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Fixed Annuities

M24392 8-2005

FIXED ANNUITIES

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FIXED ANNUITIES
OVERVIEW

OBJECTIVES Upon completion of this session, you will be able to:

- define an annuity.
- explain the taxation of qualified and nonqualified annuities.
- discuss the characteristics and features of qualified plans.
- identify the benefits and features of the various fixed annuity plans.

UNIT 1
ANNUITIES

INTRODUCTION

Never has the need for retirement planning been greater. The changes in tax laws have enhanced the use of relevant tax shelters and tax deductions, while making annuities an essential part of our product portfolio.

Annuities provide additional opportunities to increase your sales while providing clients a way to enhance their accumulation and distribution of assets for retirement and other long-range personal goals.*

The purpose of this module is to introduce you to the annuity concept, basic kinds of annuities, taxation of annuities and our specific products.

The main objectives of people planning for retirement are to maintain their current lifestyle at retirement and to provide for adequate health care. The importance of retirement planning has escalated in recent years due to concern over the inadequacy of benefits payable under the Social Security system and the demise of the traditional employer-provided pension. Now more than ever, people are aware of the need to plan for a financially secure retirement. They recognize that they will have to rely primarily on company pensions and personal savings and investments for retirement.

According to a study by the American Council of Life Insurers:

- two out of three individuals (68%) are extremely or very concerned about cutbacks in Social Security and Medicare.[1]
- six out of ten (61%) are extremely or very concerned that inflation will take a bigger than expected bite out of their retirement savings.[1]
- Almost eight out of ten (79%) feel it is likely they will live at least to age 75, nearly half (44%) say it is likely they will live to age 85 and one in four (24%) believe they will live to age 90.[1]
- three-quarters (73%) of those who have not yet retired anticipate that they will do so before the age of 70.[1]

[1]**Source:** American Council of Life Insurers, 1999-2001

*Agents doing business in certain states must meet specific requirements before meeting with seniors (age 65 or older). Please see Unit 6 for details.

- almost half (45%) express interest in purchasing an annuity product to help provide a regular monthly income after retirement.[1]

Annuities are one of the best ways to accumulate money for retirement. Annuities are specially designed for two important aspects of retirement planning: maximum accumulation of funds before retirement and a reliable source of income after retirement.

They can offer your clients important benefits:

- Lifetime income
- Security of principal
- Tax-deferred accumulations
- Consistent investment return
- Sound investment management
- Flexible features of distribution and accumulation
- Low risk

WHAT IS AN ANNUITY?

An annuity may be defined as periodic payments made during a fixed period or for the duration of a designated life or lives. In the purest sense, a life annuity may be defined as a contract whereby, for a cash consideration, one party (the insurer) agrees to pay the other (the annuitant) a stipulated sum (the annuity) periodically throughout life.

PURPOSE OF AN ANNUITY

The purpose of an annuity is to protect against a risk--the outliving of one's income--which is just the opposite of life insurance which provides protection against dying before our obligations are met.

An annuity provides no life insurance protection; it is simply an accumulation and distribution of cash to provide income, possibly on a tax-deferred basis.

The annuity has liquidation of a sum of money as its basic function while life insurance is bought to create a sum of money at the death of the Insured.

Annuities are designed to be used for retirement income as protection against the risk of outliving one's income. Life contingent annuity payments are guaranteed to be paid so long as the annuitant lives.

[1]**Source:** American Council of Life Insurers, 1999-2001

CLASSIFICATION OF ANNUITIES

Annuities can be classified according to many variables. They can be classified by the:

- number of lives the annuity covers,
- method of premium payment made by the annuitant,
- date benefits begin and
- payout method.

Number of Lives

The number of lives involves whether the annuity payments are made for a single life or two or more lives. If the contract covers two or more people with income ceasing upon the death of the first person, it is known as a "joint annuity." If the contract covers two or more lives with income ceasing upon the death of the last person, it is known as "a joint and last survivor" annuity.

Method of Premium Payment

Annuities may be bought with a single premium payment, a planned periodic payment or a flexible premium payment. These premium payments, or funds, represent the annuity's principal.

Date Benefits Begin

Annuities may be classified by when benefits begin:

- Deferred or
- Immediate.

Deferred Annuity

The primary purpose of a deferred annuity is to accumulate money. It's a way of pre-funding retirement by setting money aside to a time when it's needed. A deferred annuity may be purchased with either a single or periodic premium. Most deferred annuities are sold on a periodic premium basis. Under a deferred annuity there must be a period longer than one benefit payment interval before benefit payments begin. Usually a number of years elapse before benefit payments begin. Deferred annuities build up tax-deferred income throughout the entire accumulation period. The tax-deferred status allows funds to accumulate more rapidly than in a savings plan in which tax must be paid on the interest as it's earned.

Immediate Annuity

The primary purpose of an immediate annuity is to distribute money. An immediate annuity begins benefit payouts one payment interval (typically one year or one month) from the date of purchase. This type of annuity must be purchased with a single premium or contribution. Immediate annuities are an attractive possibility for people who have a large amount of funds in a company 401(k) plan. Since the 401(k) plan has accumulated on a tax-deferred basis, the retiree does not want the income from this account to be exposed to taxes all at once.

Annuity Payouts

This classification consists of the method by which annuity accumulations are distributed. Many types of payouts are available with annuity products, including:

- Annuity Certain
- Life Annuity
  - Joint Life Annuity
  - Joint and Last Survivor Annuity
- Life Annuity with Period Certain
- Installment Refund Annuity
- Cash Refund Annuity*

Clients who purchase deferred annuities will encounter these annuity options at the maturity of their contracts. Most deferred annuity contracts offer a series of settlement options which generally will include some or all of the annuities listed.

The various types of annuities on this list are also offered for single premium immediate annuities, so that purchasers who are ready to have their income begin may also have a choice of payment methods. Let's examine this list of annuities individually.

Annuity Certain

Annuity certain provides a specified number of payments of a set amount. The specified period over which benefit payments are made is called the **period certain**. At the end of the period certain, the annuity payments will stop even if the annuitant is still alive. If the annuitant dies before the end of the period certain, the unpaid annuity benefits will be paid to a beneficiary named in the contract.

For example, if a person with a 10-year annuity certain dies after receiving payments for seven years, the beneficiary receives payments for the remaining three years of the "certain" period.

Life Annuity

A life annuity consists of a series of payments which continue only for as long as an annuitant lives. When death occurs, payment stops. Two types of life annuities are joint life annuity and joint and last survivor annuity.

The joint life annuity pays only so long as both named annuitants are alive. Payments stop at the first death.

*Not available with United's annuity products

The joint and last survivor annuity continues payments as long as either person is living. At the death of the first person, however, the surviving person's payments may be reduced. This settlement option is selected more frequently than a joint life annuity.

Life Annuity with Period Certain

The life annuity with period certain guarantees a number of payments whether the annuitant lives or dies. Payments continue for life if the annuitant lives beyond the guaranteed period. Contracts usually offer payment guarantees of 10, 15 or 20 years.

Installment Refund Annuity

An installment refund annuity guarantees that if an annuitant dies before receiving payments equal to the purchase price, a beneficiary will receive benefits until the full purchase price has been paid (will pay as long as the annuitant lives).

Cash Refund Annuity*

The cash refund annuity also guarantees the return of the purchase price but the refund is the difference between the purchase price and the payments made to the annuitant prior to death. The amount is paid in a single lump sum.

ANNUITY DISTRIBUTIONS	
Annuity Certain	guarantees payments for a specified period, whether annuitant lives or dies
Life Annuity	continues payments only for as long as an annuitant lives
Life Annuity with Period Certain	guarantees a number of payments whether the annuitant lives or dies
Installment Refund	guarantees payments of the full purchase price whether an annuitant lives or dies
Cash Refund*	guarantees the return of the purchase price-- refund is the difference between the purchase price and the payment made to the annuitant

By comparing the amount of income available under these various options and assessing client's individual needs, annuitants can create the retirement plan which is best for them.

*Not available with United's annuity products

BASIC KINDS OF ANNUITIES

The wide variety of annuity products available today have been developed within four broad categories. They were designed in response to the individual needs and income of the purchasers. They have also been influenced by government tax policy. The broad categories include:

- Single Premium Immediate Annuity
- Single Premium Deferred Annuity
- Flexible Premium Deferred Annuity
- Variable Annuities

Single Premium Immediate Annuity

The single premium immediate annuity (SPIA) is purchased with a single deposit. The income generally begins one payment period after the single premium has been paid. Income can be paid on a monthly, quarterly, semiannual or annual basis.

Most SPIAs are nonparticipating. This means they offer level payments based on the highest possible interest rate guarantee instead of using excess interest or dividends.

Single Premium Deferred Annuity

The single premium deferred annuity (SPDA) is also purchased for a single sum which is left to accumulate until a later "maturity date." The maturity date is generally chosen to coincide with the annuitant's retirement. Throughout the deferral period the cash value of the annuity builds on a tax-deferred basis. The purchaser may select a beneficiary to receive the proceeds if death occurs during the deferral period.

Flexible Premium Deferred Annuity

The flexible premium deferred annuity (FPDA) was developed for individuals who do not have large sums to invest. This annuity requires a specific amount to be paid each year to provide an income at the chosen maturity date.

The FPDA permits deposits of any amount to be paid at any time during the accumulation period. Except for the method of payment, most of the characteristics of SPDAs also apply to FPDAs.

Variable Annuities

At one time, all annuities were fixed-dollar annuities. A fixed-dollar annuity provides the purchaser with a guaranteed minimum fixed dollar amount of income which never changes once payment has started.

Many people fearing the declining purchasing power of the fixed-dollar annuity sought other investments; this led to the development of the variable annuity.

The variable annuity provides benefits that vary directly with the investment experience of the assets that back the contract. Assets backing variable annuities are maintained in a separate account and the investment results are reflected directly in the variable annuity values. The payments are measured in accumulation units rather than dollar amounts.

Under a traditional FPDA or SPDA the insurance company guarantees a minimum rate of interest. In addition, a minimum amount of annuity payout for each dollar is guaranteed.

A variable annuity does not have interest guarantees. The owner bears the investment risk and receives the return actually earned on invested assets.

Most variable annuities offer a variety of investment subaccounts, including:

- money market funds.
- bond funds.
- stock funds.
- asset allocation models.
- fixed accounts.

Depending upon the individual insurer, an owner may switch from one fund to another. Variable annuity owners are generally charged an annual management fee and there is usually a separate fee for each account.

The variable annuity also has a death benefit. In the event of death, the beneficiary will receive the current value of the contract or purchase payments minus any withdrawals, whichever is higher.

SUMMARY

Fixed annuities are conservative, traditional products which have added appeal as clients face the challenge of planning and financing their own extended retirement. Annuities meet a variety of needs for retirement planning. Annuities offer a tailored income in retirement with tax-sheltered features that mean annuities accumulate and grow tax deferred; taxes on accumulations are paid only when the income is withdrawn. Additional advantages of fixed annuities include:

- low risk.
- income for life.
- no contribution limits.
- access to funds.
- flexibility.
- guaranteed death benefits.

Fixed annuities especially appeal to purchasers who desire a tax advantaged, guaranteed method of accumulating and/or distributing money. By selling annuities you are performing an extremely useful service.

UNIT 2
TAXATION OF FIXED ANNUITIES (NONQUALIFIED AND QUALIFIED)

TAXATION OF ANNUITIES

Annuities generally have a favorable tax status in comparison to many other financial investment products. Annuities offer tax advantages during the accumulation phase as well as the distribution phase. Annuities are taxed according to their status as nonqualified or qualified. The term “nonqualified” applies to annuities that do not meet IRS guidelines for certain tax advantages. However, individuals owning nonqualified annuities receive some tax benefits. “Qualified” annuities do meet IRS guidelines, providing the owner with significant tax advantages. All annuities, whether qualified or not, were initially designed to provide retirement income at the maturity of the policy.

We will review some of the fundamental rules regarding nonqualified annuities and then the rules which apply to qualified annuities in various tax-favored retirement plans.

NONQUALIFIED ANNUITIES

Tax-deferred Accumulation

The interest income credited to an annuity during the accumulation period is tax deferred. Tax-deferred income does not have to be included in the owner’s current taxable income. Tax on annuity income is deferred until the payment is actually received.

NOTE: Under current tax laws, any interest taken out of a nonqualified annuity is treated as taxable earnings by the federal government. Interest taken before age 59 1/2 may be subject to a 10% federal income tax penalty. Common qualifying events to avoid the IRS 10% penalty are:

- attainment of age 59 1/2.
- death.
- disability.
- series of substantially equal periodic payments.

Taxation of Annuity Payments

Under the general rule for nonqualified annuities, a portion of each payment is excluded from gross income as a return of the purchaser’s investment and a portion is taxed as interest earned on the investment.

Exclusion Ratio

The tax-free portion of the annuity payment is a fraction determined by comparing the “investment in the contract” to the “expected return” and is called the exclusion ratio.

To determine the exclusion ratio, divide the investment in the annuity (cost of the annuity) by the expected return; that is, the guaranteed annual return multiplied by the life expectancy of the annuitant or by the guaranteed period.

Example: John decides on a 10-year certain payout for his $100,000 annuity. Assuming the annuity will provide a monthly payout of $1,050 for 10 years (a total of $126,000), the exclusion ratio would be calculated by dividing John's investment ($100,000) by the expected return ($126,000):

$$\frac{\$100{,}000}{\$126{,}000} = .794$$

The result is 79.4%. That is, 79.4% of each $1,050 payment, or $834, would not be taxed (i.e., since it was previously taxed). The remaining $216 would be taxed as interest earnings.

Generally, once an exclusion ratio has been calculated, the same portion of each payment is excluded from taxable income until the entire investment in the contract has been recovered.* In other words, part of each annuity payment is considered the tax-free return of investment. Only the income portion of each payment is taxable. An annuity provides not only a vehicle to accumulate tax-deferred retirement income, but also a distribution system that keeps taxation in retirement at a fairly low level.

Taxation of Withdrawals and Loans

Any amount received from an annuity as a cash withdrawal, dividend (unless reinvested) or loan may be subject to tax and penalties under Internal Revenue Code Section 72.

Partial or full surrenders are taxable as ordinary income** to the extent that the contract value (total accumulation) at the time of the payment exceeds the investment in the contract.

NOTE: The IRS requires that the interest be withdrawn prior to the investment. Pre-TEFRA 1982--amounts may be withdrawn "cost recovery," while post TEFRA requires "interest first." In addition, distributions may be subject to penalties under IRC72(q).

*There are certain exceptions to the amount excluded from taxable income; i.e., if the payment drops below the excludable amount
**Nonqualified contributions only

QUALIFIED ANNUITY PLANS*

Qualified retirement plans can be established in several ways. The term "qualified" means a plan meets certain distinct eligibility requirements for favorable tax treatment under the Internal Revenue Code. The qualified annuity plans which offer substantial sales opportunities are:

- Tax-sheltered Annuity Plans (TSAs)
- Individual Retirement Annuity Plans (IRAs)
- Simplified Employee Pensions (SEPs)

(In the next unit we will cover each plan in detail. Now we will review their specific tax advantages.)

TSA

The TSA is funded with "before-tax" dollars from an employee's salary. The employee's tax on this portion of his or her salary is deferred along with the tax on any annuity earnings until there is a distribution. The distribution would be taxed as ordinary income.

NOTE: There are very strict rules regarding distributions from TSAs. Distribution may be restricted and subject to additional IRS penalties.

IRA

The Individual Retirement Annuity is a personal savings program which provides tax deductions and tax deferrals for individuals. Contributions to an IRA may be deductible or nondeductible. All deductible contributions are subject to specific eligibility requirements. All deductible contributions will be taxed as ordinary income when distributed and may be subject to additional IRS penalties. If any nondeductible contributions are made to an IRA, the owner is entitled to recover them tax free under the regular annuity rules.

SEP

The tax rules for Simplified Employee Pensions are very similar to the other qualified annuities. If all requirements are met, contributions to a SEP are deductible by the employer and are not currently taxable to employees. Since SEPs are funded with individual retirement annuities, the distribution provisions and tax rules for IRAs apply.

ROTH

While no tax deduction is available for Roth IRA contributions,* withdrawal of the principal is tax free at any time. Withdrawal of investment earnings are tax free if the Roth has been held for five years and a withdrawal is made:

- after age 59½,
- at death

*Certain lower income taxpayers may receive a nonrefundable tax credit (not to exceed $1, 000) for contributions made to a qualified retirement savings program, including Roth IRAs.

- at the time of disability or
- for first-time home purchase (limit of $10,000).

Qualified annuities outperform nonqualified investments in terms of growth. As funds grow through interest earnings and investment returns, no taxes are payable on these earnings. That means more money is left to invest, accelerating the growth of the funds when compared to a taxable investment. Qualified plans provide the best of both worlds--no current taxes on contributions (up to specified limits) and no current taxes on earnings.

Taxation of Qualified Annuity Payments

Each withdrawal or payment from a qualified annuity is taxed at the individual's ordinary income tax rate.

NOTE: Under current tax laws, any withdrawal or payment taken from a qualified annuity before age 59 1/2 may be subject to a 10% federal income tax penalty. Common qualifying events to avoid the IRS 10% penalty are:

- attainment of age 59 1/2.
- death.
- disability.
- series of substantially equal periodic payments.

Other qualifying events for an IRA only are:

- excessive medical expenses.
- health insurance if unemployed.
- college expenses.
- first-time home purchase.

SUMMARY

This unit provided details regarding the taxation differences between nonqualified and qualified annuity payments, as well as the rules that apply to qualified retirement plans. Unit 3 discusses details you will need to know before selling qualified plans.

UNIT 3
SELLING QUALIFIED PLANS

INTRODUCTION Frequent changes in tax laws, combined with concern over Social Security benefits, have made people more aware of the need to plan for financially secure retirement years. Tax laws have encouraged individuals to establish retirement plans by extending income tax advantages to people who plan for retirement. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) was enacted into law in June 2001. This new law has numerous positive changes to qualified pension plans and individual retirement accounts (IRAs). Some of the exciting new provisions, effective in 2002, include:

- increased contribution limits and catch-up contributions to IRAs.
- increased contribution, benefit and compensation limits for tax-qualified plans.
- increased elective deferral limits for salary reduction plans.
- enhanced catch-up contributions for individuals over age 50.
- expanded rollover options for plan participants.
- increased portability between tax-qualified plans and IRAs.
- simplified top-heavy rules and increased deduction limits for employers with tax-qualified plans.
- potential tax credits for individuals and employees.
- strengthened pension security and reduced regulatory burdens for individuals and employers.

The older population continues to grow significantly. In 2000, there were approximately 35 million persons age 65 or older in the United States, representing about 12% of the population. Their numbers are expected to increase to 70 million by 2030, comprising 20% of the population.[1] Of this group, approximately two-thirds rely on Social Security for at least one-half of their income. Social Security is the only source of income for approximately 18% of the elderly.[2]

In 2001, the median income for older men was $19,688, while for women it was $11,313. Since 2000, the real median income for older people (after adjusting for inflation) fell by 2.6%.[1]

There is a growing need for people to provide for their own retirement income and decrease the reliance on Social Security and employer-provided pensions. Social Security is meant to be a source of supplemental--not primary--retirement income. Recognizing the importance of individual retirement planning, the U.S. Government has provided for the creation of retirement savings programs which qualify for favorable tax treatment; hence we have qualified retirement plans.

