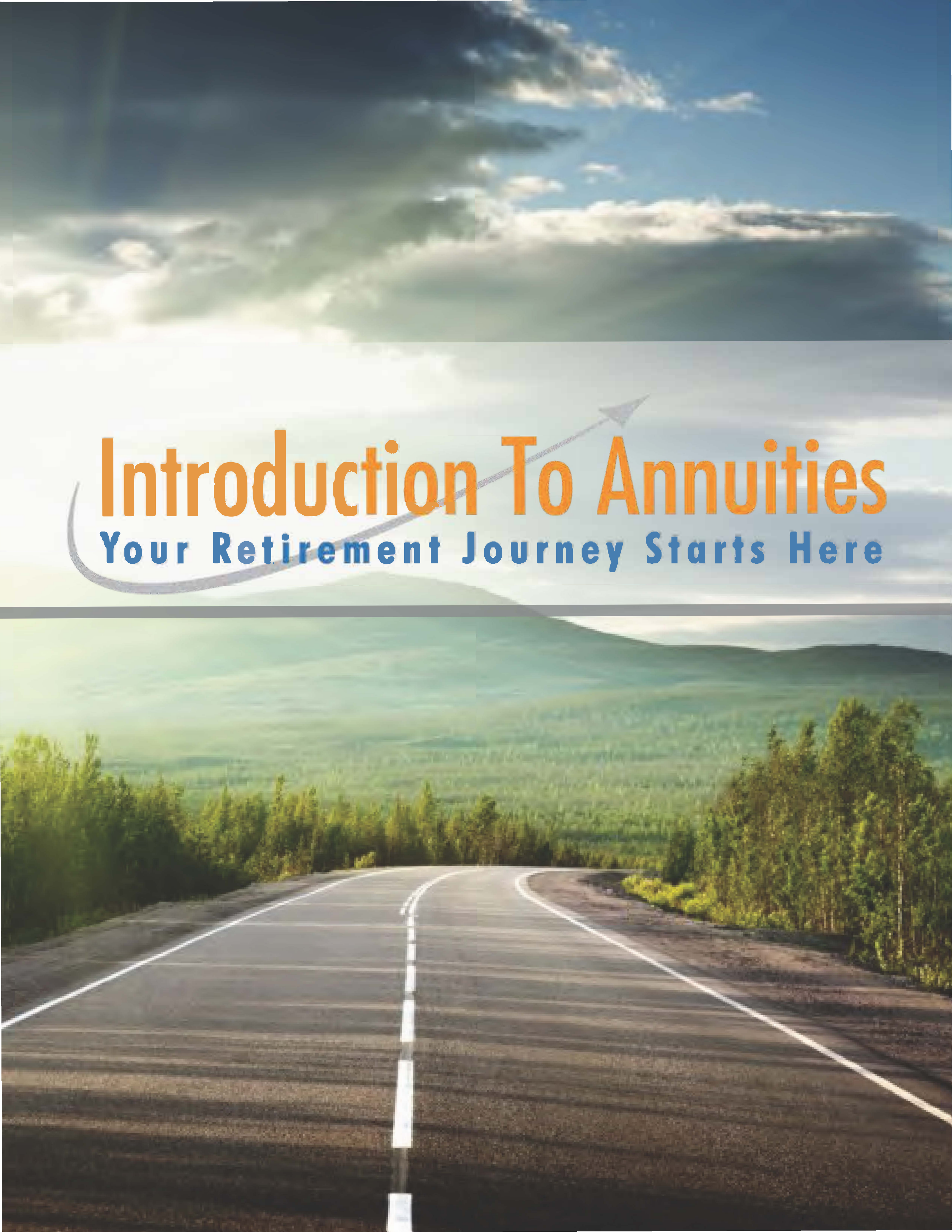
Introduction To Annuities

Your Retirement Journey Starts Here



As the retirement landscape continues to change and evolve with each generation, new challenges consistently arise. Increased life expectancy, Social Security benefits revisions and low interest rates are testing today's retirees, just to name a few.

There are some things that never change, however, and only seem to get better with time. Such is the case with annuities; a savings and income vehicle used by many of today's baby boomers and seniors.

As we begin to understand the benefits of annuities to those in, or approaching, retirement and understand how they work, it's also important to know where they came from and how they became so popular today.

Introduction To Annuities: Your Journey Starts Here is an illustrative guide and summary created to help educate consumers about how and why annuities were created, the purpose they fulfilled throughout the course of time all the way up until today, where they continue to provide the same, sound financial benefits, but with a modern twist.

