Simply Speaking

fixed index annuities

Dear Reader

If you've been thinking about retirement, you may be asking yourself some important questions:

- How can I protect my savings from market volatility?
- Are there ways to possibly generate higher interest than I would in a traditional deposit product?
- How can I generate a predictable stream of income for retirement?
- Should a fixed index annuity (FIA) be part of my retirement portfolio?

These are questions that many people ask as they prepare for retirement. You've spent years accumulating your assets, and you want to make sure they last a lifetime. This guide is designed to help you evaluate whether a fixed index annuity should be part of your long-term retirement strategy.

There are many types of annuities, but this guide will focus exclusively on FIAs. These products are designed for people who want the potential to earn higher interest rates than they would through traditional bank products, but who are uncomfortable with exposure to market volatility.

Simply Speaking: Fixed Index Annuities will provide you with basic information on FIAs, including their core features and how they work, along with key things to consider before purchasing one. It does not promote any specific company's products, but will address some common FIA features and misconceptions so that you can have a more informed conversation with your financial professional.

Not a bank deposit	Not FDIC/NCUA insured	Not insured by any federal government agency	No bank guarantee	May lose value	Not a condition of any banking activity

Guarantees are backed by the financial strength and claims paying ability of the issuing company.

Traditional deposit products may be FDIC insured. FIAs are not FDIC insured and are based on the claims-paying ability of the issuing company.

What is a fixed index annuity?

A fixed index annuity (FIA) is an insurance product that provides protection against losses from market volatility and accumulates interest on a tax-deferred[1] basis in one of two ways:

1. A **fixed rate** strategy in which a specific, consistent percent of interest is credited each period

2. An **index-based** strategy in which the interest-crediting potential is tied, in part, to the performance of one or more market indices,[2] such as the S&P 500®[3]

A more detailed look at interest crediting methods can be found on page 7 of this guide.

Typically, FIAs are best-suited for those who are:

- Unwilling to risk market losses
- Frustrated with the limited growth potential of deposit-oriented options
- Uncomfortable with stock market volatility

WHAT IS IT?

MARKET INDEX - An objective indicator of changes across a market or market sector based on the performance of representative securities.

S&P 500® - An unmanaged index that measures broad-based changes in stock market conditions based on the performance of 500 widely held U.S. common stocks. The S&P 500® index is not available for direct investment.

[1] Taxable distributions (and certain deemed distributions) are subject to ordinary income taxes, and if made prior to 59½, may also be subject to a 10% federal income tax penalty. Early surrender charges and market value adjustments may also apply.

[2] Indices are typically unmanaged and not available for direct investment.

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you may be wondering...

Are FIAs substitutes for equity investing?

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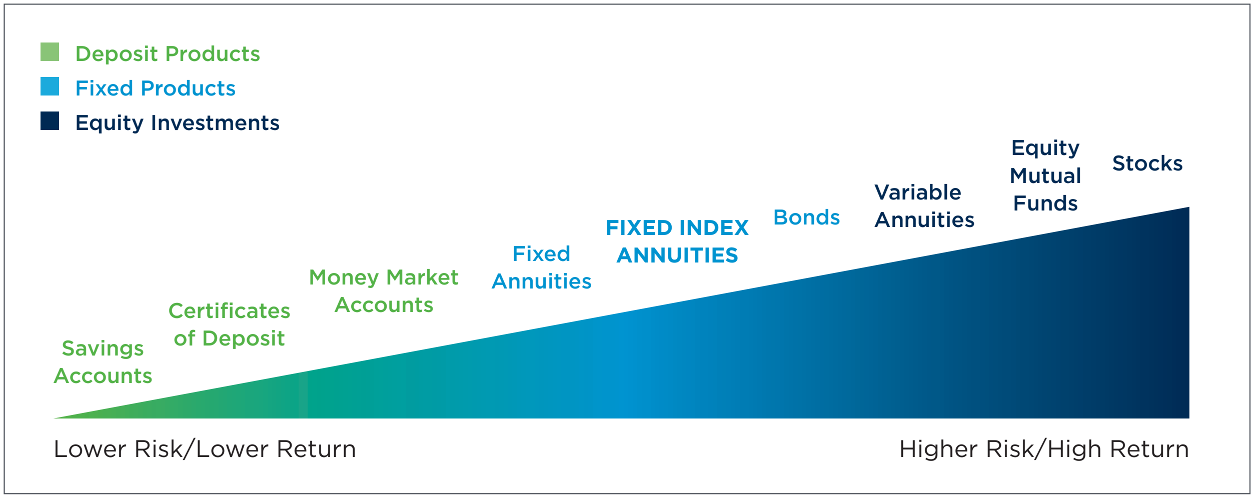
No, FIAs are not replacements for equity investments. Simply speaking, an FIA is an insurance product that may be considered a more conservative alternative to equities. An important distinction to remember is that equity investments are directly invested in the stock market, while FIAs are not. FIAs use interest crediting methods that may be linked to an equity index to provide greater crediting potential.