There are several types of plans that can be used to accumulate savings for retirement. Types of retirement savings plans include:

- Tax-sheltered Annuities (TSAs)
- Simplified Employee Pensions (SEPs)
- Individual Retirement Accounts (IRAs)
- Roth IRA

TAX-SHELTERED ANNUITY PLANS (TSAs)

A TSA / 403(b) is a voluntary retirement savings program available to employees of nonprofit organizations which have received 501(c)(3) status and to public education employees, including local school districts and public universities or colleges.

Eligibility

A 501(c)(3) nonprofit organization is one that has been organized for the general public welfare, operating exclusively for religious, charitable, scientific, public safety testing, educational or literary purposes.

Examples of 501(c)(3) nonprofit organizations include:

- churches, including church schools.
- nonprofit hospitals.

[1]**Source:** Administration on Aging, "A Profile of Older Americans: 2002"
[2]**Source:** Social Security Administration, "Basic Social Security Fact Sheet"

- nonprofit nursing homes.
- private, nonprofit colleges.
- museums, zoos and symphonies.
- scientific foundations.

Eligible public education employees include teachers, school administrators and non-academic staff positions of K-12 school systems and public universities or colleges. School board members are not eligible for a TSA.

Tax Benefits

TSAs offer two basic tax advantages:

- Pre-tax salary deferral contributions reduce taxable income and
- Earnings grow tax deferred within the plan.

Nontax Benefits

TSAs also offer many nontax benefits:

- Payroll deduction is a convenient way to save for retirement.
- New increased limits now allow employees to save even more money for their retirement.
- Contributions are discretionary and the amounts are flexible.
- TSA assets are portable and may be moved between plans.
- TSAs help employers attract and retain quality employees.

Tax Credits

Beginning in 2002, certain lower income taxpayers may receive a nonrefundable tax credit (not to exceed $1,000) for contributions made to a qualified retirement savings program, including 403(b) plans.

In addition, effective for plans established after Jan. 1, 2002, a small employer (less than 100 employees) may receive tax credits of up to 50% of the qualified start-up costs for a period of up to three years. A $500 maximum credit limit applies for each of the three years. Qualified start-up costs are defined as any ordinary or necessary expenses that are paid or incurred as a result of the plan's establishment, administration or retirement-related education for employees.

Plan Establishment

The employer may authorize one or several financial organizations as an "approved vendor." One of the first things to be determined is whether or not the products you wish to offer have been approved by the employer for a "payroll slot." Procuring a payroll slot will allow your financial organization to accept TSA contributions via salary deferrals. The process of obtaining a payroll slot will vary according to the targeted employer, market segment or state. Once a slot has been established, a properly completed salary reduction agreement by the employee will allow a portion of the paycheck to be remitted to the financial organization of choice.

NOTE: TSAs that have employer contributions require a formal plan document and the services of a plan administrator.

Contribution Limits

TSAs are usually funded entirely by employee contributions through a salary reduction agreement. Contributions withheld from an employee's paycheck are not subject to current income tax.

As a result of EGTRRA, the maximum contribution limits to TSAs are now very similar to the limits for 401(a) defined contribution plans.

The new deferral limits are 100% of compensation up to the following maximum amounts:

2005 ➔ $14,000
2006 ➔ $15,000

Thereafter, the deferral limits will increase in $500 increments for cost-of-living adjustments.

Catch-up Provisions

TSA participants age 50 or older may contribute an additional amount above the basic annual deferral limit as follows:

2005 ➔ $4,000
2006 ➔ $5,000

Thereafter, the additional contribution limits will increase in increments of $500 for cost-of-living adjustments.

NOTE: Certain employees with at least 15 years of service with the same employer may qualify for an alternative special catch-up election.

Distributions

Distributions from TSAs are taxable as ordinary income, unless the assets are rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers.

Triggering Events

Assets cannot be distributed from a TSA until the occurrence of one of the following triggering events:

- Age 59½,
- Death,
- Disability,
- Separation from service or
- Financial hardship as defined by the IRS.

Premature Distributions

Individuals who choose to take a distribution from their TSA before reaching age 591/2 are subject to a 10% penalty in addition to the ordinary income tax due. However, there are exceptions to this rule, including:

- death,
- disability,
- separation from service after attaining age 55,
- series of substantially equal periodic payments,
- distributions for deductible medical expenses and
- distributions to an alternate payee under a qualified domestic relations order (QDRO).

Required Minimum Distributions

A required minimum distribution (RMD) is the term for money that must be removed annually from a tax-deferred retirement plan. Required minimum distributions must typically begin by April 1 following the year the TSA participant turns age 70½ or retires, whichever is later. RMDs are distributed over the life expectancy of the participant and the oldest designated primary beneficiary. Most people will use the Uniform Life Expectancy table provided by the IRS to determine their life expectancy factor. However, if a TSA participant has a spouse beneficiary who is 10 or more years younger than the participant, then a separate set of joint life factors may be used. Failure to withdraw the required annual amount may subject the participant to a 50% penalty tax.

Rollover Distributions

The Unemployment Compensation Act of 1992 (UCA-92) made significant changes in the rollover and withholding rules for distributions from qualified retirement plans and TSAs. UCA-92 created the "direct rollover." A direct rollover is an eligible rollover distribution from a 401(a) qualified retirement plan, TSA or governmental 457 plan that is "paid directly to an eligible retirement plan for the benefit of the distributee." An eligible retirement plan is a traditional IRA or employer plan that accepts rollover contributions.

Eligible rollover distributions that are paid directly to the plan participant will be subject to mandatory 20% federal withholding. Eligible rollover assets received by a TSA participant may be re-deposited to a traditional IRA or another eligible plan within 60 days of the original receipt of those funds.

Transfers

The IRS allows tax-free transfers on a direct basis between 403(b) arrangements. Because the rules governing transfers between 403(b) arrangements are found in IRS Revenue Ruling 90-24, these transactions are commonly referred as "90-24" transfers.

90-24 transfers provides TSA participants with the flexibility to re-balance their TSA portfolio, diversify into other investments or take advantage of different annuitization options.

Loan Provision

The Bonus Flexible Annuity (BFA) offers TSA participants access to their TSA assets through a loan provision. Plan participants may borrow up to one-half of their account balance or $50,000, whichever is less. There are no taxes or penalties on the amount of the loan, unless the loan is not paid back in a timely manner.

Funding Vehicles

Salary deferral contributions made to a tax-sheltered annuity plan may be applied toward the purchase of an annuity contract or an investment vehicle such as mutual funds.

United of Omaha's **Bonus Flexible Annuity (BFA)** can be used to receive TSA salary deferral contributions, as well as, transfers and rollovers.

Simplified Employee Pension (SEP)

The Simplified Employee Pension (SEP) is a special type of pension plan in which an employer provides retirement funds for their employees on a nondiscriminatory basis. Contributions made by the employer are deposited directly into IRAs established for their employees. Any employer, including sole proprietorships, partnerships, corporations and nonprofit organizations may establish a SEP. Employers have until the federal income tax return due date of the business, plus extensions, to establish and make SEP contributions.

Eligibility Employees who meet the following requirements MUST participate in the SEP:

- Are at least 21 years of age during the contribution year.
- Have worked during the contribution year and for at least three of the immediately preceding five years.
- Earned at least $450 (indexed annually for inflation) during the contribution year.
- Are not covered by a collective bargaining agreement.

Tax Benefits SEPs offer two basic tax advantages:

- Contributions are a tax-deductible business expense
- Earnings grow tax-deferred within each employee's IRA

Nontax Benefits SEPs also offer many nontax benefits:

- SEP plans are inexpensive and easy to administer and maintain.
- No IRS or DOL reporting by a plan administrator is required.
- Employers are not committed to a set annual contribution amount. SEP contributions are optional, and the amounts are flexible.
- There is no fiduciary liability for investment decisions.
- SEPs offers "late" plan establishment. The deadline for establishing a SEP plan is the due date for filing the employer's tax return, plus extensions.

Tax Credits Certain lower income taxpayers may receive a nonrefundable tax credit (not to exceed $1,000) for contributions made to a qualified retirement savings program, including SEP-IRAs.

In addition, effective for plans established after Jan. 1, 2002, a small employer (less than 100 employees) may receive tax credits of up to 50% of the qualified start-up costs for a period of up to three years. A $500 maximum credit limit applies for each of the three years. Qualified start-up costs are defined as any ordinary or necessary expenses that are paid or incurred as a result of the plan's establishment, administration or retirement-related education for employees.

Plan Establishment

An employer must complete the proper paperwork in order to establish a SEP plan. There are basically three sets of plan documents that may be used to establish a SEP plan.

- **Form 5305-SEP**--This form has been drafted by the IRS and is provided free of charge.
- **Prototype SEP Plan**--This plan document is usually designed and drafted by a retirement service provider to meet the specific needs of a financial organization. The plan document is often submitted to the IRS for approval. A prototype plan offers more customization and flexibility than the 5305-SEP, but can be more expensive to draft and approve.
- **Individually Designed SEP Plan**--This type of plan document is drafted specifically for, and may only be used by, the employer who submits the plan and receives approval by the IRS.

In addition, each employee must establish an IRA to hold the contributions from the employer.

After the proper paperwork has been established, there are four more basic tasks that need to be accomplished.

- The employer must adopt the plan by signing one of the written agreements described previously.
- All eligible employees must establish IRAs.
- The employer must then provide information about the SEP plan to each employee.
- The employer determines the amount of the annual contribution and makes the contribution to each IRA.

Contributions

Employer contributions to a SEP are deductible by the employer and are not currently taxable to the employee. Maximum contribution limits apply and excess contributions are generally subject to a penalty tax. Employers may generally make deductible contributions up to 25% of an employee's compensation not to exceed $40,000 (indexed annually for inflation). All contributions are immediately 100% vested to the employee.

Distributions

Since SEPs are funded with IRAs, the distribution provisions and tax rules relating to distributions are the same rules as traditional IRAs.

Funding Vehicles Employer contributions made to a SEP-IRA may be applied toward the purchase of an annuity contract or an investment vehicle such as mutual funds.

United of Omaha's Bonus Flexible Annuity (BFA) can be used to receive annual employer SEP contributions, as well as transfers and rollovers.*

In addition, United of Omaha's fixed annuities may be used to receive single premium deposits such as transfers or rollovers.

TRADITIONAL IRAs

The traditional IRA is a personal savings plan that offers tax advantages for individuals to set aside dollars for retirement. A traditional IRA is an excellent tool for any individual with earned income to accumulate assets to provide financial security during retirement years.

Tax Benefits Traditional IRAs offer two important tax advantages.

- **Tax Deductibility**--Contributions to traditional IRAs may be tax deductible, depending on an individual's circumstances.

- **Tax-deferred Earnings**--Earnings within traditional IRAs, including earnings on nondeductible contributions, grow tax deferred. This provides more dollars at retirement when compared to a nonqualified savings plan.

Amounts that represent tax-deductible contributions and earnings are generally treated as taxable income when distributed from the traditional IRA. Amounts distributed from a traditional IRA that represent a return of nondeductible contribution are not included as income and are allocated on a pro rata basis.

Nontax Benefits Traditional IRAs also offer many nontax benefits.

- Any individual under the age of 70½ who has earned income may contribute to a traditional IRA. Contributions are not mandatory and are at the discretion of the individual.

- Assets within a traditional IRA can be invested in a wide variety of investments. Using an annuity to fund an IRA offers the advantage of lifetime income annuity option that a person cannot outlive. This feature provides an important source of security.

*in states where approved

- Traditional IRAs are excellent vehicles for receiving rollovers from a 401(a) qualified retirement plan, 403(b) tax sheltered annuity or 457 plan.

- Traditional IRAs also provide flexible beneficiary options after the death of the traditional IRA holder.

Tax Credits

Beginning in 2002, certain lower income taxpayers may receive a nonrefundable tax credit (not to exceed $1,000) for contributions made to a qualified retirement savings program including traditional IRAs.

Contributions

Anyone who is under age 70½ and has earned income may make a contribution to a traditional IRA.

Contributions to traditional IRAs are subject to maximum annual limits. Beginning in 2002, the maximum regular contribution to a traditional IRA is limited to the lesser of $3,000 or 100% of earned income. If an IRA holder has more than one IRA, the aggregate contribution limit still cannot exceed $3,000 a year. In addition, the eligible contribution limit is reduced by any amounts contributed to a Roth IRA.

Beginning in 2002, the annual IRA contribution limit has been increased as follows:

2005-2007	➔	$4,000
2008 and thereafter	➔	$5,000 (indexed beginning in 2009)

IRA holders age 50 or older may contribute an additional amount above the basic annual contribution limit as follows:

2002-2005	➔	$500
2006 and thereafter	➔	$1,000

A person with earned income may also fund an IRA for his or her non-working spouse who has not yet reached age 70½ in the calendar year for which the contribution is being made and who has little or no earned income. These are referred as “spousal IRAs” and the contribution limits follow the same guidelines listed above.

Contributions made to IRAs that exceed the maximum eligible contribution limit for an individual are called “excess contributions” and are subject to penalties from the IRS. These penalties will continue to apply each year until the excess contribution is removed.

An individual may make regular contributions to his or her traditional IRA or spousal IRA during the calendar year for which the contribution is being applied or by the tax return due date for filing that year's tax return, not including extensions. Since most IRA holders file their taxes on a calendar year basis, the latest due date for contributions is April 15.

Deductibility

The following three factors determine whether a traditional IRA contribution or a portion of a traditional IRA contribution may or may not be eligible for a tax deduction:

- Marital status,
- Active participation in an employer maintained retirement plan and
- Modified adjusted gross income (MAGI).

The Taxpayer Relief Act of 1997 (TRA-97) increased the income limits for deductibility established by TRA-86. The increased limits became effective Jan. 1, 1998, and will continue to increase annually through year 2005 for single individuals and through year 2007 for married couples. With the recent increased income limits, many more taxpayers will be eligible to make deductible contributions.

Deductibility for a Single Person

If you are single and are not an active participant in an employer maintained retirement plan, your entire contribution to your traditional IRA is fully deductible. If you are single and are an active participant in an employer maintained retirement plan, you may still contribute to your traditional IRA, but the deductibility of such contributions may be reduced or eliminated altogether depending on your Adjusted Gross Income (AGI). The chart below shows the AGI phase-out ranges for single persons.

Single

Taxable Year	*Phase-out Range*
2005 and thereafter	$50,000-$60,000

Deductibility for Married Persons

If neither you or your spouse is an active participant in an employer maintained retirement plan, all contributions to your traditional IRA are fully tax deductible. If you are an active participant in an employer maintained retirement plan and filing jointly, you may still contribute to your traditional IRA, but the deductibility of your contributions may be reduced or eliminated altogether depending on your joint Adjusted Gross Income (AGI).

The chart below shows the AGI phase-out ranges for married persons.

Married Filing Jointly

Taxable Year	*Phase-out Range*
2005	$70,000-$80,000
2006	$75,000-$85,000
2007 and thereafter	$80,000-$100,000

If your spouse in an eligible participant in an employer-maintained retirement plan, but you are not, you may make a fully deductible traditional IRA contribution, but your deduction begins to phase out when your AGI is $150,000 (married filing jointly) and no deduction is permitted when your AGI is greater than $160,000 (married filing jointly).

Married Filing Separately

If you are married filing separately, your deduction will phase out between $0 and $10,000.

Nondeductible Contributions

An IRA holder who makes nondeductible traditional IRA contributions must report that fact to the IRS on his or her Form 8606. Form 8606 is an attachment to Form 1040 or 1040A, and must be filed if a nondeductible IRA contribution is made. Form 8606 must also be filed if a distribution is taken and the individual has made nondeductible contributions.

Distributions

Deductible contributions and tax-deferred earnings within traditional IRAs are treated as income when distributed from a traditional IRA. However, nondeductible contributions to a traditional IRA may be recovered tax-free on a pro-rata basis. In addition, certain penalties may apply if distributions are taken before age 59½ or not removed beginning at age 70½.

Premature Distributions

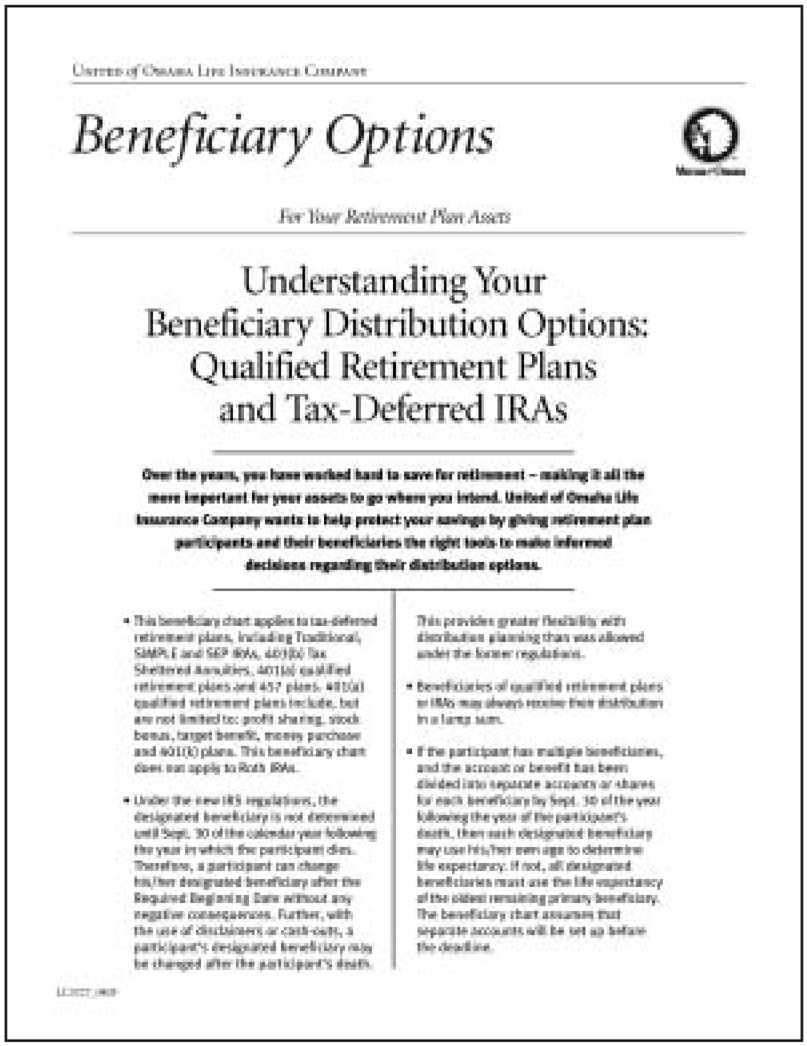
A distribution received from a traditional IRA before age 59½ is a premature distribution, and the taxable portion of the distribution is subject to a 10% penalty tax in addition to the ordinary income tax due. There are exceptions to this rule, which include the following:

- Death
- Disability
- Series of substantially equal periodic payments
- Qualified first-time homebuyers (up to $10,000)
- Qualified higher education expenses
- Medical expenses exceeding 7.5% of AGI
- Purchase of health insurance after receiving unemployment for more than 12 weeks
- IRS tax levies

Required Minimum Distributions

A required minimum distribution (RMD) is the term for money that must be removed annually from a tax-deferred retirement plan. Required minimum distributions (RMDs) must begin by April 1 following the year the IRA owner turns age 70½. RMDs are distributed over the life expectancy of the IRA owner and their oldest designated primary beneficiary. Most people will use the Uniform Life Expectancy table provided by the IRS to determine their life expectancy factor. However, if an IRA owner has a spouse beneficiary who is 10 or more years younger than the IRA owner, then a separate set of joint life factors may be used. Failure to withdraw the required annual amount may subject the IRA owner to a 50% penalty tax.

