A Guide to Equity Index Annuities

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PUTTING THE MARKETS TO WORK

After the global downward market tilt of 2008-2009, many individuals 45-plus and older pulled back their allocation to equities in favor of low-risk investments like U.S. Treasuries.

Now, are there options for today's retirement-minded investor turn to make up for lost time – and lost return?

The Importance Of Taking The Long View

All investments involve some level of risk. But short-term investing can leave investors sitting on the sidelines during times when the market is rallying. Over time, market performance has historically rewarded investors who had the fortitude to hang in and not worry about trying to buy at the lows and sell at the highs.

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Why Equity Index Annuities Matter Now

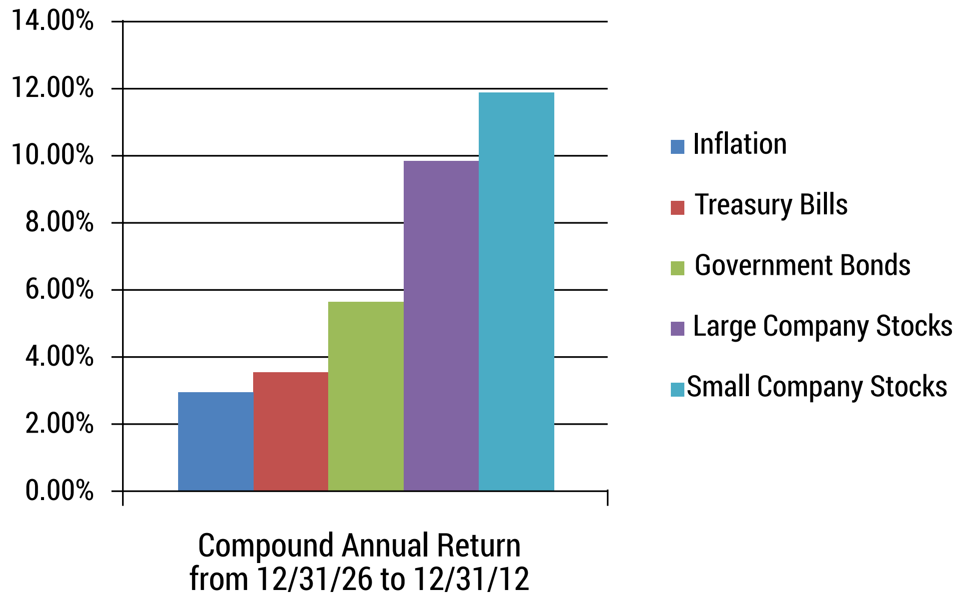
Recent stock market volatility has many people looking for ways to protect and grow their savings. Equity index annuities offer a way to protect principal, while offering a guaranteed lifetime income. It's clear: With savings rates so low, conservative investors may be risking more than they realize by not making more aggressive investment selections when they can.

Consider The Upside Potential Of Equity Index Annuities

The potential strength of equities can be seen in the long-term growth scenarios for the small and large capitalization markets for equities.

Over time, as the hypothetical illustration at right shows, investments indexed to equities would have outperformed bonds, U.S. Treasury bills and inflation. In contrast, bonds and bills have offered lower volatility risk and return than equities.

Small company stocks are represented by the Ibbotson Small Company Stock Index. Large company stocks are represented by the Standard & Poor's 90 Index from 1926 through February 1957 and by the S&P 500 thereafter, which is an unmanaged group of securities considered to be representative of the U.S. stock market in general. Government bonds are represented by the 20-year U.S. Government Bond; Treasury bills are represented by the 30-day U.S. Treasury bill (no longer actively traded); Inflation as measured by the Consumer Price Index as of 12/31/12.



This chart is for illustrative purposes only and is not indicative of any investment.

The indices are unmanaged and not available for direct investment, therefore their performance does not reflect the expenses associated with the active management of an actual portfolio. The average return represents a compound annual return. The rates of return are hypothetical and do not represent the returns of any particular investment. Please consider the charges, risk, expenses and investment objectives carefully before investing.

