



Retirement Strategies

Not FDIC insured, NCUA/NCUSIF insured
Not a deposit * No bank or credit union guarantee Not
insured by any federal government agency
May lose value

Retirement Strategies



Today's Presentation:

- Retirement Is Different Today
- Income Planning
- Case Studies

Retirement is Different Today



Current Age	Male Life Expectancy	Female Life Expectancy
60	80	83
65	81	84
70	83	85
75	85	87
80	87	89
85	90	91

Source: National Vital Statistics Report, National Center for Health Statistics.
Final 2000. Volume 51, Number 5, March 14, 2003.

Retirement is Different Today

Common Concerns



Outliving Your Money



Retirement is Different Today

Common Concerns



Outliving Your Money



Retirement is Different Today

Common Concerns



Outliving Your Money

- 39% of Americans fear they will **outlive** their retirement money¹
- Of consumers who are concerned about outliving their assets, 41% don't know **how** they will deal with this issue²

¹ Building Retirement Income That Stands the Test of Time, Mark Tully. Bank Insurance and Securities Marketing, Winter 2004, p. 24.

² The Retirement Income Market: A Growing Opportunity, James R. Sholder. Bank Insurance and Securities Marketing, Winter 2004, p. 23.

Retirement is Different Today

Common Concerns



Higher Medical Costs

- Many Americans at or near retirement age would require **more than \$1 million to afford medical costs** over their remaining life³
- Healthcare costs are rising **three times faster than inflation**⁴
- Among large employers with healthcare benefits, 22% say they are likely to **stop offering such coverage** in the next three years⁵



³ Senior Journal.com February 25, 2003.

⁴ The Big Retirement Headache, Lisa Gibbs. Money Magazine, April 23, 2003.

⁵ Retirement: It's Going to Cost You, Sarah Max. CNN/Money.com, March 3, 2003.

Retirement is Different Today

Common Concerns



Higher Medical Costs

- The majority of employers plan to **raise retirees' premiums and prescription drug co-payments** over the next three years⁶
- Paying for prescription drugs is a **problem** for 71% of people over 65⁷
- The average annual cost of a **nursing home** is over \$66,000⁸

⁶ Retirement: It's Going to Cost You, Sarah Max. CNN/Money.com, March 3, 2003.

⁷ Filling the Prescription: What Seniors are Looking For. AARP, June 6, 2004.

⁸ Long Term Care Insurance May Not be Worth Your Money, Daniel Nasaw. The Wall Street Journal, October 9, 2003 p. D2.





Retirement is Different Today

Common Concerns



Inflation

	1975	2004	% Increase
	\$0.13	\$0.37	184%
	\$0.15	\$0.65	333%

Sources: US. Postal Service, Hershey Foods Corporation.