Beneficiary Options (LC3727_0405)



United of Omaha Life Insurance Company

Beneficiary Options

For Your Retirement Plan Assets

Understanding Your Beneficiary Distribution Options: Qualified Retirement Plans and Tax-Deferred IRAs

Over the years, you have worked hard to save for retirement – making it all the more important for your assets to go where you intend. United of Omaha Life Insurance Company wants to help protect your savings by giving retirement plan participants and their beneficiaries the right tools to make informed decisions regarding their distribution options.

- This beneficiary chart applies to tax-deferred retirement plans, including Traditional, SIMPLE and SEP IRAs, 403(b) Tax Sheltered Annuities, 401(a) qualified retirement plans and 457 plans. 401(a) qualified retirement plans include, but are not limited to: profit sharing, stock bonus, target benefit, money purchase and 401(k) plans. This beneficiary chart does not apply to Roth IRAs.
- Under the new IRS regulations, the designated beneficiary is not determined until Sept. 30 of the calendar year following the year in which the participant dies. Therefore, a participant can change his/her designated beneficiary after the Required Beginning Date without any negative consequences. Further, with the use of disclaimers or cash-outs, a participant's designated beneficiary may be changed after the participant's death. This provides greater flexibility with distribution planning than was allowed under the former regulations.
- Beneficiaries of qualified retirement plans or IRAs may always receive their distribution in a lump sum.
- If the participant has multiple beneficiaries, and the account or benefit has been divided into separate accounts or shares for each beneficiary by Sept. 30 of the year following the year of the participant's death, then each designated beneficiary may use his/her own age to determine life expectancy. If not, all designated beneficiaries must use the life expectancy of the oldest remaining primary beneficiary. The beneficiary chart assumes that separate accounts will be set up before the deadline.

LC3727_0405

Transfers/Rollovers

Transfers and rollovers are transactions that allow the movement of assets between IRAs and continue the tax deferred growth of the assets.

Transfers are typically handled between two financial organizations and the IRA holder does not actually take receipt of the assets when conducting a direct transfer. A trustee-to-trustee transfer is generally considered the easiest way to move money or property from one traditional IRA to another.

With rollovers, unlike transfers, the IRA owner actually receives the money or property before rolling it into back to an IRA. When executing a rollover, there are specific rules that must be followed and the rollover must be completed within 60 days of receipt of the original assets. Beginning in 2002, the IRS has been granted statutory authority to extend the 60-day rollover period when circumstances beyond the control of the IRA holder prevent timely completion of the rollover.

Direct Rollovers

The Unemployment Compensation Act of 1992 (UCA-92) made significant changes in the rollover and withholding rules for distributions from qualified retirement plans. These plans include pension, profit-sharing, money purchase, stock bonus, target benefit, 401(k) and 403(b) plans. These rules were further modified by EGTRRA.

UCA-92 created the "direct rollover." A direct rollover is an eligible rollover distribution from a 401(a) qualified retirement plan, 403(b) or governmental 457 plan that is "paid directly to an eligible retirement plan for the benefit of the distributee." An eligible retirement plan is a traditional IRA or employer plan that accepts rollover contributions.

Eligible rollover distributions that are paid directly to the plan participant will be subject to the mandatory 20% federal withholding.

Eligible rollover assets received by a plan participant may be re-deposited to a traditional IRA or another eligible plan within 60 days of the original receipt of those funds. To avoid immediate taxation and possible penalties, the plan participant must make up the taxes withheld. The plan participant may then qualify for a refund of the 20% federal taxes withheld.

Prohibited Transactions

The following are prohibited transactions and an IRA owner may not engage in any of the following activities with their IRA:

- Take a loan from the IRA,
- Pledge or assign the IRA as security for a debt or
- Use IRA funds to purchase a life insurance policy.

Funding Vehicles Contributions made to a traditional IRA may be applied toward the purchase of an annuity contract or an investment vehicle such as mutual funds.

United of Omaha's **Bonus Flexible Annuity (BFA)** can be used to receive traditional IRA contributions, as well as transfers and rollovers.

In addition, United of Omaha's fixed annuities may be used to receive single premium IRA deposits such as transfers or rollovers.

ROTH IRA The Roth IRA is a nondeductible IRA created by the Taxpayer Relief Act of 1997. Effective for tax years beginning in 1998, Roth IRA contributions are not tax deductible, however, qualified distributions (including earnings) are ***tax free***.

Eligibility Anyone with earned income and who meets the income limits may establish a Roth IRA. There are no minimum or maximum age requirements.

Single individuals with an income less than $95,000 and married individuals with joint incomes less than $150,000 may contribute the maximum amount to their Roth IRA.

Single individuals with an income above $110,000 and married individuals with joint incomes above $160,000 cannot contribute towards a Roth IRA.

Individuals with incomes between the above amounts may contribute a portion of the maximum amount.

Tax Benefits Roth IRAs offer the potential for tax-free earnings if certain withdrawal requirements are met.

Nontax Benefits Roth IRAs also offer important nontax benefits:

- No age 70½ required minimum distributions allow earnings to grow longer than traditional IRAs.
- Beneficiaries can also receive death benefits tax-free. This means Roth IRAs can play an important part of an estate planning strategy.

Tax Credits Certain lower income taxpayers may receive a nonrefundable tax credit (not to exceed $1,000) for contributions made to a qualified retirement savings program, including Roth IRAs.

Contributions The annual Roth IRA contribution limits have been increased as follows:

2005-2007	→	$4,000
2008 and thereafter	→	$5,000 (indexed beginning in 2009)

In addition, IRA holders age 50 or older may contribute an amount above the basic annual contribution limit as follows:

2002-2005	→	$500
2006 and thereafter	→	$1,000

NOTE: The maximum contribution amount applies to the yearly total of all IRA contributions (including traditional IRAs). In addition, Roth IRAs can also accept spousal contributions.

Conversions Individuals whose AGI does not exceed $100,000 or who are not married filing separate returns may choose to convert his or her traditional IRA to a Roth IRA. The individual would then be responsible for paying income tax, but not the 10% early distribution penalty, on the amount of pre-taxed IRA conversion dollars. The conversion amount also does not count towards the annual IRA contribution limit and is not applied to the $100,000 AGI limitation.

Distributions Qualified distributions of assets from a Roth IRA are considered tax-free withdrawals; they are exempt from taxes and early distribution penalties. In order to be eligible for a qualified distribution, the distributed assets must be held in the Roth IRA for a period of five years and have one of the following events occur:

- Attainment of age 59½,
- Death,
- Disability or
- Payment of up to $10,000 of first-time home buying expenses.

A distribution that does not meet the criteria of a qualified distribution is called a nonqualified distribution. Additional taxes or penalties may apply to nonqualified distributions.

Required Minimum Distributions

Roth IRAs have no mandatory withdrawal requirements at age 70½.

Transfers/Rollovers

Assets between may be moved between Roth IRAs using either transfers or rollovers. These types of transactions are handled the same way as traditional IRA rollovers and transfers.

Direct Rollovers

Qualified plan assets may not be directly rolled from a qualified retirement plan to a Roth IRA. However, assets from a qualified retirement plan may be rolled to a traditional IRA and later converted to a Roth IRA.

KEY EMPLOYEE ARRANGEMENTS*

IRAs can also be useful tools for motivating, rewarding and retaining key employees. Under a Key Employee Arrangement, the employer gives the selected employee a salary increase or bonus which the employee uses to pay the IRA contribution through payroll deduction.

The bonus or salary increase is treated as wages and, therefore, is tax deductible for the employer. The bonus or salary increase is taxable income to the employee, so it is subject to Social Security taxes, but it is still income tax deductible.

[1]In the case of a spousal IRA, a separate annuity application must be completed for each spouse.

NOTE: Forms indicated are national versions. Some states may require state special forms.

*The employee must meet the IRA eligibility requirements.

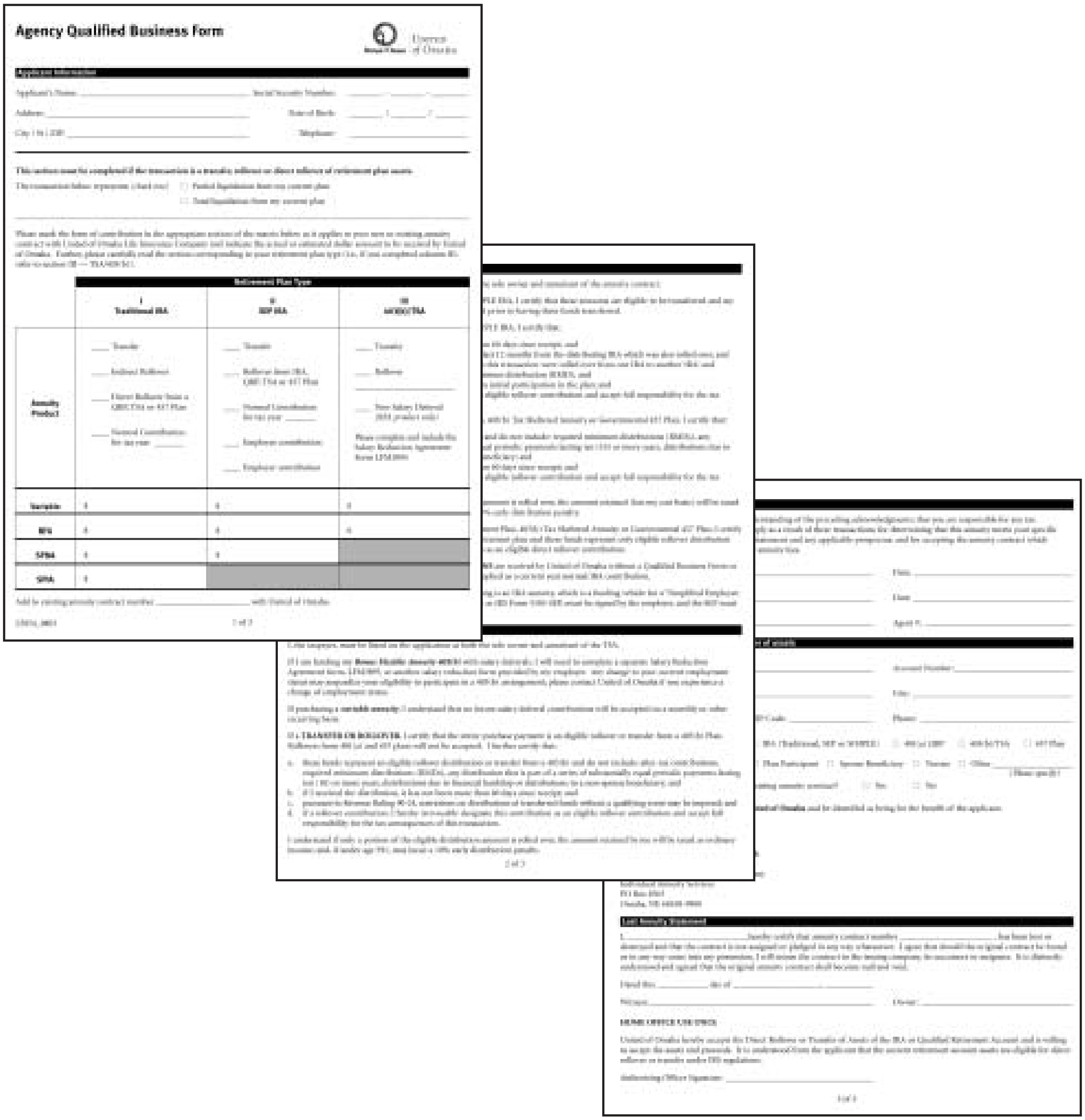
RETIREMENT PLANS COMPARISON CHART The following chart provides a comparison of TSA, SEP, Traditional IRA and Roth IRA retirement plan features.

Plan	Who May Establish	Annual Contribution Limit	Advantages
403(b) – TSA	Employees of public schools and tax-exempt 501(c) (3) organizations (i.e., hospitals, churches and charitable organizations)	2005: $14,000 2006: $15,000 Catch-up provisions (age 50+): 2005: $4,000 2006: $5,000	Employee can choose investment allocation options Some institutions may match employee contributions Tax-free "90-24" transfers
SEP	Any self-employed individual, partnership, LLC, S Corp., C-Corp., non-profit or government entity	25% of compensation, up to $42,000 (2005; indexed annually for inflation) Self-employed individuals may contribute 20% of Net Business Income	Flexibility to vary contributions on annual basis Inexpensive to administer and maintain Offers "late" plan establishment Tax credits for small employers and certain lower income taxpayers
Traditional IRA	Individuals with earned income or spousal earned income*	2005-2007: $4,000 2008+: $5,000* *indexed beginning in 2009 Individuals age 50+ may contribute additional amount: 2004-05: $500 2006+: $1,000	Individual has complete control over investments
Roth IRA	Individuals with earned income or spousal earned income	2005-2007: $4,000 2008+: $5,000** (eligible for full contribution if individual meets income eligibility requirements) **indexed beginning in 2009 Individuals age 50+ may contribute additional amount: 2004-05: $500 2006+: $1,000	Individual has complete control over investments Qualified distributions (including earnings) are tax free

*Full contributions made by working spouse are 100% deductible as long as annual income does not exceed $150,000.

Agency Qualified Business Form (L5854)*

The Agency Qualified Business Form must be completed whenever new qualified business is submitted. Refer to Unit 5 for descriptions of available retirement plan sales and marketing materials.


Agency Qualified Business Form

NOTE: Some states may require state special forms. A list of state-specific Annuity Buyer's Guides can be found in Unit 5.

*For Roth IRAs, use the United of Omaha Qualified Business Form (L5844)—Roth IRA Only.

SUMMARY In this unit you learned about the benefits and features of various types of plans that can be used to accumulate savings for retirement, including:

- Tax-sheltered Annuities (TSAs)
- Simplified Employee Pensions (SEPs)
- Individual Retirement Accounts (IRAs) and
- Roth IRAs

UNIT 4
UNITED'S FIXED ANNUITY PLANS

UNITED'S ANNUITIES

United offers a broad spectrum of fixed annuities:*

- Bonus Flexible Annuity
- Ultrannuity--one- and three-year SPDA
- Ultra-Income Single Premium Immediate Annuity
- Income Access Single Premium Immediate Annuity
- Ultra-Secure 5
- Ultra-Secure 7

Below is a quick reference guide to all the fixed annuities offered. Refer to the Appendix of this module for samples of each of the fixed annuity applications.

Feature	Bonus Flexible Annuity (BFA)	Ultrannuity One & Three-year (SPDA)	Ultra-Income Single Premium Immediate Annuity (SPIA)	Income Access Single Premium Immediate Annuity (SPIA)	Ultra-Secure 5 (SPDA)	Ultra-Secure 7 (SPDA)
Issue Age	0 to 85	0 to 89	0 to 85	0 to 85	0-89	0-89
Premiums	Minimums Single premium - $5,000 Planned purchase payments - $100/ month ($1,200 annually, $600/ semiannually, $300 quarterly) Maximum - $1,000,000 (without Home Office approval)	Minimum--$5,000 Maximum--$1,000,000 (without Home Office approval)	Minimum single premium $10,000 Maximum single premium $1,000,000 (without HO approval)	Minimum single premium $10,000 Maximum single premium $1,000,000 (without HO approval)	Minimum $5,000 single premium $2,500 subsequent purchase (nonqualified) $2,000 subsequent purchase (qualified)	Minimum $5,000 single premium $2,500 subsequent purchase (nonqualified) purchase (qualified)
Interest Rate	Minimum 2% years 1-10,* 3% thereafter	Minimum guarantee rate – varies annually 1-year – additional 1% interest rate bonus for first year 3-year – additional .35% interest rate bonus for first three years	Not applicable	Not applicable	Five-year fixed rate guarantee period First year 1% bonus Additional 0.15% interest added to purchase payments and accumulation values $100,000+	Seven-year fixed rate guarantee period Additional 0.15% interest added to purchase payments and accumulation values $100,000+
Partial Withdrawal	Withdrawals allowed;** any excess over 10% subject to with-drawal charges in first eight years	Withdrawals are allowed each policy year; any excess over 10% is subject to withdrawal charges first six years	Not applicable	Not applicable	10% – 5 years	10% – 5 years
Loans	Loans available for TSA only	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Benefits	Tax-deferred accumulations Safety Guaranteed income	Tax-deferred accumulations (Benefits) Safety Guaranteed return Unlimited additions available on one-year product first two policy years	Variety of payout options available Cost of living adjustment (COLA) Impaired risk underwriting	Guaranteed Minimum Death Benefit Enhanced Nursing Home Rider Inflation Protection PERC℠ Survivor Continuation Return of Premium	Five-year rate guarantee with a first year, 1% bonus Long-term tax Additional .25% interest rate at contract renewal.	Seven-year rate guarantee period Long-term tax deferred growth Loan feature

*Subject to state approval. In CT and OR, minimum guarantee rate varies annually. Not all of the annuities are available in all states. Please consult your manager for a listing of approved products.

**Minimum withdrawal: $100. Accumulation value cannot be less than $1,000 after the withdrawal

BONUS FLEXIBLE ANNUITY*

The Bonus Flexible Annuity (BFA) is designed specifically for the accumulation of funds for both tax-qualified and nonqualified plans. At maturity, the Bonus Flexible Annuity will provide a guaranteed income for the lifetime of the annuitant. The maturity date, which is established by the agent when the application is completed, must be six years or more after the issue date. The maturity date may be changed later as long as it remains at least six years or more after the issue date.

Anyone can have a nonqualified plan, but qualifications must be met for a qualified plan.

An annuity used to invest or distribute money from an individual or employer-sponsored retirement plan, such as an IRA or 403(b) plan, is called a qualified annuity. Prospects must meet eligibility requirements, and contributions made to a qualified annuity may be afforded tax advantages.

The Bonus Flexible Annuity can be used to fund the following tax qualified plans: Traditional Individual Retirement Arrangements (IRAs), Simplified Employee Pensions (SEPs) and 403(b) Annuities (TSAs).

