



One Year

Understanding and Benefitting from

# Indexed Annuities

(Indexed Annuity Guide)  
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Form # CMIC-2004 Rev. 3/2/2005

# Who benefits from the **Indexed Annuity**?

*Individuals seeking the opportunity for market-linked interest credits, without market risk.*

## What do **Indexed Annuities** offer?

- *Your choice of interest credits based on changes in a Market Index or Guaranteed-Interest option*
- *Safety of principal and interest — No risk of loss if held to term*
- *Minimum interest rate **GUARANTEED!***
- *Tax-Deferred growth*
- *Access to your money*
- *May provide probate-free death benefit*
- *Income options*
- *Asset allocation capabilities*



# How do you earn interest?

- *Track a market index for a period of time (usually one contract year).*
- *Apply a formula to determine a gain in the market index.*
- *Credit interest at the end of the period (usually each contract year). In ratcheting annuities interest can never be taken away due to poor market performance.*
- *In annual-reset annuities, interest compounds annually.*





# Other important benefits!

- *In ratcheting and resetting annuities a downturn in the market will not hurt potential growth in following years*
- *Any adjustment applied can never cause the annuity to lose previously credited interest*
- *Limited withdrawals without surrender charge are available*
- *The Death Benefit may avoid the costs, delay and publicity of probate*
- *Several tax favored income options are available, if desired*

# **Point-to-Point**

***Annual or Biennial Reset,  
Ratchet, with Cap***

***Start in the Index today ...  
and end on the same day  
next year ...  
or two years from now ...***

***You get 100% of the S&P 500  
performance for the  
one-year or two-year period,  
up to and including X%\****

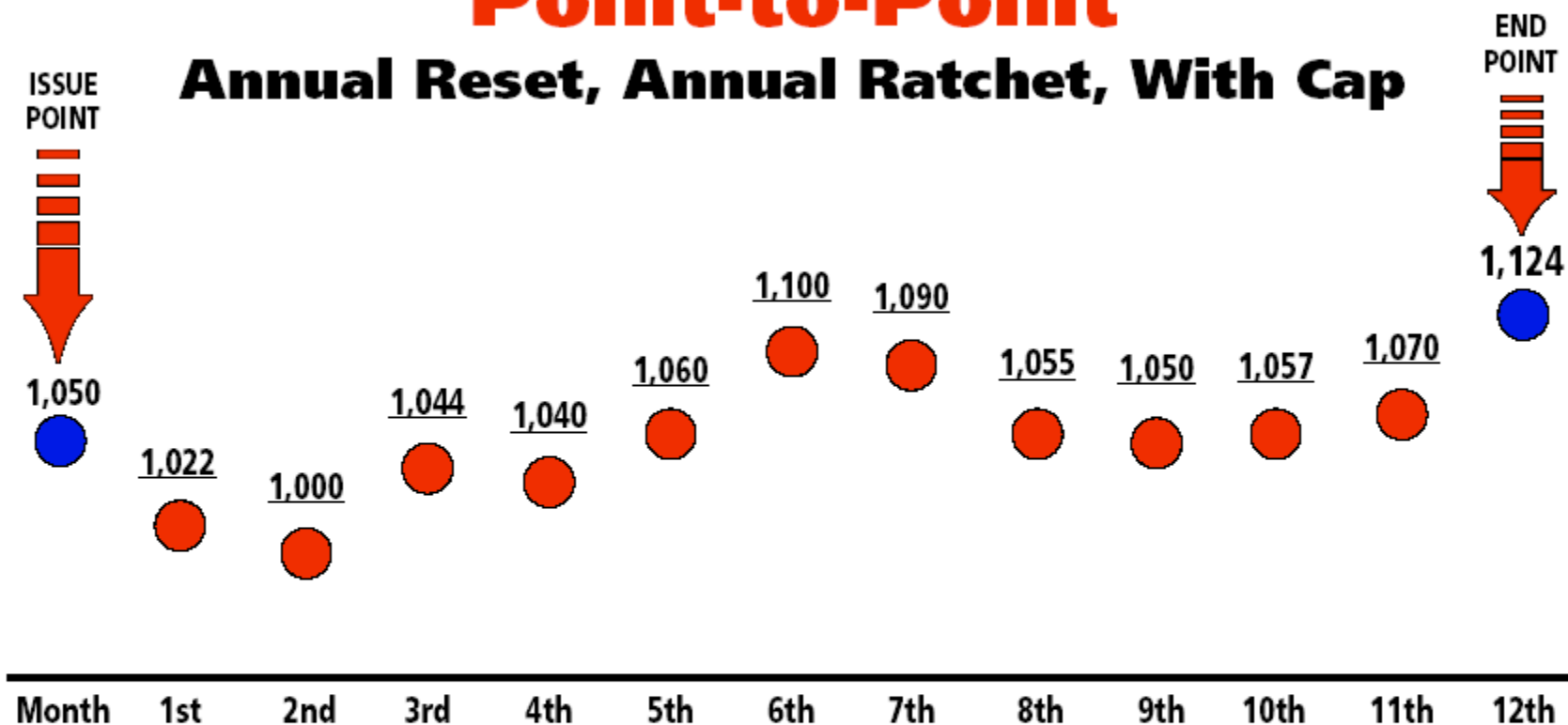
***\*(X% = declared cap)***



# How is the Gain Calculated...

## Point-to-Point

### Annual Reset, Annual Ratchet, With Cap



Start Point = **1,050**

End Point = **1,124**

Point to Point Gain = **7%**

Gain =  $1124 - 1050 = 74$

(Gain % =  $74 \div 1050 = .0705$ )

Next year's Start point + **1,124**

*This sample calculation and all assumptions are purely hypothetical and are not an indication of any annuity's past or future activity. Annuities contain limitations, including surrender charges, which may affect policy values.*

# **Monthly Averaging**

***Annual Reset, Ratchet, with Fee***

***Start in the Index today....***

***Take the closing point in the S&P 500, on this date, for each of the next 12 months...***

***Add them up, divide the sum by 12***

***You get 100% of the average S&P 500 performance unlimited for the year, with a X%\* fee subtracted.***

***\*X% fee to be determined at contract inception and policy anniversaries.***

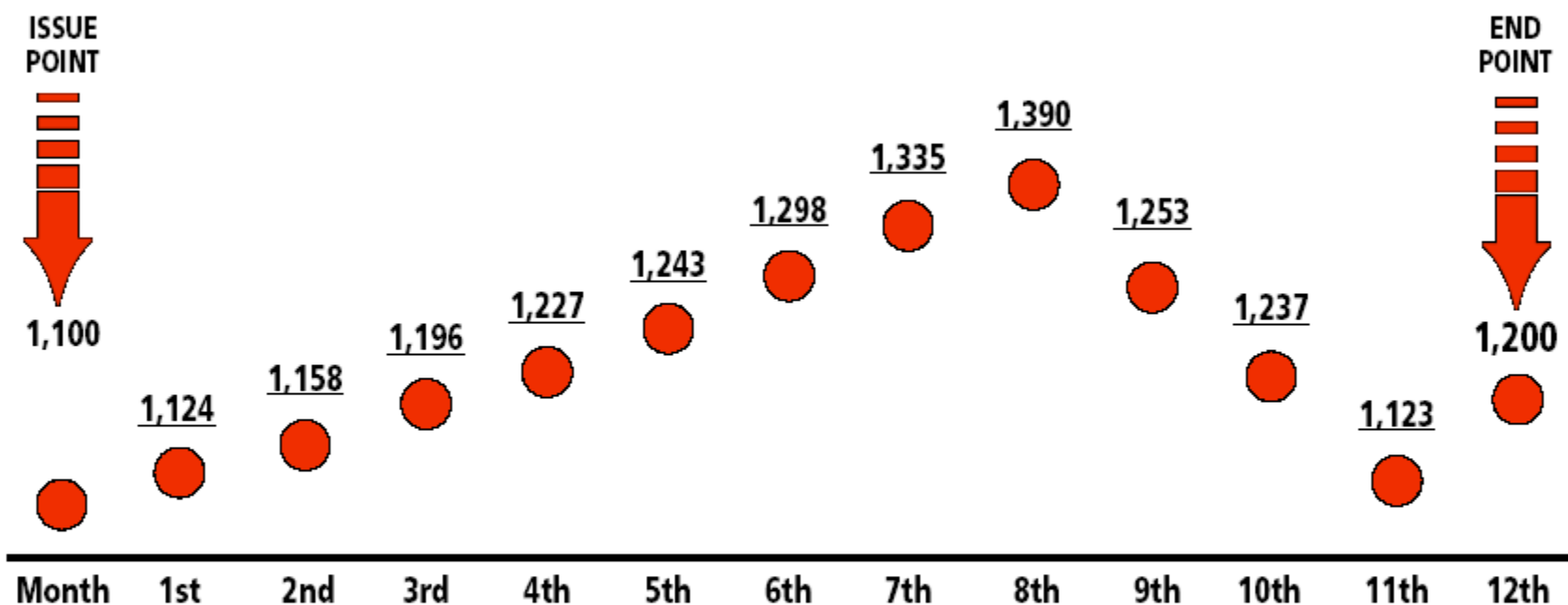
***Fee cannot reduce interest credit below Zero.***