The risk/return spectrum

Linking the interest crediting within the contract, in part, to the performance of an equity index, allows your FIA to receive interest credit based on positive index performance, while providing protection for your principal, the amount you initially invest, when index performance is negative.

The chart below illustrates where fixed index annuities fall within the traditional risk/return spectrum.



you may be wondering...

Do FIAs only work in certain market conditions?

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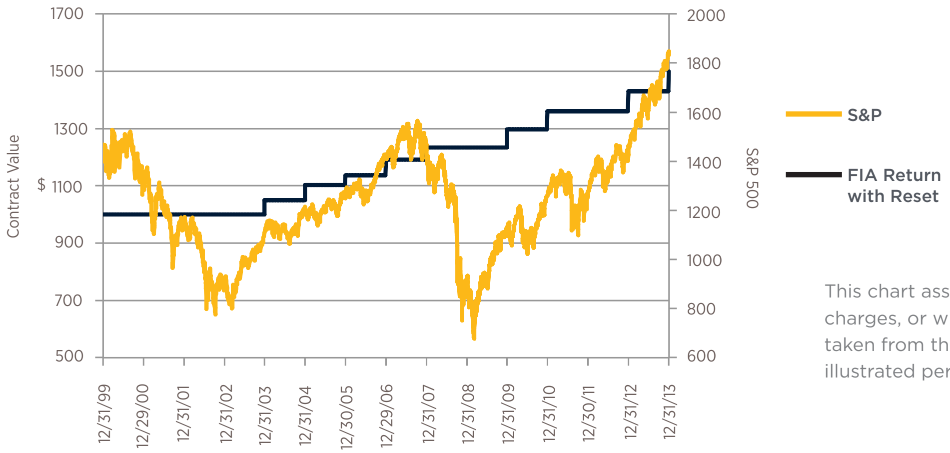
No. In fact, FIAs are well-suited to fluctuating market conditions precisely because of their ability to link interest crediting potential to market upswings while providing protection against losses when the market is down.

Protection from declines, participation in upswings

The following chart compares a hypothetical FIA product with annual crediting periods against S&P 500® returns adjusted for inflation. As you'll notice, in the years when the S&P 500® lost value, the value of the fixed index annuity retained its value. However, when the index gained value, the value of the FIA also increased, though potentially to a lesser degree.

In addition, because FIAs are designed to shield your money from losses, you don't need to "bounce back" from market downturns. Each crediting period, the index's ending value becomes the next crediting period's starting value. This is known as the "reset," and means that you continue to earn interest on your contract value without having to recover from a prior year's market loss, if any.



This chart assumes no fees, charges, or withdrawals are taken from the FIA during the illustrated period.

Index past performance is not indicative of future results. The hypothetical performance of the fixed index annuity, as illustrated, assumes a $1,000 initial investment, an interest credit equal to the percent increase in the index with a cap of 5% (using an Annual Point-to-Point with Cap crediting method) and assumes no withdrawals or surrender charges during period shown.

This hypothetical example is for illustrative purposes only and not intended to show the performance of any specific product.

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you may be wondering...

How does money grow in an FIA?

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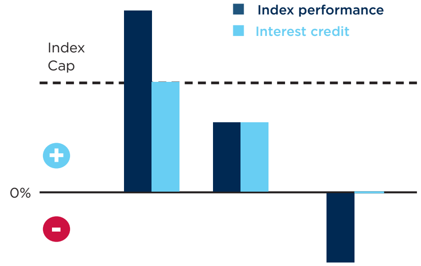
FIAs are insurance products that typically allow you to accrue interest based on one or more crediting methods. These products offer crediting methods that define in detail how interest crediting is calculated.

