accumulation period. After the initial rate guarantee period, renewal rates are declared by the insurance company.

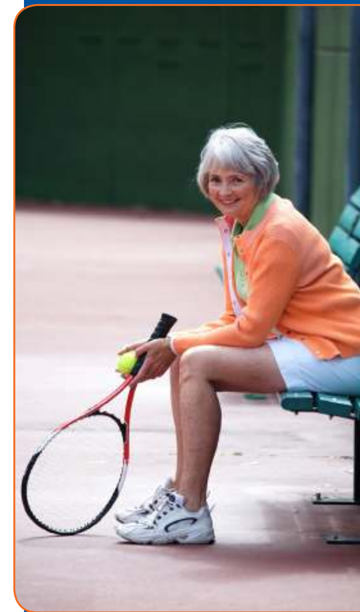
Tip: Shop around for the highest interest rate on a deferred fixed annuity or the highest annuity income payment on a fixed immediate annuity.

An equity index or **fixed index annuity** is a variation of the fixed annuity. Your premiums can be divided between a fixed account and an indexed account, and you are guaranteed a base, fixed interest rate.

Tip: Don't forget that with this type of annuity product, you may earn additional interest based on the performance of a particular stock index, such as Standard & Poor's 500 Stock Price Index, the Dow Jones Industrial Average or other major indexes.

Make sure you understand what any special feature will cost and any other specific conditions. Also consider whether you really need the benefit or whether you can get the same coverage for less through a separate product (a long-term care insurance policy or a life insurance policy, for example).

Variable Annuities



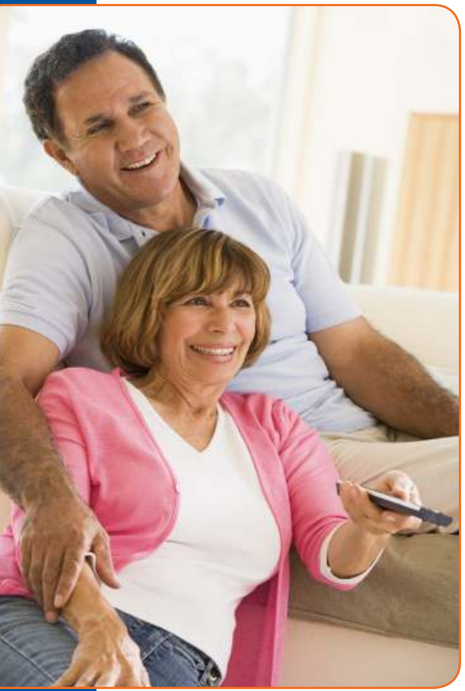
With a **variable annuity** your premiums are placed in investment options called subaccounts (similar to mutual funds). Each subaccount has its own degree of risk, ranging from aggressive growth funds to bond funds. The subaccount investments you select will determine the value of your account and your ultimate benefits. You may invest in a stock, bond, or other account, or in a fixed account, which has a guaranteed minimum rate of interest.

Consider your anticipated payment needs, as variable annuities offer fixed or variable payments at annuitization. Fixed annuitization provides a fixed payment every month, whereas variable payment amounts are based on your annuity's subaccount performance and can vary.

Special Features

Some variable annuities allow you to choose special riders, or "living benefits," at an additional cost, such as:

- A guaranteed minimum death benefit, which locks in the amount you can leave your beneficiaries to prevent the amount from being decreased due to declines in your account value.
- A guaranteed minimum income benefit, which guarantees a particular minimum annuity payment even if your account is below the level needed for the payment at the time you decide to convert from a deferred annuity to a payment annuity.
- A guaranteed minimum accumulation benefit, which guarantees a minimum account value at some point in the future (as agreed upon by you and the insurance company).
- A guaranteed minimum withdrawal benefit, which guarantees a minimum stream of income, either equal to the contract principal or for life, providing you withdraw within specified limits over time.
- Access to additional liquidity due to a long-term care situation, such as entering a nursing facility. Typically, a waiting period is required before this feature can be utilized.



Choice # 3:

How should you pay for an annuity?