Annuities have a surprisingly deep, rich heritage dating back more than 2,000 years and have proven to be one of the oldest, most enduring and historically dependable financial tools ever created. Many attribute the annuity as being a financial bridge to the development of our modern world.

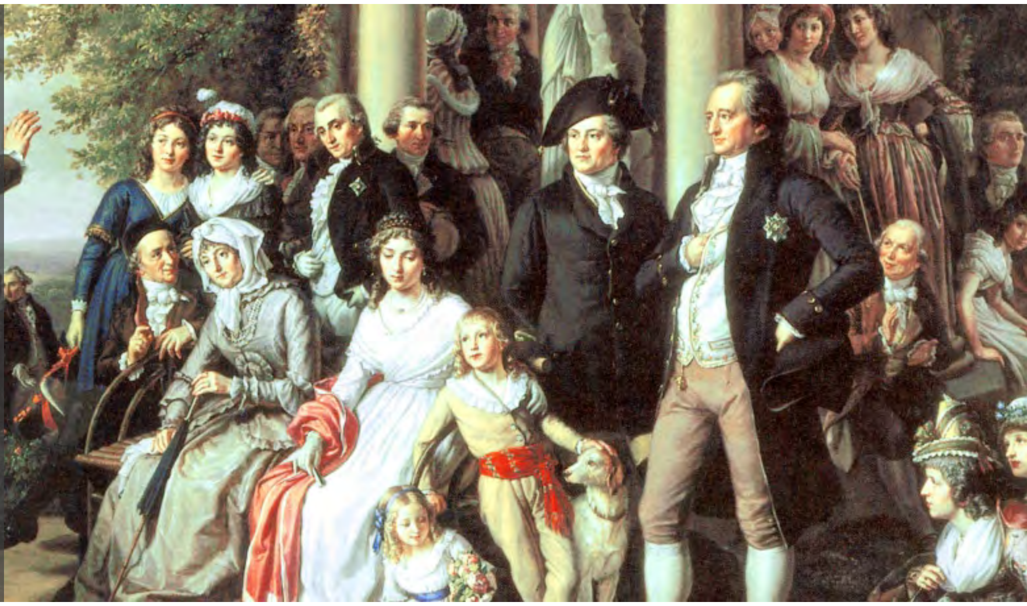
Annuity roots go back as far as ancient Rome where speculators sold financial instruments commonly known as 'annua.' Translated from the jargon of the times, 'annua' meant annual stipend or annual payout, which, according to historic records at **www.savewealth.com,** still applies to the annuity today. Even today, over 2,000 years later, the fundamental concepts and principles from the Roman 'annua' or annuity, continue to be a building block for the financial security of industrial and government retirement programs, families, estates and individuals alike.

HISTORY OF ANNUITIES

Annuities in Roman times worked in fundamentally the same manner as today's more sophisticated annuity. A Roman annuity buyer made a lump sum payment and in return, the buyer received a contract that promised a fixed payment every year for his natural life. In ensuing years, annuities were modified to allow for enhanced payments for a specific period of years, called a term.

Usage and adoption of annuities continued with future civilizations. During the Middle Ages, the expense of war led to the widespread adoption of creative financing vehicles, one of the most popular being the annuity. The annuity was used by kings, queens, and governments throughout the history of the world to finance armies and build arsenals for war.

England used tontines, which are considered by historians to be the first group annuities. Detailed records show individual citizens buying into tontines, or special annuity pools. In exchange for an initial, lump sum payment of say 100 pounds (a considerable sum at the time), purchasers received an annuity, an annual stipend, for a lifetime. They could also give their annuities to others, by will or deed, for the lifetime of a nominated survivor.



During the 18th century, growing numbers of European governments sold annuities, which gave individual citizens a lifetime of state-guaranteed income. From the 1600s through the 1800s, annuities financed government projects, administrative operations and the retirement income of select government officials.

In 19th century England, Consolidated annuities caught on and were widely respected as a solid retirement instrument, providing guaranteed income for elderly citizens of the realm. The Consolidated annuity became so popular, in fact, that from the latter part of the 19th century into the 20th, this instrument represented easily half of England's national debt.

As the War of 1812 began to rage, a Pennsylvania company opened its doors to offer annuity and life insurance policies. It was called the Pennsylvania Company for Insurance on Lives and Granting Annuities (PCILGA). For the first time in American history, anyone could purchase annuities through PCILGA, but only relatively few seized the opportunity.

Acceptance of annuities in America would be sluggish throughout the remainder of the 19th century primarily due to the agrarian nature of the American society at the time. Large, extended families lived in widespread isolation on family farms and ranches and cared for their elders in retirement. Thus, the need for annuities and guaranteed income was not as prevalent as it is today.