When a contribution is received, a net premium is calculated. The net premium is the amount of premium remaining after any applicable state premium tax has been deducted. For example, let’s assume that the annual contribution is $2,000 and the state premium tax is 1%, or $20. In this case, the net premium would be $1,980. Interest is credited on the net premium from the date it is received in the Home Office. Premium taxes will be deducted on the back end (at annuitization) in those states which allow such treatment.

Contribution Amounts

At issue, the contribution amount and mode of payment selected are shown on the Data Page of the policy. The policy minimums are as follows:

Qualified and Nonqualified (IRAs and SEPs)

- Single premium--$5,000
- Planned Purchase Payments-$100/month ($1200 annually, $600 semiannually, $300 quarterly)

Contributions to the Bonus Flexible Annuity are flexible and may be increased or decreased at any time subject to a minimum of $100 a month. The policyowner may discontinue premium payments at any time and resume them at a later date.

*Subject to state approval.

The Bonus Flexible Annuity Disclosure Form (L6940) is required with every sale.

Interest The cash value will accumulate at a current interest rate determined by United. Contributions receive an additional 1% in addition to the current rate during the first 12 months for all new deposits made. After 12 months, the deposits receive the stated current interest rate but no additional 1%. The cash value will accumulate at interest based on the Investment Year Method but at a rate not lower than the guaranteed interest rate. The guaranteed minimum interest rate is 2% for years 1-10 and 3% thereafter.*

Investment Year Method The investment year method is used to credit interest. This means that interest is credited to the new premium at the current rate. This rate changes periodically to keep pace with anticipated investment results. Contributions earn interest at the rate in effect at the time of deposit for 12 months from the date of the deposit. For example, money deposited in May 2005 will earn a rate of 5% through April 2006. In May 2006, another rate--6%--is declared and credited for another 12-month period.

Cash Accumulation Value The cash accumulation value is the end result of the net premium accumulating at interest, less any applicable administrative fees and any prior withdrawals. An administrative fee of $30 is deducted at the end of each policy year. In the event of total withdrawal of cash accumulation value during the policy year, a pro rata share of the $30 is deducted from the cash value at the rate of $2.50 for each completed policy month in the year of surrender. There are charges for withdrawals during the earlier policy years. These charges vary by policy year and are a percentage of the amount withdrawn in any policy year in excess of 10% of the cash accumulation value. The death benefit is the greater of the accumulation value or the gross contributions paid, less any cash withdrawals and applicable withdrawal charges.

NOTE: A smaller administrative fee is charged if the year-end cash accumulation value falls below the limit set by the standard nonforfeiture law. The $30 fee will be waived when the cash accumulation value is in excess of $20,000 on the policy anniversary.

Withdrawals The Bonus Flexible Annuity offers withdrawals. The accumulation value may be withdrawn, subject to the applicable withdrawal charge during the first eight policy years. The Bonus Flexible Annuity withdrawal charge does not apply to amounts withdrawn up to 10% of the cash value.

NOTE: **The minimum withdrawal is $100.** The company will limit a partial withdrawal so the accumulation value would not be less than $1,000 after the withdrawal.

*subject to state approval. In OR and CT, the minimum guarantee is set annually.

The withdrawal charges are based on the issue date of the contract and are as follows.

Year	1	2	3	4	5	6	7	8	9
Charge	8	8	7	6	5	4	3	2	0

Systematic Income Option

The Bonus Flexible Annuity offers a systematic income feature which provides a regular income to annuitants. Withdrawal options include interest only or fixed amount (for qualified or nonqualified plans). The income withdrawals can be as low as $100 and can be sent monthly, quarterly, semiannually or annually. However, periodic income withdrawals do negatively affect the amount of interest earned.

For example: Suppose your client invests $25,000 at an interest rate of 5%. The annual interest yield would be $1,250. If, however, he or she were to request quarterly withdrawals, the amount withdrawn each quarter would not be able to earn interest in successive quarters. The quarterly withdrawal would be $306. Over a year, four of these interest withdrawals would total $1,224. That's $26 less than was received when the interest was allowed to compound.

That means the actual interest earned when taking withdrawals of interest would come out to be a rate of 4.9% rather than 5%.

Also, remember that the interest withdrawn as income will be subject to applicable state and federal taxes.

	No Withdrawals	With Quarterly Withdrawals
Investment	$25,000	$25,000
Interest Rate	5%	5%
Quarterly Withdrawals	0	$306 = 12.24 x 25 (each thousand invested)
Total Interest Paid	$1,250	$1,224 = $306 x 4 (quarters)
Difference	$1,250 - $1,224 = $26	

The request for the systematic income option may be made at any time by having the policyowner complete the appropriate form (see your manager) or submit it with the application, if desired.

Withdrawal charges (during the first eight policy years) apply to systematic income withdrawals that exceed 10% of the accumulation value each policy year. The $1,000 minimum accumulation value requirement also applies.

Tax Consequences of Early Withdrawals

When you are explaining the annuity to your client, you will need to be familiar with the tax consequences of early withdrawals.

Congress changed the tax laws in 1982 to discourage people from using annuities for short-term investments. Contributions made after 8/13/82 to a new or existing annuity are subject to this changed law.

Withdrawals of funds subject to the changes are treated as follows.

1. Gain (interest) on these contributions is considered to be withdrawn first.
2. Gain is subject to ordinary income tax at withdrawal.
3. Contribution dollars are withdrawn tax free after all gain has been withdrawn.

Gain on contributions made since 8/13/82 is subject to a 10% withdrawal penalty.

Under the Tax Reform Act of 1986, withdrawals are subject to a 10% withdrawal penalty. Penalties are not imposed if withdrawals are made on account of death, disability or attainment of age $59\frac{1}{2}$.

Policy Loans (TSA only)

Policy loans are available only when the annuity is issued as a TSA. The minimum loan amount is $1,500 and the maximum loan amount is 50% of the cash value, up to $50,000. Interest charged on loaned funds is 5% in advance. When a loan is made, the cash accumulation value is reduced by the loan amount. The remaining cash accumulation value is credited the guaranteed rate of 3%. Loan repayments will be billed directly to the policyowner annually, semiannually or quarterly.

NOTE: Use the Individual TSA Contract Loan Request form (L4993) for a TSA loan.

Tax-qualified Annuities

Tax-qualified market prospects are those people who are eligible to contribute to an annuity and deduct the premiums as an adjustment to their income. By doing this, they have a twofold benefit. The interest earned is not subject to current income tax and the contributions are tax deductible. So, more money is working for the annuitant throughout the contribution period. The Bonus Flexible Annuity can be used to fund all of these tax-qualified plans--Self-employeds' Retirement Plans, Simplified Employee Pensions (SEP), Tax-sheltered Annuities (TSA) and Individual Retirement Accounts (IRA).

Nonqualified Annuity

A huge market exists for the nonqualified Bonus Flexible Annuity since it appeals to anyone who is interested in accumulating money over a period of years while making use of some excellent tax advantages along the way. Examples could be grandparents who wish to start a plan for a child; people who wish to supplement their retirement with additional money; those who would just like to accumulate money or those who need relief from a tax burden.

A prime prospect for the nonqualified Bonus Flexible Annuity could be a middle-aged person who has taxable interest income every year of perhaps $1,000, $1,500, $2,000 or more. This yearly interest is being taxed which reduces the interest dollars. With the Bonus Flexible Annuity, taxes on interest earned on the accumulations is deferred. So, instead of losing a big part of the interest due to taxes, all of the interest accumulates tax deferred.

The person's tax bracket may conceivably be lowered. These are very important sales points to communicate to your prospects.

Additionally, people who have tax-qualified plans (for example, IRAs) are still eligible for the Bonus Flexible Annuity on a nonqualified basis and they do not have to withdraw the funds at a certain minimum or maximum age. They may contribute to the nonqualified annuity even if they have contributed the maximum allowed by law to their tax-qualified plan.

At retirement, each annuity payment is part nontaxable return of contribution and part taxable income.

Tax-deferred Accumulation

Let's review what this means in specific terms of dollars and cents. We know that the interest growth is not taxable until withdrawn. Instead of losing some of the interest because of taxes, interest is compounded and keeps on working for the policyowner year after year.

The longer you leave money in an annuity, the greater the advantage of this tax-deferred accumulation. The advantage of tax-deferred interest accumulations can provide you with a competitive edge over other choices that may offer a higher interest rate. To illustrate this point, let's assume you set aside $2,000 a year and that you're age 35. Let's also assume a 28% tax bracket and, for example's sake only, that you will get an annual rate of 5% on your money, whether in a tax-deferred plan or not.

Take a few moments now and review the following chart, which illustrates the effect of taxes on your accumulations.

Accumulations ($2,000 a year @ 5%)			
	Without Tax Advantages*	**Tax-qualified Plan**	
10 years	$17,585	$26,414	$ 8,831 more
20 years	42,627	69,439	26,812 more
30 years	78,299	139,522	61,223 more

*Deposits and accumulations reduced by taxes

Even though federal income taxes are deferred, there comes a time when you do have a taxable event with your annuity. It is assumed that you will be in a lower tax bracket at age 65 and, even if this is not the case, you will be way ahead because the dollars that you would have paid in taxes will be working for you all those years.

In summary, the principal use of an annuity is to provide a lifetime income. The lifetime income of a specified amount is guaranteed and, under current tax law, only a portion of each annuity payment would be subject to tax.

Advantages of the Bonus Flexible Annuity

These are the two important advantages of the Bonus Flexible Annuity--the opportunity to accumulate money on a favorable tax basis and the feature of a guaranteed lifetime income. However, you should be aware of other considerations which are important to your prospects and clients.

First and foremost, the annuity receives favorable tax treatment. With most investments, tax must be paid on the earnings; the Bonus Flexible Annuity earnings are tax deferred. As a result, the money in the annuity grows at a much faster rate. In addition, the extra 1% bonus interest rate credited to contributions for the first 12 months to the Bonus Flexible Annuity provides increased accumulations. Couple this with the investment year method of crediting interest and you have a combination that has good sales appeal.

One of the top three reasons people buy annuities is a guaranteed income. With a life income annuity, the monthly income is guaranteed no matter how long the client lives.

Convenience is another consideration that can be very meaningful to some of your prospects. A premium payment is a relatively easy way to set money aside for future needs.

In addition, since there are no medical requirements for an annuity, issue is relatively simple. Even those who are uninsurable or who are already adequately protected by life insurance are prospects for an annuity.

The Ultrannuity SPDA is purchased with a single deposit. Some of the benefits/features of the SPDA include:

- There is no policy fee
- It guarantees a return of premium
- New money is credited at the declared interest rate for either one or three full policy years

NOTE: Anyone can have a nonqualified plan, but qualifications must be met for a qualified plan.

Premiums

The minimum premium accepted is $5,000 for both qualified and nonqualified policies. The maximum premium is $1,000,000 without prior Home Office approval.

Reduced Policy Minimums

Reduced policy minimums are available as follows for second and subsequent policies:

- Qualified: $2,000
- Nonqualified: $2,500

Minimum Guarantee

The Ultrannuity one- and three-year products offer a minimum guarantee interest rate credited to the accumulation value which is shown on the data page. This rate may vary on new business from year to year. However, it will remain constant once the policy is in force.

- The one-year product offers an additional 1% interest rate bonus--the current effective base interest rate, plus an additional 1% for the first year.
- The three-year product offers an additional .35% interest rate bonus--the current effective base interest rate, plus an additional .35% for the first three years.

NOTE: Rates for both the one-year and three-year Ultrannuity are subject to change at any time.

Maturity Date

The maturity date, which is established by the agent when the application is completed, must be at least six years after the issue date. The maturity date may be changed later but must meet the six-year rule.

The automatic maturity age is 95.

*Unlimited additions are available for the first year in WA and for the first 120 days in PA.

Return of Premium The Ultrannuity offers a return of premium guarantee. The surrender value of the contract will never be less than the original premium payment (less any previous premium taxes, withdrawals and withdrawal charges).

Cash Values The cash accumulation value is the end result of the net premiums accumulating at interest.

The cash value will accumulate interest based on the investment year method (new money method) but at a rate not lower than the guaranteed interest rate.

Withdrawals All or part of the cash value may be withdrawn, subject to the applicable surrender charge. The surrender charge is a percentage of the accumulation value reduction in any policy year in excess of 10% of the cash value. Charges are applicable for the first six policy years.*

The tax consequences of early withdrawals of the Bonus Flexible Annuity also apply to the Ultrannuity product.

Liquidity Features Surrender charges will not apply if the withdrawal is for any of the following liquidity features:

- Death of a spouse or dependent
- Residence damage
- Transplant surgery
- Long-term care
- Disability
- Unemployment
- Terminal illness

Death Benefit No surrender charge will apply in the event of death of the annuitant or owner prior to the annuity start date. The accumulation value is payable as a lump sum or under a payment option.

*Some states may vary. Please refer to your manager for details.

Accidental Death Benefits Rider

The Accidental Death Benefits Rider will pay twice the accumulated value at death, if the policyowner's death results from accidental bodily injury sustained in a common carrier accident (plane, train, taxi, etc.).

- No additions are available on the three-year product.
- Unlimited additions can be made on the one-year product during the first two policy years.* The additions must be at least $500 and original surrender charges do apply.
- The additions are credited with the new money rate in effect at the time of the addition.
- The additions are credited with the additional 1% interest rate for 12 months from the time of the addition.

Annual Statement

Each year an annual statement will be sent to the policyowner.

The Ultrannuity is an attractive option for clients who have a minimum of $5,000. It is an effective financial vehicle to help your clients accumulate wealth for their future income needs.

*First year only in WA.

ULTRA-INCOME SINGLE PREMIUM IMMEDIATE ANNUITY (SPIA)

The Ultra-Income Single Premium Immediate Annuity (SPIA) is a flexible plan that offers a guaranteed income to the client. It is designed to meet the primary audience needs of retirement age prospects and the secondary audience needs of prospects nearing retirement age and those at their prime earning age.

After the initial purchase has been made, the client may choose income payments beginning the very next month or the payments may be postponed up to 13 months. With the Ultra-Income SPIA, the principal sum of money is converted into a predictable series of payments, or income stream.

Benefits

Some of the benefits of the Ultra-Income Single Premium Immediate Annuity include:

- guaranteeing consistent income for the rest of the client's life--no matter how long he or she lives. Clients can't outlive their income.
- supplementing clients' Social Security or pension income with consistent payments from their personal retirement savings.
- providing an income during the client's lifetime that will continue to the client's beneficiaries if the client dies.
- putting the client's retirement savings where it will provide consistent, periodic income.

The Ultra-Income SPIA allows clients to tailor the way their income is paid to meet their individual lifestyle needs.

Issue Ages

Issue ages are 0 through 85.

Premiums

The minimum single premium is $10,000. The maximum single premium is $1,000,000. (Premiums in excess of this amount require preapproval by the company.)

The total single premium for the SPIA is the sum of the base premium and any applicable state premium tax.*

Benefits Payments

Payments may be made monthly, quarterly, semiannually or annually. The minimum periodic payment is $100. Payouts must begin between 1 and 13 months of the purchase date.

*Premium taxes will be charged based on the premium paid and are computed using current taxes charged by the state in which the policyowner (not the annuitant) resides. Premium taxes will be deducted from the single premium amount. Payouts must begin within one year of the policy issue date or they will be taxed as a deferred annuity.

Payout Options There are a variety of payout options available with the Ultra-Income SPIA, as shown below:

Income Option	Description
Life Annuity	Periodic benefit payments guaranteed for as long as annuitant lives. Payments cease at death.
Life Annuity With Period Certain*	Periodic benefit payments guaranteed for the number of periods chosen. If annuitant lives longer, payments continue until his or her death.
Period Certain Without Life*	Periodic benefit payments guaranteed for the number of periods chosen. If annuitant dies before end of that period, payments continue to beneficiary as scheduled.
Joint & Survivor Life**	Periodic benefit payments guaranteed for as long as either of the annuitants lives.
Joint & Survivor Life With Period Certain**	Periodic benefit payments guaranteed for number of periods chosen. If either annuitant lives longer, payments continue until his or her death.
Installment Refund	Periodic benefit payments are guaranteed until sum of benefit payments equal the single premium. If the annuitant lives longer, payments continue until his or her death.
Temporary (Life Contingent)	Periodic benefit payments guaranteed for as long as annuitant lives. Payments cease at death.

Cost of Living Allowance (COLA) The annuitant can elect a cost of living adjustment up to 6% of the initial annual benefit. COLA amounts are in increments of .25%. The amount of COLA may not be changed from period to period.

Impaired Risk/ Substandard Underwriting Impaired risk/substandard underwriting is available for individuals with health problems that limit their life span, which allows for larger payouts without increasing the premium.

Age Rating for Impaired Risk/ Substandard Age rating, a feature available with the Single Premium Immediate Annuity,*** increases the monthly payments for clients and prospects with health problems and a history that includes a lower life expectancy.

*Period certain is extremely flexible (to the day).
**The owner may choose the death benefit percentage for joint and survivor options.

How Age Rating Works

Example 1: Suppose a 65-year old man in good health places $100,000 in a United of Omaha SPIA. He selects the life annuity income option, meaning annuity payments are guaranteed as long as he is alive. A healthy 65-year-old is expected to live 16 more years until age 81. He will receive $748 a month for life.

Example 2: Another 65-year-old man has severe emphysema. He also places $100,000 in United's SPIA and he selects the life annuity income option as well. Underwriting assigns him a **rated** age of 72. In other words, because of the emphysema, he has the same life expectancy as a 72-year-old man. Using the rated age, he'll receive $902 a month for life.

NOTE: If both men live beyond their projected lifespans, they continue to receive their monthly payments.

Market Prospects

If the prospect suffers from a lifespan-limiting condition and doesn't qualify for long-term care insurance, then he or she is a candidate for age rating.

Submitting the Age-rated SPIA

The following instructions summarize your role for submitting the age-rated SPIA.

1. Complete the Rated Age Request Form (L5781) with the prospect (see Appendix for a copy of this form).
2. Fax the Rated Age Request Form to your wholesaler, marketer or Bank Agency Office.

NOTE: If you wish to see if a more aggressive rated-age quote may be available, fax or mail the prospect's medical records along with the Rated Age Request Form to your Wholesaler, Marketer or Bank Agency Office.

3. **Underwriting** will assign a rated age and fax it to your Wholesaler, Marketer or Bank Agency Office on the Rated Age Request Form. Your Wholesaler, Marketer or Bank Agency Office will then run a proposal and send it to you.
4. If the prospect decides to buy, send a premium check, completed application and a copy of the proposal to your Wholesaler, Marketer or Bank Agency Office.
5. **Annuity Services** will issue a policy and forward it to your Wholesaler, Marketer or Bank Agency Office for client delivery.

NOTE: For additional information, please refer to the Ultra Income Annuity and Income Access Annuity Comparison Chart immediately following the Income Access description.