There are three ways to pay for an annuity:

1. **Single premium:** You can buy either immediate or deferred annuities with a single premium payment. Many retirees choose this option when they receive a payout from an employer-sponsored retirement plan, the proceeds from the sale of a home, or the death proceeds of a life insurance policy.

2. **Periodic level premiums:** With this option, you pay equal premium amounts at regular intervals until the benefit payments are scheduled to begin.

3. **Periodic flexible premiums:** For a flexible premium annuity—always a deferred annuity—you pay premiums over a period of time, but you can both vary the amount paid and skip deposits.

Be Aware of Additional Fees

Ask questions about additional costs, including professional management fees. While the following is not a complete list, a typical annuity contract contains one or more of these charges:

- Percentage of premium charge. Deducted from each premium paid, the percentage of this charge may be reduced after the contract has been in force for a number of years or after the payments have reached a certain amount.

- Percentage of net assets charge. Usually associated with variable annuities, these fees are taken sometimes as frequently as daily and deducted from the current value of your account.

- Contract fee. This flat fee is charged either one time or each year.

- Transaction fee. Charged per premium payment or other transaction for most products, variable annuity companies usually allow you to shift money between accounts (a limited number of times) without fees.

Annuity fees may be fixed at the start; others may be changed from time to time. Talk to your agent or advisor about how to keep fees reasonable for the features you most need to meet your financial goals.

Choice # 4:

What payment option is best for you?

Annuities offer many options for receiving your payments, including:

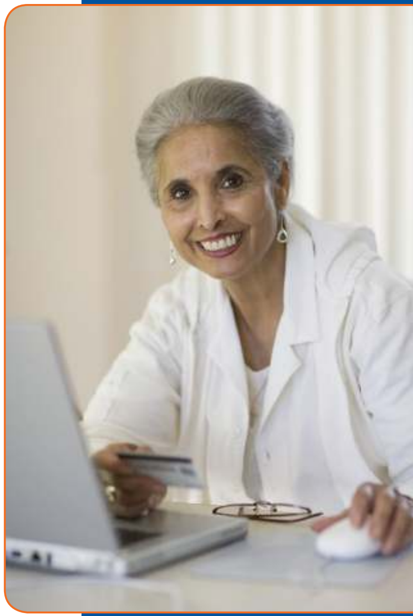
- **Straight life annuity.** This option provides payments for the rest of your life, even if the payments exceed the money you put into the annuity. While this option usually pays out the most, if you die before all of the money you put in has been distributed, no additional payments will be made to your dependents.

- **Joint and survivor annuity.** This annuity provides payments to you as long as you live and to a designated beneficiary as long as he or she lives.

- **Life income with refund annuity.** With this product, payouts continue for life, but if you die before collecting all the premiums you have paid, your beneficiary collects the remaining money.

- **Life annuity with period certain.** This annuity offers income for life. If you die before receiving the total of premiums paid, your beneficiary receives payments for the remainder of the period.

The Market Value Adjustment Feature



Some fixed deferred annuities and fixed account options available in variable annuities offer a “market value adjustment” or MVA feature. This feature applies only if you withdraw money from the account before the end of the interest rate guarantee period.

Depending on how interest rates have changed since you purchased your product, the MVA can increase or decrease the value of your fixed account investment available for withdrawal. Generally, there will be more money added at withdrawal if interest rates have fallen since your investment in the fixed account and less added if interest rates have risen.

Surrender Fees

If you withdraw money from an annuity or cash it in early to buy another annuity, or for any other reason, there may be a surrender fee or withdrawal charge. Fees are usually higher if you take out money in the early years of a contract.

While most withdrawals from an annuity are subject to taxes and a 10% federal tax penalty if taken prior to age 59 ½, some contracts may permit you to withdraw a percentage of your funds—usually up to 10 percent—without fees. If this is important to you, ask your agent or advisor if that feature is available, and consult a tax advisor.

Ten Safe Steps

to Buying Annuities with Confidence

1. **No single annuity is best for everyone.** There are many different kinds of annuities, and some products make more sense in individual situations than others.

2. **Terms and conditions will vary**, so it's important to do your homework and compare the different kinds of annuities available to you, and the term of each annuity contract.

