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RETIREMENT **CHALLENGES** IN AN **UNCERTAIN ECONOMY**

Preparing for retirement in today's volatile markets presents challenges that past generations have never encountered.

Today's retirees need to anticipate and prepare for longer lifespans, increasing health care costs, an uncertain future for Social Security and the ever-present risk of taxes. In addition, unlike our parents and grandparents, many retirees today are not fortunate enough to have the benefit of a company pension with the assurance of lifetime income.

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FOR MOST, SOCIAL SECURITY WILL NOT BE ENOUGH TO **FUND THEIR RETIREMENT.**

More and more, individuals need to rely on their own personal savings to help meet their everyday living expenses in retirement. This includes not only basic, fixed expenses - like housing, food, transportation and medical bills – but also things like travel, dining out, entertainment, and everything else you dream of doing once you leave your working days behind.

While you will likely draw income in retirement from a variety of sources, most financial experts recommend that you ensure that your basic needs are covered with guaranteed source of income rather than relying on funds that are subject to the ups and downs of a volatile market. For example, if most of your retirement savings are held in your company's 401k plan, chances are they are invested primarily in mutual funds, which rise and fall with the markets and can lose value. If you are counting on these funds as your primary source of retirement income, are you prepared to reduce your standard of living if the market takes a nosedive as you're entering retirement? If you continue to withdraw the same amount of income from your assets when markets are down, you run the risk of depleting your assets in retirement.

One way to help avoid this scenario is to protect a portion of your assets from market risk so that you always have funds you can count on for your basic needs. Your guaranteed income in retirement starts with social security, and any pension you may have. If these funds will not cover your basic needs in retirement, you may have what is called an "income gap" – and it may be time to look at additional opportunities to shore up your income.

One option is by adding a guaranteed income product, an annuity to your portfolio. Annuities by nature are long term retirement income products issued by insurance companies. Their primary feature is the ability to offer guaranteed lifetime income you can't outlive, backed by the financial strength of the insurance company. Annuities provide the assurance that your money will be there when you need it, no matter what the markets do.

If you are seeking protection and growth potential for a portion of your assets, annuities may have a place in your portfolio.

WHAT IS A FIXED INDEXED ANNUITY?

One popular type of annuity offered today is called the Fixed Indexed Annuity, or "FIA". This product guarantees your money is protected from market loss, and also offers the opportunity to earn interest to help increase your retirement income, when you're ready to begin taking it. Unlike a traditional fixed annuity, which offers a fixed interest rate for a defined period of time, the FIA ties interest credits to the movement of an external market index, such as the S&P 500, without ever being invested in the market. You have the potential to earn interest each year when the market index rises, yet you won't be affected by market drops. The insurance company guarantees that, even in a year when the market index declines, your annuity value will be locked in and cannot lose value due to market loss.

And when you're ready to begin taking income, annuities offer a number of ways to withdraw your money to help fund your retirement lifestyle.

IF YOU ARE SEEKING **PROTECTION AND GROWTH** POTENTIAL FOR A PORTION OF YOUR ASSETS, **ANNUITIES MAY HAVE A PLACE IN YOUR PORTFOLIO.**

THIS DOWNSIDE FLOOR **PREVENTS YOUR ANNUITY FROM LOSING VALUE** EVEN IF THE INDEX DECLINES DURING YOUR TERM. **YOU CANNOT LOSE MONEY** BASED ON MARKET PERFORMANCE.

HOW DO FIXED INDEXED ANNUITIES WORK?

With a fixed Indexed Annuity, you make a lump sum or series of premium payments to the company in exchange for the guarantee of lifetime income at a date in the future. You select how you want to allocate your annuity value for interest crediting purposes from the crediting options and strategies the insurance company offers. Most FIAs also offer annuity holders the opportunity to allocate at least a portion of their value to a guaranteed fixed option, in which you will earn a fixed interest guaranteed for that year. The interest rate then renews each year at a rate declared by the company.

For the portion of your annuity value allocated to the index option, you have the potential to receive interest on each contract anniversary, subject to limits established by the company referred to as caps, spreads or participation rates. For example, let's assume you choose the S&P 500 index crediting method with a 10% cap, and the index returns a 15% gain on your annuity's anniversary date. Your annuity will be credited interest of 10%, which is the maximum cap for allowable interest. If the index instead had returned 5%, you would receive the entire 5%. In contrast, if the index declined by 12%, your annuity would not lose any value due to the market loss due to the guaranteed "floor" feature of the annuity.

This downside floor prevents your annuity from losing value even if the index declines during your term. Your principal and any interest credited are protected. You cannot lose money based on market performance.

The interest rate cap or participation rate is the mechanism that allows the insurance company to provide the value of the downside floor and protect your principal and previously earned interest.

