

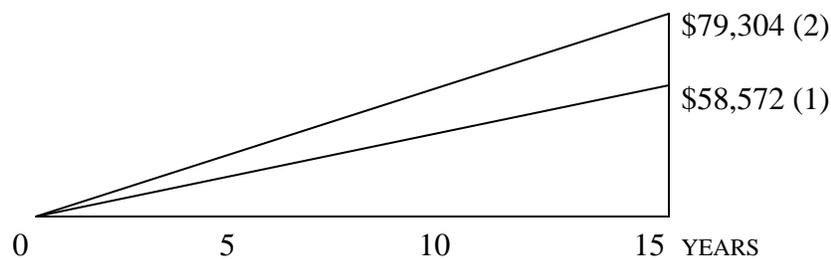
INCOME TAX ADVANTAGES TAX-DEFERRED INTEREST EARNINGS

Your money grows faster in a tax-deferred annuity than in a taxable account because you don't pay taxes while the interest is compounding.

The effects of tax-deferral are substantial. You can lower your current tax bracket by merely moving an interest-bearing asset from taxable to tax-deferred. By sheltering the taxes on your interest earnings, future spendable income can be substantially increased.

To illustrate the increased earnings capacity of tax-deferred interest, compare it to fully-taxable earnings: \$25,000 at 8% will earn \$2000 of interest in one year. A 27 % tax bracket means that approximately \$540.00 of these earnings will be lost on taxes, leaving only \$1460.00 to compound the next year. If these same earnings were tax-deferred, they would grow without this tax, which means that the full \$2000 would be available to earn even more interest. The longer you can postpone taxes, the greater your gain. Look at this 15 year comparison:

TAX-DEFERRED VS. FULLY TAXABLE



(1) Interest taxed each year as earned.

(2) Interest grows tax-deferred and is subject to tax in the year withdrawn. In the annuity, the entire amount is available to provide a guaranteed income which can be spread over several years to lower the rate of tax you pay.

In this hypothetical example, if you cashed out at the end of 15 years, assuming a continuation of taxes at 27%, you would have \$64,641.00 AFTER TAXES.

The extra \$6,069 is interest on the interest you earned on the money you didn't have to pay in taxes, while your money was compounding at retirement. However, even if it remains the same. You can see that you're money ahead because of the extra interest you were able to earn.

- Random withdrawals are normally preferable to completely cashing out because you're only taxed on the amount of interest actually withdrawn. The rest of your untaxed interest earnings continue to grow tax-deferred.
- **As rates rise and fall the concept spread remains the same.**