

Knowledge is Power

Learn how to:

*Earn higher returns on savings,
CDs, bonds, etc.—without risk.*



Understanding EIAs— Equity Indexed Accounts

What if you could have some of your safe money interest rates linked to a stock market index providing greater potential earnings, with an overall guaranteed minimum rate of return and safety of principal?

This means that equity indexed accounts are safe-money savings vehicles, designed to allow investors to participate in some of the movement of the underlying index while being protected by the guaranteed minimum account value.

An equity indexed account has two tracks. The first track is the Guaranteed Minimum Account Value. This track is steadily growing at the stated rate, and is unaffected by the other track. The other track is the index account value. This track behaves independently of the guaranteed track and is where the movement of the underlying index determines the resulting index interest. At maturity, you would receive whichever account value is greater.

Some years will be greater than safe money alternatives and some years will be lower. The goal is to benefit from the long-term growth potential of the underlying index itself. People should be willing to stick with the equity indexed account for the entire index period realizing that in some cases they might get off to a slower start. You wouldn't leave a baseball game if your team were behind after the first few innings. Likewise, it would be foolish

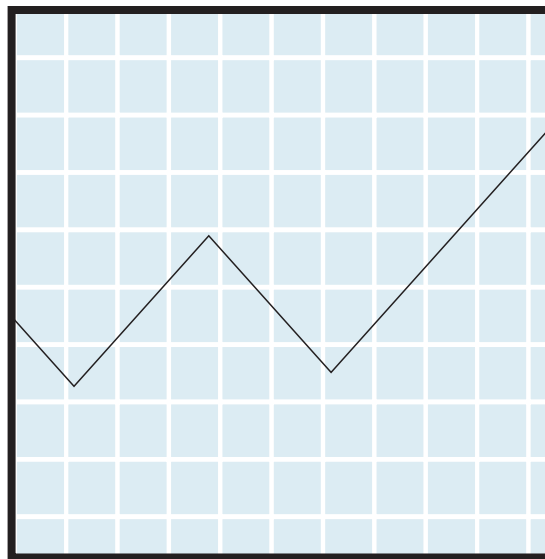
to give up on an equity indexed account after the first year or two, because a few good years can make an entire index period exceed safe money alternatives. Giving up on the equity indexed account too early might cause the investor to miss out on the one or two years that would have provided the desired results they had intended. In the end, it is clear that equity indexing consistently provides the opportunity to exceed safe money savings rates. Again, remember being committed to let the equity indexed account work for the entire index period is the best way to achieve superior results.

The "Financial Pyramid" (back page) will help you understand where equity indexed accounts fit within the safe-money category, adding diversification to your investment portfolio. Safe-money savings have different goals and objectives from at-risk investment money.

The financial vehicles in each section of the pyramid have features and benefits unique to the risk and return classification for which they were created.

When deciding which to include in your investment strategy, your overall satisfaction with the concepts you choose may rely upon understanding the role they will play. It's unrealistic to expect consistent growth levels from safe-money vehicles to compete with investment products higher up in the pyramid. Likewise, those

at risk investment products were not intended to provide the guarantees and safety that's associated with safe-money vehicles. This pyramid is useful in making sure you understand the goals and objectives of safe-money savings and the role these vehicles were intended to serve.



The New Rules of Retirement

Losses Prompt Revised Thinking on How to Invest And When to Retire; Rebuilding Your Nest Egg

By Jeff D. Opdyke and Ruth Simon

If you are saving for retirement, the stock market's plunge has been painful. If you are already retired or nearing that point, it has likely been a disaster.

The bear market of the past 2½ years has wiped away more than \$678 billion of retiree wealth, according to new calculations based on the University of Michigan's Health and Retirement Study. The calculation, based on a continuing study tracking 20,000 people from age 50 until they die, estimates that there has been a 10% decline in the portfolio of the typical retiree who holds stocks directly or through an IRA.

In the first six months of 2002, T. Rowe Price handled 40% more calls to its advisory group, which provides help with retirement planning. The AARP says calls and letters from worried retirees and pre-retirees have more than tripled in the past year.

Buy Annuities: Some planners are once again recommending fixed annuities, sales of which hit a record \$22.1 billion, in the first quarter. "I hadn't looked at them in 10 years, now I am because they have higher returns than anywhere else in the world," says Deborah Voso, a fee-only financial planner in Frederick, MD.

Retirees should generally avoid variable annuities, which often carry high fees and other unattractive features. Instead, look for fixed annuities in which there is a guaranteed rate of return for a period of years—and no charge for cashing out at the end of that period. That way, investors won't be hit with big surrender charges for getting out when the guaranteed rate drops.

Investors Abandon Bank CDs

By Harriet Johnson Bracketely and Desiree French
—USA Today

Harold and Georgette Driscoll of Deerfield, IL, thought their financial lives were secure. Harold, 78, retired 12 years ago from a career in marketing. The couple had the bulk of their money in safe, secure certificates of deposit. Then interest rates plunged, causing their annual income to drop to \$30,000 this year from \$45,000 in previous years.

Harold Driscoll was forced to take a part-time job as a telemarketer to earn a much needed \$6,000 a year. "Low rates are having a terrible impact on people with limited net worth," he says.

