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Greetings and I hope this newsletter finds you well.

Our topic for this newsletter is indexed annuities. Just in case you've heard any one-sided stories about annuities lately, I would like to set the record straight.

Occasionally traditional indexed annuities come under attack because of one-sided and inaccurate information from the media, relatives, neighbors, friends, and maybe even your own adult children.

Whenever you get the chance, I'd like to ask your help in separating fact from fiction when making the facts better known. The following talking points will help you do just that.

Fact #1 – Indexed Annuities Are NOT Securities.

The National Association of Security Dealers (NASD) is an organization that represents stock brokers and mutual fund salesmen. The NASD wants indexed annuities to be treated as securities. Very interesting since the NASD concedes it is not their role to determine the securities status of any insurance contract or other financial instrument.

Even more interesting is the fact there has been no demonstration of public concern to warrant such statements. Still more troubling for the NASD is that there has been no demonstration of public concern nor have there been an unusual number of complaints that suggest the public wants or needs increased regulation.

Indexed annuities are registered and regulated by the State Corporation Commission which handles the registration and regulation of all insurance products. The insurance company absorbs all the risk, not you.

An investment like stocks, bonds, or mutual funds can't guarantee your principal nor the interest you've already earned. These indexed annuities are not even sold as investments; you absolutely have no direct or indirect ownership in any stock, bond, or index. These products are sold as long term retirement savings plans.

Indexed annuities are deposit accounts, not investment accounts. Deposit accounts mean you have no risk to your principal nor to the interest you've earned. Investment accounts mean you definitely have risk to your principal and interest.

Any comparisons between index annuities and investments are misleading because index annuities are not designed to compete against investments. Index annuities are a savings vehicle, not a security. In the last 5 year, investors suffered huge losses while fixed index annuity owners did not and at least earned a minimum guaranteed interest – proof positive that these are not securities.

Our indexed annuity contracts have no fees associated with them and you're insulated from volatility. With respect to investment accounts you have fees and you have no protection from volatility since it's illegal for your broker to guarantee you anything.

Always remember, if your money is important because you have goals for those funds in the future you need things with guarantees in them. There are only 3: FDIC accounts, US Treasuries, and insurance company annuities. Annuities can do things no other financial product can do, plus, annuities give you all the guarantees you need.

Fact #2 – Indexed Annuities ARE Suitable for Seniors.

Many financial journalists, CPAs, and commentators assume the maturity date of an annuity make it unsuitable for seniors. The plain truth is that "maturity date" means almost nothing in an annuity.

This term carried over when insurance companies copied life policy language into annuity contract language. It refers to the specific point in time when the company pays a death benefit or endowment at maturity. In modern annuity lingo this means the date when the company automatically converts the owner to income payments or full distribution from the product.

The fact is most consumers usually want a longer period to allow cash value to accumulate and keep their options open. Most companies grant this upon request.

The key to suitability of an annuity is whether or not the client can get money out when they need it through taking income payments, withdrawals, nursing home admission, terminal diagnosis, or death.

I only recommend products that feature all of the above, for example, if a consumer wants, shortly after issue, a distribution from their account, many annuities provide this need with a free 10% withdrawal provision. That's \$10,000 per year on a \$100,000 account!

Fact # 3 – Seniors Are Not "Duped" Into Buying an Indexed Annuity and the Majorities of Sales are neither Unscrupulous nor Misleading.

There is **NO consumer evidence** to support the notion that the majority of annuity sales are not appropriate for seniors. To assume otherwise suggests that seniors, as a class, are influenced into writing the check for a safe and secure product.

This "duped" assumption hits a brick wall on two fronts: 1) Annuity products are highly regulated by each individual state and the product features are fully disclosed on state approved and required forms. 2) These same seniors are fully competent to purchase luxury cars, homes, stocks, aluminum siding, and other high dollar items, you name it.

The plain truth is that there are no medical, psychological, emotional, or other reasons to assume seniors can't make informed decisions. Especially when a good financial advisor will fully explain and document the key annuity features that guide when and how clients can access their money.

Fact #4 – Not All Annuities Carry Long Surrender Charges and Not All Surrender Charges are Unsuitable for Investors.

How long is too long for surrender charges? How old is too old for any surrender charge? A 65 year old female today lives 22.5 more years. An 80 year old female lives 10.8 more years.

If either one purchased a 10 year surrender charge product is it unsuitable? Certainly not if she wants to pass the money to her heirs and her income needs are fully met by the free withdrawal features of an annuity. What happens at death? Most annuities have no surrender fees at death.

It might be helpful to compare the annuity to other safe money places like CDs or money markets or even investments (which are not totally safe).