INCOME ACCESS SINGLE PREMIUM IMMEDIATE ANNUITY

The Income Access Single Premium Immediate Annuity (SPIA) is a flexible plan that provides a guaranteed income to the annuitant(s).* It is a unique product in that it offers a package of several base plan and optional benefits.

Target Markets

The Income Access Single Premium Immediate Annuity is designed to meet the primary audience needs of the Mature Singles target market. These individuals typically range in age from 65 to 75, are not married and are mostly female. They are concerned with outliving their assets, conserving their wealth, ailing health and not becoming a burden to their children.

Benefits

Many of the benefits offered by Income Access are the same as the benefits of the Ultra-Income Single Premium Immediate Annuity, including:

- guaranteeing consistent income for the rest of the annuitant's life, no matter how long he or she lives.
- supplementing annuitant's Social Security or pension income with consistent payments from their personal retirement savings.
- providing an income during annuitant's lifetime that will continue to his or her beneficiaries at death.

Issue Ages

Issue ages are 0 through 85.

Premiums

The minimum single premium is $10,000. The maximum single premium is $1,000,000. (Premiums in excess of this amount require preapproval by the Company.)

The total single premium for the SPIA is the sum of the base premium and any applicable state premium tax.**

Benefits Payments

Payments may be made monthly, quarterly, semiannually or annually. The minimum periodic payment is $100. Payouts must begin between 1 and 13 months of the purchase date.

Lifetime Income

The Income Access SPIA offers a guaranteed lifetime income payout to the annuitant(s). No period certain options are offered with this SPIA.

*In the case where the owner is different from the annuitant, the owner maintains all rights under the Income Access Single Premium Immediate Annuity policy. If the owner does not name a separate annuitant on the application, the owner automatically becomes the annuitant.

**Premium taxes will be charged based on the premium paid and are computed using current taxes charged by the state in which the owner (not the annuitant) resides. Premium taxes will be deducted from the single premium amount. Payouts must begin within one year of the policy issue date or they will be taxed as a deferred annuity.

NOTE: Some benefits may not be available in all states.

Product Features and Benefits

The Income Access SPIA offers a menu of product options for the client to choose from, including the following features and benefits:

- Death Benefits
  - Return of Premium Death Benefit
  - Guaranteed Minimum Death Benefit Rider
  - Accidental Death Benefit Rider
  - Survivor Continuation Benefit
- Liquidity Features
  - Return of Premium on Cancellation
  - Return of Premium for Terminal Illness
- Increased Payout Options
  - Inflation Protection Benefit
  - Payment Enhancement Risk Class (PERC℠)
  - Enhanced Payment Nursing Home Rider

Death Benefits

Return of Premium Death Benefit

Upon the death of the annuitant, any remaining premium the owner has not received through income payments will be paid to the beneficiary(ies). In the case of joint annuitants, the death benefit will be paid on the second death.

Guaranteed Minimum Death Benefit Rider (Optional)

At death, the policy will pay the greater of any remaining premiums not already received through income payments or 10% of the initial premium. If the annuitant dies after the entire premium amount is paid out of the account, the beneficiaries will still receive a death benefit equal to 10% of the initial premium, as shown in the following example.

Example:
Premium = $100,000
Payout = $11,000/year starting immediately

Year	End of Year Return of Premium Death Benefit* Only	End of Year Return of Premium Death Benefit* Guaranteed Minimum Death Benefit
1	$89,000	$89,000
2	$78,000	$78,000
3	$67,000	$67,000
4	$56,000	$56,000
5	$45,000	$45,000
6	$34,000	$34,000
7	$23,000	$23,000
8	$12,000	$12,000
9	$ 1,000	$10,000
10	$ 0	$10,000
11	$ 0	$10,000

*Return of Premium Death Benefit = Premium – Payments Received to Date

Accidental Death Benefit (No Cost Rider)

United of Omaha will pay double the death benefit (guaranteed minimum or return of premium), upon the death of the annuitant in a plane, train, taxi or other common carrier.

Survivor Continuation Benefit (Optional Base Benefit)

The Survivor Continuation Benefit offers the continuation of the annual income benefit to the surviving spouse/relative/business partner/companion. The age of the joint annuitant must be 85 years or less at policy issue (i.e., the same as the base plan issue ages.)

At the time of issue, both annuitants will select the payout percentage they want to receive should they be the surviving annuitant. These percentages do not need to be the same for both annuitants; however, they do need to be full percentages (i.e., 66%, not 66.66%).

The Survivor Continuation benefit is not available if the Enhanced Payment Nursing Home Benefit is selected.

Liquidity Features

Return of Premium On Cancellation (Base Benefit)

The Income Access SPIA allows the owner to cancel the contract and receive a lump-sum of any remaining premium the annuitant has not yet received through income payments made to date. Only a partial return of premium will be provided in the first several years. The reduction in the full return of premium should be described to the client as a Vesting Schedule (rather than as a Surrender Charge schedule). The vesting schedule is as follows:

Policy Year	1	2	3	4	5	6+
% Returned	95%	96%	97%	98%	99%	100%

The cancellation value will be equal to the initial premium paid, minus any payouts already taken, multiplied by a vesting percentage.

For example, the owner makes a single deposit of $100,000 and the annuitant has received two annual payouts of $10,000 each. The first payout is made 30 days after issue six months into the second policy year, the owner requests a cancellation of the policy. The return of premium is $80,000, which is multiplied by 96%. Therefore, the cancellation value is $77,600.

NOTE: This benefit becomes less attractive the longer the contract is in force, since the owner will be forfeiting all future income payments for the return of the remaining premium.

Return of Premium for Terminal Illness (Optional Base Benefit)

The Return of Premium for Terminal Illness Benefit allows the owner to receive the full return of premium death benefit up to 12 months early, without being subject to the vesting schedule. A physician's statement is required, confirming a 12-month or less life expectancy.

Increased Payout Options

Inflation Protection Benefit (Optional Base Benefit)

The Inflation Protection Benefit offers an optional 3% annual increase in income payouts for the life of the annuitant. This benefit payment increase, equal to 3% of the current payment, will automatically occur 12-months after the first payment, with the rate compounding on an annual basis.

Payment Enhancement Risk Class PERC℠ (Optional Base Benefit)

The Payment Enhancement Risk Class (PERC℠) is available, at no cost, to annuitants who qualify medically for this benefit. The payout may be increased by either 10% or 20%, depending on the particular medical condition.

A supplemental set of key questions on the application must be completed and signed by the applicant and agent in order to qualify for a PERC℠. Based on the responses to these questions that measure the annuitant's life expectancy, he or she will be placed into a standard, 10% PERC℠ or 20% PERC℠. Medical records will be required to allow the annuitant into the 20% PERC℠ class.

In the case of joint annuitants, both annuitants will need to answer the medical questions.* A PERC℠ rating will then be assigned by the underwriter. (The PERC℠ ratings are limited to a 10% or 20% payout increase.)

NOTE: If the Enhanced Payment Nursing Home Rider is added to a policy containing a PERC℠, the **50% increase in benefit is calculated on the standard payout,** not on the increased PERC℠ payout. The rider is described after the following examples.

Example:
Scenario 1, PERC℠ Increase

Female, age 75, with diabetes and high blood pressure, qualifies for a 20% PERC℠ increase:

Standard Payout:	$1,000
20% PERC℠ Increase:	**$200**

*When there is more than one annuitant, each individual should have his or her own completed PERC questionnaire. A healthy (Standard-STD) annuitant on a joint PERC application may result in a STD rating for the couple.

Scenario 2, PERC℠ with Enhanced Payment Nursing Home Rider

Two years later, the individual enters a qualified nursing home. With the Enhanced Payment Nursing Home Rider, the annuitant is entitled to 50% of $1,000, less the 20% PERC℠ increase:

Standard Payout:	$1,000
50% Nursing Home Rider increase:	$ 500
Minus 20% PERC℠ increase:	- $ 200
Nursing Home Rider increase:	**$ 300**

Enhanced Payment Nursing Home Rider (Optional)

The Enhanced Payment Nursing Home Rider provides a 50% increase in the payout for five years upon the annuitant entering a licensed nursing home facility. This increase will be allowed after the SPIA policy has been in effect for two years and requires the annuitant to be confined for 90 days before the increase is allowed.

Once the individual enters the nursing home, he or she may claim the increased benefit for the entire five years (i.e., the increase is not contingent upon the person remaining in the nursing home).

All payouts for the Enhanced Payment Nursing Home Benefit will terminate upon the death of the annuitant and the benefit can be paid out only once over the life of the contract.

The Enhanced Payment Nursing Home Rider is not available if the Survivor Continuation Benefit is selected.

NOTE: Nursing home claims are fully taxable. If this rider is added to a policy with a Payment Enhancement Risk Class (PERC℠), the 50% increase in benefit will be calculated on the standard payout, not on the increased PERC℠ payout. (See the PERC℠ section for details.)

Please refer to the Forms and Materials Catalog on Sales Professional Access for a complete product description of the Income Access Single Premium Immediate Annuity.

The following Ultra Income Annuity and Income Access Annuity chart provides a summary of the impaired risk underwriting process, as well as a comparison of the various options available with these annuities.

In addition, the Age-rated Annuity is a tool that can help explain the age-rated concept to your clients.

Ultra Income Annuity and Income Access Annuity

	Income Options	Payment Enhancement Options	Required underwriting paperwork (Include with the annuity application!)	Inflation Protection Rider COLA)	Optional Features (Subject to state availability)
Ultra Income Annuity	Several	***Age Rated*** Impaired-risk/ Substandard Underwriting – Potential payment increase is made on an age-rated basis.	Age-rated SPIA submission form (L5781) <u>plus</u> an attending physician's statement (APS) and other <u>recommended sources</u> of information (see below).*	• Up to 6% of the initial annual benefit. • Any amount from 0% - 6% may be used. • The COLA amounts are in increments of .25%.	• COLA • Age-rated payment increase for certain medical conditions
Income Access Annuity	Life only**	***PERC*** Payment Enhancement Risk Class **<u>Three Possible Ratings</u>** 1. Standard 2. 10% PERC 3. 20% PERC	• **Standard** – PERC questionnaire (L6840_0902) • **10% rateup*** – PERC questionnaire (L6840_0902) • **20% rateup*** – PERC questionnaire (L6840_0902) <u>and</u> attending physicians statement (APS) (see below)* • **If more than one annuitant, each life should have its own completed PERC questionnaire.** • A healthy (Standard-STD) annuitant in a joint PERC application may result in a (STD) rating for the couple. *Assume medical conditions qualify	**3% Only** Under this provision, the total income payments will increase by 3% each policy year. The 3% increase goes into effect 12 months after the first income payment.	• PERC rating – 10% or 20% payment increase for certain medical conditions • Guaranteed minimum death benefit • 3% inflation protection (COLA) • 50% payment increase for nursing home confinement (must not be confined at issue) • Survivor continuation option

As a reminder, the standard features offered with the Income Access Annuity may not be available in all states.

*To add clarity and accuracy to the underwriting process, the following are recommended additional sources of medical information:

- Recent office notes from the treating physician
- Pertinent medical records that address active medical problems
- Recent hospital records including admission history and physicals, consultations and discharge summaries
- Consultations from regular specialists such as cardiologists, oncologists, surgeons, etc.

Remember – Accurate, complete and useful additional information may result in a more competitive and timely quote.

**Other standard features of the Income Access Annuity: (1) Return of premium upon cancellation, (2) return of premium at death, (3) accidental death benefit and (4) return of premium for terminal illness.

ULTRA-SECURE 5 AND ULTRA-SECURE 7

With Ultra-Secure, your clients have a choice of either a **five-year rate guarantee period with a first year, 1% bonus rate** or a **seven-year rate guarantee**. Both of the Ultra-Secure products are single premium deferred annuities which can help take the guesswork out of investing, with long-term tax-deferred growth and a competitive long-term interest rate guarantee backed by the financial strength of United of Omaha.

Accumulating Interest

Policyowners of Ultra-Secure 5 or Ultra-Secure 7 can accumulate interest in three ways:

- Their original payment earns interest.
- Their interest earns interest.
- Money they would have otherwise paid in taxes earns interest.

Issue Ages

Issue ages are 0-89

Interest Rates

Ultra-Secure 5's interest rates are as follows:

- Five-year fixed rate guarantee period
- First year 1% bonus
- Additional 0.15% interest added to purchase payments and accumulation values of $100,000 or higher
- Additional 0.25% interest credited to new money rate at time of renewal

Ultra-Secure 7's interest rates are as follows:

- Seven-year fixed rate guarantee period
- Additional 0.15% interest added to purchase payments and accumulation values of $100,000 or higher

Minimum Premium Amounts

The minimum premium purchase amount is $5,000. Subsequent purchases of $2,500 (nonqualified) or $2,000 (qualified) are also allowed.

Policy Additions

Unlimited policy additions are ONLY allowed in the first year.* The minimum amount for additions is $500.

Contract Renewal

Ultra-Secure 5 and 7 have a 30-day window prior to the end of the surrender period. During this 30-day window, policyowners have three choices—they can:

- renew their contract and reinstate it for another full contract.
- annuitize the contract.
- surrender (without charge).

*Policy additions are **not** allowed in New Jersey.

Guaranteed Minimum Interest Rate

Ultra-Secure 5 and 7 offer a 2% minimum guarantee for all years the policy is in force.*

- Ultra-Secure 5 offers an additional 1% interest rate bonus, which is the current base interest rate (locked in for five years), plus an additional 1% for the first year.
- Ultra-Secure 7 offers the current base interest rate only, which is locked in for seven years.

For example, if a policyowner purchases Ultra-Secure 5 with a deposit of $100,000, he or she will receive the:

- current base rate, guaranteed for five years (i.e., 3.00%),
- first year 1% bonus interest rate, plus
- additional .15% jumbo rate.

The total first year interest rate, in this example, would be **4.15%.**

NOTE: Interest rates are subject to change at any time.

United of Omaha will contact each policyowner 45 days prior to the end of the surrender period and present them with the above three options. If no written notification is received at the end of the surrender period, the policy will be automatically renewed. The renewal process is simple and automatic—it does not require a new application or you, the agent, to be involved in the process. For Ultra-Secure 5 an additional 0.25% interest will be credited to the new money rate at contract renewal and is guaranteed for another five-year contract period.

NOTE: The automatic renewal option is not available in Texas.

Liquidity Features**

Surrender charges will NOT apply if the withdrawal is for any of the following:

- 10% of Accumulated Policy Value each year
- Long-term care waiver
- Unemployment
- Disability
- Terminal illness
- Death of a spouse or minor dependent
- Damage to residence
- Transplant surgery

*Set for 2005; minimum guarantee is subject to change on an annual basis for new issues

**Subject to state approval; tax penalties may apply

Long-term Care Waiver

If the owner of the Ultra-Secure is hospitalized or confined to a nursing home or long-term care facility at the recommendation of a physician for medically necessary reasons for at least 30 consecutive days, no surrender charges will be applied to any request for cash from annuity value made during confinement or within 91 days of the last day of confinement.

Unemployment

All surrender charges are waived on any partial or full surrender upon receiving due proof that the policyowner has received unemployment benefits for at least 60 consecutive days. If the policyowner is receiving unemployment benefits on the policy's date of issue, he or she will not qualify for this waiver.

Disability

All surrender charges are waived on any partial or full surrender upon receiving a copy of the form or letter showing approval or receipt of any the owner's claim for Social Security disability benefits. This waiver will not apply once the policyowner has attained the age of 65 or is receiving Social Security disability benefits of the policy issue date.

Terminal Illness

All surrender charges are waived on any partial or full surrender upon receiving due proof that the policyowner is diagnosed as having a terminal illness that will result in death within 12 months of the diagnosis. If the policyowner is diagnosed as having a terminal illness before the policy's date of issue, he or she is not eligible for this waiver.

Death of a Spouse or Minor Dependent

United of Omaha Life Insurance Company will waive surrender charges for one surrender if the spouse of a minor dependent of the owner dies. For the death of a spouse, the maximum allowable surrender is 50% of the accumulation value as of the date of surrender. For the death of a minor dependent, the maximum percentage is 25%.

The surrender must be made within six months of the spouse's or minor dependent's death. This option may be exercised only once for a spouse and once for each minor dependent. No more than 50% of the accumulation value each policy year, as of the date of the first surrender, may be taken without incurring a charge.

Damage to Residence

If an owner incurs physical damage of $50,000 or more to his or her primary residence, United of Omaha will waive surrender charges. The loss must be documented by submitting a certified copy of a licensed appraiser's report that states the amount of the damage. The certified copy must be submitted within 91 days of the date of the appraiser's report.

Transplant Surgery

Surrender charges will be waived if the owner undergoes transplant surgery, whether as an organ donor or recipient, of the following body organs: heart, liver, lung, kidney, pancreas or bone marrow (recipient's only).

Surrender Charges Surrender charges are as follows:

Ultra-Secure 5

Year	1	2	3	4	5
Percent	6	6	6	6	5

In Texas:
Ultra-Secure 5

Year	1	2	3	4	5
Percent	6	6	6	5	4

Ultra-Secure 7

Year	1	2	3	4	5	6	7
Percent	6	6	6	6	5	4	3

Free Out Option Ultra-Secure 5 and 7 offer a "free-out" option which allows clients to access 10% of their account without surrender charge or interest adjustment penalties.

NOTE: Withdrawals before age 59 1/2 may be subject to federal income tax penalties.

Interest Adjustment* Ultra-Secure's interest rate adjustment appeals to policyowners in a falling interest rate environment. This feature adds a degree of risk to the policyowner in the event of a full surrender or partial withdrawal before the end of the guarantee period. The adjustment may increase or decrease the cash surrender value or the partial withdrawal by increasing or decreasing the surrender charge. Ultra-Secure's interest adjustment allows companies to credit long-term guaranteed interest rates because the surrender value of the policy decreases at the same time when the value of assets backing the annuity decrease. Basically, when market interest rates increase, the value of the assets decreases. The interest rate adjustment formula adjusts surrender charges in order to discourage policyowners from lapsing. In this case, surrender charges are increased.

The reverse is also true. When market interest rates decline—the asset's value increases. At this time, interest rate adjustment formula adjusts surrender charges and, in turn, surrender charges actually decrease.

When market interest rates are equal to the guaranteed interest rate, there is no reason to do an interest rate adjustment calculation. In other words, **the interest rate adjustment calculation will apply ONLY when the current market interest rates DIFFER from the guaranteed interest rate on the policy which is being surrendered.**

> Guaranteed Interest Rate – Initial Guaranteed Rate (for new contracts) – 0.0025 × (number of months left before expiration of the current Interest Rate Guarantee Period) ÷ 12 + 1

NOTE: The interest adjustment includes a 10% free out in years 2+, as well as 15 bonus points for amounts ≥ $100,000.

*Not allowed in New Jersey.

Example 1 (with increasing market rates)*
Mary bought the Ultra-Secure 5 product two years ago and now has 36 months left before the end of the guarantee period. Her initial deposit was $100,000 and she is currently earning a guaranteed 6% interest rate.