# How is the Gain Calculated...

## Monthly Average

### Annual Reset, Ratchet, with Fee



Sum of 12 months = **14,784**  
Average of 12 months = **1,232**  
Issue Start Point = **1,100**  
Gain % =  $132 \div 1100 = .12$   
Gain =  $1232 - 1100 = 132$   
Interest Credit = Gain - Fee =  $12\% - 3\% = 9\%$

Next year's Start point + **1,200**

*This sample calculation and all assumptions are purely hypothetical and are not an indication of any annuity's past or future activity. Annuities contain limitations, including surrender charges, which may affect policy values.*

**Monthly Averaging-  
100% Participation Rate-  
No Cap-  
Asset Fee of 4.75%**



Jefferson-Pilot Life Insurance Company, Customer Service, P. O. Box 515, Concord, NH 03302-0515

*Flexible Premium Deferred Annuity*

**Annual Statement**

For Period March 8, 2003 thru March 8, 2004

Policy Number: EQ  
 Policy Date: March 8, 2001  
 Plan Type: Individual Retirement Account  
 Agent Name: Richard E. Tramposh LLTCF  
 Agent Number: 2054330  
 Agency Number: 23100

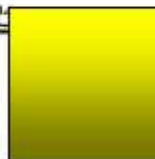
OVERLAND PARK, KS 66213

For questions regarding your account, please call Customer Service at (800) 258-3648 ext.5394.

**Policy Summary**

March 8, 2003 to March 8, 2004

Beginning Value	\$33,566.25
Premium Payments	\$0.00
Gross Surrenders	\$0.00
Fixed Interest Earned	\$0.00
Indexed Interest Earned	\$6,622.29
Ending Value	\$40,188.54



**Interest Information for Policy Year**

Fixed Interest Rate:	3.95%	Beginning Index Value:	828.89
		Average Index Value:	1,031.80
		Indexed Growth Percentage:	24.48%
		Indexed Interest Spread:	4.75%
		Indexed Interest Rate:	18.73%

**Policy Activity**

DATE	TRANSACTION	TRANSACTION	FIXED	INDEXED	ACCUMULATION
------	-------------	-------------	-------	---------	--------------

**Point to Point for the Year;  
848 -1093 = 29%**

**Beginning Index Value 828.89  
Average Index Value 1031.80  
Index Growth 24.48%  
Interest Spread (Fee) 4.75%**

**Indexed Interest Credit  
19.73%**

# **Monthly Point to Point**

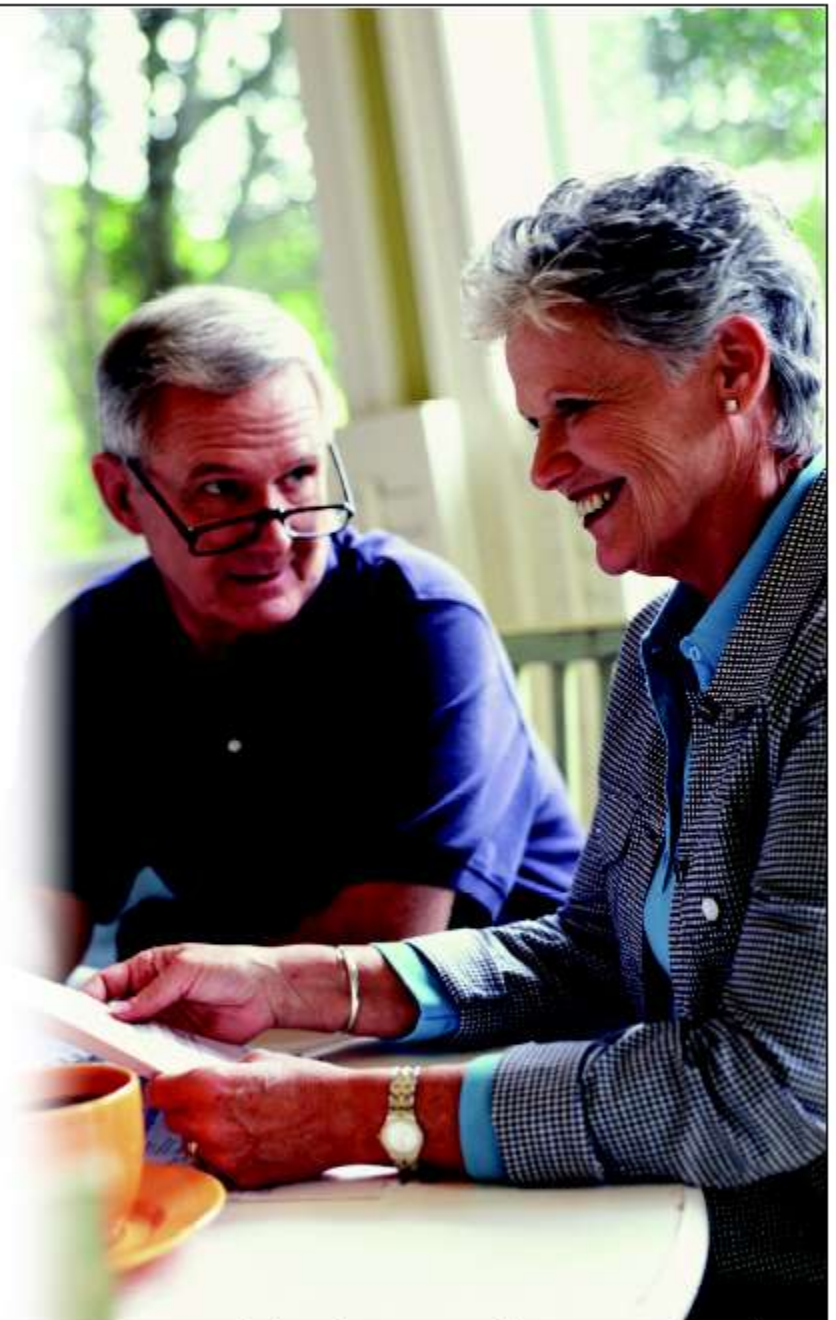
***Annual Reset, Ratchet  
with Monthly Cap***

