agenda

- history--origins, U.S.
- what is an annuity?
- annuity types
- common features
- distinguishing features
- accumulation phase—in, out
- benefits of tax deferral

agenda

- investor concerns
- costs
- case studies
- emerging trends
- summary
- important notes

history-origins

- The idea of paying out a stream of income to an individual or family dates clear back to the Roman Empire. The Latin word "annua" meant annual stipends and during the reign of the emperors the word signified a contract that made annual payments. Individuals would make a single large payment into the annua and then receive an annual payment each year until death, or for a specified period of time.

history-U.S.

- Annuities came to America in 1759 in the form of a retirement pool for church pastors in Pennsylvania. These annuities were funded by contributions from both church leaders and their congregations, and provided a lifetime stream of income for both ministers and their families. They also became the forerunners of modern widow and orphan benefits. Benjamin Franklin left the cities of Boston and Philadelphia each an annuity in his will; incredibly, the Boston annuity continued to pay out until the early 1990s, when the city finally decided to stop receiving payments and take a lump-sum distribution of the remaining balance.

what is an annuity?

Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, which include, but are not limited to, mortality and expense risk charges, sales and surrender charges, administrative fees, and charges for optional benefits. A financial professional can provide cost information and complete details.

- Helps Build
- Helps Enhance
- Helps Protect

If you are buying a variable annuity to fund a retirement plan that already provides tax deferral under sections of the Internal Revenue code (such as IRA, QP, 401(k) and TSA), you should do so for the variable annuity's features and benefits other than tax deferral. In such situations, tax deferral is not an additional benefit. References throughout this presentation to tax treatment, such as tax deferral and tax-free transfers, are subject to this consideration.

You may also want to consider the relative features, benefits, and costs of this annuity with any other investment that you may have in connection with your retirement plan or arrangement. Moreover, withdrawals of taxable portions are taxed at ordinary income tax rates and withdrawals taken prior to age 59½ may be subject to a 10% federal income tax penalty.

Guarantees are based on the claims-paying ability of the issuing insurance company.

accumulation phase

Initial Payment → Variable Annuity Contract → Variable Investment Options

- lump sum
- payments

distribution phase

Variable Annuity Contract → Annuity Income → Payment Receiving Options

- **lump**
- **annual distribution**
  - Typically 10%
- **Periodic**
  - life
  - life certain
  - joint—first to die, last to die
  - floor

types

- **Immediate—**

  Income begins immediately

  "Buying a pension"

  - Single Premium Instant Annuity (SPIA)

- **Deferred—**

  Income begins at some time in the future, if at all

  - Fixed
  - Indexed
  - Variable

types-fixed deferred

- Principal guaranteed by the insurer
- Minimum interest rate guaranteed
- Current interest rate determined by company board of directors
- Low risk instrument
- General obligation of the insurer

types-indexed deferred

- Partial or whole principal guaranteed by the insurer
- A minimum interest rate may be guaranteed
- Current interest rate determined by a market index
- Generally more illiquid than a traditional fixed annuity
- General obligation of the insurer

types-Variable deferred

- Market based investment without guarantees
- A security (must be sold by prospectus)
- Agents must have both FINRA
- and state insurance licensing
- NOT a general obligation of the insurer

common features

- Current income is tax deferred
- Issued by life insurance companies
- Provide “income you cannot outlive” provisions
- (“annuitization”)
- Treated similar to IRA’s for tax purposes
- (10% early withdrawal penalties on interest
- if withdrawn before age 59 ½)

distinguishing features

Most Annuities offer riders on their contracts, there is no standard to the names of these riders so many times they vary from carrier to carrier. These include, but are not limited to,

- nursing home
- long term care
- disability
- unemployment
- chronic care
- terminal illness
- income rider (GMWB, GMIB)

distinguishing features

- death benefit, increasing
- ROP (Return of Premium)
- free withdrawal
- Joint and Survivor
- Joint and Half Survivor
- Life Expectancy Guaranteed Income
- Cost of Living, Inflation-Adjusted
- Many, many more