HISTORY OF ANNUITIES

As times began to change around the turn of the century, however, American families became less multi-generationally focused and began to sprawl across the country and spread into a more modern, mobile society. Annuities, accordingly, began to appear in a growing number of financial portfolios.

During the early part of the 20th century, the concept of the group annuity took hold, requiring both the employee and the employer to contribute to employee retirement plans. This type of annuity would add to future retirement income provided through company pension plans, with an overall goal of reaching roughly 50% to 60% of a retired workers former salary.

It wasn't until one of the greatest economic hardships in history, The Great Depression, that the annuity would gain its true popularity and appreciation from Americans. During The Great Depression, Americans were suddenly clamoring for financial stability, safety and security and the annuity served that purpose more than any other savings vehicle at the time; a financially vulnerable period when banks began to collapse at a catastrophic rate. 'Save for a rainy day' was the motto of then President Franklin D. Roosevelt.

Annuities were here to stay in America after that and became more widely accepted forms of financial retirement and wealth protection tools. Some of the most notable characters in history recognized the strength and support annuities could provide and began to endorse them. Perhaps the most notable being baseball great, Babe Ruth, who credits the protection of his fortune and estate to annuities.

The Securities Act of 1933, along with tax-deferred status and triple compounded accumulation, helped annuities to become an even more attractive means of retirement savings options. Insurance companies continued to offer simplified versions of annuities throughout the 1930s and 1940s. These fixed rate annuities offered Americans guaranteed safety and return of principle with a fixed, declared interest rate during accumulation combined with tax-deferral.

Babe Ruth credits the protection of his fortune and estate to annuities.

Then in 1952, innovation continued with the creation of the variable annuity (VA). Although fundamentally the same, these new 'variable annuities' allowed interest earnings based on speculative financial instruments and securities, and along with it, came a greater level of risk than what the previous guaranteed versions served.

40 years of ups and downs, market corrections and crashes left retirees with a yearning for more stability. Many variable annuity holders experienced greater returns, only to see their gains washed away with market losses.

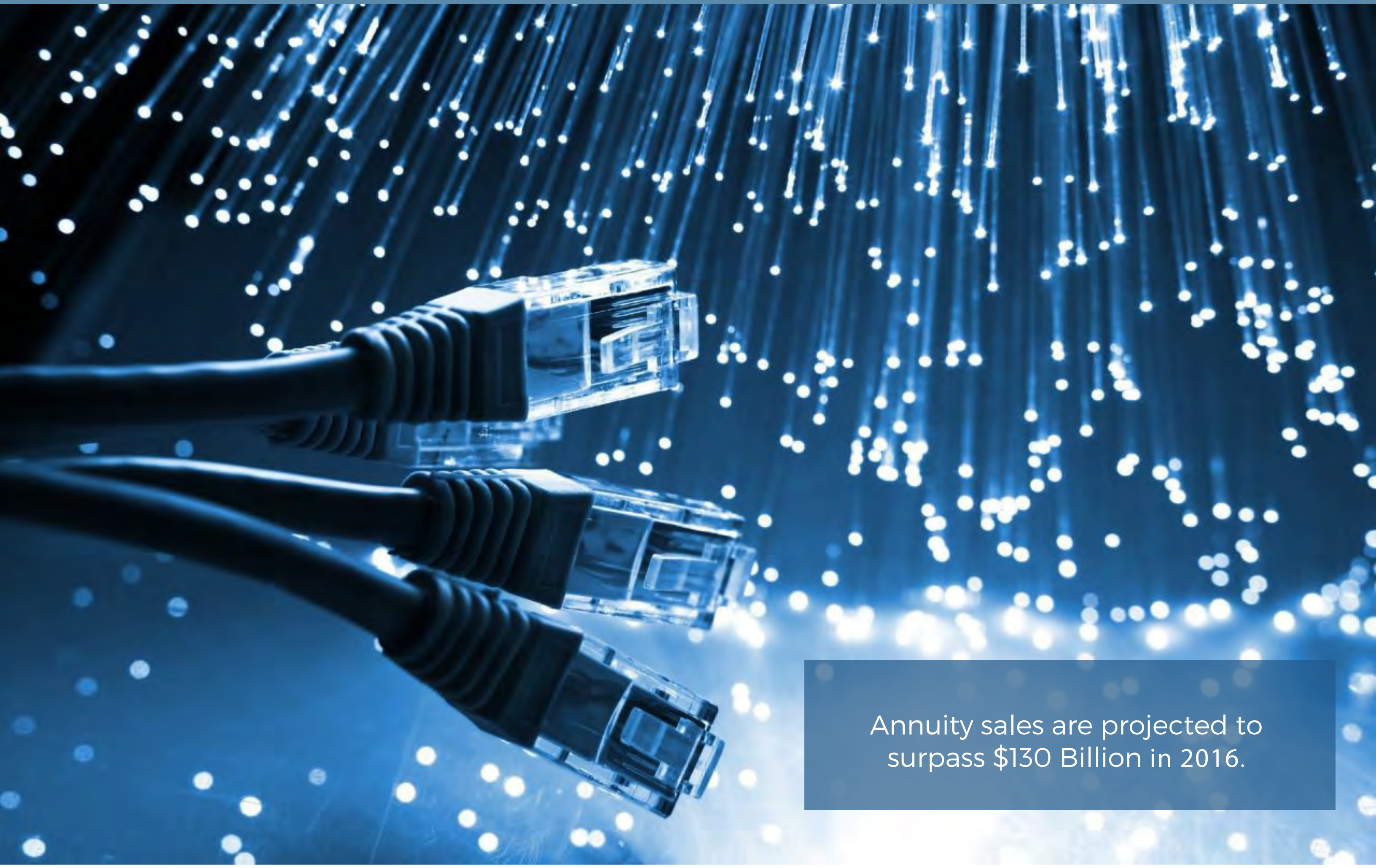
Americans would see more annuity modernization more than 40 years later with the birth of the fixed indexed annuity (FIA) in 1995. Again, fundamentally the same savings vehicle as its predecessors with one major difference - FIAs provided greater earning potential by tracking an outside stock index to determine the rate of interest, and unlike a VA, FIA holders were not exposed to market risk, even in a down market.