***Start in the Index today ...***

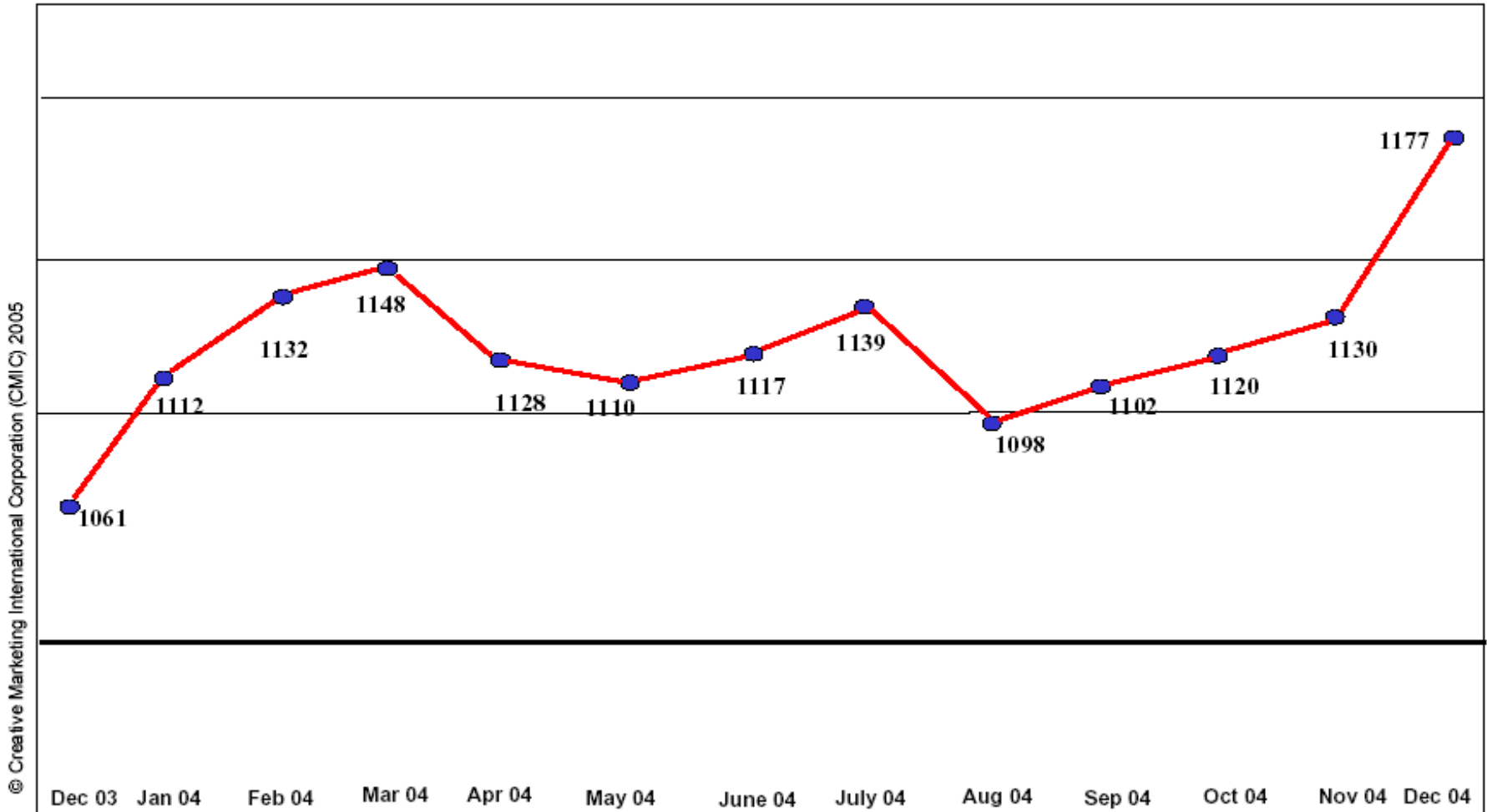
***Take 12 individual monthly  
performances up to  
X%\* monthly cap ...***

***Add up capped monthly  
performances ...***

**\*X% = monthly cap declared**



# Monthly Cap 1 Year – 100% Participation Rate, 3% Cap per Month Annual Ratchet



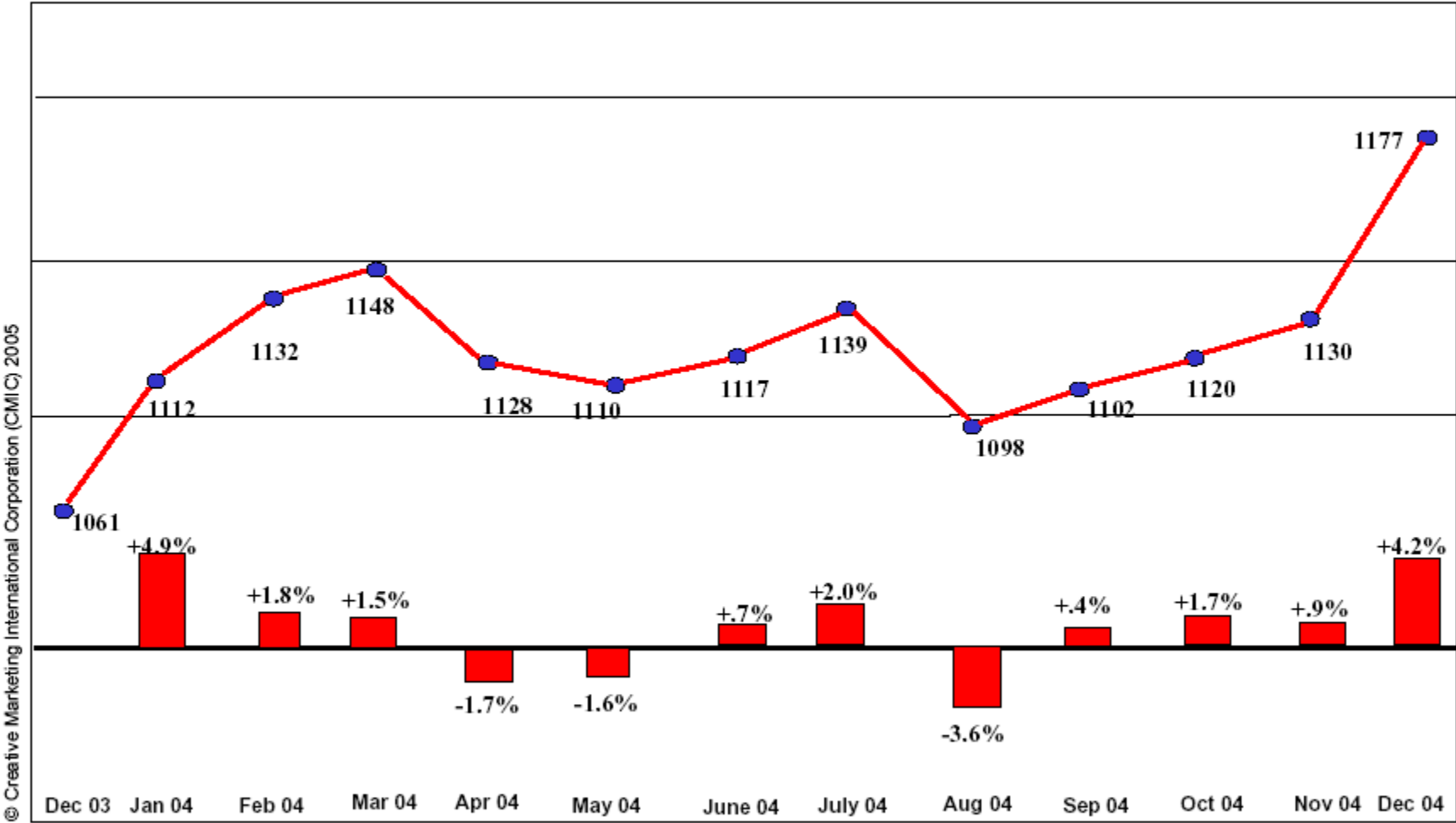
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**From 1061 to 1177 = 11% for policy year**



