



Investments 101

Choosing the right vehicle for your investment needs

Whether you're shopping for a new car or saving for your future, choosing the right vehicle can mean everything. Understanding all your options is critical to making a smart decision. As a potential investor, are you comfortable with your knowledge of the basic types of investments available to you?

Know your options

When buying a new car, you need to understand all options available to you before making any decisions. Investing for your future is no different. A simple understanding of the basic investment options can help you make smarter decisions about how you invest your money. Only then can you be sure you've chosen the right vehicle to meet your personal investing needs.

Variable Annuities

An annuity is an insurance contract and a securities investment component that provides regular periodic payments for a specified period of time. Features of annuities include:

- **Tax deferred growth potential** – Your earnings generally aren't taxed until you withdraw from the contract.

- **Minimum death benefits** – Provides potential payout to beneficiaries after death.
- **Flexible payment options** – Allows you to invest a lump sum or make periodic payments, or even defer payments until after retirement.
- **Guaranteed minimum income (optional)** – Includes choice of "payment for life," which allows you to be paid monthly, even if you live beyond the years of the predicted annuity phase.

Note with guaranteed minimum income option, if you die prior to the end of the annuity phase, your account value at time of death may affect the value of your death benefit. All guarantees with annuities are based on the claims-paying ability of the issuing company.

Annuities are available with a wide range of options and possibilities, each serving different purposes for different types of investors. Fixed annuities, for example, offer investments with a guaranteed rate of interest for a specified time period; while variable annuities typically offer a range of investment options, allowing you to be more aggressive or conservative.

An annuity offers options under an insurance contract which includes mortality and expense risk charges as well as providing for lifetime payments. An annuity is a long-term investment designed for retirement purposes. Early withdrawals may be subject to a deferred sales charge and if taken prior to age 59½, an IRS 10% premature distribution penalty tax may apply. Money distributed from an annuity will be taxed as ordinary income in the year the money is received.

Employer Sponsored Retirement Plans

Employer sponsored retirement plans, considered one of the most effective retirement savings plans, are commonly known as 401(k), 403(b) or 457(b) Deferred Compensation plans (depending on the type of employer). Typical features include:

- **Pre-tax contributions** – You're only taxed on the amount left in your paycheck after your contribution – so you're paying less in current taxes. It's like you're paying yourself to invest in the plan.
- **Tax-deferred growth potential** – Your earnings and contributions generally aren't taxed until you withdraw from the plan, so your earnings can grow tax-deferred as the interest compounds.



- **Paycheck deductions –**

Contributions to the plan are automatically deducted directly from your paycheck, allowing you to put a percentage of your gross pay into an account.

Employer sponsored retirement plans typically offer different investment options and contribution limits. With some plans, your employer may match a percentage of what you contribute to the plan – adding to your savings. Note that early withdrawals are generally permitted from most plans; however, a penalty is usually involved, as well as ordinary income taxes.

IRAs

An IRA, or Individual Retirement Account, is similar to an employer retirement plan, but you set it up for yourself. Typical features of an IRA include:

- **Tax deferred growth potential** – Pay no current income taxes on your investment earnings until you withdraw.
- **Pre-tax contributions** – Deduct contributions from your annual income, reducing the amount you owe in current taxes (depends on your employment situation).
- **Investment options** – Take advantage of a wide range of investment options (with most IRAs). IRAs come in many forms, with different features, benefits and contribution limits. Options for transferring an employer retirement plan into an IRA are available as well. For more information, see our Special Report on “Making Sense of Your IRA Choices.”

Mutual Funds

A mutual fund is an investment vehicle managed by a professional money manager that allows a group of investors to pool their money together with a predetermined objective. Mutual funds range from conservative investments, such as money market funds, to those that invest in more aggressive options, such as new technologies and emerging markets. Among the benefits of mutual funds are:

- **Professional money management** – Provides professional expertise while requiring less personal commitment of time compared to investing in individual stocks or other securities.
- **Automatic diversification and asset allocation** – Helps reduce portfolio risk by ensuring your money remains spread among a variety of investments and different asset classes consistent with the fund’s stated goals.

A mutual fund is a professionally managed investment company that invests in specific stocks, bonds, options, futures, currencies, or money market securities. The investment manager chooses which securities to invest in based on the fund’s objective and its diversification requirements. An investor should assess the risk/reward potential of any investment based on his/her personal risk tolerance.

- **Wide range of investment options** – Allows you to choose a fund according to your specific investment goals and risk tolerance. With the right fund management company, mutual funds could provide a good investment opportunity that could complement an employer sponsored retirement plan or IRA.

Government Bonds

A Government Bond is an investment guaranteed by the U.S. government (the issuer) and typically held for 10 to 30 years. When held to maturity, they offer value of principal and a fixed rate of return, which varies depending on the type of bond purchased.

The return and principal value of investing in a stock mutual fund or variable annuity funding option fluctuates with changes in market conditions. Stocks may offer greater growth potential in comparison to bonds, but carry more risk. The principal value of a bond varies inversely to the rise and decline of interest rates. Bonds typically offer a fixed rate of return, if held to maturity. However, bonds may contain a call feature that may be exercised prior to maturity.

Certificate of Deposit (CD)

A CD is a savings vehicle offering a fixed rate of return (like a government bond), but can be purchased from banks, which means it is FDIC insured. When your investment matures (either in months or years, depending on the CD you purchase), you can cash in the CD and receive its face value, plus the interest.

Bank certificates of deposit are FDIC insured up to applicable limits and offer a fixed rate of return. [Variable annuity returns/mutual fund yields] and principal will fluctuate with market conditions.

What vehicle is best for you?

Contact your SBA representative to learn more about these investment vehicles. Be sure you are choosing one that meets your financial goals!

You should consider the investment objectives, risks, charges and expenses of the variable product and its underlying fund options; or mutual funds offered through a retirement plan, carefully before investing. The prospectuses/prospectus summaries/information booklets contain this and other information, which can be obtained by contacting your local representative. Please read the information carefully before investing.