***Not all riders are available on all products.**

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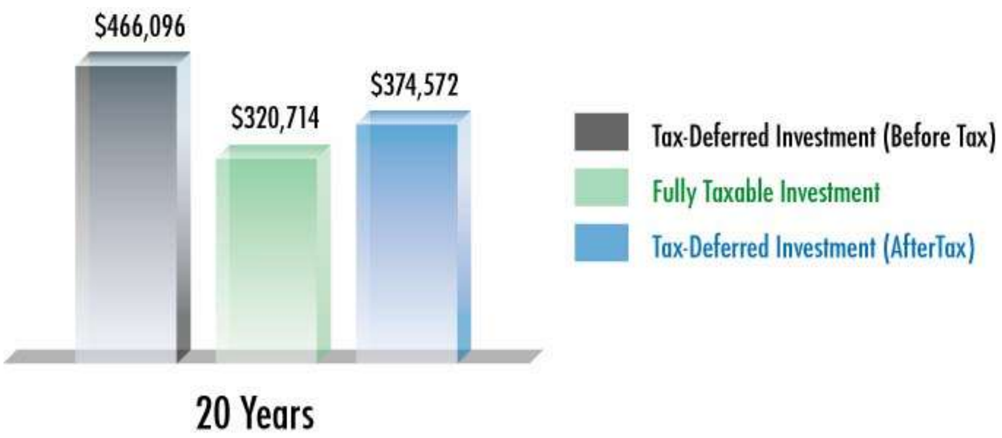
the benefits of tax deferral



This hypothetical illustration shows how a $100,000 investment grows in a tax-deferred account versus a fully taxable account **after 20 years**. It assumes an individual is in the 25% tax bracket, as well as an 8% return.

This hypothetical example is for illustrative purposes only. The assumed 8% return is not guaranteed and is not intended to reflect the actual performance of any product or any other investment. Neither example reflects deductions for any fees or expenses which would reduce the investment performance shown. Variable annuities generally impose withdrawal charges based on a particular product's surrender charge schedule. Annual administration and mortality and expense risk charges generally apply to assets in the investment options. Investment management fees vary by investment subaccount. Tax rates and tax treatment of earnings may impact comparative results. Lower maximum tax rates on capital gains and dividends would make the return of the taxable investment more favorable, thereby reducing the difference in performance between the accounts shown. State and local taxes should also be considered. Withdrawals made prior to age 59½ may result in an additional 10% federal tax penalty.

Please consider your personal investment horizon and income tax bracket, both current and anticipated, when making an investment decision as these may further impact the results of the comparison.

There are risks associated with investing, including risk of loss, not reflected in this illustration.

redefining / standards

investor concerns

- How Can I Help My Assets Grow Faster?

— TAX DEFERRAL

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investor concerns

- I'm Concerned about Properly Diversifying My Assets and Investing at the Right Time

— PROFESSIONAL INVESTMENT MANAGEMENT

Investing in growth stocks is based upon a portfolio manager's subjective assessment of fundamentals of companies he or she believes offer the potential for price appreciation. This style of investing involves risks and investors can lose money. Bond investments are subject to interest rate risk so that when interest rates rise, the prices of bonds can decrease and the investor can lose principal value. International securities carry additional risks including currency exchange fluctuation and different government regulations, economic conditions or accounting standards. *An investment in the Money Market portfolio is neither guaranteed nor insured by the U.S. government, the Federal Deposit Insurance Corporation or any other government agency.*

investor concerns

- I Want to Avoid Capital Gains Taxes

— TAX-FREE TRANSFERS

investor concerns

- Although I Need Growth, I'm Concerned about the Volatility of the Stock Market

— DOWNSIDE RETIREMENT INCOME PROTECTION

There are limitations and restrictions in optional living benefits such as investment options, holding period and withdrawals. Optional benefits are available for additional fee.