# Monthly Cap

## 1 Year – 100% Participation Rate, 3% Cap per Month Annual Ratchet



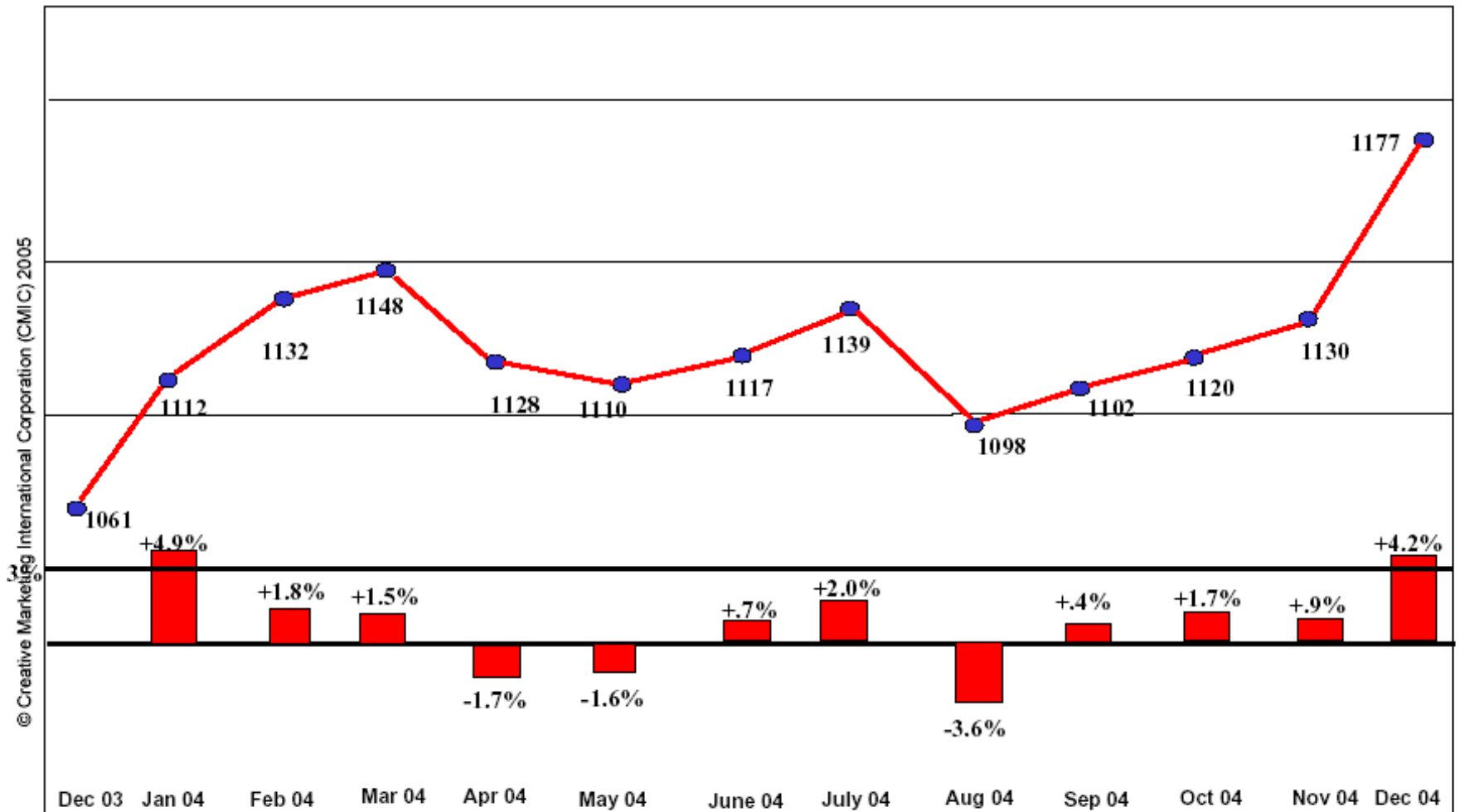
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# Monthly Cap

## 1 Year – 100% Participation Rate, 3% Cap per Month

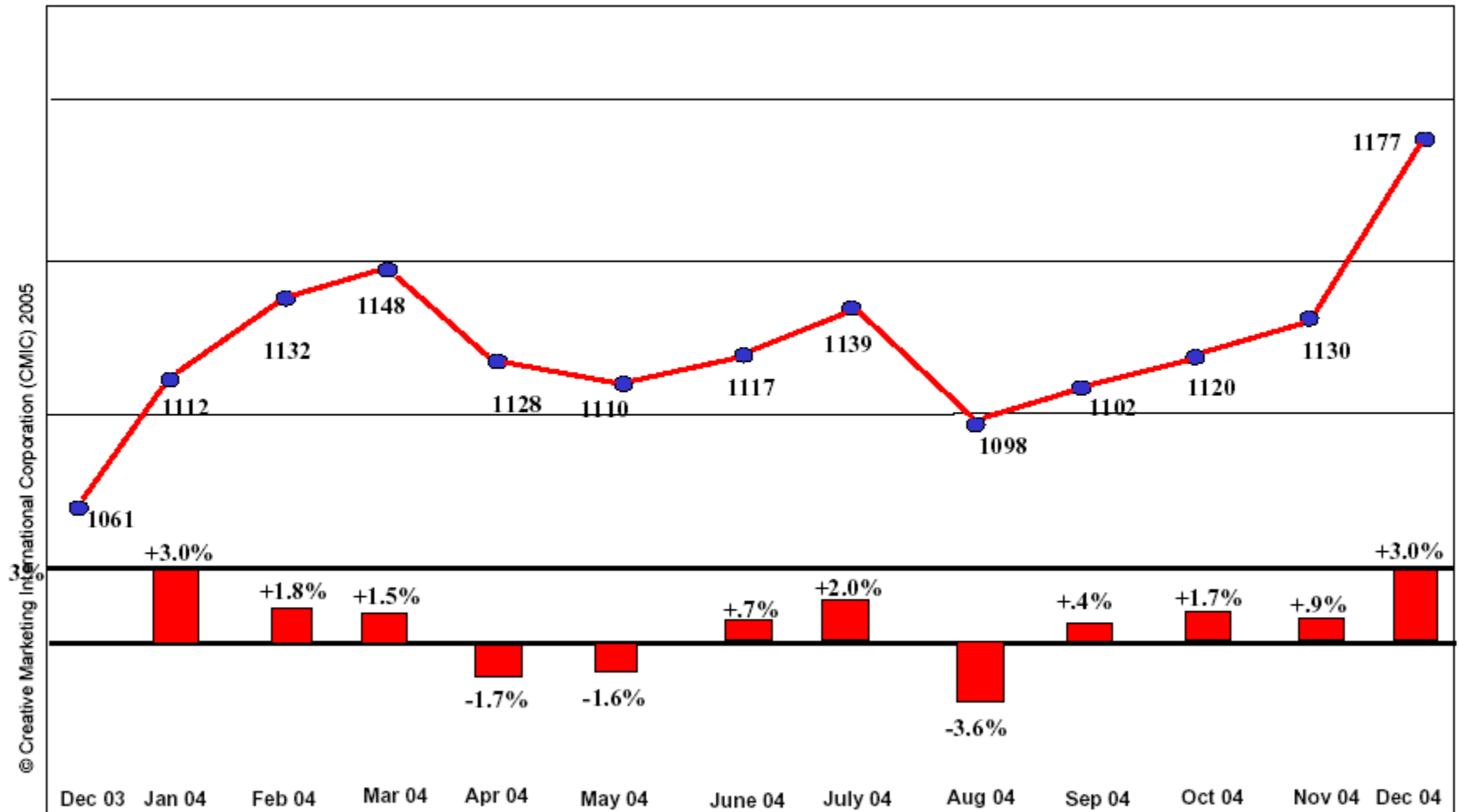
### Annual Ratchet



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# Monthly Cap 1 Year – 100% Participation Rate, 3% Cap per Month Annual Ratchet