Understanding interest crediting methods

An interest crediting method is the way in which a fixed index annuity earns interest on the account value. An FIA may offer a choice of multiple interest crediting methods. For index-linked strategies, interest is credited at set periods of time, known as the crediting period. The crediting period is typically one year, but may be longer. Among the most common interest crediting methods are:

ANNUAL POINT-TO-POINT WITH CAP

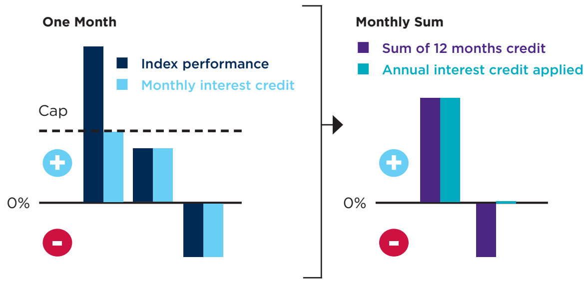
How interest is credited: Index value at the start of the crediting period is compared to value at end of the period. Interest crediting reflects any positive movement of the index up to a "cap," or maximum, while 0% interest is credited in years of negative index performance.



MONTHLY POINT-TO-POINT WITH CAP

How interest is credited: Performance is tracked monthly, and interest is credited annually based on the sum of positive monthly index returns (subject to a monthly cap) and negative monthly index returns over a 12-month period to determine a percentage change.

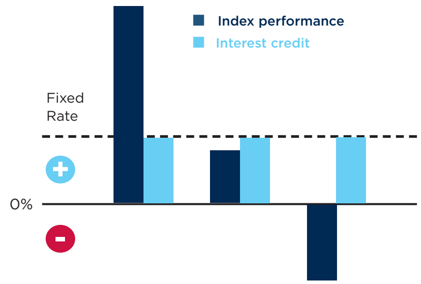
- If the resulting 12-month sum is positive, your contract is credited an equivalent rate of interest
- If the resulting 12-month sum is negative, you receive 0% crediting for the year



FIXED RATE

How interest is credited: An annual interest rate is established at the start of the fixed rate guarantee period and credited daily. The interest rate is fixed during this period and not based on the performance of any equity index.

For comparison, this chart shows different market scenarios that could occur in any given year, and the level of interest credit you would receive. The interest credit, however, is not based on index performance.



The insurance company that issues the FIA may change the fixed crediting rate or index-linked caps from period to period.

These hypothetical examples are for illustrative purposes only and not representative of any specific product.

you may be wondering...

Do FIAs have limited upside potential?

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FIAs can have caps on the upside as a trade off for the downside protection. Caps vary by strategy. FIAs are designed to protect you from market volatility, but it is possible to see significant upside depending on index performance and your selected interest crediting method.

FIA returns at a glance

To illustrate the potential benefits of fixed index annuities, the chart compares the S&P 500® annualized average returns in rolling five-year time periods to a compilation of FIA annualized average returns for the same time periods. While there were portions of these time periods when the FIAs were credited zero interest, the overall results generated were positive during these five year time frames. Because FIAs maintain their value if the index declines, if the index makes gains, your contract value doesn't need to recover from any loss before being able to increase in value.

Period	S&P 500® Index return	FIA Average Return	Number of FIAs	Return Range
1997-2002	9.39%	9.19%	5	7.80% to 12.16%
1998-2003	-0.42%	5.46%	13	3.00% to 7.97%
1999-2004	-2.77%	4.69%	8	3.00% to 6.63%
2000-2005	-3.08%	4.33%	28	0.85% to 8.66%
2001-2006	5.11%	4.36%	13	1.91% to 6.55%
2002-2007	13.37%	6.12%	23	3.00% to 8.39%
2003-2008	3.18%	6.05%	19	3.00% to 7.80%
2004-2009	-1.05%	4.19%	27	2.25% to 6.83%
2005-2010	-1.47%	3.89%	36	2.33% to 7.10%

Source: Wharton Financial Institutions Center Personal Finance-"Real World Index Annuity Returns", 12/27/2010

