



# The Power of Tax Deferral

To help you understand how you can receive valuable tax benefits with a tax-deferred fixed index annuity, let us explain how the power of tax-deferral can work for you. You could potentially ...

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Earn more interest on your retirement assets

②

Lower your current tax obligations

③

Lower your future tax obligations

## 1. The power of tax deferral can help you earn more interest on your retirement assets.

Certain retirement vehicles, such as annuities, allow for tax-deferred growth. This means that you won't have to pay income taxes up-front or pay taxes on growth in your account until a later time (when you are more likely to be in a lower tax bracket).

With a fixed index annuity, your purchase payments earn interest on a tax-deferred basis, which means you're not paying taxes on your earnings until you take withdrawals. Your interest earnings can grow faster because taxes on your earnings are deferred until you make withdrawals. Earnings that otherwise might be lost to income taxes remain in your annuity to continue working for you.

## 2. The power of tax deferral can help you lower your CURRENT tax obligations.

If you place your money in a qualified account, such as an IRA or 403(b), on a pretax basis, you can lower your current taxable income. Of course, there is no additional tax-deferral benefit for Traditional IRAs or 401(k) plans funded by annuities. Either way, you lower your current tax obligations by not paying taxes on your earnings until you start withdrawing your savings.

## 3. Third, the power of tax deferral can potentially lower your FUTURE tax obligations.

Taxes are due at the time you withdraw money from a tax-deferred annuity and are calculated based on the withdrawal amount in a given year and your income tax bracket at the time of withdrawals. Because your tax bracket may be lower at the time of your retirement withdrawals, your future tax obligations may also be lower. Please Note: If you withdraw money from a tax-deferred annuity before age 59½, you'll have to pay income tax and may have to pay a 10% penalty on any earnings.

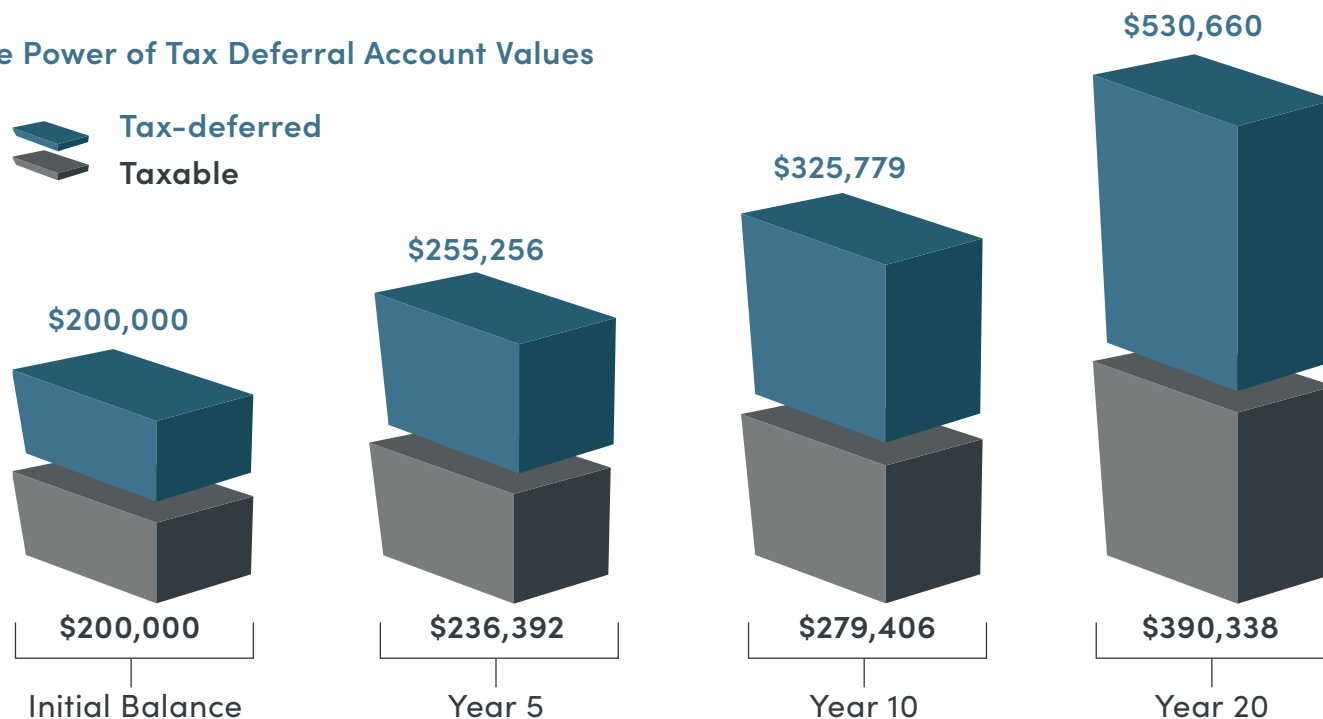
As you can see, you can receive valuable tax benefits when you save a portion of your retirement assets in a fixed index annuity. The power of tax deferral can help you earn more interest on your retirement assets, lower your current tax obligations, and lower your future tax obligations.

# How can a fixed index annuity provide you with valuable tax benefits?

## Meet Bob and Betsy.

Take a look at this hypothetical example – Bob and Betsy purchase a \$200,000 tax-deferred annuity. The graph below shows how tax deferral would affect Bob and Betsy’s \$200,000 contract value, before any withdrawals, during a five-, 10- and 20-year “accumulation phase.” This example assumes an interest rate of 5%\*, a federal income tax rate of 28% and a state tax rate of 4%.

### The Power of Tax Deferral Account Values



\*The interest rate is hypothetical and in no way relates to the interest that would be earned for your annuity. The tax-deferred annuity value is taxable upon withdrawal. Note that while taxes on amounts earned in an annuity are deferred until withdrawn, withdrawals are subject to ordinary income tax and, if made prior to age 59½, may be subject to a 10% IRS penalty tax. Conversely, earnings from investments that do not offer tax deferral are taxed currently, and withdrawals from such an investment are not subject to the penalty tax.

Your personal investment horizon and income tax brackets (both current and anticipated), changes in tax rates and tax treatment of investment earnings, and lower maximum tax rates on capital gains and dividends may impact the results of this comparison. Other considerations must be taken into account when making a purchase decision. Additionally, a person's tax rate may change over time.

## What benefits can a tax-deferred annuity provide for you?

You can see how the power of tax deferral can help you earn more interest on your retirement assets, lower your current tax obligations, and potentially lower your future tax obligations. Ask your agent or financial professional to provide you with the annuity products that Security Benefit offers. They can help you determine what product is right for you and your situation.

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