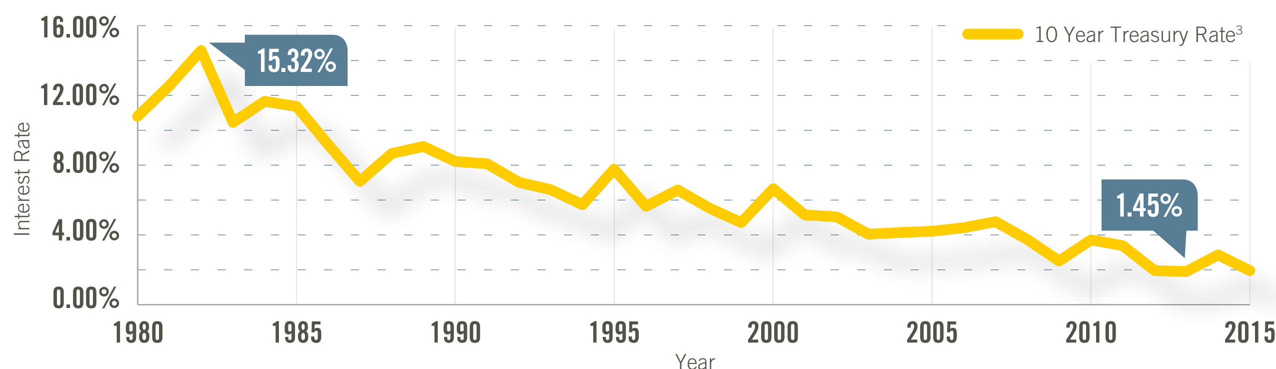
WHAT IS YOUR FAVORITE FIXED INCOME ALTERNATIVE?

From 1981 to 2012, the U.S. experienced the greatest bull bond market in U.S. history. Since 1981, 10 Year Treasury yields fell from 15.32% to their lowest rate since the Civil War—1.45% in June of 2012.[1] The chart below tracks the pattern of falling of interest rates since 1981. Currently, interest rates are fluctuating near historic lows. Many economists believe that interest rates are not likely to get much lower and will eventually rise.[2]

// THE GREATEST BULL BOND MARKET



// WHY RISING INTEREST RATES ARE BAD FOR BONDS

Changes in interest rates is one of the most significant factors affecting bond return. A truth of bond and bond fund investing is that when interest rates rise, bond prices fall.

If you hold a bond to maturity, you can expect to receive your initial principal, unless the company goes bankrupt. If you sell before maturity in a rising interest rate environment, the price you will receive is less than your initial investment.[2]

// WHY SHOULD YOU INSULATE YOUR FIXED PORTFOLIO?

FINRA issued an Investor Alert giving the following example:

"...a bond fund with 10-year duration will decrease in value by 10 percent if interest rates rise one percent." [2]

// POTENTIAL CHANGE IN BOND VALUES[4]

Bond Duration (years)

Change in Interest Rate	2	3	4	5	6	7	8	9	10
+1%	-2%	-3%	-4%	-5%	-6%	-7%	-8%	-9%	-10%
+2%	-4%	-6%	-8%	-10%	-12%	-14%	-16%	-18%	-20%
+3%	-6%	-9%	-12%	-15%	-18%	-21%	-24%	-27%	-30%
+4%	-8%	-12%	-16%	-20%	-24%	-28%	-32%	-36%	-40%
+5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%

