UNITED PLANNERS
FINANCIAL SERVICES

7333 E. DOUBLETREE RANCH ROAD, SUITE 120, SCOTTSDALE, AZ 85258
TEL: 480.991.0225 / FAX: 480.503.8173 / UNITEDPLANNERS.COM

VARIABLE ANNUITY & REGISTERED INDEX-LINKED ANNUITY BROCHURE

Dear Valued Client:

United Planners Financial Services of America ("United Planners") appreciates the confidence placed in your registered representative and our organization. With this in mind, United Planners is providing this Variable Annuity & Registered Index-Linked Annuity Brochure to assist clients' understanding of variable annuity and registered index-linked annuity (RILA) products. United Planners believes the more informed clients are, the more comfortable they will be in choosing variable annuity and RILA products. This brochure is not intended to replace the prospectus or discussions with your United Planners registered representative, but rather, is provided as an additional guide to making an informed investment decision.

Overview

A variable annuity is a product that allows a client to purchase investments that also have insurance benefits. Variable annuities are designed to invest money tax-deferred to meet long-term investment goals and can be purchased with a single payment or by multiple payments.

The investment portion of variable annuities allows a client to move investment dollars between the internal investment choices without incurring a sales charge. Investment choices are called "Sub-Accounts" that invest in stocks, bonds, money market instruments, or some combination of the three. Sub-Accounts have many attributes similar to mutual funds but, as explained below, are not traded outside the variable annuity product. Insurance companies normally select Sub-Accounts that have multiple objectives to appeal to a wide range of clients. Sub- Account values fluctuate with the performance of the underlying investments and are calculated each business day atthe market close. When Sub-Accounts are redeemed, they may be worth more or less than the original investment. The variable annuity prospectus gives detailed information on all of the Sub-Account investment choices within the variable annuity.

The insurance portion of variable annuity products includes a "Lifetime Payment" feature and in most cases a "Guaranteed Death Benefit*". The Lifetime Payment feature gives the annuitant (the individual receiving benefit from the annuity) the option to receive an income stream for a specified amount of time. The Guaranteed Death Benefit provision gives peace of mind that the beneficiary will receive, at least, the principal amount of the investment (minus any withdrawals) at the time of the insured's death. The Death Benefit and the Lifetime Payment are based on the claim-paying ability of the insurer. The Death Benefit and the Lifetime Payment features are discussed in detail below.

An additional benefit to variable annuities is tax-deferral. Because investment earnings within variable annuities arenot taxed until money is withdrawn, the account may grow faster. When money is withdrawn from a variable annuity, it will be taxed on the investment earnings at ordinary income tax rates rather than lower capital gains tax rates.

A registered index-linked annuity, or RILA, is an annuity that uses a stock market index to determine gains and losses. What sets it apart from other types of annuities is your ability to set the maximum loss you are willing to tolerate. RILAs give you the opportunity to own an investment vehicle with the risk/reward characteristics that meet your overall financial objectives. A RILA may be a good match for individuals who want to limit or manage their downside exposure but are willing to accept some market risk in exchange for more growth potential.

RILAs offer investment growth opportunity with limited downside risk. They provide the opportunity for growth based in part on the performance of a stock market index (for example, S&P 500, Russell 2000, etc.). Your upside gain is capped based on the cap or participation rate declared by the provider. You also determine the period of time you want the cap or participation rate to be in effect, typically 1, 3, 5 or 6 years. This is often called a segment period. After the segment period is over you are required to select a new segment period.

A RILA allows you to reduce or limit your losses during a down market. In return, potential gains are capped when the stock market goes up. Individuals can determine their exposure to risk and potential return by setting either a floor or a buffer. You can set a floor to limit the maximum amount of loss you are willing to accept. For example, suppose you set the RILA floor at 10 percent. This protects you from losses exceeding 10 percent. So, if the linked index falls 15 percent, your loss is only 10 percent. Your gains are symmetrically capped at 10 percent. A buffer protects you from a percentage of loss. For example, suppose you set a buffer of 10 percent and the index declines 15 percent. Your loss is 15 percent minus 10 percent, or 5 percent. Gains are reduced by the same buffer amount. If the index rises 30 percent, your gain is 30 percent minus 10 percent, or 20 percent.