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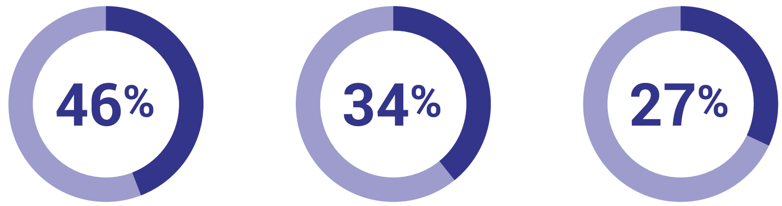
Taking Advantage of Upward Movement

In a leading survey from LIMRA, a life insurer trade association, 83% of investors in equity index annuities said they were satisfied with their purchase.[1]

Equity index annuities may allow investors with a greater tolerance for risk to take advantage of potential upward market movement. Though one investment, an investor can gain access to an entire market segment.

Primarily used to supplement social security or pension income, accumulate assets for retirement and provide for guaranteed income for life, equity index annuities offer a way to invest without limit in a wide range of stock market capitalizations and style types – both here and abroad.

TOP THREE WAYS EQUITY INDEX ANNUITIES ARE USED[2]



Supplement Social Security/ Pension Income | Accumulate Assets for Retirement | Receive Guaranteed Lifetime Income

The Equity Index Annuity Defined

An equity index annuity combines the features of a fixed with a variable annuity.

Similar to a fixed annuity, you get the low-risk appeal of a guaranteed minimum return with some upside: But, as with a variable annuity, you also have a chance for higher gains if the stock market rises, since an equity index annuity's return is also tied to the performance of a benchmark index, such as the Standard & Poor's 500.

In short, an equity-indexed annuity may pay a higher return than a standard fixed annuity would, but with less risk than a variable annuity.

If you want to reap some of the benefits of market returns, but don't want to take on all of the risk and volatility of the stock market, you might want to consider an equity index annuity. But make sure you read through the terms carefully and consider all of the fees involved before you buy.

With an equity-indexed annuity, you get to participate in the upside when the stock market is climbing, but you also protect yourself against the downside since you'll earn a guaranteed minimum return even if stock prices decline.

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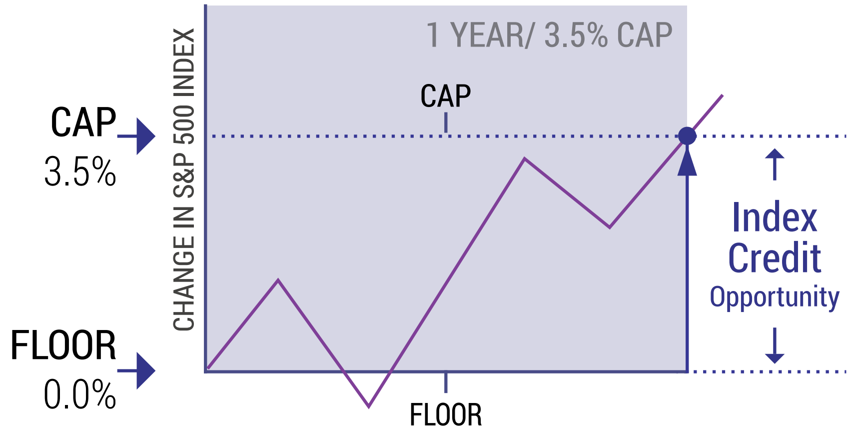
Potential Advantages of an Equity Index Annuity

- Broad equity market participation through a single investment
- Tax deferral
- Possible probate avoidance
- Guarantee lifetime Income[3]
- Preservation of your principal despite potential stock market volatility
- Minimum Guarantee Interest Rate (MGIR) (the lowest your annuity could earn)
- The ability to perform over the stated MGIR with interest earnings that are based upon the growth in an accepted index, such as the S&P 500
- Many annuity companies allow penalty-free withdrawals on an annual basis from your annuity contract. Typically these amounts range from 5-10% per annum. With these restriWctions, sometimes it may not be suitable to put a substantial percentage of your retirement into an equity index annuity, if any at all. All annuity companies have different restrictions and benefits as it relates to withdrawal options. We want to make sure that whichever annuity you choose, will meet your liquidity goals well into the future.

