A Retirement Resource
for Individuals and Families

Guardian®

Annuities, Plain & Simple

This editorial will tell you why annuities are an important part of your plan for retirement. It will use simple language and terms, and go over practical reasons why annuities need to be considered as a product for your retirement.

Income is the name of the game

It's important to know that a majority of your income during retirement will come from your money (assets) that you have saved in many different institutions, such as bank accounts or employer benefit accounts (401k, 403b or 457b plans). On average, the monthly payment from Social Security is about 40% of a retiree's pre-retirement income.

Ending — your employer paycheck
Beginning — your retirement

Okay, so the main event that happens when you retire (between the ages of 65-67) is that the steady paycheck from your employer ends. However, you are still living! Income during retirement is now up to you and roughly 60% of it will come from your own assets and non-government income sources.

Today's retiree's income

- 40% Social Security*
- 60% Income from assets

* Social Security Administration report, publication No. 05-10024, January 2017; available at www.ssa.gov

Remember, even though you are retiring, it doesn't mean that your expenses retire with you. Other aspects of your life continue, such as:

- Home essentials (electric, gas, mortgage)
- Living essentials (food, water, clothing, medication)
- Entertainment essentials (tv, internet, car loans, phone)

These bills are often referred to as necessary expenditures because they are essential services for you to live comfortably during retirement.

There are some items missing from this list, such as eating out, membership fees, travelling to visit family, and any other fun activity.

Every day is like a Saturday

What day of the week do you think you spend the most money? Most likely it's Saturday, and guess what? Every day during retirement is like a "Saturday"!

Proper income planning is needed so that you can include the fun activities with your necessary expenditures. Once you have an income plan in place, and using annuities may be appropriate, you may gain the ability to enjoy the rest of your assets without the worry of outliving all of your money.

Why an Annuity? It Creates a Lifetime Check

An annuity is a contract; a contract between you and an insurance company. This contract states that the insurance company will pay you a stream of annuity payments (income) in return for your premium (money you used to buy the annuity). When the income stream starts depends on the type of annuity that you purchase.

How long will income last?

If you make withdrawals from the annuity (checks you request from the insurance company), the length of time that the withdrawals will last is not guaranteed (unless there is a living benefit rider in place). Guaranteed annuity payments are only created when you annuitize the annuity.

About annuitization

Annuitization means you are willing to turn the full or partial dollar amount of the annuity into a series of scheduled payments (annuity payments) paid to you by the insurance company.

These payments may be:

Fixed Annuity — The first, last, and all of the checks from the insurance company are the same, fixed dollar amount.

Variable Annuity — Payments fluctuate based on the performance of your selected variable investment options, if offered by the annuity. Variable investment options act very similar to mutual funds, but are not mutual funds.

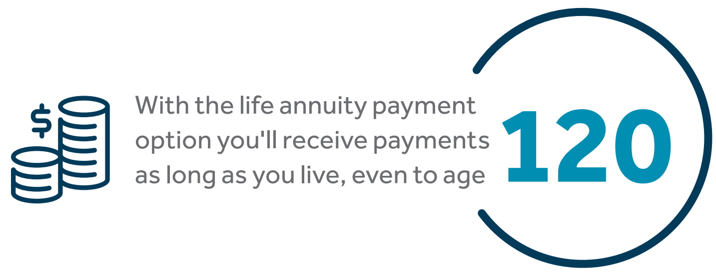
There are risks associated with each choice, such as inflation risk for fixed payments, and market risk for variable payments.

The payments can be sent to you on a monthly, quarterly, semi-annual or annual schedule.

You select the length of time

Option one:

Lifetime annuity payment option — Checks payable to you for however long you live, even if you live to age 120. The checks stop when you die. This option can also be set up as joint life (or survivorship) and the checks won't stop until the last person (called annuitant) named on the annuity dies.



Option two:

Period certain annuity payment option — Checks to you for a specific amount of time. After that time period ends, the checks will end. If death occurs during this time, the remaining payments will go to the person named as the beneficiary of the annuity.

Lifetime annuity payment options may also come with a guaranteed period feature so that the remaining payments are passed to your named beneficiary if death occurs during the guaranteed period's time frame.

