



FIXED ANNUITY

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WHAT IS A FIXED ANNUITY AND WHAT ARE THEY DESIGNED TO DO?

A fixed annuity is an interest-earning contract issued by an insurance company. Fixed annuities are common retirement savings vehicles, offering:

- Tax-deferred growth of your account balance
- Stability of principal and interest guaranteed by the issuing insurance company
- A source of lifetime income payments or other income options through annuitization
- Direct payment of death proceeds to beneficiaries, avoiding the expense and delay of probate

TAKE A BITE OUT OF TAXES ON SOCIAL SECURITY BENEFITS!

Moving money from a TAX-EXEMPT or taxable investment to a tax-deferred annuity can help reduce taxes on social security benefits! If your investment portfolio is generating tax-exempt or taxable income, that income is counted when determining how much of your social security benefits to tax. Earnings growing tax-deferred in a fixed annuity; however, are NOT counted. Remember that (1) annuity earnings become taxable income at withdrawal or surrender; (2) withdrawals in the early years of a contract could incur surrender penalties; and (3) withdrawals prior to age 59 ½ may be subject to a 10% federal tax penalty.

WHY IS TAXED-DEFERRED GROWTH IMPORTANT?

Let's take a closer look at a fixed annuity's tax-deferred growth feature by comparing it to a taxable alternative. If you're taxed at an effective rate of 28%, you would have to find a taxable investment earning 6.9% for its after-tax earnings to be equivalent to tax-deferred earnings of 5%!

Tax-Deferred Rate	2%	3%	4%	5%	6%
Is Equivalent to a Taxable Rate of:					
Effective Tax Rate					
10%	2.222%	3.333%	4.444%	5.556%	6.667%
15%	2.353%	3.529%	4.706%	5.882%	7.059%
25%	2.667%	4%	5.333%	6.667%	8%
28%	2.778%	4.167%	5.556%	6.944%	8.333%
33%	2.985%	4.478%	5.97%	7.463%	8.955%
35%	3.077%	4.615%	6.154%	7.692%	9.231%
39.6%	3.311%	4.967%	6.623%	8.278%	9.934%

This is a hypothetical example and is not representative of any specific situation. Your results will vary. The hypothetical rates of return used do not reflect the deduction of fees and charges inherent to investing.

THE BASICS

- Issued by insurance company
- Provides clients with guaranteed return backed by the assets of the issuing company
- Provides tax-deferred growth
- Annuitization can provide lifetime income
- Avoids probate for transfer of assets to beneficiaries
- Ideal for clients who are risk averse with income objective
- Can be utilized as an asset transfer tool but is not the most effective asset transfer tool
- All earnings are taxed at ordinary income levels to owner or beneficiary

MOST LIKELY PROSPECTS

- Clients who want to accumulate money tax-deferred
- Clients who are risk averse and want a guaranteed return
- Clients who are looking to accumulate money for income enhancement for retirement
- Clients who have large CD balances that do not need current income

Fixed annuities are long-term investment vehicles designed for retirement purposes. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company.

Withdrawals made prior to age 59 ½ are subject to a 10% IRS penalty tax and surrender charges may apply.

WHAT TO LOOK FOR

- Clients who have large checking account balances
- Clients who have numerous CDs at various institutions
- Clients who make comments about paying taxes on interest from savings
- Clients that are very rate conscious
- Opportunity to educate the client regarding tax-deferred growth benefits

POSITIONING STATEMENTS

(to be used after customer inquiry only)

- Are you concerned about the impact taxes have on the interest you earn?
- Have you considered the impact that taxes can have on your social security benefit?
- What plans have you made to structure your savings to help provide income in retirement?



PLEASE LIST THE NAMES OF 5 CLIENTS THAT COULD BENEFIT FROM THIS PROGRAM:

Name

Phone #

1) _____

2) _____

3) _____

4) _____

5) _____