Retirement is Different Today

Common Concerns



Inflation

\$8,800 would have bought you a **top-of-the-line** Cadillac in 1975



Sources: General Motors Corporation for a 1975 Cadillac DeVille

Retirement is Different Today

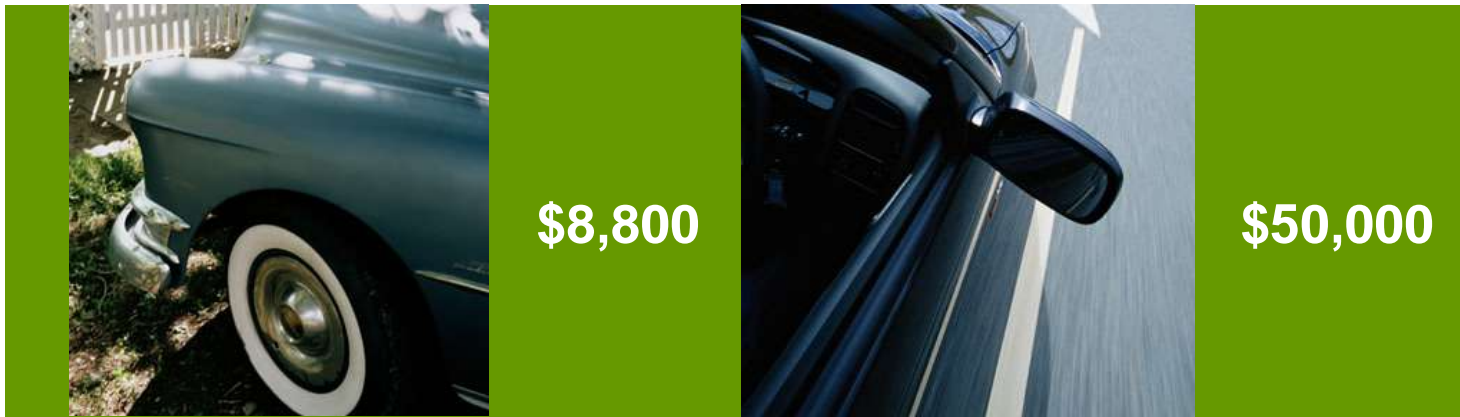
Common Concerns



Inflation

Today, \$8,800 would **not even** buy the lowest price car.

And a top-of-the-line Cadillac...well that's going for about \$50,000—a **468% increase**⁹



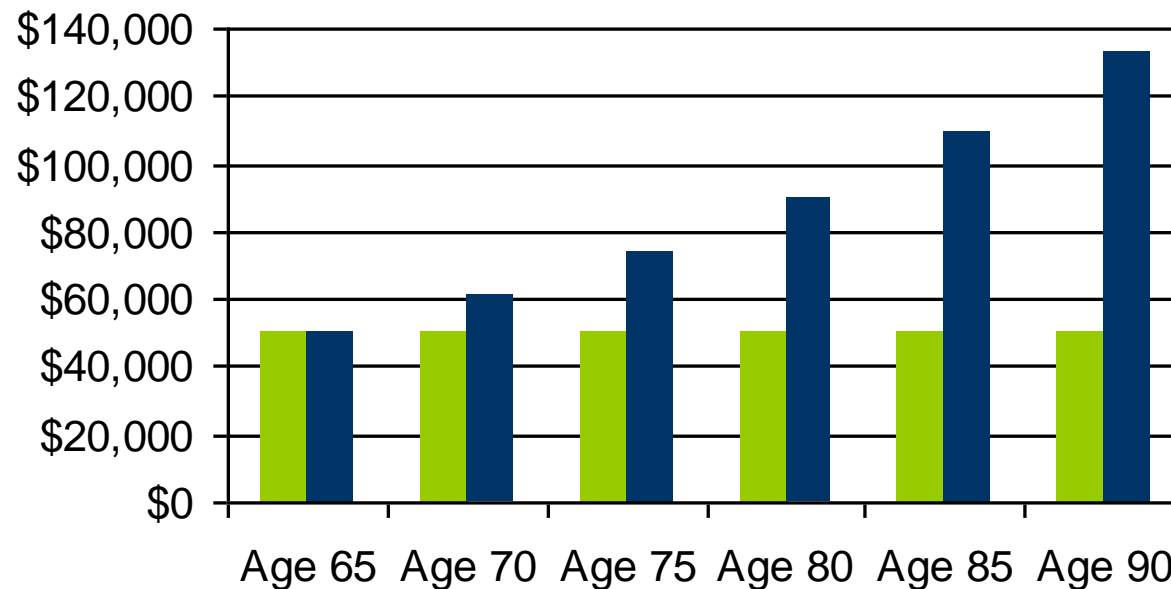
⁹ 2004 Cadillac CTS-V

Retirement is Different Today

Common Concerns



Inflation and the Purchasing Power Gap



■ \$50k income ■ Income you'd need to maintain purchasing power

Assumes annual inflation rate of 4%.