The data above is derived from 19 FIA carriers and their associated products, comprising 172 contracts and 12 different credit rate structures. All results are based on copies of actual customer statements received with personal information blacked out, for each of the preceding five-year periods, requested on an annual basis since 2002. The return data reflect contract periods closest to 30 September with the exception of the 1997-2002 period that uses a 2 January date. Therefore, not all returns key from the same date within the time periods cited and results reflect only one day out of each year within the time period. The returns reflect the results of products with term-end point, high water mark, and annual reset designs with and without crediting rate caps, and with and without averaging. The returns do reflect any fees charged and surrender charges. Annuitization was not required to receive these returns. All returns shown above are annualized rates of return and are not meant to be a proxy for index mutual fund returns.

Past performance is no guarantee of future results and the chart is not intended to represent the performance of any specific FIA product.

FIAs are designed for long-term retirement purposes with guarantees backed by the claims-paying ability of the issuing company.

Indices are unmanaged and unavailable for direct investment.

you may be wondering...

Do FIAs require me to lock up my money for a long time?

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Fixed index annuities should be considered long-term insurance products. There is a charge associated with early liquidation, known as a withdrawal charge. But FIAs do offer some flexibility and the ability to withdraw a portion of your money free of charge during the withdrawal charge period – usually up to 10% annually after the first year.

Finally, many FIAs provide full, free-of-charge access to your contract value if the contract owner becomes terminally ill or requires nursing home care.

Access to your money

Most FIAs typically allow you to withdraw a percentage (10% is common) of the contract value annually after the first year. This is known as a "free withdrawal." Any portion that you withdraw during the withdrawal charge period in excess of the percentage your contract allows will result in a withdrawal charge.[1] These charges (see sample schedule below) gradually decline over time until they expire, allowing you full access to your contract value.

It is important to remember that withdrawing money from your FIA in excess of your annual free withdrawal amount may put you at risk of not reaching your retirement savings goals. In addition, any withdrawals may be subject to ordinary income tax and, if taken prior to age 59½, are subject to a 10% federal income tax penalty.

Withdrawals may also reduce related benefits in an amount greater than the amount of the withdrawal.

WHAT IS A WITHDRAWAL CHARGE SCHEDULE?

During the early years of your FIA's accumulation phase, if you take a withdrawal greater than your contract allows, you may be charged a percent of the contract value withdrawn. This amount - known as a withdrawal charge - would depend on the contract year in which you took the withdrawal. Over the course of your contract duration, withdrawal charges typically decline gradually until they reach zero.

Sample FIA Withdrawal Charge Schedule

Contract Year:	1	2	3	4	5	6	7	8	9	10+
Charge:	9%	8%	7%	6%	5%	4%	3%	2%	1%	0%

[1] Some products refer to this as a surrender charge.

you may be wondering...

Why is tax deferral considered a benefit if I have to pay taxes on the interest I earn when I withdraw the money anyway?

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Federal income taxes are one of life's certainties. But ***when*** you pay them may give you a financial advantage. With tax-deferred products, instead of paying income taxes on the interest earned each year, you get to keep that money in your FIA, where it can continue to work for you, compounding interest on the money. Additionally, you may be in a lower tax bracket when you withdraw the money in retirement.

The benefits of tax deferral

Purchasing an FIA allows you to postpone paying taxes on your interest, allowing your money to compound (create earnings of its own) over time. So all of your money continues to work for you.

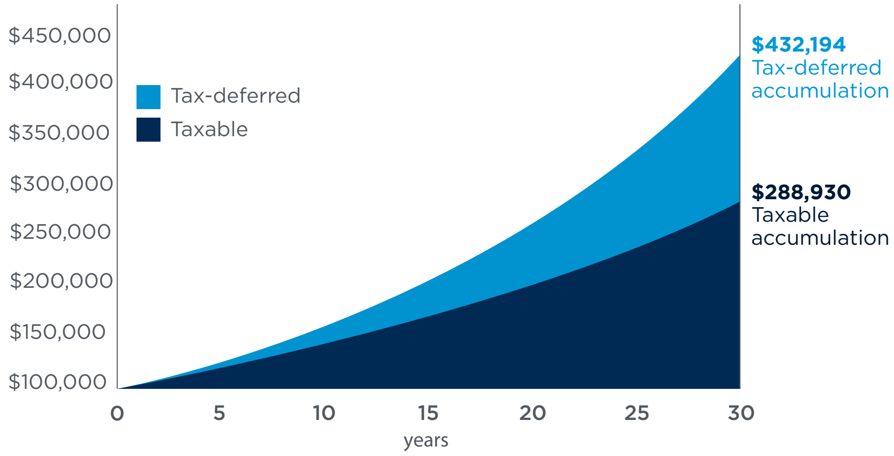
Tax deferral may result in an increase in the amount you are able to accumulate for retirement over time compared to currently taxable investments, where you pay annual income taxes on your growth.

