Recent Tax Act Favors Annuitization

Variable annuities offer you two methods to receive a regular income. Variable Annuities are sold by prospectus only, for information on any variable annuity and its underlying sub accounts please carefully consider investment objectives, risks, charges, and expenses before investing. For this and other information please call the Variable Annuity Provider to request a prospectus. Please read it carefully before you invest. One way is to take systematic withdrawals that will give you complete control over how much and when you receive the checks. However, this does not provide any protection against outliving your annuity's assets. In addition, your account's earnings will come out first and taxed at your individual bracket.

Your other choice is a definite stream of income for life or other fixed time period.1 This is generally the more tax-efficient way to receive cash-flow from an annuity since only part of income is taxable. The balance is considered a tax-free return of your principal. And the recent tax law changes have made this option look better yet.

For example, suppose you and your spouse's annual income from pensions, investments, and government benefits is $48,000. Now you want to start withdrawing $6,000 from your variable annuity to take a cruise each year. And 50% of the annuity's current value represents your principal.

In 2002, you would have lost 27.5% out of every dollar taken with the systematic withdraw method. With the new tax rates for 2003, you would have only given up 15%.

But look at the possible tax saving that may have been achieved by selecting a fixed income payout. In 2002, only 13.75% would have gone to federal income taxes. And in 2003, the actual tax on your annuity income would have only been 7.5%.

Systematic	100%	27.5%	15%	27.5%	15%
Annuitized	50%	27.5%	15%	13.75%	7.5%

You pay half the tax because, in this example, half of the withdrawal is considered return of principal.