Retirement Income Planning



**A recent survey found that
41% of pre-retirees were
not even familiar with the term
"retirement income planning"¹⁰**

¹⁰ The Looming Retirement Income Crisis, Jerry Morgan.
On Wall Street, June 2004, p. 38.

Retirement Income Planning



Retirement Income Planning



Retirement Income Planning



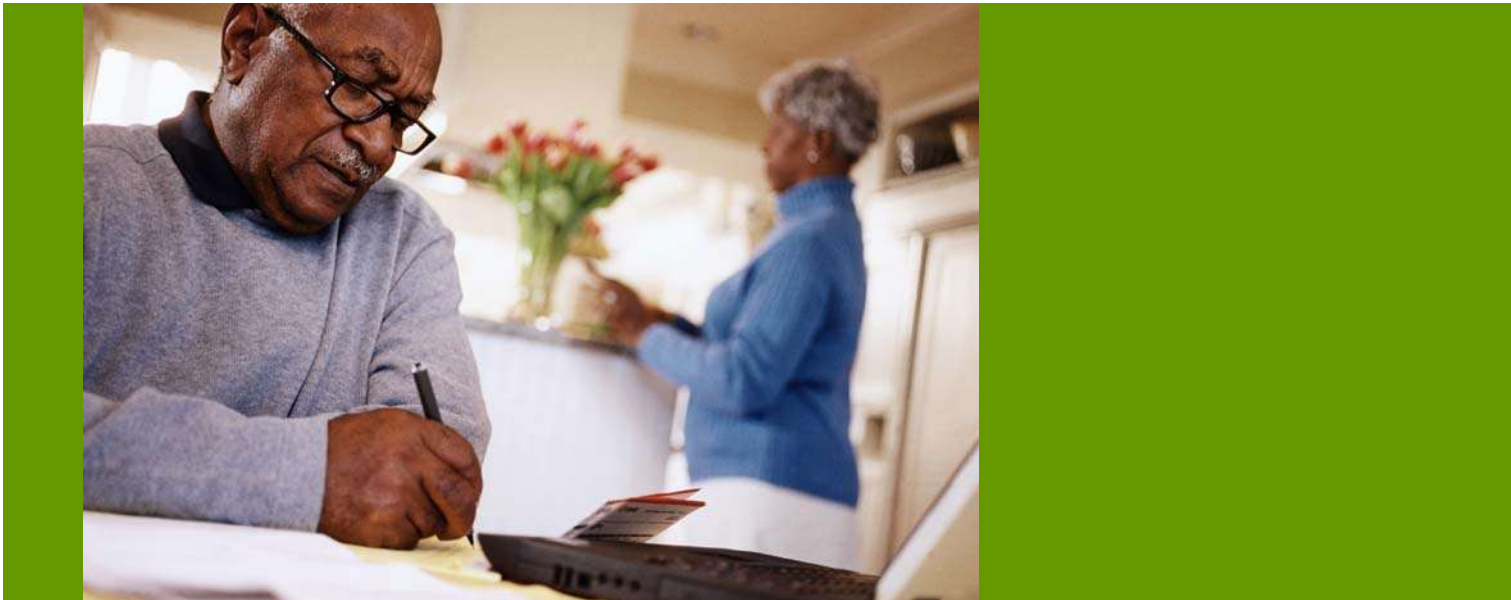
All investors face certain challenges



Retirement Income Planning



But retirees can face investing challenges that are more unique to their group



Retirement Income Planning



As a retiree, your income will be tied more closely to your investments and what you can afford



Retirement Income Planning



Now more than ever, your investing decisions should take into account:

- Options that may help **protect** your principal
- **Sustain** your investment earnings
- The **confidence** you have in the company that holds your investments



A Short Course on Annuities



- Annuities may provide tools for **defensive investing**.
- Annuity investors can receive **guaranteed income payments** for life. Guarantees based on the claims-paying ability of the issuing insurance company.
- Some annuities offer features that help **protect a retiree's purchasing power**. Certain features may involve the payment of additional fees.