HOW IT WORKS

To fully appreciate the power of tax-deferred investing, look at the following hypothetical example, which demonstrates how money grows when taxes are not taken out each year. The chart compares $100,000 in a tax-deferred product vs. a taxable product.

1. Both receive an interest credit of 5% annually for 30 years.
2. One is taxed annually at an assumed federal income tax rate of 28%.
3. The other receives its interest credit on a tax-deferred basis.

As you can see, the difference in accumulation over time can be significant. In this case, after 30 years, tax deferral generated an additional $143,264 vs. the taxable approach. The net result is $339,180 after taxes upon full withdrawal, which is $50,250 greater than the taxable accumulation amount.



Taxable distributions (and certain deemed distributions) are subject to ordinary income taxes, and if made prior to 59½, may also be subject to a 10% federal income tax penalty. Early withdrawal charges and market value adjustments may also apply.

The hypothetical chart is intended to illustrate the advantage of tax deferral and not the actual performance of a specific product. Tax-deferred results assume no withdrawals or taxes over the period shown. State taxes are also not reflected and, if included, performance would be lower. When withdrawn, gains for tax-deferred products are subject to ordinary tax.

you may be wondering...

Do FIAs require you to take income payouts?

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No. While you certainly have the opportunity to use your FIA to generate a predictable stream of income, known as annuitizing your contract, it is not your only option.

End of withdrawal charge period options

At the conclusion of your contract's withdrawal charge period, FIAs typically provide you with multiple options for addressing your financial needs. You have the flexibility to:

Withdraw the contract value
You can take all — or a portion — of the money in your contract (principal plus any interest credits) to use at your discretion without incurring any withdrawal charges.

Continue current crediting method or reallocate to another method
Because FIAs often offer multiple interest crediting methods, you may direct all — or a portion — of your money to a different crediting method if you choose. Based on life changes, for instance, you might be attracted to a crediting method that provides higher interest crediting potential or you might find a predictable, fixed rate appealing. You may alter your crediting method selection at the end of each crediting period.

Annuitize and receive predictable income
One of the key benefits to any type of annuity, including a fixed index annuity, is the ability to convert the contract value into a stream of dependable income for retirement. When you annuitize your FIA, you provide the value of your contract to an insurance company in exchange for set income payments for a certain period or for life. Annuities typically require annuitization (or surrender if annuitization is not desired) at some age — usually 90, 95 or 100.

Choose to activate a guaranteed lifetime payment benefit
Many FIAs offer an optional guaranteed lifetime payment benefit. If you elected this option when you purchased your FIA, you may choose to activate it and begin receiving your lifetime annual payment. Varying factors outlined in your contract will determine the payout amounts.
This provides more liquidity than annuitizing but typically less income.

Guarantees are based on the claims paying ability of the issuing company and subject to compliance with benefit rules.

Questions to consider

Determining whether a fixed index annuity should play a role in your retirement strategy requires a discussion with your financial professional. To help you get started, we've provided some basic questions you'll want to consider.

ABOUT YOUR RETIREMENT...

- When do I plan to retire or expect to need income to supplement my retirement?
- What options do I have to protect all or a portion of my assets from market volatility?
- What role could an FIA play in my overall retirement income planning?
- Do I need income through my lifetime only or for a spouse's as well?

ABOUT THE FIA...

- Why did my financial advisor select this particular FIA product to help meet my needs?
- How often can I change the interest crediting method on my contract?
- Can I use more than one crediting method in my contract at one time?
- What factors should I consider in determining the surrender charge schedule that will work best for me?
- What additional benefits are available with the FIA?