

## Sample Information

Please note that this sample information is for demonstration purposes only and is not intended to be used to advise or sell a product to a potential customer.



## What is My Return with an Income Annuity? (IRR)

Prepared For: Client

Prepared By:

The performance of most financial products is measured by the yield or interest rate that is produced. In the case of an income annuity, there is both an insurance and an investment element that supports the return you receive. As a result, calculating and explaining a total return or yield is a little more difficult. This analysis provides you with one way to view the return from an lifetime income annuity.

**Before investing in an income annuity, consult with your financial advisor regarding your specific needs.**

### 1 What is the Internal Rate of Return? (IRR)

There are different ways you can evaluate the return of an investment. For products that fluctuate with the market, like a mutual fund, you can look at past performance for a one, three or five year time period, for example. For products that offer a fixed rate of return, like a CD, you are typically provided with a specific yield up front depending upon the period of time you plan to hold on to the investment. In each case, the yield of the product is related to a specific period of time or duration.

In the case of the income annuity you're considering, there is no set duration or time period because payments continue while you are alive. There is no satisfactory way to calculate a single yield because:

- a) no one knows how long you will live, and
- b) the yield actually increases the longer you live

One solution is to determine how much cumulative income you would receive each year into the future in relation to your original investment. The graph on the right shows the year-to-year yield for the income annuity you're considering.

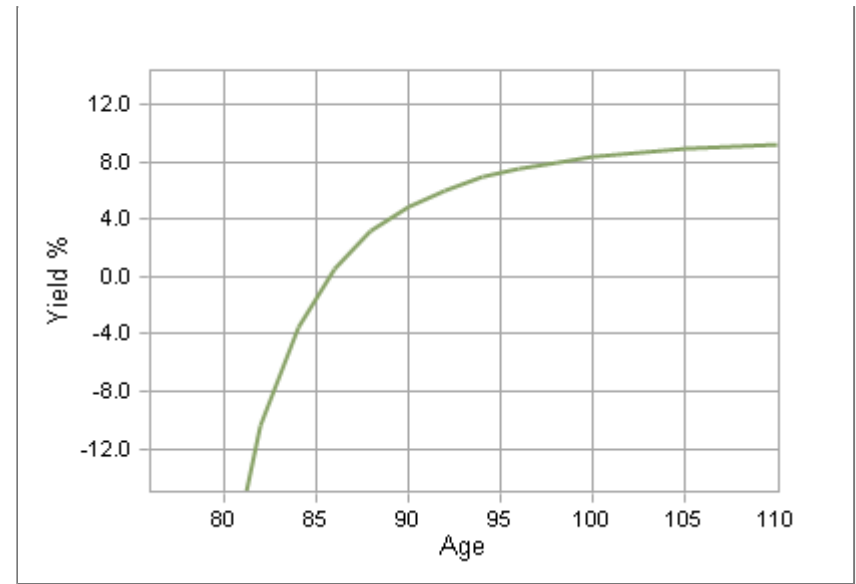
#### The Income Annuity You Are Considering

Premium	\$100,000
Annuity Type	Single Life
Guarantee Type	Life only (with no guarantee)
Monthly Income from Income Annuity	\$776
Minimum Payout from Income Annuity	\$0

#### Internal Rate of Return Over Time



living to an old age, the yield would likely be seen in retrospect as excellent. However, if there is reason to suspect that you will die younger than most people your age, other investments should be considered.



## 2 How to interpret the IRR Curve

The time horizon to evaluate the return of a lifetime income annuity should extend beyond your life expectancy since one of the primary benefits of the product is to protect you from living too long. The table on the bottom right provides estimates of your longevity as it correlates to the later years in the graph.

### The Early Years

Early on, your rate of return would depend on the type of guarantee period you select with your income annuity contract.

You selected a contract with no period certain guarantee. This means that income payments stop after you pass away, and your beneficiaries would not receive any additional income payments. In other words, your estate is not guaranteed to receive anything after you pass away. This results in a negative return until approximately age **86**.