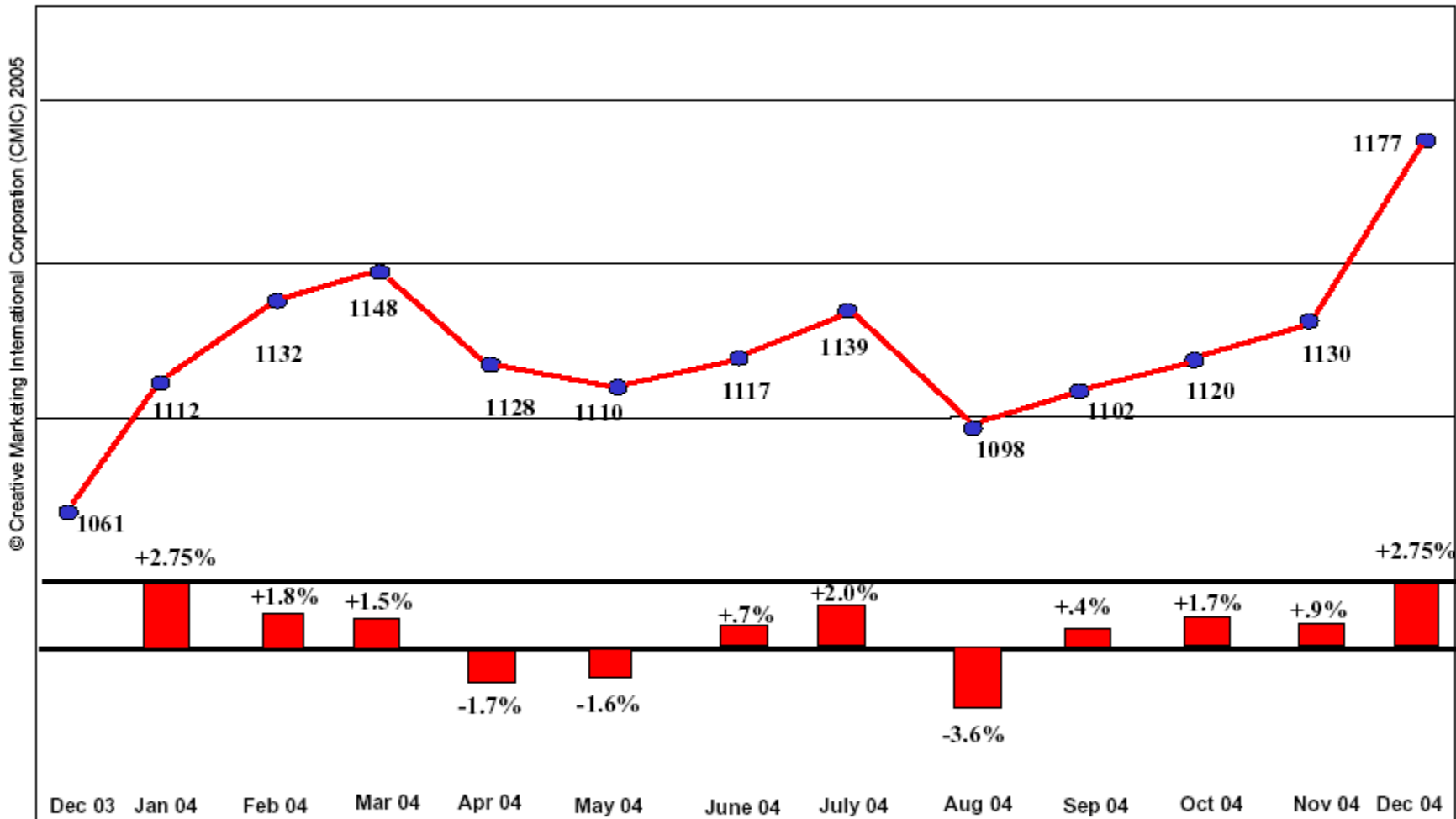


**Monthly Cap  
Policy Gain = 8.10%**



# Monthly Cap

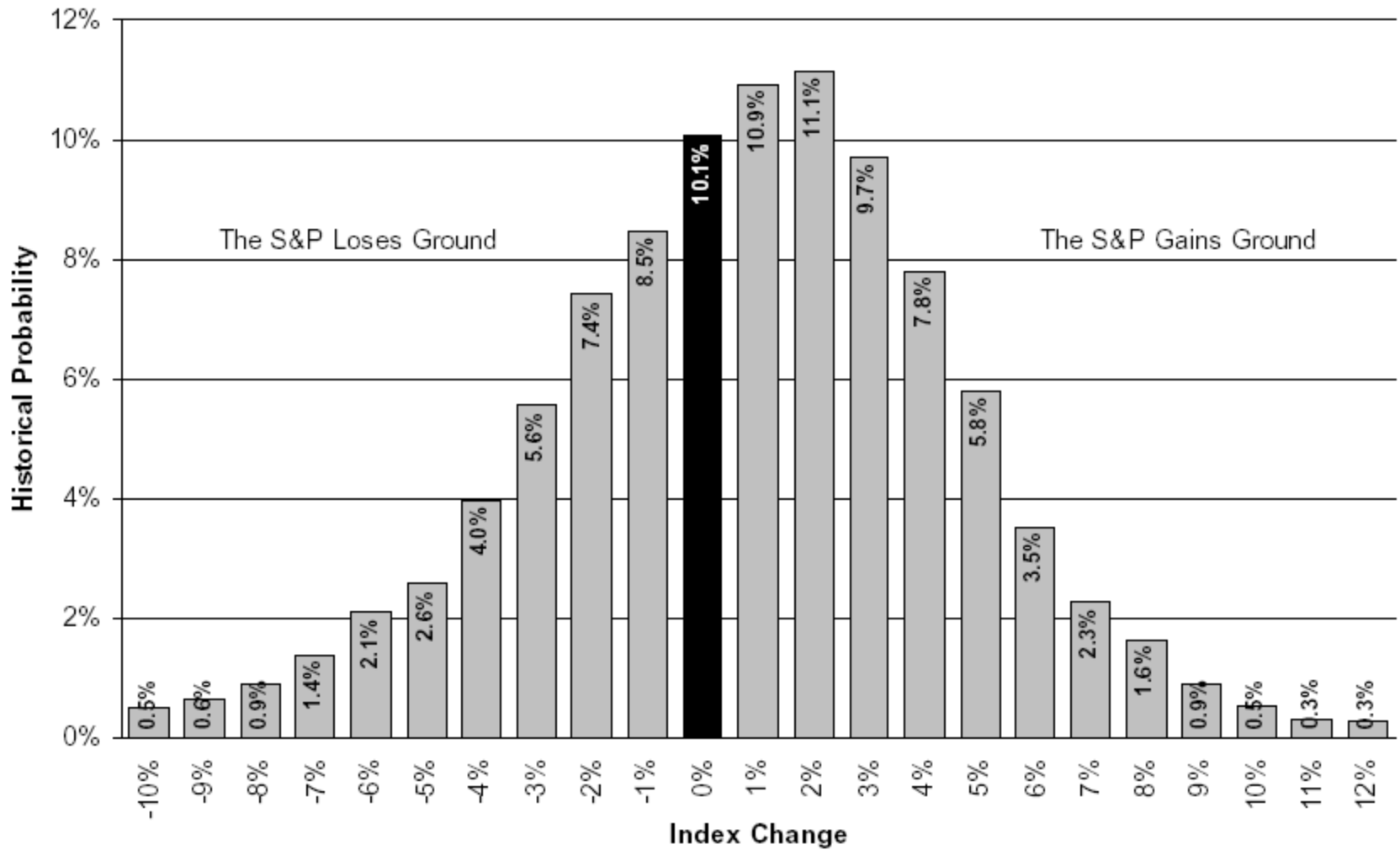
1 Year – 100% Participation Rate, 2.75% Cap per Month  
Annual Ratchet