Selecting the Type of Annuity That's Right for You

All annuities provide annuity payments described in the previous section. However, there are different types of annuities that offer you different benefits and opportunities to help you meet your retirement goals.

Looking for some growth potential

Deferred annuities allow you to postpone annuitizing the annuity. A deferred annuity may be:

Option one:

Variable Annuity

Provides variable investment options for you to invest your premium for financial market growth potential. The insurance company charges annual fees (mortality & expense risk fee, administration fees) for this type of annuity due to the expense of tracking your investments' performance and for the ability to convert the annuity to lifetime payments.

Option two:

Fixed Annuity

The insurance company guarantees a fixed interest rate of return on your premium for a specific amount of time. There is no annual fee charged by the insurance company since the insurance company is free to invest your premium any way it wants to but will still give you the guaranteed interest stated.

You may surrender these types of annuities at anytime, but, depending on the contract, a surrender charge may be deducted if your premium was in the annuity for less than 8 years.

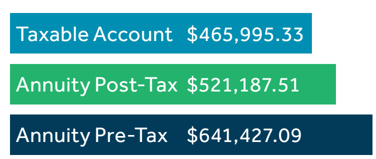
Beginning in the second contract year, you may annuitize the annuity or you can postpone until the maximum deferral age set by the insurance company within the contract.

When time is on your side

Federal taxes due on the investment gains and interest earned are deferred (tax-deferral) until such amounts are withdrawn from the annuity. These amounts remain in the annuity, giving you future growth potential. The following is an example of investments of $200,000 in a tax deferred annuity and in an annual taxable account, each with a hypothetical 6% annual rate of return.

After 20 years, the annuity's pre-tax value and post-tax value (based on a 28% federal income tax adjustment) outpaced the ending value of the taxable account.

Benefits of tax deferral



This chart is for illustrative purposes only and does not depict the performance of any variable investment option. The taxable investment account number does not reflect the deduction of any fees or service charges. The annuity numbers do not reflect the deduction of any charges or fees associated with an annuity or variable investment options. If these charges or fees were accounted for, these numbers would be lower than the numbers shown. Changes in tax rates and tax treatment of investment earnings may impact comparative results. You should consider your investment time horizon and income tax bracket, current and anticipated, when making an investment decision as these may further impact the results of the comparison.

Optional benefits

Variable deferred annuities typically offer optional benefits for an additional fee such as death benefit riders and living benefit riders. These riders provide different levels of guarantees, such as preserving your premium as a death benefit or allowing you to capture any investment growth potential as a living benefit, which will pay you for as long as you live, typically through guaranteed withdrawals.

Forget Investing; It's Just the Income You Want

Often, people don't want the emotional rollercoaster ride or volatility risk that comes with investing and just want income. Income annuities, such as fixed immediate annuities and deferred income annuities, remove this risk because it provides a stream of income that is not reliant on or affected by any market condition.

Fixed immediate annuities

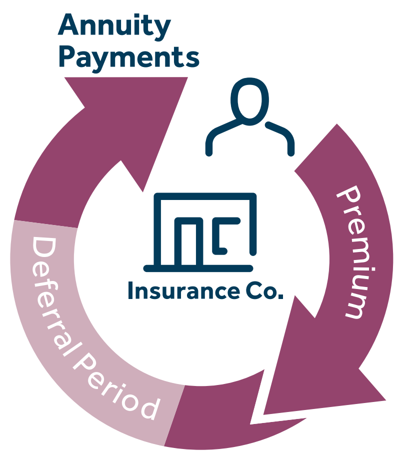
Fixed immediate annuities offer annuity payments that can begin right after you purchase the annuity or, you may postpone the first annuity payment for up to 12 months after purchasing the annuity.

With an immediate annuity, you typically have the same choices discussed under **You select the length of time** on page 2.

The risk with an immediate annuity is that you are purchasing payments at current interest rates. If interest rates were to rise, you would need to purchase a new immediate annuity to benefit.

Deferred income annuities

Deferred income annuities offer annuity payments that begin at a time you select, such as 2 years after purchasing the annuity or up to 40 years after purchasing the annuity.