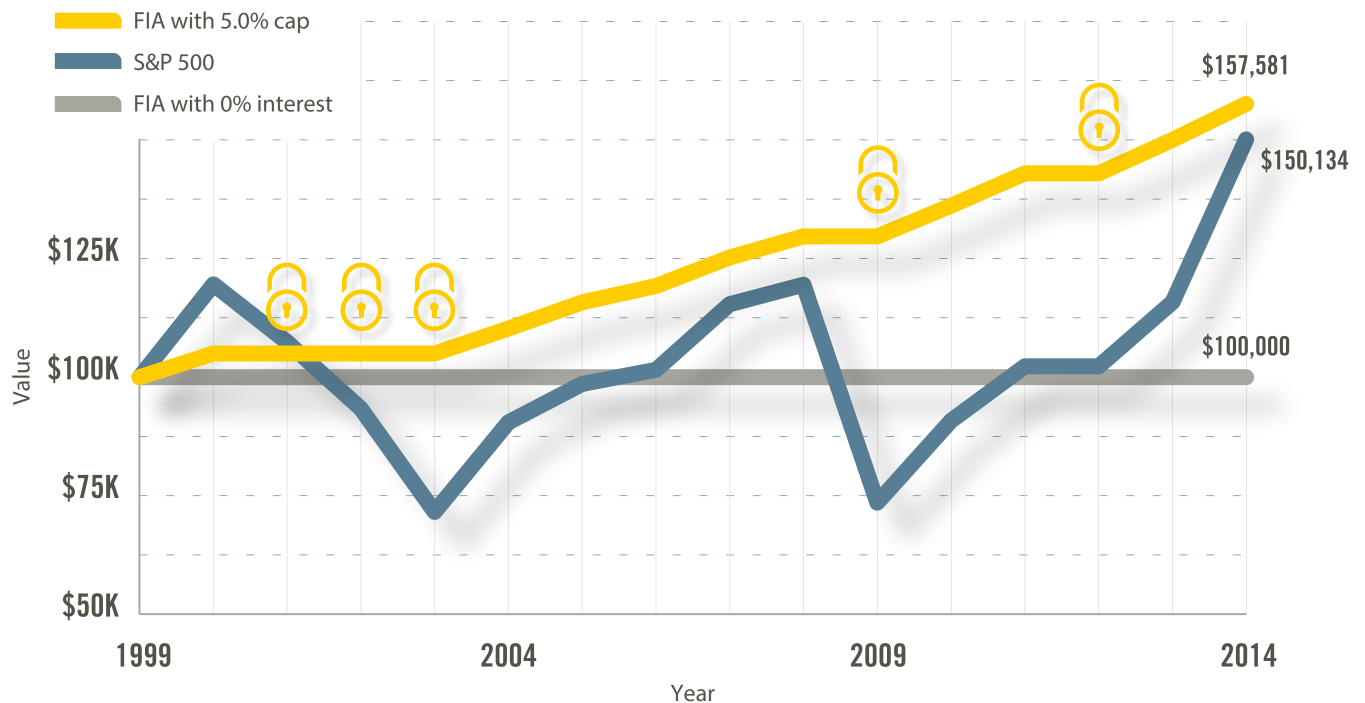
1. BofA Merrill Lynch, *The Longest Pictures, p13* http://bit.ly/1ntID6U
2. FINRA, *Duration - What an Interest Rate Hike Could Do to Your Bond Portfolio* http://bit.ly/1ktg1GX
3. Board of Governors of the Federal Reserve System, *10 Year Treasury Constant Maturity Rate* http://bit.ly/1lUofrd
4. Forbes, *How Will Bonds Fare as Interest Rates Rise?* http://onforb.es/1i8kQ7n

A FIXED INDEX ANNUITY COULD BE A SUITABLE SOLUTION

This graph demonstrates how index annuities move with the indices. In up years, the contract is credited interest, but in the down years, it maintains its value. This keeps assets protected and maintains forward motion. What goes up won't come down.

LOCKS IN INTEREST CREDITS DURING MARKET INCREASES

// HOW FIXED INDEX ANNUITIES MEASURE UP



This hypothetical example is intended to illustrate how index fluctuations might affect your contract values. It is not intended to show past or future results.

The hypothetical product was purchased on 1/1/1999 and the initial premium is $100,000. This depiction assumes no withdrawals or additional premium. The gold line shows the annual point to point strategy with a 5.00% cap each contract year. The blue line shows S&P 500 performance. Actual S&P 500 Index historical data from 01/01/1999 - 12/31/2013 has been used in this graph. The grey line shows a market index scenario where no indexed interest was earned during the period shown. Illustrating 0% interest crediting in all years will result in a value that is lower than if the contractually guaranteed minimums were applied. We have chosen to illustrate in this manner to reduce confusion and avoid implying that the value using the minimum elements is an actual "guaranteed value." Guarantees are backed by the financial strength and claims paying ability of the issuing company. Product availability and features may vary by state.

Annuities are designed to help meet long term needs for retirement income. They provide guarantees against the loss of principal and credited interest, and the reassurance of a death benefit for beneficiaries. Purchase of an annuity is an important financial decision. Talk to your financial professional to learn more about the risks and benefits of annuities.

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