investor concerns

- I Need to Build Retirement Investment and
  I Want to Contribute as Much as Possible

— CONTRIBUTIONS

investor concerns

- I Want to Protect My Beneficiaries

— DEATH BENEFITS

investor concerns

- I Need Access to My Money

— ACCESS TO FUNDS

Withdrawals of taxable amounts are subject to income tax and, if taken before age 59½, may be subject to an additional 10% federal income tax penalty.

cost

- Mortality and Expense Risk Fee
- Annual Administrative Charge
- Investment Management Fee
- Distribution Fee
- Administrative Charge
- Withdrawal/Surrender Charge
- Charges for Optional Features

case study #1:
STAN

Profile

55 Years Old

Married

2 Children

- Retiring in 10 years
- Contributing to 401(k)
- $50,000 in cash

case study #1: STAN

- ***Concerns***
  - May not have enough income to retire
  - Doesn't want to risk losing retirement income
  - Wants growth potential
  - Needs to protect family in the event of an early death

case study #1: STAN

Strategy

He uses some of his net assets to purchase a variable annuity that offers an "Income Benefit" and a "Death Benefit"

Benefits

- Tax-deferred growth potential of the Equity Markets
- "Income Benefit" feature offers guaranteed minimum income
  (initially in the form of withdrawals)
  - For as long as you live
  - No matter how the investment markets behave
  - Assuming you follow certain guidelines established by the issuing company.
- "Death Benefit" protects beneficiaries prior to annuitization, as long as there is value in the account supporting the benefit.

There are fees associated with variable annuities. Equities generally involve risk, including possible loss of principal. Read the prospectus carefully before investing.

case study #2:

RICK & DONNA

Profile

34 and 39 Years Old

No Children

- Want to supplement their retirement investments
- Contributing to company-sponsored plans and IRAs
- $30,000 in cash

An investment in a variable product can fluctuate with market conditions and you can lose money.

case study #2:
RICK & DONNA

- ***Concerns***
  - Want to build a large retirement nest egg
  - $30,000 in cash ($15,000 for retirement)
  - Reluctant to pay for intricate protection features of variable annuities

An investment in a variable product can fluctuate with market conditions and you can lose money.

case study #2:
RICK & DONNA

Strategy

Use a portion of their cash to purchase a low-fee variable annuity

Benefits

- Addresses concern regarding cost
- Gain tax-deferred growth potential
- Access to professional investment advisors

An investment in a variable product can fluctuate with market conditions and you can lose money. There are fees associated with variable annuities. Read the prospectus carefully before investing.

case study #3:
JOANNE

Profile

50 Years Old

Married

1 Child (Age 23)

- Retiring in 15 years
- Switched jobs and needs to invest $80,000 from her former employer's 401(k) plan

case study #3: JOANNE

- ***Concerns***
  - Wants a choice of professional investment advisors
  - Needs growth potential
  - Wants to provide for her daughter and husband in the event of her death

case study #3:
JOANNE

Strategy

- Put $80,000 into a Rollover IRA*
- "Extra Credit"** variable annuity

Benefits

- Gives Joanne more to invest – a "jump start" to her investment contribution amount
- Choice of professional investment advisors and investment options
- "Death Benefit" options help protect beneficiaries, should she die prior to annuitizing the contract

<u>Important Note</u>

*If you are buying a variable annuity to fund a retirement plan that already provides tax deferral under sections of the Internal Revenue Code (such as an IRA, QP, 401(k), or Rollover TSA), you should do so for the contract's features and benefits other than tax deferral. In such situations, the tax deferral of the contract does not provide necessary or additional benefits.

**Over time, the amount of any "extra credit" may be more than offset by potentially higher fees and charges and a longer surrender charge schedule. Other variable products with different fees, charges and surrender schedules are available. Check with your financial professional or licensed insurance agent. "Extra credit" amounts may be recovered by the issuing insurance company in certain instances. Please refer to the annuity's prospectus for complete information.

emerging trends

- Many GLWB riders currently guarantee that a fixed percentage of the Premium Accumulation Value, typically four to five percent, can be withdrawn annually, after a certain age, for the annuitant's lifetime.