These products are all attacked by returns, inflation, and taxes. That's the price tag for quick access to your money.

Let's talk about the liquidity of a CD. You have one week a year to rollover a 1 year CD or it will renew for another year with a brand new penalty.

One week a year to get to your CD money without a penalty, let's see, that is 70 days out of 3,650 (10 years). So less than 2% of the time was the money available to you penalty free during the period you kept rolling the CD over during a 10 year period.

An annuity surrender charge reduces to 0 and you can even get to the money during the interest earning period. In contrast, you can rollover a CD for 30 years and you will also have a 30 year penalty period for premature withdrawals.

All financial products have liquidity charges if a client wants to terminate a plan prematurely. With annuities they are temporary and voluntary and only materialize if the contract is shut down too soon – which negates the whole reason for selecting an annuity to begin with.

Treating all seniors as having the same financial needs and telling them they should only buy products with short surrender periods is like mandating that all senior buy a Yugo so no one goes too fast!

Fact #5 – You Can Live Long and Prosper with Annuities.

Did you know in 2003 Met Life conducted a study of full-time employees and discovered almost half thought outliving their retirement assets was their greatest financial fear? It's not too hard to imagine how fearful retirees must feel.

A separate study by American Express found that half of all investors (employed and retired) spent more time waiting in line for coffee than reviewing or monitoring their retirement accounts. Clearly, people seem to be in a state of denial about this issue.

A 75 year old today is likely to live to 88 and that can realistically increase as advances in longevity continue. But if the same 75 year old has a retirement plan based on living to 88 they are taking on a big risk. He or she is just as likely to live beyond 88 as to die by 88.

How big a chance will a person take that they'll outlive their money? 50%? 45%? Most folks just are not comfortable with outliving their money.

Annuities eliminate longevity risk providing income the retiree can't outlive. Some retirees are fortunate enough to already have annuity income purchased by someone else – their employers. It's called a pension.

Almost all retirees have social security which is also an annuity. Let's say a person retires at 65 and gets a \$1,000 check each month from social security. That is the equivalency of purchasing a \$149,000

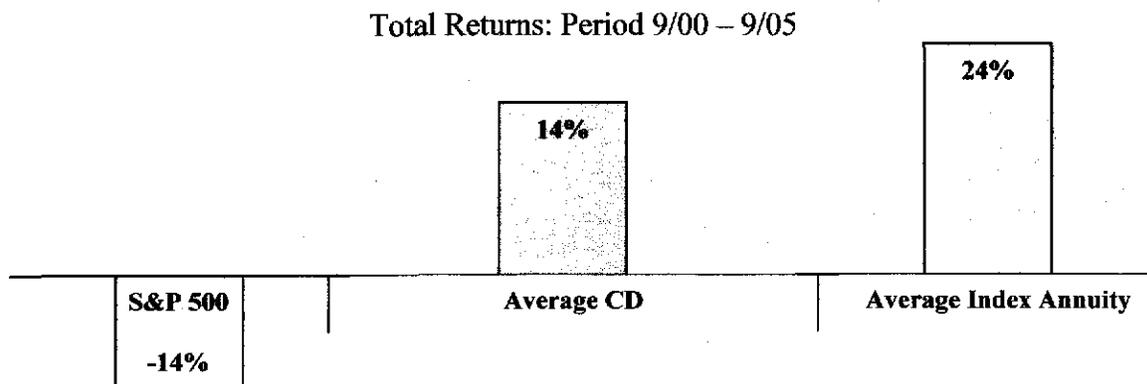
fixed/indexed annuity (for a male) or a \$161,000 fixed/indexed annuity (for a female) with the added benefit of an inflation adjustment each year.

Most people either want or need more income in retirement than their social security or pension checks can provide. Alternatively, a retired couple today could purchase a \$200,000 annuity and 5 to 10 years later their annuity produces a \$2,176 income stream that raises their total income. As their life expectancy decreases, the annuity purchase will generate higher payments.

The five year period between September 2000 and September 2005 began during the worst bear market of the last 70 years and ended during a seesaw year when the market lost and recaptured the same ground.

Two of the five years produced no index-like interest and the period closed with the S&P still 15% below where it began.

It was not a pretty picture at all, yet index annuities still managed to be competitive with CDs and other safe money places. The average index annuity return beat the average CD by 70% for the 5-year period ending 2005.



\$21 Billion dollars were sold in indexed annuities in '05 – can that many people be wrong? Where did the money come out of? Mutual funds, stocks, bonds, and variable annuities.

If anyone is looking for something to compete with other safe money places, the indexed annuity is as close to the "perfect investment" you can come to. If you're looking for a hero, the index annuity is it, and you found it.