These annuities may provide a more economical way to obtain future lifetime annuity payments with today's premium and current age, instead of waiting until an older age to purchase an immediate annuity providing the same dollar payment. These annuities also allow you to make additions during the deferral period to create more future income.

Typically, deferred income annuities provide only lifetime annuity payment options, which can be elected with or without a guaranteed period.

Also, if you were to die during the time before your annuity payments start (called the deferral period), the insurance company will pay the amount of premium you used to purchase the annuity as a death benefit to your beneficiary. This benefit can be waived with certain options in return for an increased annuity payment. If you choose to waive the death benefit, no death benefit will be paid if you die before or after annuity payments begin.

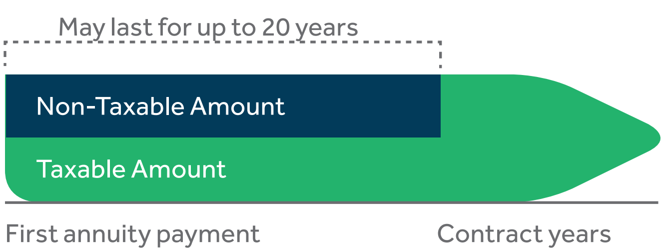
Liquidity considerations

A major consideration with these two types of annuities is the lack of liquidity or on-going access to your premium. Your premium has been turned into a stream of scheduled guaranteed annuity payments. This is often why it may be appropriate to only use a portion of, but not all of, your assets to purchase an income annuity.

Also once a deferred annuity contract is annuitized, the ability to make withdrawals is often restricted, but the scheduled annuity payments are guaranteed to be payable to you, either for your lifetime or for a set period of time.

Exclusion ratio

When purchased with non-qualified money (money you already paid taxes on), an exclusion ratio will be applied to your annuity payments to determine the tax treatment. This ratio is based on Internal Revenue Service (IRS) calculation that allows an insurance company to categorize a portion of your annuity payment as non-taxable and deem it to be a return of your premium. The other portion is taxable as ordinary income and deemed as interest paid to you. This way you are able to spread your tax liability over many years until your entire premium has been repaid to you. At that point the annuity payments will stay the same but will be 100% taxable.



The journey may be better with a guide

Although it may seem like it's you against the world, when it comes to planning for retirement, it doesn't have to be. There are plenty of financial organizations whose representatives are available for you to ask questions about retirement income options such as annuities.

It's important that you find the right organization and representative with whom you are comfortable. Think of that person as your "retirement doctor". If he/she doesn't have all of the correct information about you and your finances, the suggested diagnosis may not lead to the most appropriate decisions for you.

Think of your financial representative as your retirement doctor, one who makes you feel comfortable.

Important considerations about annuities

This material is for information use only. It should not be relied on as the basis to purchase a variable, fixed or immediate annuity or to implement a retirement strategy.

The information provided herein is not written or intended as investment, tax or legal advice and may not be relied on for purposes of avoiding any federal tax penalties. This brochure supports the promotion and marketing of this annuity.

Current tax law is subject to interpretation and legislative change. Tax results and the appropriateness of any product for any specific taxpayer may vary depending on the particular set of facts and circumstances. Entities or persons distributing this information are not authorized to give tax or legal advice. Individuals are encouraged to seek specific advice from their personal tax or legal counsel.

Variable annuities are long term investment vehicles designed to help investors save for retirement and involve certain contract limitations, fees, expenses and risks, including possible loss of the principal amount invested. The investment return and principal value may fluctuate so that the investment, when redeemed, may be worth more or less than original cost. As with many investments, there are fees, expenses and risks associated with these contracts. All guarantees including the death benefit payments are dependent upon the claims paying ability of the issuing company and do not apply to the investment performance of the underlying funds in the variable annuity. Assets in the underlying funds are subject to market risks and may fluctuate in value.

Withdrawals of taxable amounts from a variable or fixed deferred annuity will be subject to ordinary income tax and possible mandatory federal income tax withholding. If withdrawals are taken prior to age 59½, a 10% IRS penalty may also apply. Withdrawals may also be subject to a contingent deferred sales charge.

Variable annuities and their underlying variable investment options are sold by prospectus only. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. This and other information are contained in the prospectus or summary prospectus, if available, which may be obtained from your investment professional. Please read it before you invest or send money.

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