- There's an emerging trend in the marketplace to offer higher percentages to be credited to the Premium Accumulation Value during accumulation. There are different ways to calculate what that percentage should be, such as doubling the initial premium within a certain number of years or changing the interest rate credited to the Premium Accumulation Value.

- Another trend is to allow the Premium Accumulation Value to be "reset," thus locking in any gains. As the need for long-term care increases, GLWB riders may see changes that focus on lifetime withdrawals and methods for calculating the lifetime withdrawals

emerging trends

- **In the next section we will explore the mechanics of these contracts more thoroughly, along with their basic benefits and the parties involved.**

summary

- **Safety of Principal**

  - Annuities are conservative to moderate, tax deferred wealth accumulation vehicles offered by life insurance companies. Only life insurance companies have the regulatory reserve requirements and financial strength to provide all the guarantees of an annuity.

- **Accessibility**

  - Annuities have guaranteed, penalty-free withdrawal options that allow you to access a portion of your money without having to pay any company penalties or charges.

- **Taxation**

  - Interest credited to your annuities is not currently taxable unless withdrawn.
    - Earn interest on your premium
    - Earn interest on your interest
    - Earn interest on your dollars that you would have paid in income taxes.

summary

- **Outliving Your Income**

  - Only annuities can guarantee your monthly check to be the same each month. Your money will never run out.

- **Locking In Interest Credits**

  - Fixed index annuities offer potentially higher benefits. Once your interest is credited it can never be lost.

- **Probate Cost**

  - An annuity, with a properly designated beneficiary, may by-pass the probate process and avoid administration costs, fees, delays & publicity.

summary

- **Concern**

  - How to protect your money from "wild" market swings or lately, stock market plunges.
  - If you have money in non-interest bearing accounts, such as stocks or real estate that are not going anywhere... Then your working capital is not working for you.

- **Solution**

  - You should consider putting some of your nest egg in safe annuities that guarantee your principal while still earning more than a CD.
  - With an annuity, 100% of your money goes to work immediately! And your investment is guaranteed!!

last word

- Despite their original conceptual simplicity, modern annuities are complex products that have also been among the most misunderstood, misused and abused products in the financial marketplace, and they have had more than their fair share of negative publicity from the media….

Important note

Contact your financial professional or licensed insurance agent to see if a variable annuity is right for you.

This material must be preceded or accompanied by a current prospectus, which contains more complete information about the policy, including risks, charges, expenses and investment objectives. You should review the prospectus carefully before purchasing a policy.

This material was written to support the promotion or marketing of the transaction or matters addressed herein. It was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Withdrawals from an annuity will be subject to ordinary income tax and, if made prior to age 59 ½, may be subject to an additional 10% federal income tax penalty. Withdrawals may also be subject to surrender charges. Withdrawals will reduce the death benefit, living benefits and cash surrender value. Withdrawals will come from any gain in the contract first.

Variable annuity contract values will fluctuate and are subject to market risk, including the possibility of loss of principal. Variable annuity contracts have limitations. For costs and complete details of coverage, contact your financial professional/insurance-licensed registered representative.

AXA Equitable Life Insurance Company (AXA Equitable), NY, NY, issues variable annuities which are co-distributed by affiliates AXA Advisors, LLC and AXA Distributors, LLC, New York, NY 10104. AXA Equitable, AXA Advisors and AXA Distributors do not offer tax or legal advice. You must consult your attorney and/or tax advisor regarding your specific situation. Guarantees are all backed by the claims-paying ability of the issuing company.

Variable Annuities:
- *Are Not a Deposit of Any Bank*
- *Are Not FDIC Insured*
- *Are Not Insured by Any Federal Government Agency*
- *Are Not Guaranteed by Any Bank or Savings Association*
- *May Go Down in Value*

redefining / standards AXA