Indexed annuities provided a comfortable middle ground for consumers whereby they could benefit from stock market linked crediting of interest, but without the danger of loss due to future market crashes - a catastrophe many variable annuity owners were unable to recover from.

HISTORY OF ANNUITIES

Today, annuities continue to play a pivotal role in the global financial picture. American retirees count on them every day to provide safe accumulation and guaranteed income. Annuity sales are projected to surpass $130 Billion in 2016.

In this modern era of advancements in technology and medical science, Americans are living longer than ever before. In fact, the number of centenarians (people age 100 or more) continue to grow each and every year. Today's annuities are engineered to keep pace with our ever changing and developing societies and they continue to meet the needs of consumers. Today it's not uncommon for 'retirement period' to last 30 years or more and, once again, modern annuities are equipped to provide guaranteed lifetime income that will not fall short of the annuity holder's life, no matter what. The Romans would be proud.



Annuity sales are projected to surpass $130 Billion in 2016.

Now that we understand more about annuities, where they came from and how they play such a critical role for today's retiree, let's look at some additional modern applications for annuities as well as take a deeper look at today's most popular annuity, the FIA.

WE ARE ALL FAMILIAR WITH ANNUITY TYPE PAYMENTS

ANNUITY TYPE PAYMENTS

A fixed sum of money or income payment paid to someone each year, typically for the rest of their life.

SOCIAL SECURITY	COMPANY PENSIONS	STRUCTURED SETTLEMENTS	LOTTERY WINNER OPTION

THESE ALL PROVIDE FIXED SUMS OF MONTHLY PAYMENTS AND MAY BE CONSIDERED FORMS OF ANNUITY PAYMENTS.

WHERE ANNUITY PRODUCTS FIT IN

An annuity can also be a product offered by a life insurance company. Every product has its pros and cons and its proper place, use and function within an individual's portfolio depending on personal circumstances and core financial priorities. The diagram below provides a general idea of the relative risk and return placements for different products.

PRINCIPAL GUARANTEED OR INSURED*

Checking, Savings, Money Market	CDs, Treasuries, Fixed Interest Annuities	Fixed Indexed Annuities	Cash Value Indexed/ Whole Life Insurance

← Lower Risk = Lower Return Potential

NON-PRINCIPAL GUARANTEED OR INSURED

Cash Value Variable Life Insurance	Variable Annuities	Stocks, Bonds, Mutual Funds	REITs, Commodities, Options