**Monthly Cap**  
**Policy Gain = 7.60%**



# Monthly S&P 500 Index Changes 1950-Dec 2004



*September 30, 1991 - December 31, 2001*

*Performance of the S&P 500*

**Fully Invested.....12.70%**

**Miss the 10 Best Days.....7.94%**

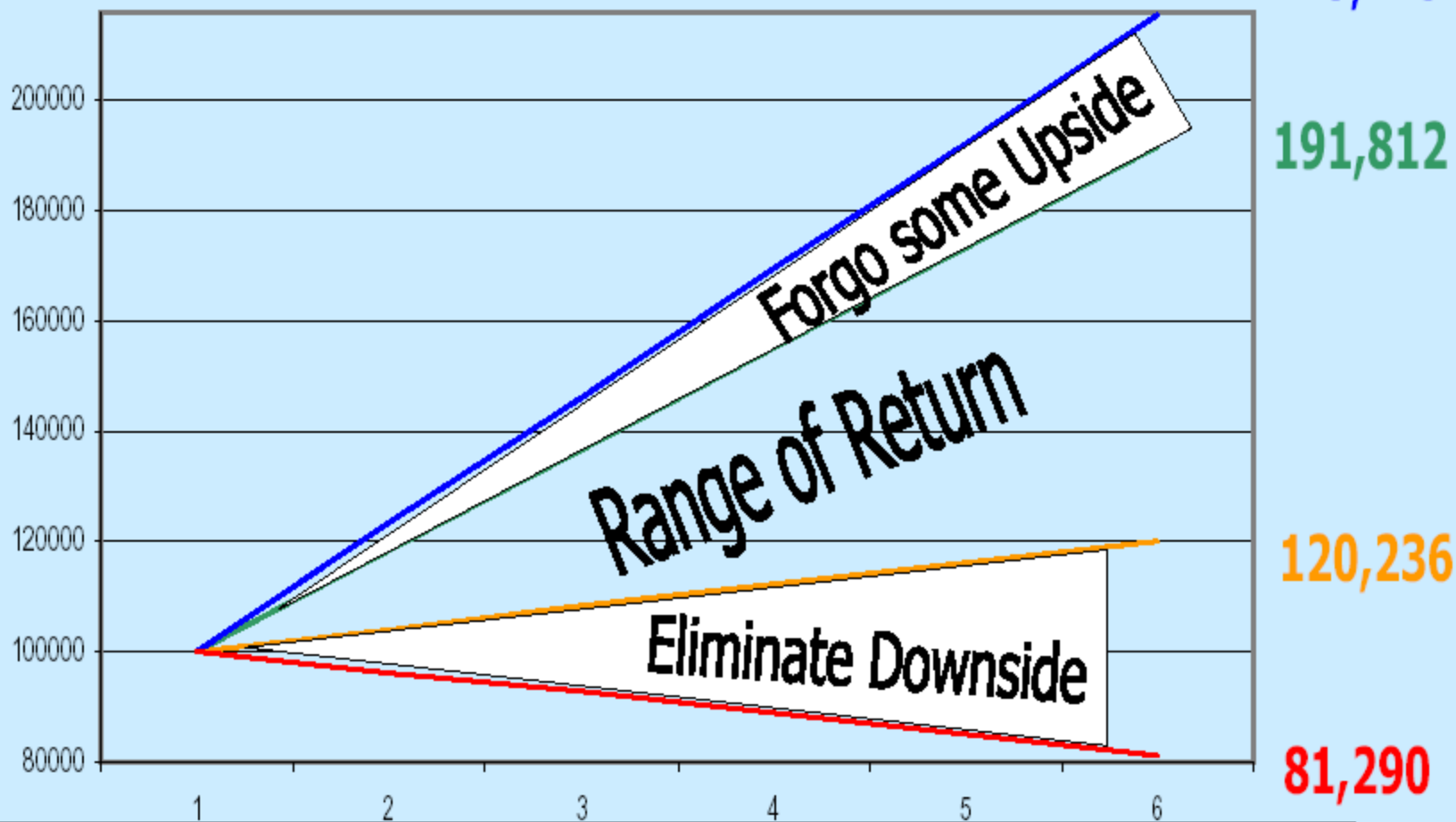
**Miss the 20 Best Days.....4.51%**

**Miss the 30 Best Days.....1.75%**

**Miss the 40 