At the end of the second year, the current surrender charge is 6% and her account value is $113,740. Mary sees that new money rates are 7% and thinks about surrendering the policy in order to get a higher rate. However, she discovers that her surrender value is **NOT** $107,598 (with a 6% surrender charge) as it would be under an annuity without an interest rate adjustment. Instead, her surrender value is $103, 989.

Obviously, in this example, Mary (the client) would be discouraged from surrendering her policy since she would end up losing almost 9% of the account value through surrender charges. Now let's look at the exact same type of policy . . . only this time . . .the market rates have dropped.

Example 2 (with decreasing market rates)*
Mary bought the Ultra-Secure 5 product two years ago and now has 36 months left before the end of the guarantee period. Her initial deposit was $100,000 and she is currently earning a guaranteed 6% interest rate.

At the end of the second year, the current surrender charge is 6% and her account value is $113,740. However, this time Mary sees that new money rates are 5%. She is in need of some cash, so she is thinking about surrendering the policy. However, she discovers that her surrender value is **NOT** $107,598 (with a 6% surrender charge) as it would be under an annuity without an interest rate adjustment. Instead, her surrender value is higher . . . it is $109,763.

When the market rates drop below the guaranteed rates, a client's account value will actually end up being higher than it would have been with the typical surrender charge since the newly calculated interest rate adjustment surrender charge is decreased. In Mary's case, her surrender ended up being less than 4% with the interest rate adjustment calculation.

Death Benefit The death benefit is the greater of the accumulation value or the gross premiums paid less any cash withdrawals.

*may vary by state--interest rate adjustment is **NOT** allowed in New Jersey.

Federal Income Tax Considerations

Amounts withdrawn before maturity are considered interest earnings to the extent that accumulation values exceed premiums paid and are subject to income tax.

A 10% penalty tax applies to any withdrawal which is considered includable in income.

The penalty is not imposed for distributions made after the policyowner attains age 59½, is disabled or dies. The penalty is not imposed where the distribution is applied to a lifetime settlement option.

DEFERRED ANNUITY ANNUITIZED VS. DEFERRED ANNUITY USING 1035 EXCHANGE INTO A SPIA

When should you recommend to the client that a single premium deferred annuity (SPDA) be annuitized vs. using a 1035 exchange to transfer the accumulated funds into a SPIA?

There are pros and cons associated with each method. The motivation of the annuitant should ultimately determine which method to recommend.

For example, when interest rates are low and the only thing that matters to the annuitant is the amount of the payout, putting the deferred annuity into benefit under one of the available settlement options might be the better way to go. However, as soon as other factors start entering into play (i.e., a trend toward increasing interest rates), the shift would then be toward using a 1035 exchange to transfer the deferred annuity into a SPIA. Listed below are the pros and cons associated with each method.

Deferred Annuity Put Into Benefit Under a Settlement Option

Pros

- During periods of low interest rates, the deferred annuity settlement option may provide a higher payout than buying a SPIA.
- No compensation is paid when a deferred annuity goes into benefit. This will benefit the annuitant in that the cost is not deducted from the total payout, which translates to a higher income payment.
- No loads are built into the payout of the deferred annuity. Again, no charges are passed on to the annuitant, thus resulting in a higher income payment.

Cons

- Age rating is difficult.
- No cost of living adjustment is available on any of the settlement options.

- There is no flexibility in designing a payout structure.
- Settlement options available are:
  - Life, with or without a 10- or 20-year period certain
  - Installment Refund
  - Joint Life, with or without a 10- or 20-year period certain
  - Guaranteed Period Only settlement options are available; however, if the contract is still in the surrender charge period, a surrender charge will be applied. Also, if put into benefit prior to age 59½, the 10% penalty tax on premature distributions would probably apply due to the fact that the recognized "start date" of the payout would be greater than 12 months.
- Once a deferred annuity is put into benefit, it cannot be surrendered.

Deferred Annuity 1035 Exchange into a SPIA

Pros

- During periods of high interest rates, the SPIA may provide a higher payout than putting the deferred annuity into benefit under the Guaranteed Period Only settlement option.
- The SPIA allows more flexibility as to the payout options available. SPIA payouts can be tailored to the individual annuitant.
- Available settlement options include:
  - Life, with or without a period certain--period certain must be >/ = 5 years and </ = 20. Qualified monies cannot go beyond the annuitant's life expectancy.
  - Installment Refund
  - Joint Life, with or without a period certain--period certain must be >/ = 5 years and </ = 20.
  - Guaranteed Period Only--There would be no surrender charge involved as with the deferred annuity. However, if the annuitant is less than age 59½, the 10% penalty tax on premature distributions would probably apply due to the fact that the recognized "start date" of the payout would be greater than 12 months.

- Income Access--SPIA can be surrendered:
  - Return of Premium on Cancellation of Contract
  - Return of Premium at Death
  - Return of Premium for Terminal Illness
  - Accidental Death Benefit
- SPIA and the Income Access--SPIA have a "Rated Age" capability:
  - Payout can be based off a higher age than the issue age on a SPIA.
  - Income Access is able to increase the income payout by 10% or 20%, depending upon the annuitant's medical condition.
- Special features are available on the Income Access--SPIA:
  - Nursing Home Rider--provides an increase in the amount of income payments received during a five-year period upon entering a licensed nursing home.
  - Inflation Protection Rider--payment option can be set up to increase income payments on an annual basis for the life of the owner.
  - Guaranteed Minimum Death Benefit Rider--guarantees that the return of premium at death is at least 10% of the initial single premium.
  - Survivor Continuation Option--the survivor continues to receive a predetermined percent of the income payment, up to 100%. In the event the survivor precedes the annuitant in death, the payee will continue to receive a percentage of the income payment.
- The SPIA has a cost of living adjustment that will increase income payments on an annual basis for the life of the owner.

NOTE: Monies from a 1035 exchange from an outside company into our deferred annuity cannot be touched until after a two-year waiting period.

Cons

- The company will need to pay commissions, which will reduce the total income payment to recipient.
- Unless the SPIA is the Income Access SPIA, it cannot be surrendered.

ANNUITY APPLICATION PROCESS

The following annuity applications should be used with the products listed below.

Application	Product(s)
Annuity Application (LA8371_B)*	Bonus Flexible Annuity
Single Premium Immediate Annuity (L5181_1102)	Single Premium Immediate Annuity
Single Premium Immediate Annuity Rated Age Request (L5781_0703)	Single Premium Immediate Annuity
Deferred Annuity Application (LA8084_1202)	Ultrannuity (One- and Three-year) Ultra-Secure SPDA (5- and 7-year)

See the Appendix for samples of each of these applications.

*May vary by state

Annuity Application Submission Checklist

The following checklist can help ensure you get speedy time service for your annuity business.

- Make certain all information is legible, accurate and complete, with no blank spaces
- Include applicable replacement forms
- Include a 1035 Exchange form with competitor information (for non-qualified 1035 transfer business)
- Include a Qualified Business form with competitor information (for qualified transfer/rollover business)
- Include a Request to Transfer Non Qualified Funds form (for all non-qualified/non 1035 transfer business)
- Attach your proposal (for single premium immediate annuities only)

NOTE: Incomplete, inaccurate and illegible applications delay issue since they must be returned for corrections and/or required forms before they can be processed.

SUMMARY

Work closely with your clients to assist them in identifying their goals and developing strategies to meet those goals. Your recommendations may be an annuity plan, which offers competitive rates, tax-deferred growth and a regular, guaranteed lifetime income.

UNIT 5
SALES AND MARKETING MATERIALS

INTRODUCTION

A variety of client annuity and retirement planning materials are available, including several prospecting letters, point-of-sale brochures and PowerPoint presentations. Descriptions of these materials are listed below. A complete listing of available materials can also be found on Sales Professional Access, Marketing & Sales Tools, Advanced Sales or Materials Catalog, Agency Advanced Sales.

ANNUITIES SALES AND MARKETING MATERIALS

The following annuities sales and marketing materials are available for your use.

- Bonus Flexible Annuity Highlight Sheet (LC4248)
- Ultrannuity 1 & 3 Point-of-Sale Brochure (LC4239)
- Ultrannuity 1 & 3 Highlight Sheet (LC4337)
- Ultra-Income (SPIA) Highlight Sheet (LC3146)
- Ultra-Secure 5 & 7 Point-of-Sale Brochure (LC4240)
- Ultra-Secure 5 & 7 Highlight Sheet (LC4232)
- Income Access Sales Brochure (LC4124)
- Income Access Highlight Sheet (LC4125)

Fixed Annuities Product Portfolio Comparison Brochure (L7056)

This brochure provides a product feature comparison of the following United fixed annuities:

- Bonus Flexible Annuity
- Ultrannuity
- Ultra-Secure
- Ultra-Income
- Income Access

Fixed Annuity Product Line Sheet (LC4243

The Fixed Annuity Product Line Sheet provides basic client annuity education, including definition of an annuity, types of fixed annuities, qualified vs. nonqualified annuities, advantages of fixed annuities and
choosing an annuity provider.

Age Rated Brochure (LC4557)

The Age Rated brochure provides age-rating examples demonstrating how the client may be eligible for a larger lifetime benefit payment or a lower premium cost, depending on his or her particular medical condition (used with the Ultra-Income product).

ANNUITY BUYER'S GUIDES

The following state-specific Annuity Buyer's Guides are available for the states listed below.

State(s)	Annuity Buyer's Guide Form Number
Alabama, Arizona, Florida, Georgia, Iowa, New Mexico	L4790
Montana	L6818
New Hampshire	L4763
South Carolina	L4471
Wisconsin	L4547

RETIREMENT PLANNING MATERIALS

The following retirement planning prospecting and sales and marketing materials are available for your use:

Prospecting Letters

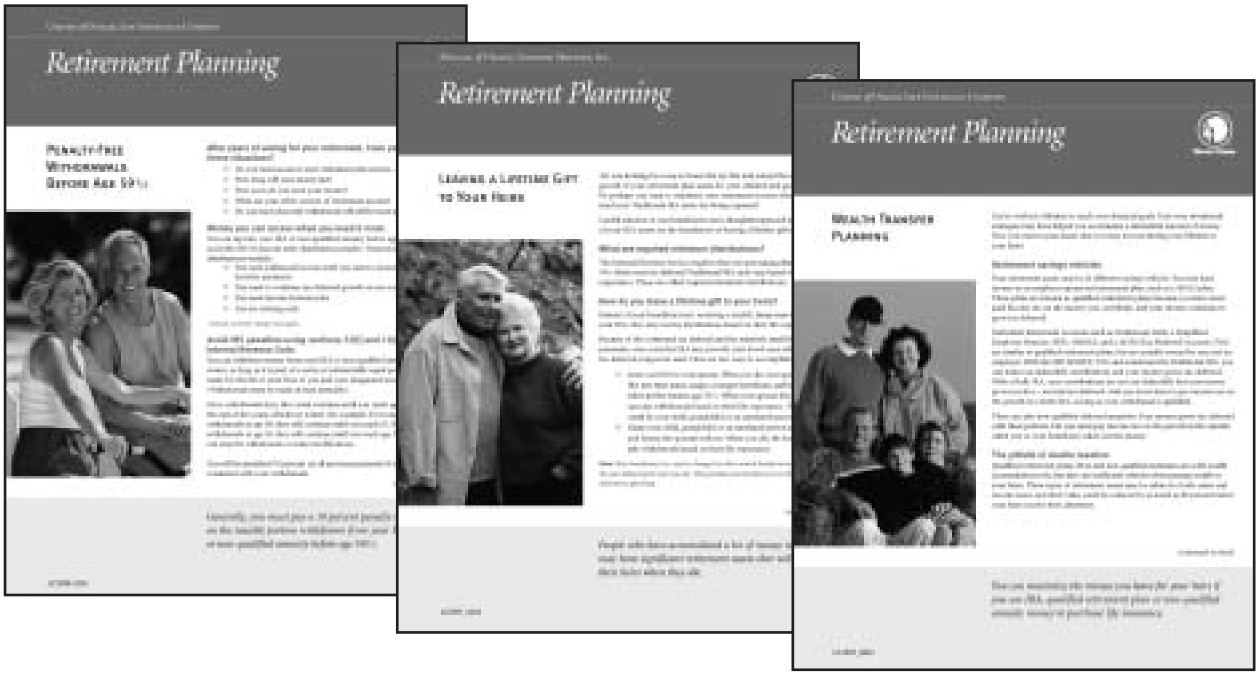
- Distribution Planning Concepts letter (AFN32013)
- Direct Rollover letter (AFN32014)
- Lifetime Gift--RMD letter (AFN32021)
- Retirement Plans Takeover letter (AFN32203)

Client Education Pieces

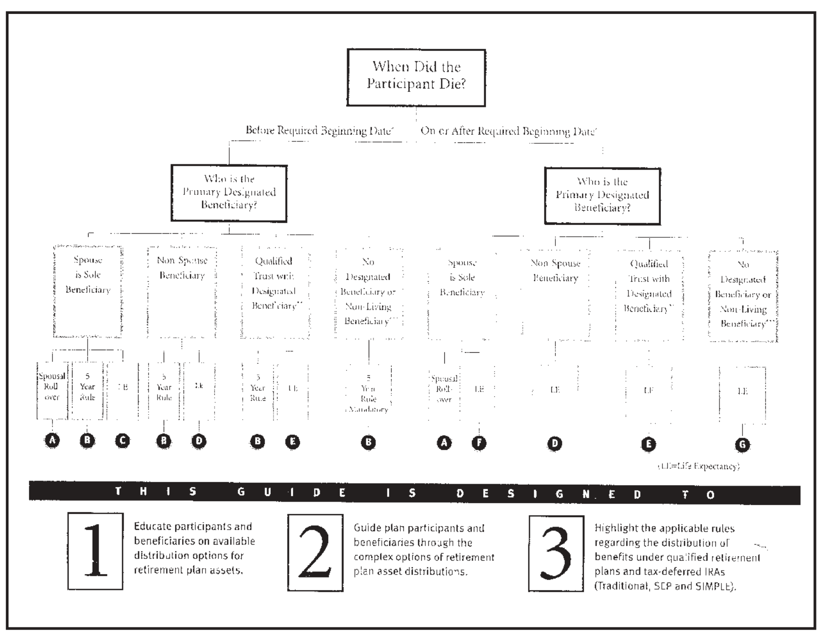
Penalty-Free Withdrawals (LC3890)--provides the top reasons to tap into an IRA or a non-qualified annuity before age 59½, rules that allow penalty-free withdrawals and notes about the best withdrawal plan.

Lifetime Gift to Your Heirs--RMD (LC3891)--provides a description of an IRA legacy, keys to leaving an IRA legacy, the required minimum distributions and poor vs proper planning.

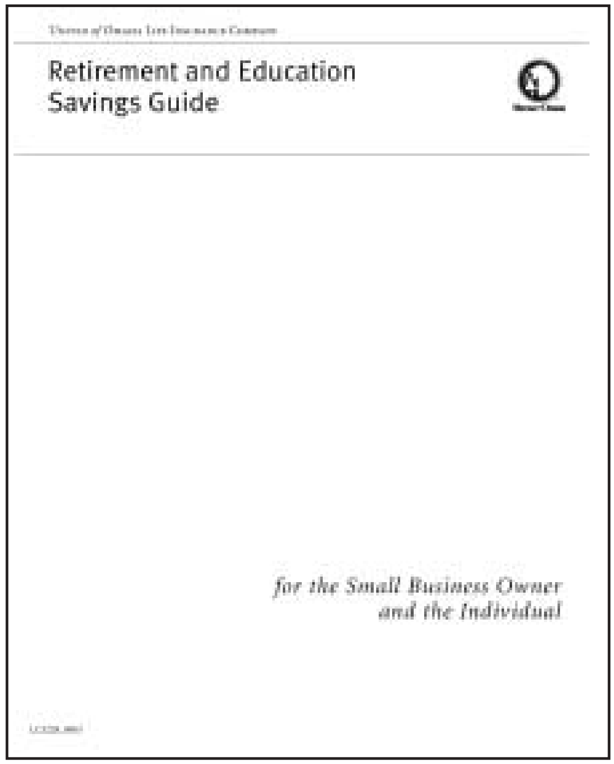
Wealth Transfer Planning (LC3892)--explains the retirement savings vehicles to use, how to avoid the pitfalls of double taxation and a wealth transfer plan using life insurance.



Beneficiary Options (LC3727)--a client education piece providing details on a variety of topics, including spousal rollovers, the five-year rule and life-expectancy payments.



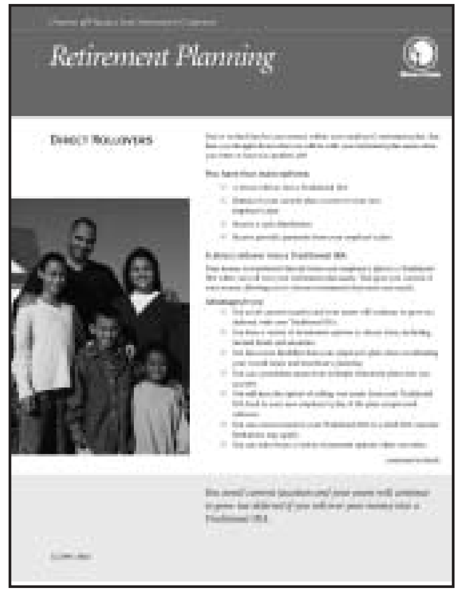
Retirement and Education Savings Guide (LC3228)--provides details in a chart format for the following plans: 401(k), Safe Harbor 401(k), Simple IRA, Profit Sharing/401(k), Defined Benefit, Simplified Employee Pensions, Tax Sheltered Annuities (403(b), Traditional IRAs, Roth IRAs and Coverdell Education Savings Accounts and 529 plans.



Client Education Pieces

Retirement Planning (LC4185)--a client education piece that provides basic information about the types of available annuities, including qualified vs nonqualified annuities, choosing an annuity provider and tips on buying annuities.

Direct Rollovers (LC3893)--A client education piece that provides advantages and disadvantages for the four main options available with retirement plan assets when leaving a job or retiring. These options include a direct rollover into a Traditional IRA; remaining in current plan/moving to new employer's plan; receiving a cash distribution and receiving periodic payments from employer's plan.



Traditional and Roth IRAs (MC31236)--Provides basic education regarding the similarities and differences between Traditional and Roth IRAs, including tax advantages, contributions, withdrawals and conversions.

Required Minimum Distributions (MC31237)--provides client with education regarding IRS requirements to help them avoid potential tax penalties beginning at age 70½. This piece includes information on the deadline for receiving RMDs, what taxes to apply to a RMD, how the amount of a RMD is determined and a definition of the life expectancy factor.

SEP-IRA Plans (MC31238)--This brochure shows clients how they can reduce their current income tax bill and provide themselves and their employees with valuable benefits with a Simplified Employee Pension Plan.

403(b) Plans (MC31239)--This client education piece provides details on how a 403(b) plan can help lower current income taxes and grow earnings tax-deferred for individuals who qualify for this type of plan.

