

FINANCIALink[®]

Your Money Management Newsletter

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 Title

How You Can Have Income Now...and Later

For Some Investors, Two Annuities May Be Better Than One

When it comes to money, Americans have many concerns, including market risk, preservation of principal, and how not to run out of it in retirement. With increasing longevity and the ongoing risk of market volatility, it's not surprising that nearly 70% of investors said they find guaranteed lifetime income products to be appealing.¹

If you share these concerns, a split-annuity strategy may help provide a solution for retirement income.

TWO ANNUITIES IN ONE

With a split-annuity strategy, a lump sum is divided into two contracts with an insurance company: an immediate annuity, which can provide current income, and a deferred annuity, which pursues investment gains and can be tapped for future income after the immediate annuity is exhausted.

An *immediate fixed annuity* offers a guaranteed fixed rate of return and begins paying an income immediately. This income can last for a specific time period.

A *deferred variable annuity*, as the name implies, doesn't begin paying income right away. Instead, the premium is allocated among a variety of subaccounts that pursue investment gains on a tax-deferred basis, until the owner is ready to annuitize the contract. The subaccounts may invest in stocks, bonds, and other financial instruments.

NOW AND LATER

Here's a hypothetical illustration that shows how this strategy could work. A retired couple with \$500,000 needs to generate current income and have assets working for potential growth. They decide

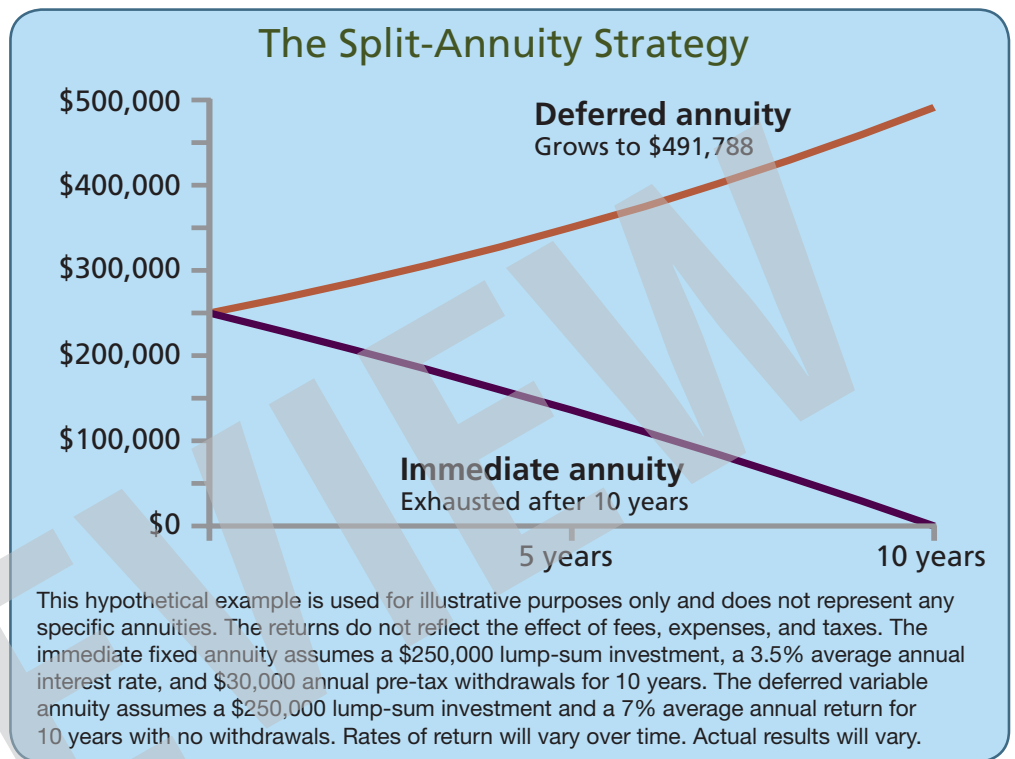
A split-annuity strategy can be designed to generate current income while building a future income stream.

to use \$250,000 to purchase an immediate fixed annuity and the remaining \$250,000 to purchase a deferred variable annuity.

Because the immediate annuity contract pays a 3.5% average annual interest rate, it provides them with a \$30,000 annual income for about 10 years. Meanwhile, the deferred variable annuity earns a hypothetical 7% average annual return and grows to almost \$500,000 (see chart). When the immediate annuity is exhausted, the couple can tap the deferred annuity for income or use some of the funds to purchase another immediate annuity and begin the process again.

Annuities have contract limitations, fees, and expenses (including mortality and expense charges, account fees, investment management fees, administrative fees, and charges for optional benefits) and they carry a certain amount of risk. Surrender charges may be assessed if the contract owner surrenders the annuity during the early years of the contract.

Withdrawals of annuity earnings are taxed as ordinary income and may be subject to a 10% federal income tax penalty if made prior to age 59½. Withdrawals reduce annuity contract benefits



and values. Any guarantees are contingent on the claims-paying ability of the issuing company.

The investment return and principal value of the variable annuity investment options are not guaranteed. Because variable annuity subaccounts fluctuate with changes in market conditions, the principal may be worth more or less than the original amount invested when the annuity is surrendered.

Variable annuities are long-term investment vehicles that

are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the variable annuity contract and the underlying investment options, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) foxbusiness.com, June 9, 2011

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