Variable Annuity vs. Mutual Fund

Although variable annuities have Sub-Accounts with attributes similar to mutual funds, variable annuities differ from mutual funds in several important ways:

- Variable annuities let a client receive periodic payments for the rest of his or her life (or the life of a spouse or any other designee) as mentioned in the annuitization portion. This feature offers protection against the possibility that the client will outlive his or her assets.

- Variable annuities have a death benefit. If the client dies before the insurer has started making payments, the beneficiary is guaranteed to receive a specified amount – typically at least the amount of the purchase payments.The beneficiary will receive a benefit from this feature if, at the time of the insured's death, the account value isless than the guaranteed amount.

- Variable annuities are tax-deferred. This means that no taxable event will occur until money is withdrawn from the policy. Money can be transferred from one investment option to another within a variable annuity without paying tax at the time of transfer. Money taken out of a variable annuity, however, will be taxed on the earnings at ordinary income tax rates rather than lower capital gains rates. When investing in a tax-advantaged retirement plan (such as a 401(k) plan or IRA) in a variable annuity, there are no additional tax advantages. Qualified funds should only be invested in variable annuities when a client is looking for features other than tax deferment, such as lifetime income payments and death benefit protection.

- Charges. Because variable annuities have insurance features that are not available with mutual funds, variable annuities have higher charges than mutual funds due to the cost of the insurance features. The Charges section below indicates typical charges of variable annuities. Mutual funds do not charge for insurance features such as Mortality & Expense Risk or other insurance features. Both variable annuities and mutual funds charge management fees.

Accumulation Phase vs. Annuitization Phase
A variable annuity has two phases: an accumulation phase and an annuitization (or payout) phase. The accumulation phase occurs when a client invests money into the different investment Sub-Accounts of the variable annuity. Clients have the option to take withdrawals or deposit more money into their policy during the accumulation phase. Clients may choose to keep their policy in the accumulation phase or to annuitize their variable annuity. In the annuitization phase, the insurance company converts the investment in the policy to annuitization units. The annuitization phase allows the clients to lock into a payment program. Clients specify the frequency (i.e., monthly, quarterly, semi-annual or annual) of the payouts and over what duration (i.e., life, joint life, a set amount of time, or a combination) the payouts will take place. Once a policy is annuitized, the client cannot change the payout structure or make additional payments into the policy. The amount of each periodic payment depends on the frequency of the payments, the annuity income options chosen, and whether the annuitization units are in the fixed account or in Sub-Accounts. Some variable annuities do not allow withdrawals once the client begins receiving regular annuity payments. It is also possible to immediately annuitize the policy, which means that there is no accumulation phase and the client starts receiving annuity payments after purchasing the variable annuity.

Charges
Administrative Fees – The insurance company may deduct a fee to cover record-keeping and other administrative expenses. This charge is usually a flat fee (normally $25 per year), but may be a percentage of the account value (typically in the range of 0.15% per year). Many insurance companies have provisions to waive this fee under certain circumstances (typically if a certain thresholds of assets are deposited into the policy).

Mortality & Expense Risk Charge – This charge is equal to a certain percentage of the account value, typically in the range between 1% and 1.75% per year. This charge is used to compensate the insurance company for insurance risks it assumes under the annuity contract.

Underlying Sub-Account Expenses – Each fund has an investment team that charges a management fee. This is the same type of fee that is charged within mutual funds outside of variable annuities.

Fees and Charges for Other Features – Special features offered by some variable annuities, such as a Stepped-Up Death Benefit, a Guaranteed Minimum Income Benefit, Guaranteed Minimum Withdrawal Benefit, Guaranteed Minimum Accumulation Benefit, or Long-Term Care Insurance often carry additional fees and charges.

