Preparing for your retirement with a fixed annuity

A fixed annuity can help stabilize your retirement income

Investing isn't simple, but it can be simplified.™ A fixed annuity offers a guaranteed, fixed rate of return for a specified period of time and may provide guaranteed income for the rest of your life. You'll also enjoy tax-deferred growth and the sense of security a fixed annuity can provide.

Why should you consider a fixed annuity as part of your retirement strategy?

- A fixed annuity is a conservative investment designed specifically to help meet retirement income needs. Like all deferred annuities, fixed annuities offer potential for tax-deferred treatment of earnings and annuity payout options that can provide guaranteed income for a period of time, including for the rest of your life.
- Fixed annuities provide a guaranteed rate of return for a specific period of time. Insurance companies offer a variety of time frames for you to choose from, so you can select the guarantee period that is right for you based on your investment horizon and retirement income needs.

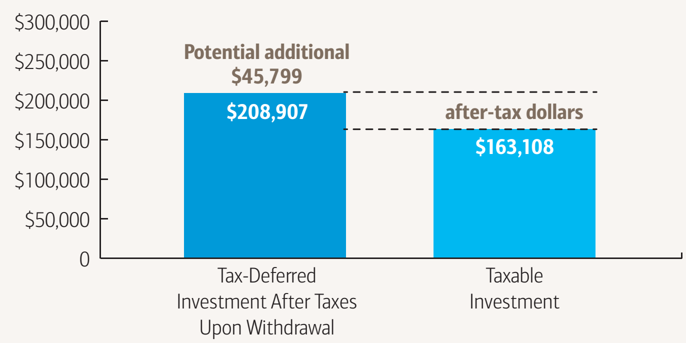
What happens if you need your money sooner?

- Generally, a surrender charge may apply to early withdrawals. Some contracts allow withdrawals within certain guidelines without a charge — for example, withdrawals up to 10% of the contract value each year or a withdrawal of the previous year's earned interest.
- Some contracts also apply a Market Value Adjustment (MVA) if you make a withdrawal or annuitize before the end of the guarantee period. The MVA can either increase or decrease the amount you receive, depending on market interest rates at the time of the withdrawal and the interest rate guaranteed in your annuity.
- Some contracts include principal protection. With these contracts, often called principal protection fixed annuities or Book Value annuities, if you take a complete withdrawal of your contract value during the surrender charge period, you are always guaranteed the return of your initial premium.
- A prospectus, when available, will outline the specific rules for the annuity you're considering. Since not all fixed annuities are sold with a prospectus, your Merrill Edge Financial Solutions Advisor™ can provide you with complete information from the insurance company.

THE POWER OF TAX DEFERRAL

A $50,000 investment earning 6% annually over 30 years

By deferring taxes for 30 years, your initial investment of $50,000 will grow to $287,175 pre-tax, assuming 6% returns.



Once taxes are paid on this amount, you have $208,907 of after-tax dollars in 30 years. Alternatively, if you select a $50,000 investment with 6% returns that requires taxes to be paid annually, you would only have $163,108 of after-tax dollars in 30 years.

This hypothetical example assumes a $50,000 lump-sum investment, 33% federal tax bracket during the life of the investment and a hypothetical 6% rate of return. All returns are reinvested and no withdrawals are taken.

What happens at the end of your guarantee period?

- At the end of each period, you can elect a new guarantee period. Generally, if no action is taken, you will typically renew into the same guarantee period at the current interest rate offered. Some products renew annually into a one-year guarantee period after the initial period. Most contracts have a guaranteed minimum rate for the life of the contract.
- The surrender charges often expire at the same time as the guarantee period, but not always. Be sure to review the terms and conditions of each fixed annuity you consider in order to understand when surrender charges will no longer apply.

How are annuities taxed?

- Annuity values accumulate on a tax-deferred basis. All gains withdrawn are subject to ordinary income tax. An additional 10% federal income tax may apply to withdrawals taken prior to the contract owner's turning 59½.

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This example is used for illustrative purposes only, not intended to project future incomes. The return is not indicative of any specific investment product or class of investments and is not intended to be a projection of future values. Sales charges and administrative fees are not taken into account and would reduce the tax-deferred performance shown if they were. Actual results will vary.

Actual returns will vary depending on your specific tax rate (which may be more or less than the figures shown). A lower tax rate on capital gains and dividends would make any gains in the taxable account more favorable. You should consider your investment time horizon and tax brackets, both current and anticipated.

The following are additional considerations you should take into account. By liquidating current taxable holdings, you may be subject to capital gains or losses, which could affect your tax liability. Tax-deferred performance would be reduced by income taxes on gains upon withdrawal. Tax-deferred investments can have other fees associated with them such as charges, sales charges and administrative fees that should also be taken into consideration. An additional 10% federal income tax may apply to withdrawals before age 59½, and a surrender charge will generally apply if the withdrawal is made during the early years of the policy. For specific tax advice, please speak to your tax advisor.

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