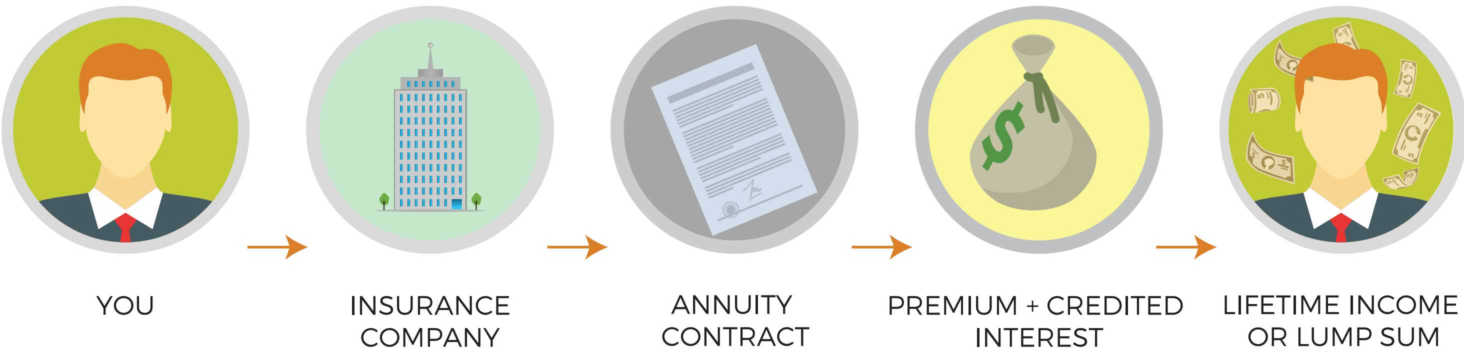
Higher Risk = Higher Return Potential →

THESE ALL PROVIDE FIXED SUMS OF MONTHLY PAYMENTS AND MAY BE CONSIDERED FORMS OF ANNUITY PAYMENTS.

*Individual guarantees or insurance vary for each product
+While Money Market Funds are not principal guaranteed, we have included them here because of their relatively high level of safety.

WHAT IS AN ANNUITY CONTRACT?

An **annuity contract** is the written agreement between an insurance company and a customer outlining each party's obligations in an annuity coverage agreement. This document will include the specific details of the contract, such as the structure of the annuity (variable, indexed, or fixed), any penalties for early withdrawal, spousal provisions such as a survivor clause and rate of spousal coverage and more. Note: Breaking an annuity contract may incur certain penalties or surrender charges.



FOUR PRIMARY CATEGORIES OF ANNUITIES

There are 4 primary categories that classify an annuity. All of these categories have different characteristics and they function in slightly different ways. Each type of annuity can serve a purpose in an individual's portfolio depending on their specific needs. It is important to consider the level of risk involved in each of the options.

1
IMMEDIATE

An annuity contract that is purchased with a single lump-sum payment and in exchange, pays a guaranteed income that starts almost immediately.

2
FIXED INTEREST

As its name implies, a fixed interest annuity is a type of contract that guarantees to return both the investor's principal plus a fixed rate of interest. These contracts essentially function much like Certificates of Deposit (CDs), except that they grow tax-deferred.

3
FIXED OR EQUITY INDEX

An equity-indexed annuity is a fixed annuity, either immediate or deferred, that earns interest or provides benefits that are linked to an external equity reference or an equity index.

4
VARIABLE

An annuity contract in which the funds are typically invested directly in the stock market. Value of the account may vary up or down based on the performance of the sub-accounts.

This presentation focuses on Fixed Index Annuities only

Funds deposited in a Fixed Index Annuity are NOT invested directly in the market. Instead, they are linked to a market index (e.g. S&P 500) by a mathematical formula called a Crediting Strategy. This formula determines the interest that will be credited to the annuity based on the performance of the chosen index during a specific time frame during the Accumulation Phase and in some cases, during the Payout Period as well.

ANNUITY IS CONNECTED TO THE MARKET INDEX VIA A CREDITING STRATEGY

FIXED INDEX ANNUTY

STOCK MARKET INDEX (E.G. S&P 500)

To determine how the insurance company calculates returns, it's important to understand how the index is tracked, as well as how much of the return of the index is credited to the annuity. Crediting strategies come in many forms. Many annuities offer multiple strategies, and typically you can change or combine strategies each year on your annuity anniversary date. Below are the most common types of crediting strategies.

Remember, for all Index Annuities, when the linked market index or crediting method is negative, your annuity does not go down in value.

CAP-BASED STRATEGIES

An upper limit put on the return over a certain time period. For example, if the index returns 10% but the annuity had a cap of 5%, you only receive a max. 5% rate of return. Many index annuities put a cap on the return. There are different kinds of cap strategies - Annual, Average, Monthly, 2-yr and 5-yr.

UNCAPPED STRATEGY WITH PARTICIPATION RATE

The percentage of the index's return that the insurance company credits to the annuity, typically ranging from 80% to 100%. For example, if the market went up 10% and the annuity's participation rate was 80%, an 8% return (80% of the gain) would be credited.