Surrender Charges – Variable annuities sometimes charge a penalty when a client withdraws money prior to a certain period of time (typically within six to eight years, but sometimes as long as 10 years or none at all). This fee is used to offset the compensation paid to the financial professional for selling the variable annuity that has not been recovered by the insurance company. Normally, the surrender charge decreases over time. For example, a 7% charge might apply in the first year after a purchase payment, 6% in the second year, 5% in the third year, and so on until the eighth year, when the surrender charge no longer applies. Most variable annuity policies allow partial withdrawals of the account value each year (normally 10% - 15% of the money paid into the policy or the earnings, whichever is greater).

Insurance
*Guaranteed Death Benefits**
As mentioned in the overview, a main insurance feature of variable annuities is the Guaranteed Death Benefit. If the owner dies, the beneficiary will receive the greater of: (i) all the money in the account, or (ii) some guaranteed minimum (such as all purchase payments minus prior withdrawals).

<u>* Please note</u>: Some Sponsor Companies may issue variable annuity products that do NOT maintain a guaranteed death benefit. In these cases, the product is designed to assist clients who are interested in other annuity features such as tax deferment, annuitization and/or the ability to conduct NAV exchanges between investment options. Clients whose goal is protection of principal should inquiry on variable annuities that maintain a guaranteed death benefit.

Many insurance companies have a provision called a “Stepped-Up Death Benefit”. This provision is an additional guarantee that takes into account the greater value of (i), (ii), or a higher policy value at a specified time as identifiedin the prospectus. This higher amount typically is the value of the policy on an anniversary date but could be a percentage of growth above principal.

Example 1: On July 1, 2006 a client invests $50,000 and makes no other deposits or withdrawals. The client dies onMay 15, 2007 when the account is worth $60,000. The beneficiary would get $60,000. If the account was worth $48,000 at the time of death, the beneficiary would receive $50,000.

Example 2: On July 1, 2006 a client invests $50,000 and makes no other deposits or withdrawals. The client dies onMay 15, 2008 when the account is worth $65,000. On July 1, 2007 the account value was $75,000. If the variable annuity had an annual Stepped-Up Death Benefit, the beneficiary would receive $75,000 (the higher of the account value on the anniversary date, the account value at death, or the total amount of deposits minus withdrawals).

Guaranteed Minimum Income Benefits
Some variable annuities offer a Guaranteed Minimum Income Benefit, which guarantees a particular minimum levelof annuity payments, even if the client does not have enough money in the account (perhaps because of investment losses) to support that level of payments.

Guaranteed Minimum Withdrawal Benefits
Some variable annuities offer a Guaranteed Minimum Withdrawal Benefit, which guarantees future minimum withdrawal of the variable annuity value. This feature is used to protect the level of withdrawals taken from the variable annuity.

Guaranteed Minimum Accumulation Benefits
Some variable annuities offer a Guaranteed Minimum Accumulation Benefit, which guarantees the minimum amount received after a set period of time. This feature is used to protect the value of the variable annuity and the annuitant from market fluctuations.

Long-Term Care Insurance
Some variable annuities include Long-Term Care Insurance, which pays for home health care, or nursing home care if the client becomes seriously ill.

Clients should consider the financial strength of the insurance company that provides the variable annuity. The insurance company must have the ability to pay any benefits that are greater than the client’s account value, such as a Guaranteed Death Benefit, Guaranteed Minimum Income Benefit, or Long-Term Care Benefit.

Bonus Credits
Some insurance companies offer variable annuities with a "Bonus Credit" feature. This feature promises to add a bonus to the contract value based on a specified percentage (typically ranging from 1% to 5%) of purchase payments. Most insurance companies recover the cost of Bonus Credits by higher surrender charges, longer surrender periods, or higher internal expenses. When considering a

Bonus Credit, determine whether the bonus is worth more than any increased charges. Factors to consider regarding bonus credits are the amount of the Bonus Credit, the increased charges, how long the variable annuity will be held, and the return on the underlying investments. It is important to note the past performance of the Sub-Accounts is no guarantee of future results.