Discovering IRA Opportunities (AFN31049)
The seminar covers the ins and outs of Individual Retirement Account (IRA) planning. Topics covered include Traditional (deductible and non-deductible) and Roth IRAs. Contribution limits, contribution deductibility, tax deferral, taxability of distributions are issues that are all examined. Additional topics covered include Traditional IRA conversions to Roth IRAs, rollovers from other qualified retirement plans and penalty free distributions under IRC 72(q)(t).

PowerPoint Presentations

Annuity Solution (AFN29780)
The Annuity Solution seminar provides basic information about annuities, including special provisions, the accumulation and distribution phases, as well as tips for buying annuities and the various annuities available from Companion of New York.

Direct Rollovers (AFN31015)--This seminar provides clients with information on how the choices they make today will affect the way they live tomorrow. The advantages and disadvantages for the four main options available with retirement plan assets when leaving a job or retiring are examined--a direct rollover into a Traditional IRA; remaining in current plan/moving to new employer's plan; receiving a cash distribution and receiving periodic payments from employer's plan.

SUMMARY

A variety of annuity and retirement planning sales and marketing materials are available in the Materials Catalog on **Sales Professional *Access.***

UNIT 6
STATE REGULATIONS

INTRODUCTION

This unit contains a summary of important state-specific regulations pertaining to the sale of annuities. State-specific topics include:

- Alabama Life and Annuity Replacement Form and Checklists
- Arkansas Replacement Form
- California Regulations for Dealing with the Senior Market
- Oregon Suitability Information Form
- Senior Suitability Information Form (Arkansas, Colorado, Florida, Utah and Wisconsin)

ALABAMA LIFE AND ANNUITY REPLACEMENT FORM AND CHECKLISTS

When replacing an existing annuity policy in Alabama, Replacement Form #L6232 and Replacement Analysis Form #L5815 must be used.

In addition, a Marketing Material Checklist form (L6585) must also be completed when replacing an annuity policy.

ARKANSAS ANNUITY REPLACEMENT FORM

When replacing an annuity policy in Arkansas, replacement form #L4097 must be completed and sent in with the application.

CALIFORNIA REGULATIONS FOR DEALING WITH THE SENIOR MARKET

24-Hour Meeting Notice Letter

Effective in 2004, the state of California passed a law that affects the way agents doing business in California work with the senior market.

Basically, the law states that before meeting with a senior (age 65 or older) in his or her home for the purpose of selling a life insurance or annuity product, a written notice (letter LC4537) must first be delivered to the client. The notice should be provided to the senior client at least 24 hours prior to the meeting.*

In addition, prior to any other discussion at the meeting, you must state that the purpose of the meeting is to talk about insurance or gather information for a follow-up visit to sell insurance. The following requirements must also be met:

- State the name and titles of all persons arriving at the senior's home.
- State the name of the company that you represent (i.e., Mutual of Omaha).

*If you have an existing insurance relationship and the senior requests the meeting in his or her own home, you may provide the notice just prior to the meeting.

- Every person meeting with the senior must provide a business card or other written identification that includes that person's name, business address, phone number and license information (if applicable).
- If the senior asks you to leave, you must immediately end the discussion and leave the senior's home.
- You may not solicit an annuity or life insurance sale by phone or in person using any "plan, scheme or ruse" that misrepresents the true reason for the contract.

A sample letter (LC4537) is shown below. It is also available on **Sales Professional *Access***.

MUTUAL *of* OMAHA INSURANCE COMPANY
UNITED *of* OMAHA LIFE INSURANCE COMPANY

Mutual of Omaha

Dear ______________________________

Thank you for agreeing to meet with me on ____________________________
Date Time

During this meeting, or a follow-up meeting, we will be discussing the following:

A sales presentation on:
- ❑ Life insurance
- ❑ Annuities
- ❑ Other insurance: ________________________

In Addition:

You have the right to have other persons present at the meeting, including family members, financial advisors or attorneys.

You have the right to end the meeting at any time.

You have the right to contact the Department of Insurance for information, or to file a complaint at 1-800-927-4357.

The following individuals will be coming to your home:

____
Name License #

____
Name License #

Sincerely,

Mutual of Omaha Representative

Life Insurance and Annuities Underwritten by United of Omaha Life Insurance Company
Health Insurance Underwritten by Mutual of Omaha Insurance Company
Both at Mutual of Omaha Plaza, Omaha NE, 68175
LC4537

Additional Requirements, Effective Jan. 1, 2005

Effective Jan. 1, 2005, the following additional California requirements must be met:

- Business cards, written price quotations and print advertisements used in California must include the word "insurance" in type size no smaller than the largest indicated telephone number.
- Before selling annuities to seniors in California, an eight-hour annuities training course must first be completed. Agents will then be required to complete four hours of annuities training every two years thereafter prior to license renewal.
- The new law lists specific reasons how the sale of an annuity to a senior could violate California insurance code. These reasons deal with purchasing the annuity in order to affect the senior's Medi-Cal eligibility. You should avoid the use of sales and marketing materials that encourage the purchase of an annuity in order to qualify for Medi-Cal.

Please see your manager if you have questions regarding these requirements.

OREGON SUITABILITY INFORMATION FORM

When selling life, fixed deferred and immediate annuities in Oregon, the Life and Annuity Suitability Information form (L7229) must be completed and signed by the applicant.

Effective Jan. 1, 2005, before a life or annuity policy can be issued, the completed form must be submitted with the application.

The law states that when recommending to a consumer the purchase of a life or annuity or the exchange of an annuity that results in another insurance transaction or series of insurance transactions, the insurance agent shall have reasonable grounds for believing that the recommendation is suitable for the consumer.

If there is a question on the suitability of an application you submit, you will be notified before any action is taken.

SENIOR SUITABILITY INFORMATION FORM (ARKANSAS, COLORADO, FLORIDA, UTAH AND WISCONSIN)

When selling fixed, deferred or immediate annuities to seniors age 65 and older in Arkansas, Colorado, Florida, Utah or Wisconsin, the Annuity Suitability Information form (M24762) must be completed and signed by the applicant.

Before an annuity policy can be issued in these states, the completed form must be submitted with the application.

The law states that when recommending to a senior consumer the purchase of an annuity or the exchange of an annuity that results in another insurance transaction or series of insurance transactions, the insurance agent shall have reasonable grounds for believing that the recommendation is suitable for the senior consumer.

What makes an annuity suitable for one senior client may be different for another client. If there is a question on the suitability of an application you submit, you will be notified before any action is taken.

UNIT 7
FIXED ANNUITIES COMPREHENSIVE EXAM

Successful completion of the Fixed Annuities Comprehensive Exam demonstrates your knowledge of this product.

1. Interest paid on annuity accumulations is taxed:
   (a) as it is received.
   (b) as it is credited to the annuity.
   (c) as capital gains, not ordinary income.
   (d) at a higher rate than other income.

2. When a sum of money is put into an annuity all at one time and then paid out as a lifetime income (beginning at the end of the first interval of the mode selected, within 13 months of issue), it is called:
   (a) a tax-deferred annuity.
   (b) a flexible premium annuity.
   (c) a single premium immediate annuity.
   (d) a tax-qualified annuity.

3. The Bonus Flexible Annuity has been designed specifically for the accumulation of funds which, at maturity:
   (a) will provide a limited (time period) income for the annuitant.
   (b) will provide a guaranteed income for the lifetime of the annuitant.
   (c) will provide a tax-free income for the annuitant.
   (d) will provide a fluctuating income for the annuitant.

4. If the premium for a flexible premium annuity is $2,000 annually and the premium tax for your state is 1%, the net premium would be:
   (a) $1,980.
   (b) $1,880.
   (c) $1,950.
   (d) none of the above.

5. What is the investment method called that is used to credit interest, whereby contributions earn interest at the time of deposit for 12 months from the date of deposit?
   (a) Investment year
   (b) Portfolio
   (c) Money market
   (d) Floating interest rate

6. The penalty for premature distribution of an IRA is ____ of the amount withdrawn.
   (a) 10%
   (b) 15%
   (c) 20%
   (d) 25%

7. The minimum premium amount to purchase an Ultra-Secure 5 or Ultra-Secure 7 annuity is:
   (a) $5,000
   (b) $10,000
   (c) $15,000
   (d) $20,000

8. Payroll deduction IRA programs help employers promote:
   (a) goodwill.
   (b) morale.
   (c) productivity.
   (d) employee retention.
   (e) all of the above.

9. Selling points for the Bonus Flexible Annuity include:
   (a) high front-end load, but tax-free distributions.
   (b) contribution flexibility and systematic income option.
   (c) surrender charges throughout the life of the contract.
   (d) back-end load, but tax-free distributions.

10. The Bonus Flexible Annuity provides a guaranteed income for the lifetime of the annuitant.
    (a) True
    (b) False

11. A premature distribution is a withdrawal of money from the annuity before age 59½.
    (a) True
    (b) False

12. All else being equal, an individual can begin withdrawing money from an IRA at age _____ with no tax penalty.
    (a) 59½
    (b) 55½
    (c) 45½
    (d) 65½

13. The growth in the importance of retirement planning is the result of favorable tax laws and concern over the adequacy of Social Security benefits.
    (a) True
    (b) False

14. The maturity date for the Single Premium Ultrannuity:
    (a) cannot be changed once it is established.
    (b) can only be at ages 50, 60, 65 or 70.
    (c) can be changed later as long as it remains at least six years or more after the issue date.

15. All of the following are true statements about the Ultra-Income Single Premium Immediate Annuity (SPIA) EXCEPT:
    (a) the annuitant can elect a cost of living adjustment up to 6% of the initial annual benefit.
    (b) issue ages are 0 through 85.
    (c) the minimum single premium is $1,000.
    (d) after the initial purchase, the client may choose income payments beginning the very next month, or the payments may be postponed up to 13 months.

16. Policy loans ________________ be made with the Ultra-Secure 5 or Ultra-Secure 7 annuity.
    (a) may
    (b) may not

17. For TSAs, tax-deferred employee contributions may not exceed an annual compensation cap generally limited to:
    (a) 10%.
    (b) 25%.
    (c) 100%.
    (d) 50%.

18. The overall total amount of contributions allowed under a TSA in 2005 are:
    (a) $2,000.
    (b) $5,000.
    (c) $7,500.
    (d) $14,000.

19. All of the following apply to distributions from TSAs EXCEPT:
    (a) loans are not allowed.
    (b) all withdrawals and distributions are generally fully taxable as ordinary income.
    (c) withdrawals from a TSA before age 59½ are subject to a 10% penalty.
    (d) distributions must begin no later than age 70½.

20. Deductible contributions to a SEP may be ____% of an employee's compensation.
    (a) 5
    (b) 10
    (c) 15
    (d) 25

21. To establish an IRA, an individual must meet which of the following requirements?
    (a) Must have earned income
    (b) Must be at least 18 years old
    (c) Must be less than 70½ years old

22. Any person with earned income may contribute up to __________ of earned income to an IRA each year in 2005.
    (a) $1,500
    (b) $2,000
    (c) $2,500
    (d) $4,000

23. The Enhanced Payment Nursing Home Rider, available with the Income Access SPIA, provides a _______% increase in the payout for five years upon the annuitant entering a licensed nursing home facility.
(a) 50
(b) 25
(c) 10
(d) 15

24. An excess contribution to an IRA is subject to a ____% nondeductible penalty tax.
(a) 3
(b) 6
(c) 10
(d) 15

25. The term "tax-deferred" means:
(a) taxable in the year income is earned.
(b) not taxable at any time.
(c) taxable at a later date.

26. All of the following apply to the Ultrannuity EXCEPT:
(a) there is no policy fee.
(b) a return of premium is guaranteed.
(c) the maturity date must be at least seven years after the issue date.
(d) new money is credited at the declared interest rate for one full year.

27. The minimum single premium for the Ultra-Income Single Premium Immediate Annuity is:
(a) $1,000.
(b) $10,000.
(c) $20,000.
(d) $50,000.

28. The Bonus Flexible Annuity can be used to build all of the following tax-qualified plans EXCEPT:
(a) IRA.
(b) TSA.
(c) SEP.
(d) CIA.

29. A (An) ________ is funded with "before-tax" dollars from an employee's salary.
(a) IRA
(b) TSA
(c) SEP
(d) RMD

30. All of the following are true statements about Required Minimum Distributions (RMDs) EXCEPT:
    (a) Must typically begin by April 1 following the year the TSA participant turns age 70½ or retires, whichever is later.
    (b) If a TSA participant has a spouse beneficiary who is 10 or more years older than the participant, then a separate set of joint life factors may be used.
    (c) RMDs are distributed over the life expectancy of the participant and the oldest designated primary beneficiary.
    (d) Failure to withdraw the required annual amount may subject the participant to a 50% penalty tax.

31. The maturity date for a Bonus Flexible Annuity is established when the application is completed.
    (a) True
    (b) False

32. Several types of annuity payout options are available, including (check all that apply):
    (a) Life Annuity.
    (b) Installment Refund.
    (c) Annuity Certain.
    (d) Life Annuity with Period Certain.

33. There are several types of qualified plans that can be used for retirement planning. These types of plans include (check all that apply):
    (a) tax-sheltered annuities.
    (b) education IRAs.
    (c) simplified employee pensions.
    (d) individual retirement accounts.

34. Which of the following are true statements about Roth IRAs? (check all that apply)
    (a) Single individuals with an income of less than $75,000 and married individuals with joint incomes less than $100,000 may contribute the maximum amount to their Roth IRA.
    (b) Roth IRAs offer the potential for tax-free earnings if certain withdrawal requirements are met.
    (c) Anyone with earned income and who meets the income limits may establish a Roth IRA. There are no minimum or maximum age requirements.
    (d) Roth IRAs have no mandatory withdrawal requirement at age 70½.

35. Which of the following are nontax benefits of traditional IRAs? (check all that apply)
    (a) Any individual under the age of 70½ who has earned income may contribute to a traditional IRA.
    (b) Contributions are not mandatory and are at the discretion of the individual.
    (c) Traditional IRAs may receive rollovers from a 401(k) qualified retirement plan, 403(b) tax-sheltered annuity or a 457 plan.
    (d) Traditional IRAs provide flexible beneficiary options after the death of the traditional IRA holder.

36. Benefits of the Income-Access and Ultra-Income Single Premium immediate annuities (SPIAs) include (check all that apply):
   (a) guarantee a return of premium.
   (b) guarantee consistent income for the rest of the client's life.
   (c) supplement clients' Social Security or pension income with consistent payments from their personal retirement savings.
   (d) provide an income during the client's lifetime that will continue to the client's beneficiaries if the client dies.
   (e) place the client's retirement savings where it will provide consistent, periodic income.

37. Age rating, a feature available with the Ultra-Income Single Premium Immediate Annuity (SPIA), decreases the monthly payments for clients and prospects with health problems and a history that includes a lower life expectancy.
   (a) True
   (b) False

38. The minimum annual contribution (single premium) for the Bonus Flexible Annuity is:
   (a) $500.
   (b) $5,000.
   (c) $800.
   (d) $1,000.

39. With the Ultra-Income SPIA, the annuitant can elect a cost of living adjustment (COLA) up to ____% of the initial annual benefit.
   (a) 3
   (b) 4
   (c) 5
   (d) 6

40. Under a ____________________, the employer gives the selected employee a salary increase or bonus that the employee uses to pay an IRA contribution through payroll deduction.
   (a) required minimum distribution
   (b) qualified business plan
   (c) key employee arrangement
   (d) direct rollover plan

Match the following.

___ 41. Single Premium Immediate Annuity

___ 42. Single Premium Deferred Annuity

___ 43. Flexible Premium Deferred Annuity

___ 44. Variable Annuity

___ 45. Annuity Certain

___ 46. Joint Life Annuity

___ 47. Life Annuity with Period Certain

___ 48. Installment Refund Annuity

___ 49. Cash Refund Annuity

___ 50. Joint and Last Survivor Annuity

a. Purchased with a lump sum which is left to accumulate until a later date.

b. The owner bears the investment risk and selects the investment vehicle.

c. Purchased with a lump sum; payment begins within 13 months after the purchase.

d. Flexible payments left to accumulate until a later date.

e. Annuity guarantees that if an annuitant dies before receiving payments equal to the purchase price, the beneficiary receives the benefits until the full purchase price has been paid.

f. Guarantees return of purchase price with the refund being the difference between purchase price and payment made prior to death.

g. Annuity payable for as long as annuitant lives and continues for the lifetime of a named survivor.

h. Series of payments which continue for a period of time regardless of whether the annuitant lives or dies, and beyond that period for as long as he or she is alive.

i. Contract which provides income for a definite and specified period of time.

j. An annuity which pays only as long as both annuitants are alive. Payments stop at first death.

FIXED ANNUITIES COMPREHENSIVE EXAM
ANSWER SHEET

Producer Name ____

Production Number ____________________

1. ________	21. ________	41. ________
2. ________	22. ________	42. ________
3. ________	23. ________	43. ________
4. ________	24. ________	44. ________
5. ________	25. ________	45. ________
6. ________	26. ________	46. ________
7. ________	27. ________	47. ________
8. ________	28. ________	48. ________
9. ________	29. ________	49. ________
10. ________	30. ________	50. ________
11. ________	31. ________	
12. ________	32. ________	
13. ________	33. ________	
14. ________	34. ________	
15. ________	35. ________	
16. ________	36. ________	
17. ________	37. ________	
18. ________	38. ________	
19. ________	39. ________	
20. ________	40. ________	

APPENDIX

GLOSSARY

Annuitant One to whom an annuity is payable.

Annuity Stipulated sum payable at certain regular intervals during the lifetime of one or more persons, or payable for a specified period only.

Annuity, Return of Premium An annuity that guarantees the return of the purchase price--refund is the difference between the purchase price and the payment made to the annuitant.

Annuity, Certain A contract providing income for a definite and specified period of time, with payment going to a designated beneficiary if the annuitant dies.

Annuity, Deferred An annuity under which the first payment is not made to the annuitant until the expiration of a fixed number of years or until the annuitant attains a stated age.

Annuity, Flexible Premium A deferred annuity under which premiums may vary from year to year within stipulated limits.

Annuity, Immediate An annuity under which the first payment falls due one month, three months, six months or twelve months after the payment of the purchase price, as may be desired by the annuitant.

Annuity, Installment Refund An annuity that guarantees payments of the full purchase price whether the annuitant lives or dies.

Annuity, Joint and Survivor An annuity payable for as long as the annuitant lives and continued in whole or part after his or her death to, and for the lifetime of, a named survivor or contingent annuitant.

Annuity, Life An annuity which is payable during the continued life of an annuitant, but with no provision for payment after death. No provision is made for the guaranteed return of the unused portion of the premium.

Annuity, Nonqualified An annuity whose contributions are not exempt from taxation, there is no limit to the size and frequency of contributions and interest (earnings) are tax deferred.

Annuity, Qualified An annuity used to fund and/or distribute a qualified retirement plan. Also refers to tax-deferred annuities used to fund the retirement benefits in an HR10, IRA, pension or profit-sharing plan.