3. **Carefully read the annuity contract** and, for variable products and some fixed annuities, the prospectus. Be sure your agent has answered your questions thoroughly before you buy, and don't skip over the fine print.

4. **Talk to your agent or advisor about possible scenarios** (unexpected illness or the death of a spouse, for example) and the effects of each.

5. **Invite a trusted friend or family member** to review the information and even accompany you to your agent or advisor appointment.

6. **The long-term nature of an annuity** means you'll want to carefully consider whether or not you're likely to have the annuity long enough to offset any charges you may incur if you need the funds sooner.

7. **Get everything in writing.** Keep detailed notes and records of all discussions (by phone or in person) and transactions with your agent or advisor to avoid any confusion down the road.

8. **Make sure the company you're considering buying your product from is IMSA-qualified.** A good place to start is to look for the Insurance Marketplace Standards Association (IMSA) logo. Only insurance companies that have proven through extensive independent review that they adhere to IMSA's stringent Principles and Code of Ethical Market Conduct may display this logo. Visit www.IMSAethics.org to see if the company is listed.

9. **Agents must also be licensed by a state to sell insurance products.** Agents who sell variable annuity products must be registered as representatives of a broker-dealer that is a member of The Financial Industry Regulatory Authority (FINRA), and registered with the Securities and Exchange Commission (SEC).

10. **Research the seller's financial strength.** Many independent services rate the financial strength of insurance companies, such as A.M. Best Company, Fitch Ratings, Moody's Investor Services, Inc. and Standard & Poor's Insurance Rating Services.

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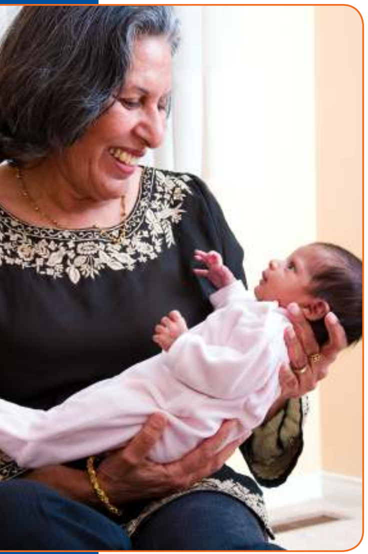
Visit the Consumers section at

www.IMSAethics.org

for updated annuities information and resources.



IMSA's Principles of Ethical Market Conduct

The IMSA qualification process is premised upon IMSA's Principles of Ethical Market Conduct:

Principle 1: To conduct business according to high standards of honesty and fairness and to render that service to its customers which, in the same circumstances, it would apply to or demand for itself.

Principle 2: To provide competent and customer-focused sales and service.

Principle 3: To engage in active and fair competition.

Principle 4: To provide advertising and sales materials that are clear as to purpose and honest and fair as to content.

Principle 5: To provide for fair and expeditious handling of customer complaints and disputes.

Principle 6: To maintain a system of supervision and monitoring that is reasonably designed to demonstrate the company's commitment to and compliance with IMSA's Principles and Code of Ethical Market Conduct.

Every Principle has accompanying Code provisions. To become IMSA qualified, a company must demonstrate compliance with each of IMSA's Principles and Code provisions.

Questions
to Ask My Agent or Advisor

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For more information on annuities, visit the Consumers section of the IMSA website at **www.IMSAethics.org**, where you will also find a list of IMSA-qualified companies that you may contact for information about their annuity products.

You can also learn more at:

- AARP (**www.aarp.org**)
- The Federal Citizen Information Center (**www.pueblo.gsa.gov**)
- Insurance Information Institute (**www.iii.org**)
- The National Association of Insurance Commissioners (**www.naic.org**)
- The Financial Industry Regulatory Authority (**www.finra.org**)

IMSA, the Insurance Marketplace Standards Association, is a voluntary, non-profit organization founded in 1996 to strengthen consumer trust and confidence in the life insurance, long-term care insurance and annuity products industry. IMSA members commit to maintain high ethical standards and to be fair, honest and open in the way they advertise, sell and service their individually sold products.

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