Qualified vs. Non-Qualified
As mentioned above, variable annuities are tax-deferred, however certain account registrations, such as individual retirement accounts (“IRAs”) and employer-sponsored 401(k) plans, also provide tax-deferred growth and other tax advantages. It may be advantageous to investors to maximize contributions to IRAs and 401(k) plans before investing in a variable annuity. When investing in a tax-advantaged retirement plan (such as a 401(k) plan or IRA)in a variable annuity, there are no additional tax advantages. Qualified funds should only be invested in variable annuities when a client is looking for features other than tax deferment, such as lifetime income payments and death benefit protection.

Long-term vs. Short-term
Variable annuities are designed as long-term investments to meet retirement and other long-range goals. Variable annuities are not suitable as short-term investments because of insurance company charges and possible tax penaltiesthat may apply if money is withdrawn early.

Withdrawals
Withdrawals from a variable annuity may be subject to surrender charges (see **Charges**) unless the withdrawal is within a penalty free provision of the policy. Many variable annuities allow clients to take a portion of their investment or gains without penalties. Clients who take withdrawals prior to age 59 ½ are usually subject to a 10% federal tax penalty.

Exchanges
Clients can typically transfer money from one Sub-Account to another without paying taxes on the growth of the account. Some insurance companies may charge a nominal fee when exchanging between Sub-Accounts, however most either do not charge a fee or allow a set amount of free trades annually before assessing a charge. In certain circumstances the insurance company may refuse to place transactions that are deemed violations of their internal exchange policy.

Tax-Free "1035" Exchanges
Section 1035 of the U.S. Tax Code allows non-qualified variable annuity owners to exchange an existing variable annuity contract for a new variable annuity contract without paying any tax on the income and investment gains. Funds must be transferred directly from insurance company to insurance company to (preserve the favorable tax status), 1035 exchanges can benefit a client when a newer product has features that are preferred, such as a larger death benefit, different annuity payout options, a wider selection of investment choices, or other provisions that havebenefits not available with the current variable annuity. Please note that surrender charges still may apply depending on how long the original variable annuity was owned. When considering a 1035 exchange, the client should compare both annuities carefully to determine if the new purchase improves their position by the additional benefits of the new policy. These considerations would include new surrender charge, new internal charges, and new insurance benefits of the policy.

Ask Questions before Investing
Financial professionals have a duty to make suitable recommendations and client questions regarding investments are encouraged. Before deciding to buy a variable annuity, consider the following questions:

- Will you use the variable annuity primarily to save for retirement or a similar long-term goal?
- If you are purchasing a variable annuity with qualified money, does the policy satisfy needs other than taxdeferment.
- Do you understand the features of the variable annuity?
- Do you understand the fees and expenses of the variable annuity?
- Do you intend to remain in the variable annuity long enough to avoid paying any surrender charges if you have to withdraw more money than the provision of the policy?
- If a variable annuity offers a bonus credit, will the bonus credit outweigh any higher fees and charges that may be assessed?
- Are features of the variable annuity, such as Long-Term Care Insurance, more cost effective if bought inside or outside of the variable annuity?
- If you are exchanging one variable annuity for another one, do the benefits of the exchange outweigh the costs, such as any surrender charges you will have to pay if you withdraw your money before the end of the surrender charge period for the new variable annuity?

We suggest clients document the answers to all questions to minimize confusion later. This is a general description of variable annuities – what they are, how they work, and the respective charges, fees and expenses. Before buying any variable annuity read the prospectus carefully. The prospectus contains important information about the variable annuity contract, including fees and charges, investment options, death benefits, and annuity payout options. Clients also need to consider investments that suit their investment objectives and risk tolerance when making investment choices inside the variable annuity.