A Short Course on Annuities



Annuities can play an important—even central—role in many retirees' income plans

A Short Course on Annuities

What they are, and how they work



Annuities have been a retirement-income staple for decades

- You invest money in a fixed account or variable subaccount
- The company pays you a stream of payments over some period of time

A Short Course on Annuities

What they are, and how they work



Annuities typically have two stages in their life cycle:

1. An **accumulation** phase
2. An **annuitization** phase

Accumulation Phase



- Your money is **invested** and allowed to grow
- Investment **earnings accumulate** tax deferred

Withdrawals taken prior to annuitization are generally considered to come from the gain in the contract first. If the contract is tax-qualified, generally all withdrawals are treated as distributions of gain. Withdrawals of gain are taxed as ordinary income and, if taken prior to age 59 ½, may be subject to an additional 10% federal tax penalty.

Annuitization Phase



Your investment is converted into payments. The payment amount is determined primarily by:

- Your **account value**
- Your **life expectancy**
- The type of **payment plan** you select
- During the **annuitization** phase, a portion of each payment will be considered **taxable** and the remaining portion will be a **non-taxable** return of your investment in the contract, which is also called the **“basis”**.
- Once the investment in the contract is depleted, all remaining payments will be **fully taxable**. If the contract is tax-qualified, generally, all payments will be fully taxable.

Annuitization Options



- Life
- Joint Survivor
- Period Certain
- Period Certain with Life

Types of Annuities



Annuities come in two basic varieties:

1. Fixed
2. Variable

Fixed Annuities



- During accumulation phase, these annuities are credited a specified **interest rate**
- Principal is **guaranteed** by the issuing company, based on the claims-paying ability of the insurer

Variable Annuities



- During accumulation phase, the rates of return are **variable rates of return** based on the performance of the subaccounts
- They feature variable **subaccount** options which invest in portfolios of stocks, bonds, or other securities that are professionally managed
- During annuitization, variable annuities may offer an **additional hedge against inflation** or an optional feature at an additional cost to ensure minimum payments

Variable Annuities



- Variable annuities generally have **higher investment growth potential**, but they are subject to **investment risk**
- Guarantee **features will vary** from fixed annuities
- Mortality and expense (M&E) risk charges, contract charges and administrative expense fees apply

Variable Annuities



- Variable annuities are long-term investments designed for retirement purposes. You should carefully consider the investment objectives, risks, charges and expenses of the investment alternatives before purchasing a contract or investing money. These contracts have limitations and are sold by prospectus only. The prospectus contains details on the investment alternatives, contract features, the underlying portfolios, fees, charges, expenses and other pertinent information. To obtain a replacement prospectus or a copy of the underlying portfolio prospectuses, please contact your representative, or call Lincoln Benefit Life Company at 800-865-5237. Please read the prospectuses carefully before purchasing a contract or sending money.

Financial Strength Ratings Count



Annuity guarantees are based on the claims-paying ability of the insurance company

Standard & Poor's	Moody's	A.M. Best
AA Very Strong 3 rd highest of 20 ratings. Ratings range from AAA to CC	Aa2 Excellent 3 rd highest of 21 ratings. Ratings range from Aaa to C	A+(r) Superior 2 nd highest of 13 ratings. Ratings range from A++ to D

Ratings do not refer to the performance of the investment options of the variable annuity's separate account. The (r) code conveys that the A+ rating of Lincoln Benefit Life is based on a reinsurance affiliation with Allstate Life. The ratings apply only to insurer's financial strength, as of January 2006, and are not meant to imply the agencies' approval of investments within our variable annuities. Ratings are subject to change. The ratings from Standard & Poor's and Moody's reflect the financial strength of Lincoln Benefit Life's parent company, Allstate Life Insurance Company.