UNCAPPED STRATEGY WITH SPREAD / MARGIN / ASSET FEE

A percentage fee that may be subtracted from the gain in the index applied to the annuity. For example, if an index gained 18% and the spread fee is 3.5%, then the gain credited to the annuity would be 14.5%.

UNCAPPED STRATEGY WITH SPREAD / MARGIN / ASSET FEE PLUS INTEREST BONUS

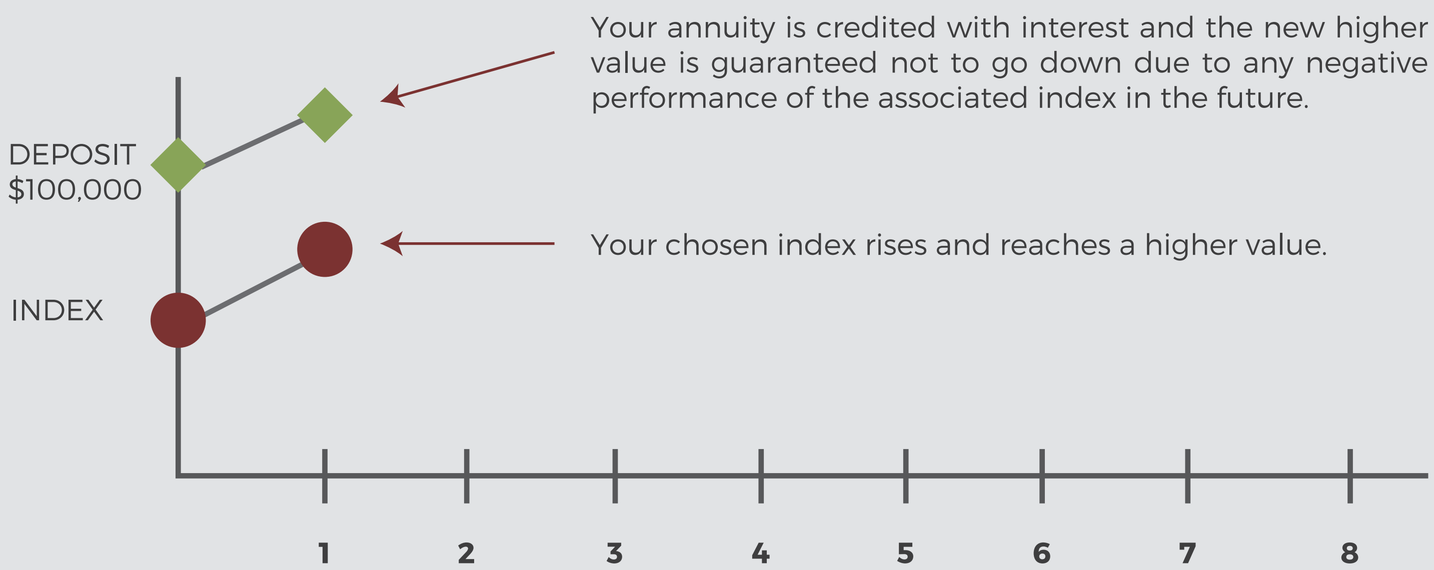
Works the same way as uncapped strategy with spread/margin/asset fee, but with an added bonus. In that example, the annuity was credited with 14.5% interest, and with this strategy an interest bonus would be added. For instance, 50% which would bring the total interest credited to the annuity to 21.75% for the period.

FIXED INDEX ANNUITY ILLUSTRATION

For illustration purposes only, here is a step by step visual of how Fixed Index Annuities work during the Accumulation Phase. In the second part of this presentation, we'll take a look at how FIAs work in the Distribution Period. To begin, funds are deposited in the FIA. With most FIAs, the amount deposited is guaranteed never to go down in value except for any withdrawals or fees that may be incurred. Remember, all guarantees are backed by the claims paying ability of the insurance carrier.

