

Benefits of an Annuity

Annuities are an excellent tool to help you plan for your financial security. They offer a variety of benefits including tax-deferred growth, ability to avoid probate, and lifetime income.

Tax-Deferred Growth

Tax-deferred growth allows your money to grow faster because you earn interest on dollars that would otherwise be paid as taxes. Your principal earns interest, the interest compounds within the contract, and the money you would have paid in taxes earns interest.

Avoid Probate With A Named Beneficiary

Annuities offer the **ability to name a beneficiary**, which may minimize the expense, delays, and publicity that comes with probate. Your named beneficiary may receive death proceeds as either a lump sum or monthly income. Any death benefit will be paid directly to your designated beneficiary, without the publicity, delays and costs of probate.

Lifetime Income

You can receive a guaranteed income stream with the purchase of a tax-deferred annuity. You have the ability to choose from several different income options, including lifetime or a specific period. With non-qualified plans (non IRA, 401k, 403b, etc.), a portion of each income payment represents a return of premium that is not taxable, reducing your tax liabilities.

We understand that, depending on your individual situation, you need the ability to choose whatever type of annuity fits you best - **you have the ability to choose:**

- **Traditional Fixed Annuity** – Offers a declared fixed interest rate that is guaranteed for a specific period and guaranteed to never go below a specific percentage.
- **Equity Index Annuity** – Interest rate credited to your annuity contract is linked to specific market indices (S&P 500, Dow Jones Industrial Average, etc. – depending on the plan) that you can choose on an annual basis. Once the interest is credited you are guaranteed that it can never go down based on future market fluctuations.
- **Immediate Annuity** – You are guaranteed an income stream ranging from a specific period of time to your entire life. An immediate annuity offers a solution to the problem of outliving your money.

Security

The stock market may go down or Interest rates may drop. Your deferred fixed-rate annuity or deferred equity-indexed annuity interest rates will never fall below their guaranteed minimum.

Protection of your Principal

Annuities are one of the few tax-advantaged investment alternatives that generally guarantee the return of your principal. Your principal is guaranteed by the issuing insurance carrier and in most states, by the state guaranty association. In North Carolina, for example, the state guaranty association provides safety net protection of up to \$300,000. per annuity contract.

Triple Compounding

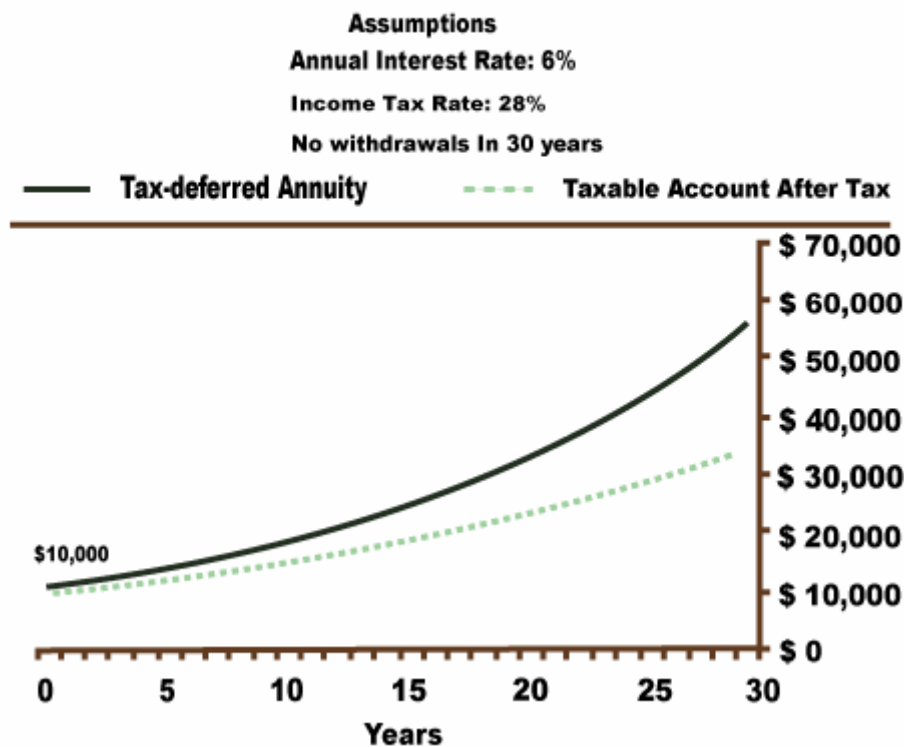
Your premium earns interest, the interest earns interest, and the money you save by deferring tax payments earns interest.

Maximize Your IRA or 401k

An annuity can be set up as a "Stretch IRA", which can pass assets in your IRA down to your family and minimize their potential tax liability, while maximizing the payout value of your IRA.

Annuity plans offer a wide range of initial contributions, ways of crediting your interest and payout options. **You pay no commission when you buy an annuity**, so all of your money goes to work for you immediately. Whether you are looking for long-term growth or for immediate income, you can probably find an annuity that will help fulfill your goals. How valuable is an annuity? The chart below illustrates how the tax-deferred annuity earns you much more over time than the taxable bond or savings account.

TAX-DEFERRED ANNUITY V. TAXABLE INVESTMENT



This chart does not take into account taxes payable upon withdrawal from the annuity. However, even after paying taxes on a lump sum withdrawal in the above example, you will still be ahead. (Assuming no increase in the tax rate)

There are basically, two kinds of annuities:

1. **Tax Deferred Annuities.** You can purchase a deferred annuity with one or more premiums paid to an insurance company. Your premiums earn interest, which can be calculated in numerous ways, depending on the plan you buy. You pay tax on the interest earned only when you withdraw your funds. As with other investment alternatives such as Certificate of Deposit (CD's), you may be subject to penalties if you withdraw your funds early. These penalties are called surrender charges. The good news is that you can usually withdraw some percentage of your funds every year during the surrender penalty period without paying a penalty. The amount that you can take out without paying a penalty is called penalty-free withdrawal. When choosing your annuity, you will have an array of choices about:
 - o how much money you can withdraw without paying a penalty.
 - o how much the penalties will be.
 - o how many years it will take for the penalties to reduce to zero.

(If you withdraw your funds before you are 59 +, you may be subject to a 10% tax penalty.)

2. **Immediate Annuities.** Immediate annuities provide a guaranteed source of income for as long as you wish - starting whenever you want. You buy an immediate annuity by paying one premium to an insurance company. The insurance company sends regular income payments to you or the payee you select. You decide how often the checks will come, and for how long the payments will be made. The regular payout amount depends on the type of immediate annuity you select.