### The Later Years

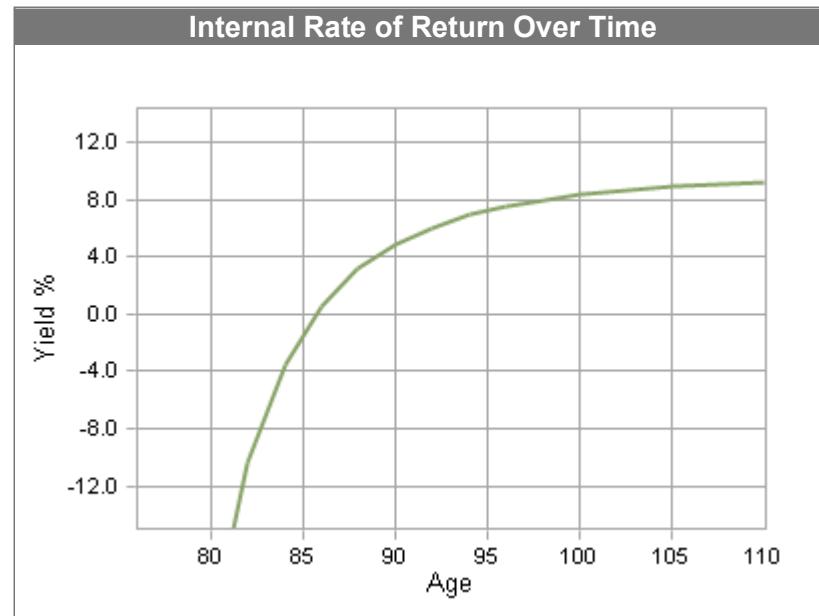
Later on, your rate of return continues to increase over time. The table on the right provides a snap shot of returns based on estimates of your longevity.

Statistics tell us that if we start with a large group of people your age, half of these people will be alive in **13** years. This is known as your life expectancy. The corresponding yield at that time would be **3.16%**. In fact, there is a 10% chance you will still be alive in **25** years - which translates to a yield of **8.39%** at that time.

### Summary

This analysis provides one way to interpret the yield from an income annuity over the course of time. If you want to compare the yield from a life annuity to other products for a specific time period, there is another analysis available from your advisor called the Implied Longevity Yield™ (ILY™) that may be useful.

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Your Longevity <sup>1</sup>	Male Age <sup>2</sup>	IRR%
50% Chance of Survival (Life Expectancy)	88	3.16%
25% Chance of Survival	94	6.94%
10% Chance of Survival	100	8.39%

1. Society of Actuaries; A2000 Mortality Table assuming good health
2. The probability that you will be alive at the age shown

## 3 Assumptions and Disclosures

This analysis is based on a number of assumptions and is for educational purposes only. This is not a complete financial plan.

Income Annuity Details	
<b>Premium</b>	\$100,000
<b>Annuity Type</b>	Single Life
<b>Guarantee Type</b>	Life only (with no guarantee)
<b>Birth Date - Primary</b>	April 15, 1939
<b>Sex - Primary</b>	Male
<b>Purchase Date</b>	April 15, 2014
<b>State</b>	New Mexico
<b>Income Start Date</b>	May 15, 2014
<b>Monthly Income</b>	\$776

Other Assumptions	
<b>Payout Results</b>	Results represent an average of five competitive income annuity payouts available through your advisor.
<b>Type of Assets</b>	Non-qualified assets were used for this estimate. You can also purchase an income annuity with qualified assets from a 401(k) or an IRA.
<b>Taxes</b>	The results shown in this analysis are before taxes. Please consult with your tax advisor before investing in an income annuity.
<b>Mortality</b>	Statistics shown are based on the Society of Actuaries A2000 Mortality Table with 1% improvement per year.

**Before investing in an income annuity, consult with your financial advisor regarding your specific needs.**

Income annuities are long-term investments designed to provide income for and during retirement. Distributions taken from qualified accounts before age 59½ may be subject to a 10% early withdrawal penalty. Payments on income annuities are backed by the claims-paying abilities of the issuing insurance companies.

Life only (with no guarantee) option - If you choose to receive income payments under the life only (with no guarantee) option, income payments stop at your death regardless of whether you have received your first income payment or enough income payments to equal your initial investment. Your beneficiaries will not receive additional income payments.

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