Best Days.....0.72%**

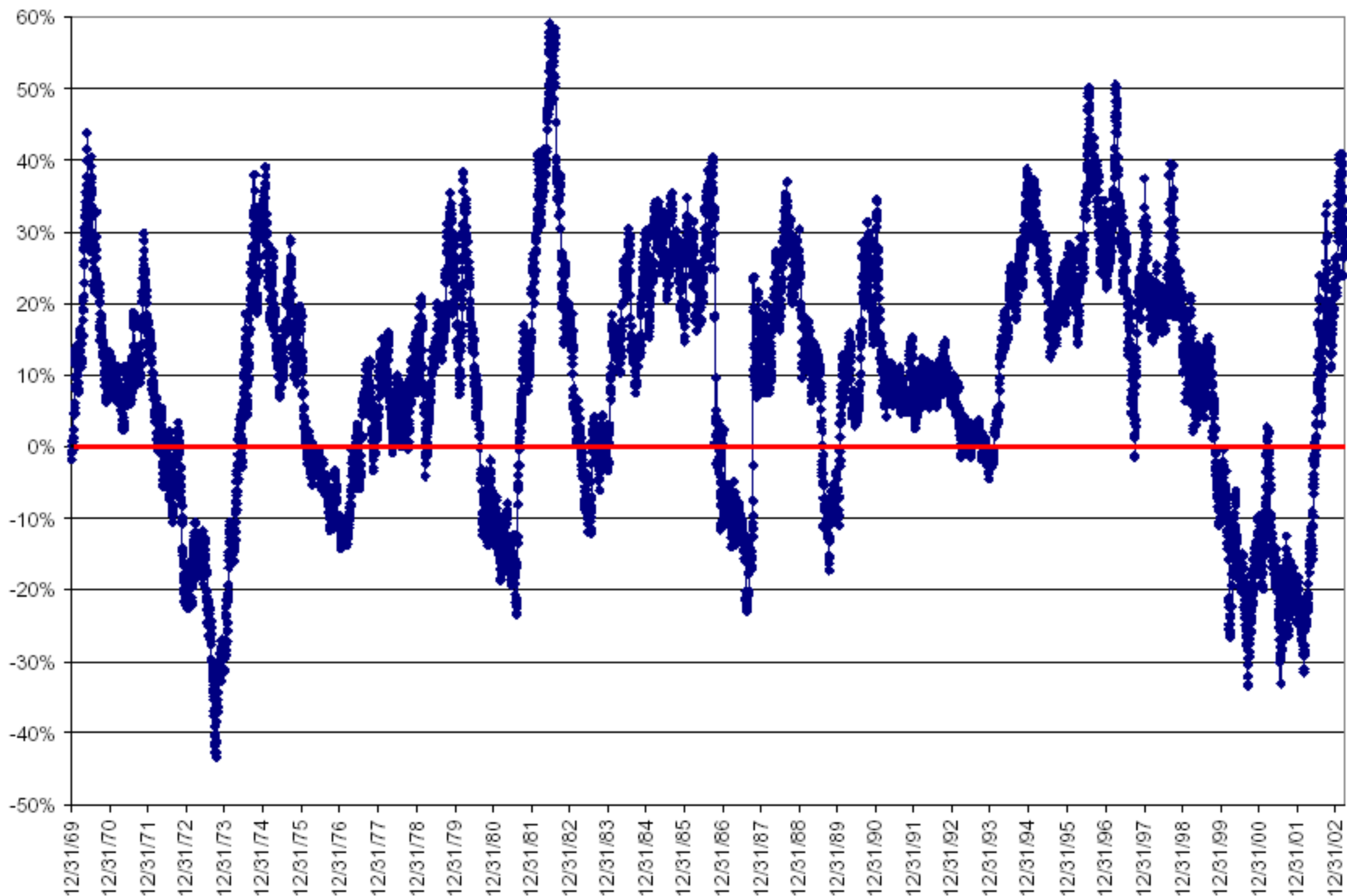
# Three Retirement Plans

\$100,000 Initial Payment



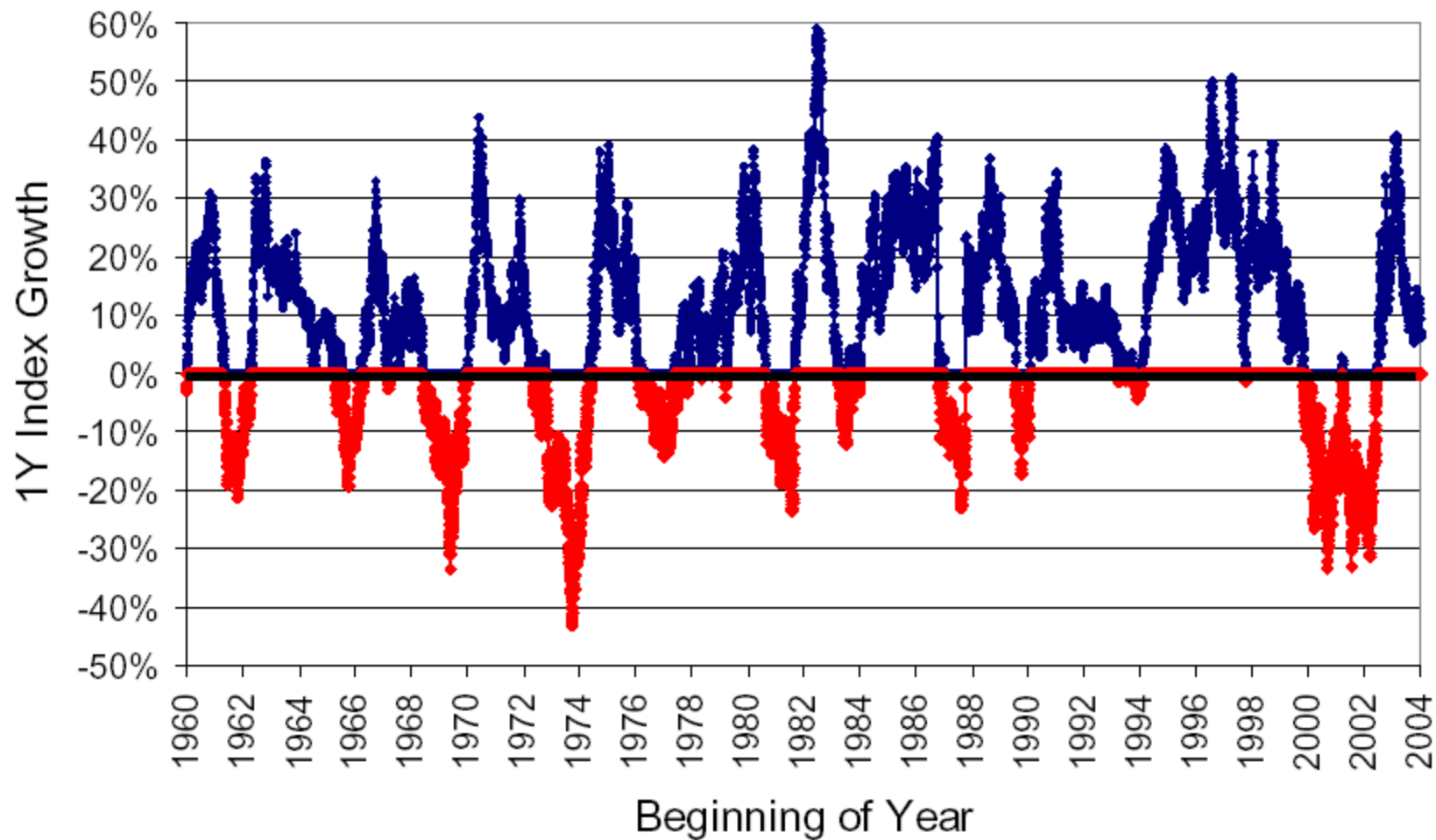
— EIA Best — EIA Worst — Av Funds Best — Funds Worst

## *S&P 500 1 Year Periods, Daily Values – No Dividends*



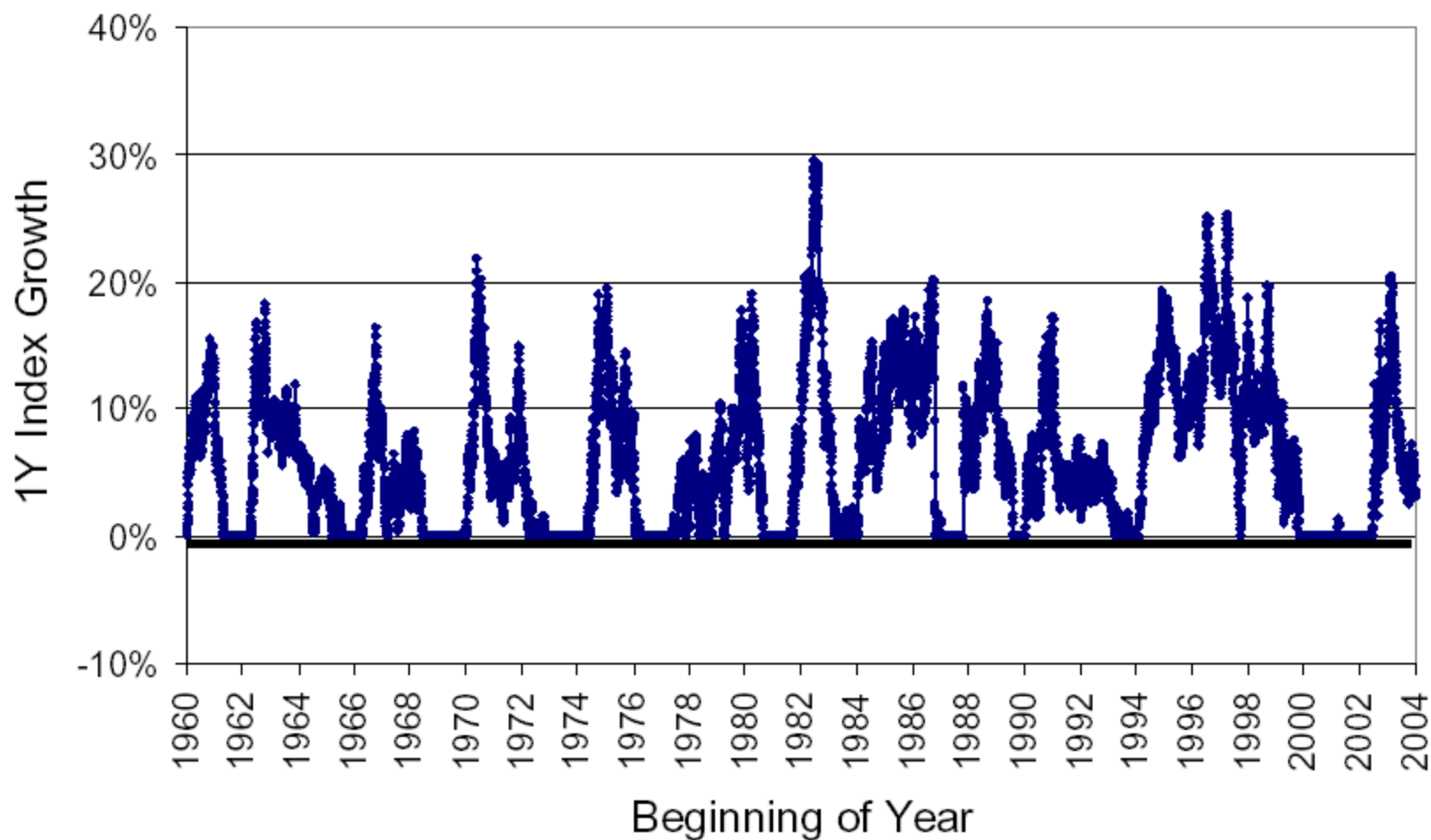
# *S&P 500 1 Year Periods, THE PAIN OF LOSS !!*