50-Plus

Interest Rates Rock Retirees

Low Returns on Certificates of Deposit Take Toll

By Trace Cone
Knight-Ridder News Service

Sylvia Hutchinson's home, within walking distance of the Atlantic Ocean, is nothing like the poorhouse. But money she banked on is suddenly in short supply.

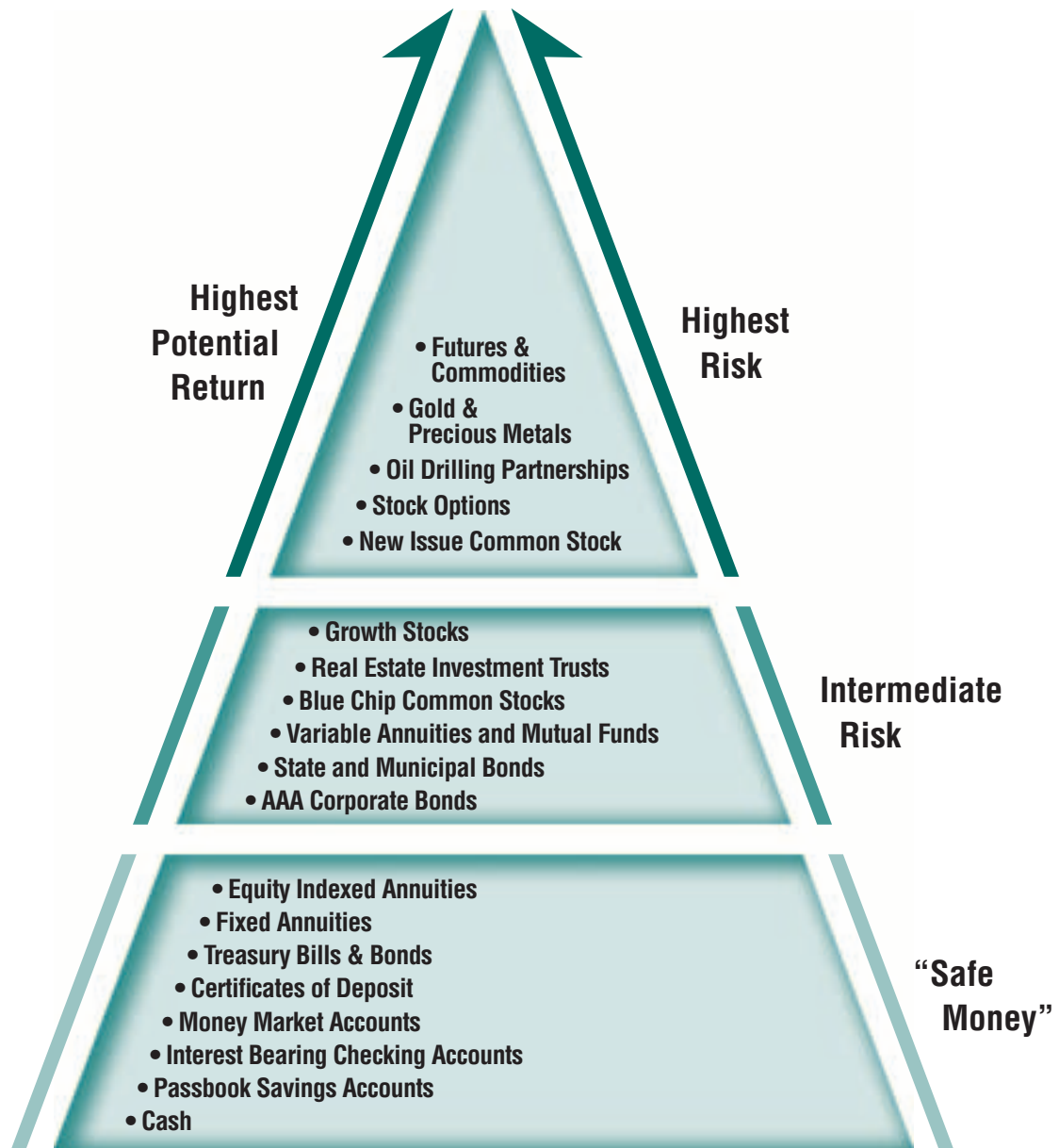
Consider this: Recently the Florida retiree had a certificate of deposit come due and new lower rates in effect.

That together with interest from other CDs, netted enough for a couple of new dresses a month; drinks, dinner and dancing two or three times a week; a few trips—plus mortgage payments and other obligations.

Hutchinson reinvested the funds at the new going rate and experienced an immediate loss of nearly half of her interest income. The same thing is happening with her other CDs. The money she counted on for her financial future all of a sudden isn't there.

Hutchinson has stopped buying new dresses, quit going out as much. For the first time since she's retired to Florida in 1983, she's trying to figure whether she can afford to spend the summer in a rented cottage back home in Connecticut.

The financial pyramid



Safety

An equity indexed annuity is safe. A qualified legal reserve life insurance company is required to meet its contractual obligations to you. These reserves must, at all times, be equal to the withdrawal value of your annuity policy. In addition to reserves, state law also requires certain levels of capital and surplus to further increase policyholder protection. Legal reserve refers to the strict financial requirements that must be met by an insurance

company to protect the money paid in by all policyholders. These reserves must, at all times, equal the withdrawal value (principal plus interest less early withdrawal fees, if any) of every annuity policy. State insurance laws also require that a life insurance company must maintain certain minimum levels of capital and surplus, which provide additional policyholder protection.