With an Equity Index Annuity, You can Invest as much as you Want

You can also use your savings from the annuity to create a stream of income for retirement. And, depending on how your annuity is funded, you may not even have to confront the required minimum distributions (RMDs) you encounter with other retirement plans.

Interest Crediting Participation Rate
The interest credited to your contract value is determined by the contract's participation rate. This is the portion of index growth that the insurance company will credit to your policy's value†. For example, if the participation rate is 100%, then the interest credited to your policy will be at least 100% of the growth in the index, up to your policy's cap rate.



This chart is for illustrative purposes and is not intended to serve as a portfolio recommendation.

Two Ways an Equity Index Annuity Provides Advantages to Investors

1. Upside Potential The interest credited to your contract value in the index strategy is subject to a maximum or cap. For example, a 3.5% cap would credit any interest up to the 3.5% cap. There is no credit for amounts above the cap.
2. Protection from downside risk Your contract value is guaranteed to never decrease based on Index performance. This is called the "floor." For example, even if the S&P 500® Index experiences negative performance, your contract value is protected.

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Equity Index Annuities are not for Everyone

Every investment vehicle contains characteristics that may or may not match your own objectives, preferences or risk tolerance. The advantages of equity index annuities may work for some people, but not for others. For many investors, though, such a strategy can provide a vital complement to portfolio goals.

If you are saving for retirement, but not taking advantage of tax-deferred investments, find out more about how equity index annuities might provide you with tax-deferred growth, guaranteed income for life, professionally managed investment options and protection for your beneficiaries.

Other facts to know Excess withdrawals may significantly reduce the guaranteed withdrawal benefit amount. Surrender charges may apply. Withdrawals of taxable amounts are subject to ordinary income tax, and if made before age 59½ may be subject to a 10% IRS penalty. When the contract value exceeds the benefit base, which in certain contracts is also called the guaranteed withdrawal benefit value, the benefit base may increase. Age restrictions may apply. Withdrawals will reduce the contract value and death benefit, if applicable, and may impact whether your income payments will increase even if your contract value is increasing.

Regarding income payouts, please keep in mind that annuity guarantees are subject to the claims-paying ability of the issuing insurance company.

All investment strategies have the potential for profit or loss. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's portfolio.

An annuity is a long-term, tax-deferred investment designed for retirement. Earnings are taxable as ordinary income when distributed and, if withdrawn before age 59½, may be subject to a 10% federal tax penalty. Annuities may not be suitable for some investors; they have early surrender charges and may limit yearly distributions to 10% of the contract value.

An index annuity should be considered a long-term investment and may include, but is not limited to, asset fees, participation rates, caps and surrender charges. Credited interest is based upon a formula linked to the corresponding stock market index and may be more or less than the actual index performance. Indexed annuities also do not include dividends.

When considering an investment, please review any/all related and required corresponding information, documentation, and material, including but not limited to: prospectuses, illustrations, disclosures, disclaimers, suitability forms, acknowledgment forms, etc., to help determine all product specific features, benefits, riders, costs, and potential surrender charges.

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If you would like to know more about designing an investment management strategy customized to your needs, contact Mike Albertson at Mike@tradewellfinancial.com or call him at 260.490.2084.

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1. Source: LIMRA http://www.limra.com/Posts/PR/News_Releases/More_than_Three-Quarters_of_Recent_Annuity_Buyers_Were_Satisfied_with_Their_Annuities.aspx
2. Source: US Deferred Annuity Buyer Attitudes and Behaviors, LIMRA 2012
3. Guarantees are based upon the claims paying ability of the underlying insurance agency.

† Credited interest on indexed annuities is based upon a formula linked to the corresponding stock market index and may be more or less than the actual index performance.