FIAs: MY MONEY AND ACCESSIBILITY

Fixed Index Annuities are long-term retirement products and they are designed for income in retirement. You can make withdrawals from your contract at any time, subject to surrender penalties in the contract's early years. However, most annuities permit you to withdraw up to 10% of your annuity value every year without a penalty, so you don't lose control of your money. Since annuities are designed for the long-term, withdrawals will be subject to ordinary income taxes, and if you're under age 59-1/2, they may be subject to an additional 10% federal penalty, so annuities are better suited for funds you don't intend to access until retirement.

FIAs: MY MONEY AND TAXES

By virtue of being an annuity, a Fixed Indexed Annuity's interest is accrued on a tax-deferred basis. This means that any growth in the annuity from year to year will not be taxed, allowing your money to accumulate faster. Taxes will be paid at the time you withdraw your funds. For many, this can mean paying fewer taxes, since they may retire in a lower tax bracket due to decreased income in retirement. In addition, annuity income is not counted as income for the sake of determining the portion of your Social Security benefits that may be taxable, so they can be an integral part of a tax-efficient distribution plan in retirement.

IS A **FIXED INDEXED ANNUITY RIGHT** FOR MY FINANCIAL STRATEGY?

FIAs can be an appropriate piece as part of a retirement income strategy for the following reasons:

- You have an opportunity for growth with the benefit of principal protection.
- You can earn interest tied to selected indices without the risk of being invested in the stock market.
- Your annuity value is locked in and can't be lost due to market loss.
- You enjoy the benefit of tax deferral.
- You have access to your money at any time during your contract term *(you'll want to follow the terms of the contract to avoid early penalties and fees).*

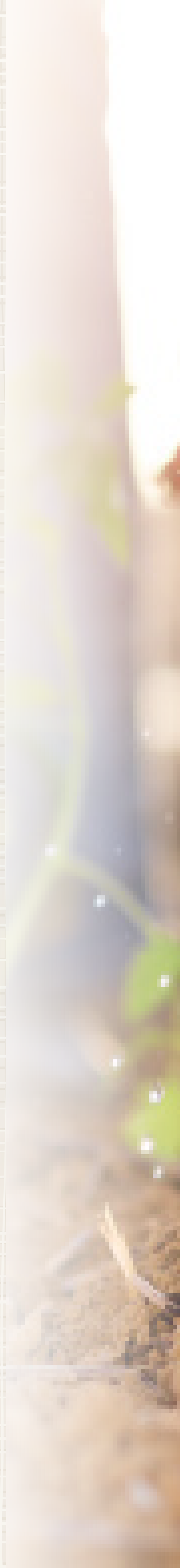
Many annuities offer optional benefits riders, which may involve additional cost, and provide features such as flexible income options, long-term care and nursing home benefits, and accelerated death benefit if you become terminally ill and need additional access to your funds.

The decision on making a Fixed Indexed Annuity part of your retirement income approach should be based on your personal retirement goals and made in consultation with your financial professional. With so many retirement options available to you, it's important that you make financial decisions based on a holistic view of your retirement assets and how they can work together to support the retirement you deserve. For many, an annuity is part of a solid foundation of a diversified retirement strategy.

HOW DO I CHOOSE AN INSURANCE COMPANY?

With so many annuity choices and companies to choose from, how do you know which is right for you? One key consideration is the company issuing the annuity. The insurance company issuing the annuity promises to pay benefits to annuity holders at a date in the future, and you need to trust the company you're working with to be there for you over the long haul.

Insurance companies are required by state laws to maintain defined reserve levels to ensure they remain solvent and can pay their claims. In addition, most insurance companies are rated by various independent rating agencies which measure the company's financial strength, solvency and their ability to pay claims. Rating companies develop their own "rating scales", which may differ from each other, but generally rate companies using letters, such as "B+", "A, "A++", etc. The four major insurance company rating agencies in the U.S. are A.M. Best, Moody's, Standard & Poor's, and Fitch. At [insert company], we only offer annuities from companies that have high ratings, such as [A/B?] or above.



THE DECISION ON MAKING A **FIA PART OF YOUR RETIREMENT INCOME** APPROACH SHOULD BE **MADE IN CONSULTATION WITH YOUR FINANCIAL PROFESSIONAL.**

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CONTACT US TODAY TO FIND OUT IF A FIXED INDEXED ANNUITY MIGHT BE RIGHT FOR YOUR FINANCIAL STRATEGY
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Annuities are long-term retirement income products and may not be suitable for everyone. They involve fees and charges, including surrender charges for early withdrawals.

Annuity guarantees are backed by the financial strength and claims-paying ability of the issuing company. Annuity withdrawals are subject to ordinary income taxes, and if taken before age 59-1/2 may be subject to a 10% federal penalty. Product and feature availability may vary by state. We do not offer tax or legal advice. Always consult with your own qualified tax/legal advisors regarding your own circumstances. YLH_FIA_8page_SC2003-2120