Case Study—Katherine



<i>Name</i>	Katherine
<i>Age</i>	66
<i>Status</i>	Retired... and loving it





Case Study—Katherine



Individual circumstances

- Conservative.
- History of longevity in family.
- Plans to supplement her Social Security income with small retirement nest egg and proceeds from an impending real estate sale.
- Has concerns about safety of principal.
- Has concerns about money lasting her lifetime.
- Desires security and peace of mind about her income.



Case Study—Katherine



Solution

Katherine converts her assets into a fixed annuity. She annuitizes her contract.

Result

Katherine's monthly annuity payment will depend on the amount of money she annuitizes and what life expectancy option she selects. But if she plans well she may receive a consistent, reliable monthly payment in addition to the money she already receives from Social Security.

Case Study—Bob and Maggie



Name	Bob & Maggie	A photograph of a man and a woman sitting in a golf cart. The man is driving, and both are smiling. They are wearing polo shirts. The background is a green field.
Age	Bob - 62 Maggie - 55	
Status	Retiring soon; dreaming of their RV and the open road	



Case Study—Bob and Maggie



Individual circumstances

- Bob is 7 years older; can't help but worry sometimes about Maggie's financial well-being, should she outlive him.
- Money to invest.
- Income not presently needed; could be needed later.
- Investment growth potential a priority while money's not being used.
- Wanted: flexible financial options—both now, while they're together, and later, should Maggie find herself alone.



Case Study—Bob and Maggie



Solution

Bob and Maggie invest in a variable annuity with an optional living benefit guarantee.

Variable annuities may have accumulation riders available that tie-in rebalancing and diversification strategies to fortify against a volatile market. Additional fees may apply.



Case Study—Bob and Maggie



Result

Going forward, Bob and Maggie enjoy a high degree of financial flexibility.

They have a wide selection of investment options, allowing them to invest appropriately for their situation.

If they don't need income, they have the option of leaving the money in place. If they do need income, they have the option of taking withdrawals or annuitizing according to whatever annuitization plan fits their needs.

Should Bob die first, all the flexibility they enjoyed together will continue to be available to Maggie individually.

Case Study 3—Phil



Name	Phil	
Age	52	
Status	Retiring in 8 years... earlier, if he can swing it	



Case Study 3—Phil



Solution

As a hedge against inflation and longevity, Phil invests a portion of his money in a variable annuity.

He plans to use an income protection benefit rider to assist with market volatility. He may have an additional fee for this rider.

He considers the possibility of levelizing the annuity payments annually to provide more predictable monthly payments.



Case Study 3—Phil



Result

Phil's variable annuity allows him to target the potential for high investment growth between now and retirement.

He also considers accumulation riders with rebalancing and diversification strategies.

Variable annuity performance depends on the performance of the subaccounts and there is no guarantee of high investment growth.

Variable annuities have limitations including market risk and loss of principal.



Case Study 3—Phil



Result

Once Phil does retire, he'll be able to hedge his risk of longevity by annuitizing his contract and selecting an appropriate annuity payment option.

Since annuity payouts from variable annuities can vary with the sub account invested in, some may offer a rider that protects the monthly payments from going below a certain percentage of value. Additional fees may apply.

Variable annuities may also offer a feature that allows you to level out your payment schedule on an annual basis.

Designing an Income Strategy That Fits You



- Does your strategy address the **unique investing challenges** retirees face?
- How important to you is **stability** in your investment portfolio, and have you invested accordingly?
- Have you thought realistically about **how long you could live** as a retiree?

Designing an Income Strategy That Fits You



- Are you sufficiently confident that your savings **will last**?
- Have you thought realistically about the impact **inflation** could have on your income's purchasing power?
- Could an **annuity** be an appropriate element of your retirement plan?

Strategies in Retirement



You'll Feel Better About Your Future
Once You Have a Plan in Place.

Thank you for attending!