Without Dividends



# *50% S&P 500 1 Year Periods, Daily Values – No LOSSES*

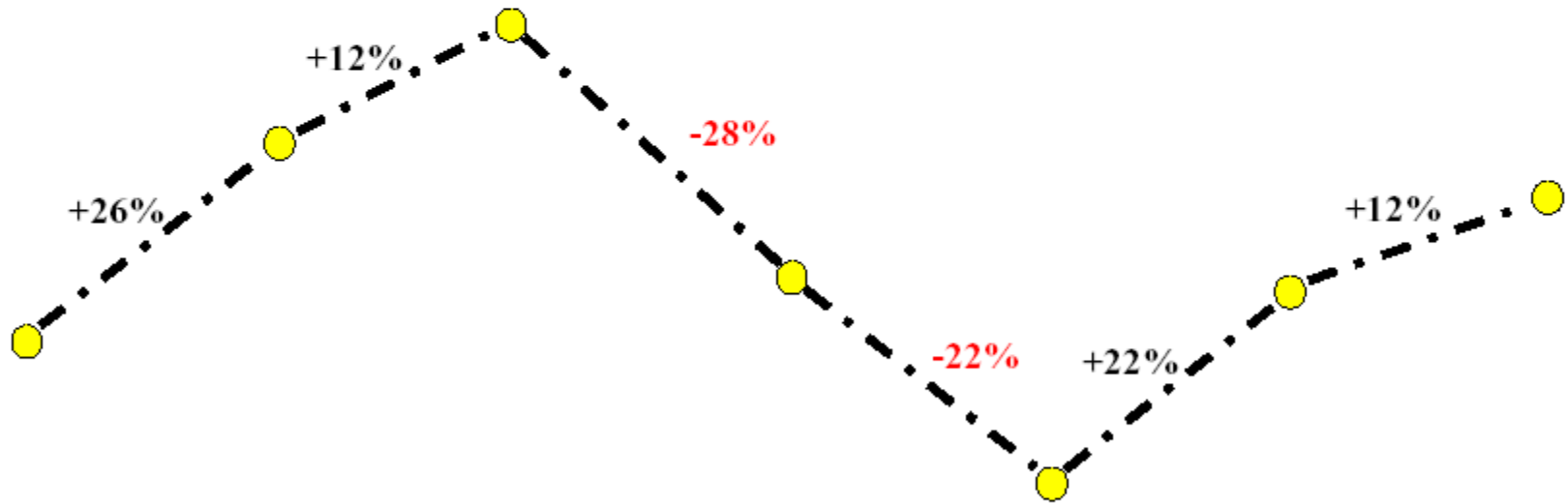
Without Dividends



# S&P 500

9/30/98      9/30/99      9/30/00      9/30/01      9/30/02      9/30/03      9/30/04

1017      1282      1436      *1040*      *815*      995      1114

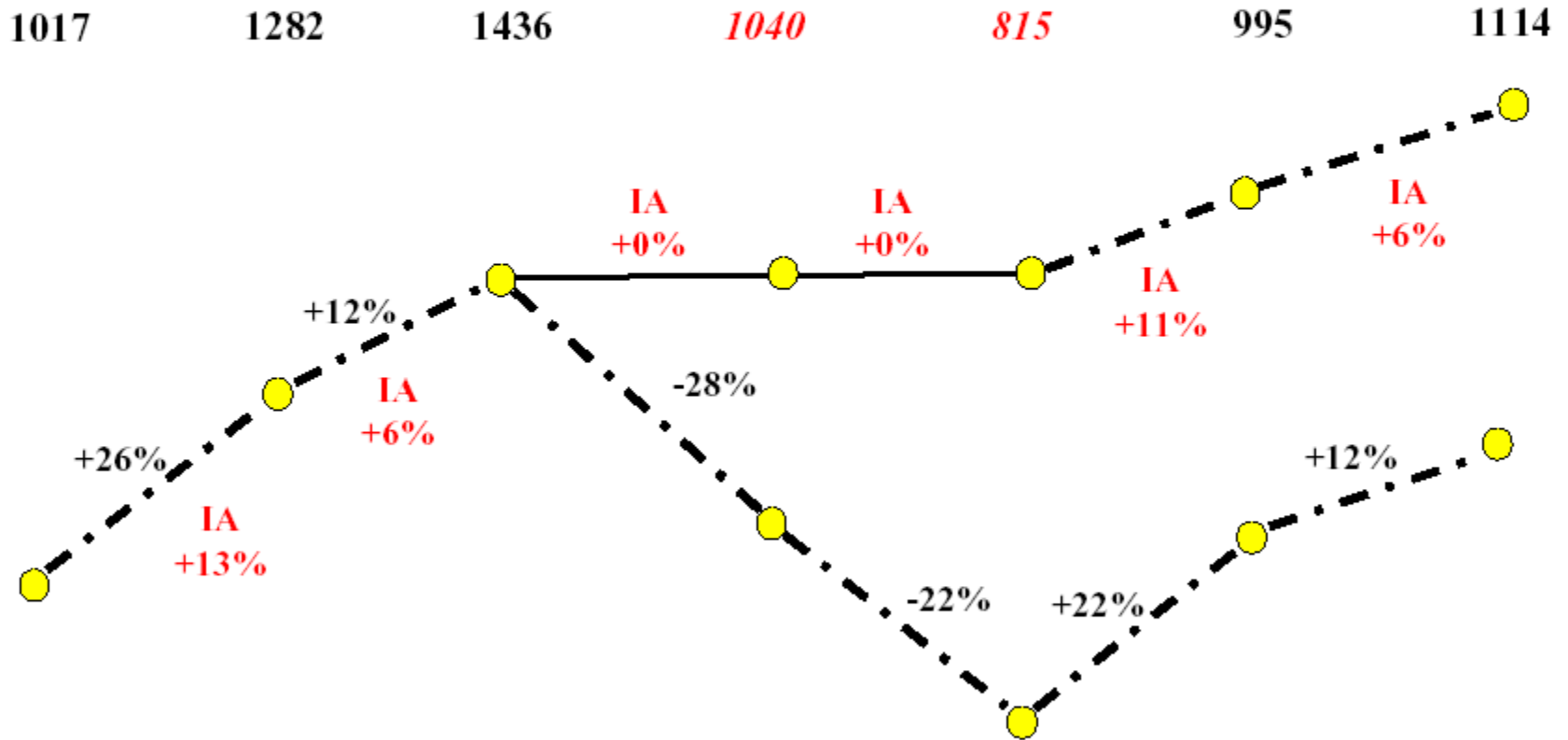


\$100,000 Deposit in S&P 500 9/30/98 = *\$108,290* on 9/30/04

# S&P 500

9/30/98      9/30/99      9/30/00      9/30/01      9/30/02      9/30/03      9/30/04

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\$100,000 Deposit in S&P 500 Indexed Annuity 9/30/98 = **\$140,932** on 9/30/04

# How do know if an **Equity Indexed Annuity** is right for you?

The questions listed below help you decide which type of annuity, if any, meets your retirement planning and financial needs. You should consider what your goals are for the money you may put in the annuity. You need to think about how much risk you're willing to take with the money and ask yourself:

- *How long can you leave your money in the annuity?*
- *How do you expect to use the money in the future?*
- *Are you willing to risk losing the principal and have no guarantee of earnings to possibly achieve higher returns? (Variable Annuity)*
- *Is a lower guaranteed interest rate more important to you? (Fixed, Declared Rate Annuity)*
- *Or, are you somewhere in between? (Equity Indexed Annuity)*



# Uses and Funding of Indexed Annuities

- **401(k) & Pension Rollovers**

Have you left money behind at previous employers' 401(k)s or 403(b)s? You can roll these funds over to an IRA without penalty and avoid mandatory distribution.

- **SEPs, IRAs and Roth IRAs**

You may rollover funds from these instruments or start new ones subject to normal contribution limits.

# Questions you should ask your Agent or the Company

- *What is the guaranteed minimum interest rate?*
- *What is the range of possible interest rates for my contract?*
- *What charges, if any, are deducted from my premium?*
- *How long is the term?*
- *What is the participation rate?*
- *For how long is the participation rate guaranteed?*
- *Is there a minimum participation rate?*
- *Does my contract have a cap?*
- *Is averaging used and if so, how does it work?*
- *Is interest compounded during a term?*
- *Which indexing method is used in my contract?*
- *Is there a margin, spread, or administrative fee? Is that in addition to or instead of a participation rate?*
- *What are the surrender charges or penalties if I want to end my contract early and take out all of my money?*
- *Can I get a partial withdrawal without paying charges or losing interest? Does my contract have vesting?*
- *Does my annuity waive withdrawal charges if I am confined to a qualified care facility or diagnosed with a terminal illness?*
- *What annuity income payment options do I have?*
- *What is the death benefit?*

All product features, charges and rates described in the presentation, Understanding and Benefitting from Indexed Annuities, are not product or company specific. Please contact your agent or company representative to request information to a particular annuity.

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