Date Benefits Begin Annuities may be classified by when benefits begin--deferred or immediate.

A deferred annuity may be purchased with either a single or periodic premium. Under a deferred annuity there should be a period longer than one benefit payment interval before benefit payments begin. Usually a number of years elapse before benefit payments begin.

On the other side, an immediate annuity begins paying benefits after one payment interval (monthly, annually or other) from the date of purchase.

Exclusion Ratio The ratio that is used to calculate the tax-free portion of an annuity payment, which compares the "investment in the contract" to the "expected return."

Individual Retirement Account (IRA) A tax-sheltered plan made possible by the federal government which allows most individuals with earned income to accumulate funds for retirement.

Key Employee Arrangements A plan whereby the employer provides a selected employee with a salary increase or bonus which is used by the employee to pay an IRA contribution through payroll deduction.

Roth IRA Type of individual retirement account effective in 1998 tax year. Contributions to this IRA are not tax deductible. Qualified distributions, including earnings, are tax free.

Simplified Employee Pension Plan (SEP) A special type of IRA credited by an employer to provide retirement funds for employees on a nondiscriminating basis.

Tax-free Rollover The tax-free transfer of accumulated assets from one qualified retirement plan to an IRA or annuity and vice versa.

Tax-sheltered Annuity (TSA) A retirement plan provided for employees of Section 501(c)(3) organizations and public schools only, under Section 403(b) of the Internal Revenue Code, purchased by the employer with increases in salary or salary reductions continued by the employees.

Variable Annuity Similar to a traditional, fixed annuity in that retirement payments will be made periodically to the annuitants, usually over the remaining years of their lives. Under the variable annuity, there is no guarantee of the dollar amount of the payments; they fluctuate according to the value of the account invested, primarily in common stocks.

ANNUITY APPLICATIONS

The following annuity applications should be used with the products listed below:

Application	Product(s)
Annuity Application (LA8371B)*	Bonus Flexible Annuity
Single Premium Immediate Annuity (L5181)*	Single Premium Immediate Annuity
Single Premium Immediate Annuity Rated Age Request (L5781)*	Single Premium Immediate Annuity

*National version

Flexible Purchase Payment Deferred Annuity Application

United of Omaha Life Insurance Company
Home Office: Mutual of Omaha Plaza
Omaha, Nebraska 68175

Mutual of Omaha

Amount Paid with Application $ ______________________

1 Type of Annuity:

☐ Individual Deferred Annuity

2 Type of Plan:

☐ **Non-Qualified**

☐ **Qualified**
☐ IRA ☐ SEP

3 Purchase Payment Mode

☐ **Single Purchase Payment**
☐ Rollover/Transfer (Qualified)
☐ 1035 Exchange (Non-Qualified)

☐ **Subsequent Planned Purchase Payments $** __________
☐ Electronic Funds Transfer **(Monthly Only)**
☐ Annual
☐ Semiannual
☐ Quarterly
☐ Monthly

4 Annuitant

Name ______________________________ Sex ☐ Male ☐ Female

Address ______________________________ Social Security Number __ __ __ - __ __ - __ __ __ __

City ______________ State ________ ZIP ______ Age ________ Date of Birth ______/______/______

Telephone (   ) ______________________ E-mail Address ______________________________

5 Owner (If different than Annuitant – For Non-Qualified Annuities Only)

Name ______________________________ Sex ☐ Male ☐ Female

Address ______________________________ Employee Tax ID Number ______________________

City ______________ State ________ ZIP ______ Social Security Number __ __ __ - __ __ - __ __ __ __

Telephone (   ) ______________________ Age ________ Date of Birth ______/______/______

E-mail Address ______________________________

6 Joint Owner (For Non-Qualified Annuities Only)

Name ______________________________ Sex ☐ Male ☐ Female

Address ______________________________ Social Security Number __ __ __ - __ __ - __ __ __ __

City ______________ State ________ ZIP ______ Age ________ Date of Birth ______/______/______

Telephone (   ) ______________________ E-mail Address ______________________________

7 Beneficiaries: (If multiple Beneficiaries, attach separate sheet)

Primary Beneficiary ______________________ Contingent Beneficiary ______________________

Relationship to Owner ______________________ Relationship to Owner ______________________

Social Security or Tax I.D. No. ______________________ Social Security or Tax I.D. No. ______________________

Note: If there are Joint Owners, the surviving Joint Owner is the Primary Beneficiary regardless of whether any other beneficiary, including an irrevocable beneficiary, is named above. If both Joint Owners die simultaneously, we will pay the death benefit as you direct in this section or by later written request.

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8 Annuity Starting Date

____ / ____ / ____ If an Annuity Starting Date is not selected, your Annuity Starting Date will be the policy anniversary date following the annuitant's 95th birthday. The Annuity Starting Date is the date on which annuity income payments begin. The Annuity Starting Date must be at least 8 years from the Issue Date.

9 Replacement

(a) Do you have one or more individual life insurance policies and/or annuity contracts in force, pending, or terminated in the last 13 months? This includes any life insurance policy(ies) and/or annuity contract(s) under a binding or conditional receipt, or any life insurance policy(ies) and/or annuity contract(s) within an unconditional refund period. ☐ Yes ☐ No (If answered "Yes" complete (b))

(b) Have you had or do you intend to have any life insurance policy(ies) and/or annuity contract(s) replaced, converted, reduced, reissued, subjected to borrowing, or otherwise discontinued because of this application? ☐ Yes ☐ No If "Yes," give name of Company(ies) and Policy Number(s):

Company ______________________ Policy Number ______________________

Company ______________________ Policy Number ______________________

Company ______________________ Policy Number ______________________

If you answered "Yes" to (a) or (b), certain state laws require that a replacement notice and other information be given to you.

Notice to Arkansas/Colorado/Kentucky/Louisiana/Maine/New Mexico/Ohio/Tennessee Residents Only:
Any person who, with intent to defraud or knowing that he/she is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

Notice to New Jersey Residents Only:
Any person who includes any false or misleading information on an application for insurance policy/certificate is subject to criminal and civil penalties.

Notice to District of Columbia/Pennsylvania Residents Only:
Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

10 Signature Authorization

The statements in this application are true and complete to the best of my knowledge and belief. I understand that no agent or representative is authorized to waive or change any of the conditions or provisions in the policy. The policy will become effective on the Issue Date shown in the policy.

Owner's Signature ✗ ______________________ Date ______________

Signed at ______________________ (City) ______________ (State)

Joint Owner's Signature ✗ ______________________ Date ______________

Signed at ______________________ (City) ______________ (State)

11 Broker Information

1. Does any owner(s) have any existing individual life insurance and/or annuity contracts? ☐ Yes ☐ No
2. Do you have any reason to believe the policy applied for has replaced or will modify any existing individual life insurance policy and/or annuity contract? ☐ Yes ☐ No

If the answer to 1 or 2 above is "Yes," I represent that I have fulfilled any state requirements, including completing any state required replacement forms.

3. In the presence of the Owner(s) have you asked each question exactly as written and recorded the answers completely and accurately? ☐ Yes ☐ No

Broker Signature ______________________ Agent/Broker Production Number ______________

Broker Name (Please Print) ______________________

Brokerage Name ______________________ Phone Number ______________

Brokerage Address ______________________ City ________ State ________ Zip ________

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Single Premium Immediate Annuity Application

Underwritten by:
United of Omaha Life Insurance Company
Home Office: Omaha, Nebraska

Mutual of Omaha

Type of Annuity: ☐ **Non-Qualified** ☐ 1035 Exchange ☐ **Qualified**

1 Owner

Name__________
Address__________
City______ State_____ ZIP_____
Social Security Number __ __ __ - __ __ - __ __ __ __
Telephone ( )______ Sex ☐ Male ☐ Female
Age_____ Date of Birth _____

2 Joint Owner

Name__________
Address__________
City______ State_____ ZIP_____
Social Security Number __ __ __ - __ __ - __ __ __ __
Telephone ( )______ Sex ☐ Male ☐ Female
Age_____ Date of Birth _____

3 Annuitant

Name__________
Address__________
City______ State_____ ZIP_____
Social Security Number __ __ __ - __ __ - __ __ __ __
Telephone ( )______ Sex ☐ Male ☐ Female
Age_____ Date of Birth _____

4 Joint Annuitant

Name__________
Address__________
City______ State_____ ZIP_____
Social Security Number __ __ __ - __ __ - __ __ __ __
Telephone ( )______ Sex ☐ Male ☐ Female
Age_____ Date of Birth _____
Annuitant's Spouse ☐ Yes ☐ No

5 Beneficiaries: (If multiple Beneficiaries, attach separate sheet)

Primary Beneficiary__________
Relationship to Annuitant ______ Social Security or Tax I.D. No. ______
Contingent Beneficiary__________
Relationship to Annuitant ______ Social Security or Tax I.D. No. ______

6 Single Premium Amount

$______ If a 1035 Exchange, supply adjusted cost basis (sum of contributions less nontaxable withdrawals): $______

7 Payment Schedule:

Payment Start Date	Amount of First Payment	Payment Option (i.e., 10-yr. certain)	Cost of Living Adjustment (1-6%)	Payment Frequency (i.e., mo., qtr., semi.)
__/__/__	$____	____	____	____
__/__/__	$____	____	____	____
__/__/__	$____	____	____	____

Payee: ☐ Owner ☐ Annuitant (Payment Start Date(s) must be at least 30 days from the date the Premium is received.)

8 Please answer the following tax withholding questions.

Federal Taxes: ☐ I DO NOT want Federal Taxes withheld. ☐ Withhold taxes based on my completed Federal Form W-4P which is attached.
☐ I DO want $______ withheld per payment (minimum $5.00 unless CA, IN, MO, MT, NJ, then minimum is $10.00).

State Taxes: Required to be withheld in IA, ME, MA, VT & VA if Federal Taxes are withheld. CA & OR requires the applicant to note if state taxes are not to be withheld. You can choose to withhold state taxes in AZ, IN, MD, MN, MI, MO, MT, NE, NJ and WI. The remaining states do not allow state taxes to be withheld.
☐ I DO NOT want state taxes withheld.
☐ I DO want $______ withheld per payment (minimum $5.00 unless CA, IN, MO, MT, NJ, then minimum is $10.00).

9 Will this annuity replace or change any existing life insurance or annuity? ☐ Yes ☐ No If "Yes," give name of Company(ies) and Policy Number(s): **Company(ies)**______ **Policy Number(s)**______

10 ☐ I understand that my health conditions may affect my annuity payout, and I choose to have my health history submitted for underwriting consideration.
☐ I represent that my answers above are true and complete to the best of my knowledge and belief.

Owner's Signature *X*______ Date______ Signed at______
City State

Joint Owner's Signature *X*______ Date______ Signed at______
City State

Agent Information: Do you have any reason to believe the policy applied for will replace or modify any existing insurance policy?
☐ Yes ☐ No (If "Yes," fulfill all state requirements.)

Agent Signature *X* ______ Agent Number ______ Agent Name (Please Print) ______

Agency Name ______ Phone Number______

Agency Address ______ City ______ State _____ ZIP _____

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Age-Rated SPIA Business Submission Instructions

Agency Distribution

Agent Instructions:

1. Complete the Rated Age Request form with the prospect and fax it to your Division Office. If you wish to see if a more aggressive rated-age quote may be available, fax or mail the prospect's medical records and Rated Age Request form to your Division Office.
2. Once a rated age is assigned by Underwriting, it will be faxed to your Division Office on the Rated Age Request form. The Division Office will run a proposal and send it to you.
3. If the prospect decides to buy, send a premium check, completed application and a copy of the proposal to the Division Office.
4. Annuity Services will issue a policy and forward it to you for client delivery via your Division Office.

Division Office Instructions

1. The agent will fax you a completed Rated Age Request form. Fax the form to Underwriting. Underwriting's fax number is: **402-351-5485**

   The agent may choose to forward the prospect's medical records if there is potential for a more aggressive rated age. Fax the records and the Rated Age Request form to Underwriting for review, or mail them to:

   SPIA Underwriting
   United of Omaha Life Insurance Company
   P.O. Box 3608
   Omaha, NE 68103-0608

   If you have questions relating to the underwriting of the rated age, call **1-800-775-7896.**
2. If the Rated Age Request form is complete and no additional information is required, Underwriting will assign a rated age and fax it to you on the Rated Age Request form.
3. Based on the rated age assigned by Underwriting, run a proposal and forward the proposal to the agent.
4. If the client decides to buy, the agent will forward you a completed application, premium check and copy of the proposal. Mail these **and** the Rated Age Request form to:

   United of Omaha Life Insurance Company
   Annuity Services
   P.O. Box 8308
   Omaha, NE 68108-9908
5. Annuity Services will issue a policy and send it to you. Forward the policy to the agent.

FOR ALL DISTRIBUTIONS: If United has underwritten coverage for the prospect in the past, simply indicate so on the Rated Age Request form and we will pull the prospect's medical records. Under these circumstances, there is obviously no need to send additional information with the Rated Age Request form.

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Life Brokerage/Bank Distribution

Broker/Sales Representative Instructions

1. Complete the Rated Age Request form with the prospect and fax it to your Wholesaler, Marketer or Bank Agency Office. If you wish to see if a more aggressive rated-age quote may be available, fax or mail the prospect's medical records with the Rated-Age Request form to your Wholesaler, Marketer or Bank Agency Office.
2. Once a rated age is assigned by Underwriting, it will be faxed to your Wholesaler, Marketer or Bank Agency Office on the Rated Age Request form. Your Wholesaler, Marketer or Bank Agency Office will run a proposal and send it to you.
3. If the prospect decides to buy, send a premium check, completed application and a copy of the proposal to your Wholesaler, Marketer or Bank Agency Office.
4. Annuity Services will issue a policy and forward it to your Wholesaler, Marketer or Bank Agency Office.

Wholesaler/Marketer and Bank Agency Office Instructions:

1. The broker or sales representative will fax you a completed Rated Age Request Form. Fax the form to Underwriting. Underwriting's fax number is: **402-351-5485**

   The broker or sales representative may choose to forward the prospect's medical records if there is potential for a more aggressive rated age. Fax the records and the Rated Age Request form to Underwriting for review, or mail them to:

   SPIA Underwriting
   United of Omaha Life Insurance Company
   P.O. Box 3608
   Omaha, NE 68103-0608

   If you have questions about the underwriting of the rated age, call **1-800-707-6898.**
2. If the Rated Age Request form is complete and no additional information is required, Underwriting will assign a rated age and fax it to you on the Rated Age Request form.
3. Based on the rated age assigned by Underwriting, run a proposal and forward the proposal to the broker or sales representative.
4. If the client decides to buy, the broker or sales representative will forward you a completed application, premium check and copy of the proposal. Mail these **and** the Rated Age Request form to:

   United of Omaha Life Insurance Company
   Annuity Services
   P.O. Box 8308
   Omaha, NE 68108-9908
5. Annuity Services will issue a policy and send it to you. Forward the policy to the broker or sales representative.

Single Premium Immediate Annuity
Rated Age Requested Form

United of Omaha Life Insurance Company
Mutual of Omaha Plaza
Omaha, NE 68175

HOME OFFICE USE ONLY:
RATED AGE ____________

Annuitant Name ______________________ Sex: ☐ Male ☐ Female Date of Birth ___/___/___

Joint Annuitant Name ______________________ Sex: ☐ Male ☐ Female Date of Birth ___/___/___

Height: ____________ Weight: ____________ Blood Pressure: ____________

Issue State: ________ Policy Type: ☐ Non-Qualified ____________ Single Premium Amount $ ____________

☐ Qualified

Payment Schedule:	Payment Start Date	Payment Option (i.e., 10-yr. Certain)	Payment Frequency (i.e., Mo./Qtr./Semi.)
	___/___/___	____________	____________
	___/___/___	____________	____________
	___/___/___	____________	____________

	YES	NO
1. Have you ever had or been treated by a member of the medical profession for cancer (other than nonmelanoma skin cancer), diabetes, heart and/or vascular disease, stroke, nervous system disorder?	☐	☐
2. In the past 5 years, have you been treated by a member of the medical profession for kidney failure, chronic respiratory disorder, or had or been advised to have treatment for drug or alcohol use?	☐	☐
3. Have you ever been told that you had, or have you consulted or been treated by a physician or licensed practitioner for any of the following: (Circle conditions answered "Yes" and give details below.)	☐	☐
a. any disease or abnormal condition of the heart, circulatory system or blood vessels, high blood pressure, rapid pulse, rheumatic fever, heart murmur, coronary artery disease, chest pain, angina, heart attack, heart surgery, TIA (transient ischemic attack), stroke or peripheral vascular disease?	☐	☐
b. any disease of the lungs or respiratory system, including tuberculosis, asthma, bronchitis, emphysema, COPD (chronic obstructive pulmonary disease) or shortness of breath?	☐	☐
c. any digestive system disease, including stomach or duodenal ulcer, indigestion, stomach pain, hepatitis, cirrhosis, liver or gallbladder disease, colon or rectal disorder?	☐	☐
d. any genitourinary system disease including protein, blood or sugar in the urine, kidney infection or stones, kidney dialysis, tumor or disease of the prostate, testes, breasts, uterus or ovaries?	☐	☐
e. any nervous, brain or mental disorder, memory loss, dementia, Alzheimer's disease, Parkinson's disease, convulsions, epilepsy, dizziness, headaches, depression, nervous breakdown, degenerative neuromuscular disease, ALS (Lou Gehrig's disease), paraplegia, quadriplegia or any paralysis?	☐	☐
f. any bone, muscle or joint disorder, arthritis, osteoporosis, bodily deformity, back or spinal disorder, falls, broken bones, had an amputation due to disease, had a joint replacement or been advised to have a joint replacement?	☐	☐
g. any disease or impairment of vision or hearing?	☐	☐
h. diabetes, thyroid or other glandular disorder, cancer, tumor or blood disorder, AIDS or HIV positive blood test?	☐	☐

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	YES	NO
4. Have you ever been confined in a nursing home in the last two (2) years?	☐	☐
5. Are you currently bedridden or has confinement in a hospital, nursing home, home for the aged or other care facility been recommended?	☐	☐
6. Do you require assistance or supervision in daily activities such as bathing, toileting, eating, dressing, walking, cooking, housekeeping, laundry, shopping, finances or transportation?	☐	☐
— Has a doctor recommended the services of a trained attendant in your home?	☐	☐
7. Do you have trouble with bowel or bladder control?	☐	☐
8. Have you been hospitalized in the last five (5) years? If yes, where, when and for what reason?	☐	☐
9. Do you use tobacco in any form?	☐	☐

If Yes, in what form?____________________ No. per day: ______________

If No: ☐ Never Used ☐ Stopped on____/____/____

Question No.	Additional Details

Annuitant's Signature ______________________________ DATE ____________

Owner's Signature ______________________________ DATE ____________
(If Different from Annuitant)

Agent/Broker Name ______________________________
(Please Print)

Agency Name ______________________________

Phone (____)______________________ Fax (____) ______________________

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