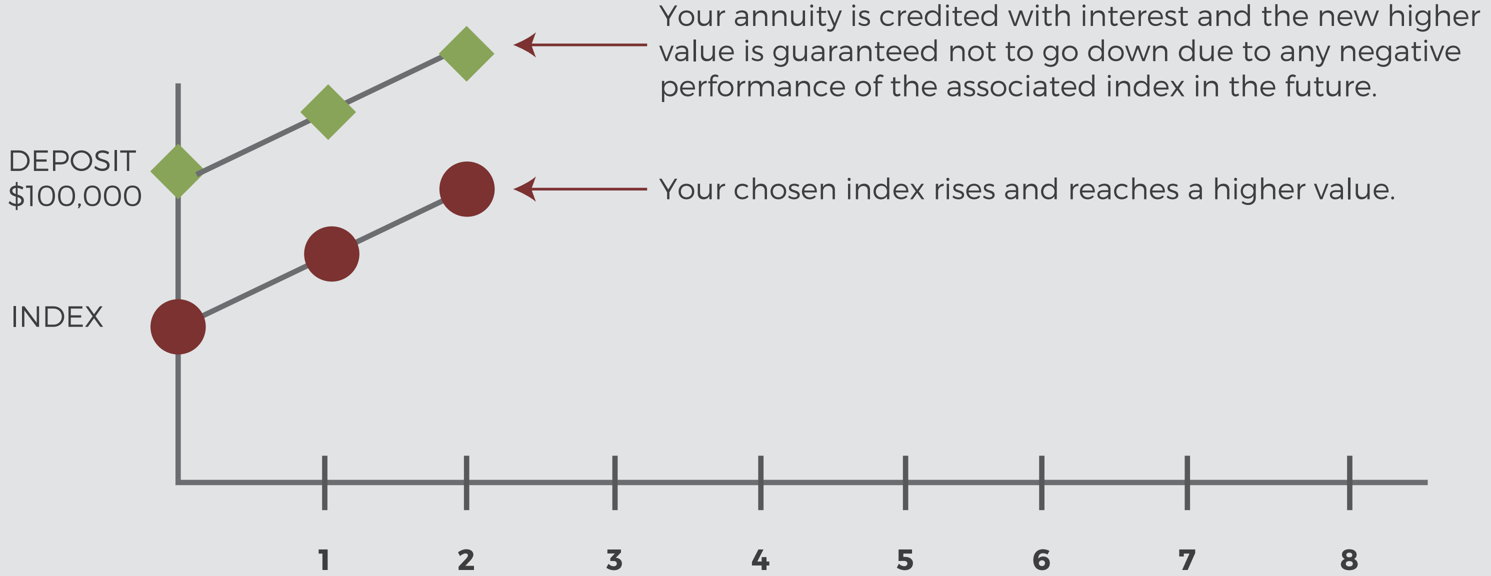
FIXED INDEX ANNUITY ILLUSTRATION

Let's say that in 1 year your chosen index rises and interest is credited to your account.



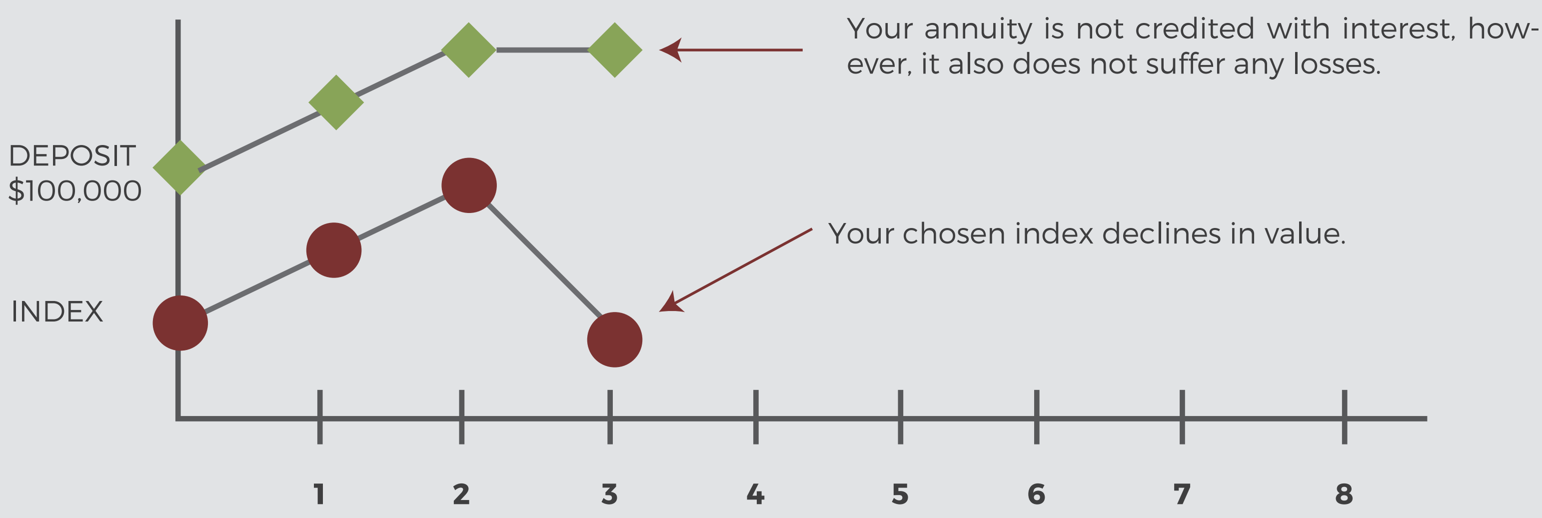
FIXED INDEX ANNUITY ILLUSTRATION

Let's say that in year 2 your chosen index rises again and interest is credited to your account.



