Annuities Can Provide a Valuable Safety Net to Pre-Retirees

Many investors age 50 and older still need growth to meet their retirement goals. However, volatility and less time until retirement have created some apprehension about investing in the stock market. An annuity might be a good way for investors to lock in a guaranteed future income stream while also benefitting from future stock market growth if it occurs. Here is how it works:

Today's Variable Annuity Has Two Basic Components

These components typically include:

- An investment value which is the amount you have invested in a diversified portfolio of stocks and bonds that has the potential to increase or decrease in value based on the markets.
- A guaranteed benefit amount that will not decrease in down markets and will increase with the markets or by a specific percentage each year. The guaranteed value is calculated based on a specific return on your retirement assets for at least the next 10 years.

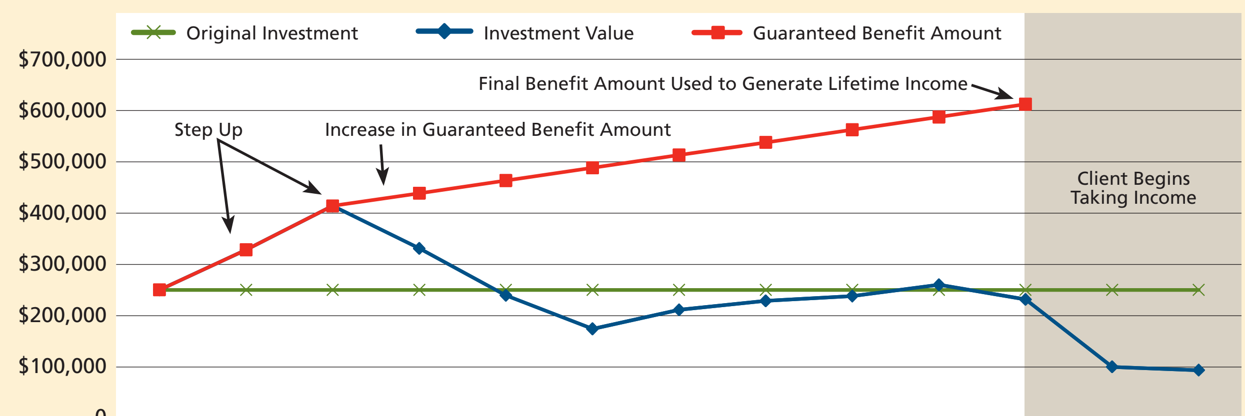
How the Guaranteed Benefit Amount Can Act As a Safety Net

- If in the future, the markets go down, the investment value of your portfolio could be worth less than the guaranteed benefit amount. However, the guaranteed benefit amount will continue to increase through a "step-up" provision; generally until you begin to take income.
- After the initial period, typically 10 years or more, you can use the guaranteed benefit amount to generate a 4–7% stream of income which is guaranteed for the lifetime of you and your spouse.

Understanding the Concept

Chart A below shows how today's Variable Annuity works. It highlights how the investment value and guaranteed benefit amount would have performed for a hypothetical annuity during the period from January 1, 1998 to January 1, 2010. In this example, the investor purchased a Variable Annuity for $250,000 on January 1, 1998. The stock market peaked in the year 2000, and the guaranteed benefit amount stepped up to $414,168.

Chart A: Annuity Example



(Source: Janney)

	1/1/1998	1/1/1999	1/1/2000	1/1/2001	1/1/2002	1/1/2003	1/1/2004	1/1/2005	1/1/2006	1/1/2007	1/1/2008	1/1/2009	1/1/2010
Original Investment	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Investment Value	250,000	328,495	414,168	331,082	239,407	173,688	210,919	228,350	238,014	259,757	231,124	99,266	92,855
Guaranteed Benefit Amount	250,000	328,495	414,168	439,018	463,868	488,719	513,569	538,419	563,269	588,119	612,969	582,321	551,672

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Thereafter, the market declined, resulting in an investment value of $231,124 in 2008. However, the ending value of the guaranteed benefit amount for the annuity continued to increase; ending with a value of $612,969 in 2008. The investor chose to take lifetime income of 5% annually based on the 2008 guaranteed benefit amount of $612,969 ($2,554 a month for life).

After 2008, the investment value will decrease based upon the withdrawals from the annuity, but the income will remain the same for the lifetime of the investor/client.

It is important to remember that your guaranteed benefit amount is only the value used to calculate your annual income amount. Though it helps you generate stable income, it is not available for a lump sum withdrawal.

How Your Janney Financial Advisor Can Help

Annuities can add to the diversification of your retirement portfolio by providing a guaranteed source of future retirement income. Your Janney Financial Advisor has the tools and resources to help you choose the best annuity for your needs.

The guarantees of an annuity contract, including fixed returns, payouts, and death benefit guarantees, are contingent on the claims-paying ability of the issuing insurance company.

Variable annuities are sold by prospectus, which describes risk factors, fees, and surrender charges that may apply. Variable annuities are long-term investment vehicles designed for retirement purposes. Remember that you, not the insurance company, bear the risk associated with a variable annuity. Upon redemption, the value of a variable annuity may be worth more or less than the original cost.

Janney Montgomery Scott Financial Advisors in their capacity as Financial Advisor do not provide tax, legal, or accounting advice. Please consult with the appropriate professional for advice concerning your particular circumstances.