FIXED INDEX ANNUITY ILLUSTRATION

Let's say that in year 3 your chosen index declines in value. In this case there is no interest credited to our account. The value of your annuity remains the same as the value from year 2 and is guaranteed not to fall due to index performance.



To continue your retirement journey, consult with your retirement planning specialist and complete the following informational questionnaire.

*"**Guaranteed savings** on taxes and other financial expenses that most people routinely overpay for but don't know it!"*

15 Minute Personal Money Master

This Comprehensive, personal financial planning summary is designed to help you take inventory and assign realistic values to your personal assets and liabilities. It's the essential first step in identifying potential savings.

Please bring the following documents

1. Last year's tax return
2. All brokerage firm statements
3. All life insurance & annuity policies
4. All IRA & retirement statements

FAMILY INFORMATION:

Name ____ Age ______ yrs.

Nickname _________________________________ Date of Birth ____________

Spouse's Name _______________________________________ Age ______ yrs.

Nickname _________________________________ Date of Birth ____________

Address ____

Phone(Home) ______________________ Phone(Business) ____________________

Children	Age	State of Residence

CONFIDENTIAL

1. Personal Questions

	Yes	No
1. Do you have a Financial Advisor? (No stockbrokers, please) If yes, who? _________________________	___	___
2. Do you have a living trust?	___	___
3. Do you have a will?	___	___
4. Do you have income from real estate?	___	___
5. Do you have an attorney?	___	___
6. Do you have an accountant?	___	___
7. Do you expect to care for a child or parent?	___	___
8. Do you expect an inheritance?	___	___
9. Any problems with previous stockbrokers?	___	___
10. Do you have long term care protection?	___	___

2. Financial Planning Objectives

Rank the following according to your level of concern.(Please select the most appropriate number)

	Not Concerned									Very Concerned
Planning for Children Grandchildren	1	2	3	4	5	6	7	8	9	10
Reducing Current Income Taxes	1	2	3	4	5	6	7	8	9	10
Increasing Current Income	1	2	3	4	5	6	7	8	9	10
Estate Planning	1	2	3	4	5	6	7	8	9	10
Desire for Professional Management	1	2	3	4	5	6	7	8	9	10
Maximum Growth	1	2	3	4	5	6	7	8	9	10
Combined Growth & Income	1	2	3	4	5	6	7	8	9	10

3. Collectibles/Collections (coins, stamps, etc.)

	Estimated Value
____________________________	_________________
____________________________	_________________
____________________________	_________________
____________________________	_________________

4. Real Estate

Estimated Value of Home $__________

Remaining Mortgage $__________

Equity in Home (market value less mortgage) $__________

Remaining Mortgage $__________

Total Value of Real Estate $__________

5. Sources of monthly retirement income

SOCIAL SECURITY

You $__________

Spouse $__________

PENSION

You $__________

Spouse $__________

6. Bank and Credit Union Inventory

(Checking, Savings, Money Market Accounts)

Name of Institution	Average Balance
1. __________________	_______________
2. __________________	_______________
3. __________________	_______________
4. __________________	_______________

7. Current Stockbrokers

(Please check any brokerage firm that you have any account with)

___ Merrill Lynch	___ Paine Webber
___ A.G. Edwards	___ Prudential
___ Raymond James	___ Other
___ Charles Schwab	___ Other
___ Smith Barney	___ Other

8. Individual Stocks & Bonds (Please include EE Bonds, but not mutual funds or IRAs here)

(Also, please bring all statements)

Number Of Shares	Name of Company	Original Investment	Market Value	Ownership	Date Acquired
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		

9. Mutual Funds/Limited Partnerships

Number Of Shares	Name of Company	Original Investment	Market Value	Ownership	Date Acquired
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		

10. CDs

Name of Bank	Rate of Return	Amt. Invested	Maturity Date

CONFIDENTIAL

11. IRA & Other Retirement Account Information

(Please bring in latest reports/statements)

Name Where Account is (Banks, Brokers, Employer)	Type (401K, IRA, 403b, TSA)	Approximate Value

12. Present Life Insurance

(Please bring in latest reports/statements)

Company	Type	Face Amount	Cash Value	Annual Premium	Who is Insured	Who is Beneficiary

13. Annuities

(Please bring in latest reports/statements)

Company	Original Investment	Date Purchased

NOTES: (to be filled at meeting)