

Slide 1



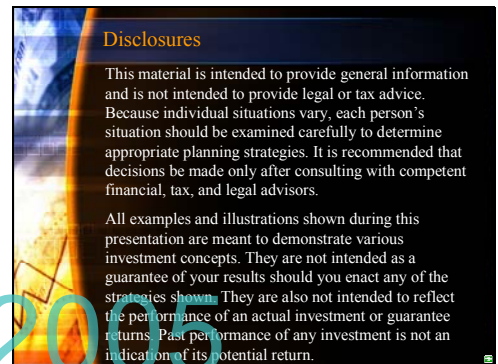
Slide 2



Slide 3



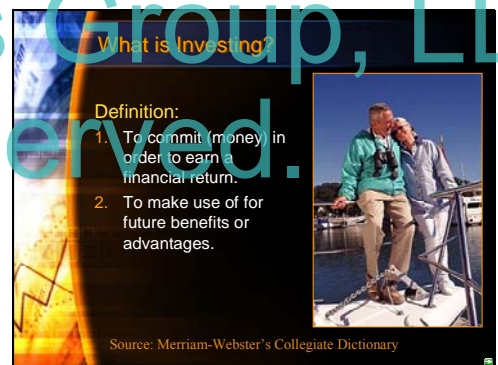
Slide 4



Slide 5



Slide 6



Slide 7



Slide 8



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Slide 9

The Power of Inflation

Inflation deteriorates the buying power of your investment dollar.

Item	Average 1962	Average 2002	Increase	Rate of Inflation
First-Class Postage	.04	.37	825 %	5.4 %
Hershey Bar	.05	.55	1,000 %	5.9 %
1 gal Gasoline	.31	1.39	348.4 %	3.4 %

Source: *A Random Walk Down Wall Street* by Burton Malkiel.
Inflation Rate shown is compound annual.

Slide 10

Investment Returns 1926 - 2001

Investment Type	Compound Annual Return
Large Company Stocks	10.4%
Small Company Stocks	12.1%
Long Term Corporate Bonds	5.4%
U.S. Treasury Bills	3.7%

Source: Ibbotson Associates

Slide 11

Investment Pitfalls to Avoid

Slide 12

Selecting Your Own Investments?

- What investment categories should be included?
 - Large Cap?
 - Small Cap?
 - Energy?
 - Technology?
 - Health Care?
- Which Stocks from each category should be included?
 - IBM?
 - Red Hat?
 - Enron?
 - Microsoft?
 - Johnson & Johnson?

Slide 13

The Madness of Crowds

Investors Without a Discipline Can Be Subject to the Allure of Fads

“ There are two times in a man’s life when he should not speculate: when he can’t afford it, and when he can. ”

• Mark Twain, *Following the Equator*

Slide 14

Speculative Bubbles

- The Tulip Bulb Craze of the 1600’s
- The South Sea Bubble of the 1700’s
- The Florida Real Estate Craze of the 1920’s
- The Great Speculative Bubble of 1928

Slide 15

The Tulip Bulb Craze



Holland, 1634 - 1637

Slide 16

The South Sea Bubble



Great Britain, 1711 - 1720

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Slide 17

Florida Real Estate Craze



United States, 1923 - 1926

Slide 18

The Great Speculative Bubble



United States, 1928 - 1929

Slide 19

Wall Street's Bubble

Stock Name	March 3, 1928*	Sept. 3, 1929	Gain in 18 Months
American Telephone & Telegraph	179 1/2	335 5/8	87.0 %
Bethlehem Steel	56 7/8	140 3/8	146.8 %
General Electric	128 3/4	396 1/4	207.8 %
Montgomery Ward	132 3/4	466 1/2	251.4 %
National Cash Register	50 3/4	127 1/2	151.2 %
Radio Corporation of America	94 1/2	505	434.5 %

*Adjusted for stock splits & the value of rights received subsequent to 3-3-28. Source: A Random Walk Down Wall Street by Burton G. Malkiel, 7th ed.

Slide 20

The Bubble Bursts

Stock Name	High of 1929*	Low of 1932	Price Decrease
American Telephone & Telegraph	304	70 1/4	- 77 %
Bethlehem Steel	140 3/8	7 1/4	- 95 %
General Electric	396 1/4	8 1/2	- 98 %
Montgomery Ward	137 7/8	3 1/2	- 97 %
National Cash Register	127 1/2	6 1/4	- 95 %
Radio Corporation of America	101	2 1/2	- 98 %

*Adjusted for stock splits and the value of rights received subsequent to 9-3-29. Tables from A Random Walk Down Wall Street by Burton G. Malkiel, 7th ed.

Slide 21

Sanity from Institutions?

➔ No one knows what the future holds, not even Wall Street's best security analysts.



Slide 22

Institutions and (Yes) Speculative Bubbles



- The Soaring Sixties
- The Sour Seventies
- The Roaring Eighties
- The Nervy Nineties

Slide 23

More Market Myths



"The World is Different Now"

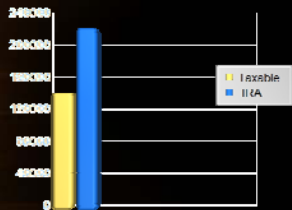


"Ignore the Effects of Taxes"

Slide 24

Advantage of Tax-Deferral

Shown: Value of \$2,000 yearly investment at 10% rate for 25 years with and without tax deferral applied.



For Illustrative Purposes Only.
Source: Vanguard Group of Investment Companies.

Slide 25

Investing in Equities, Wisely

"In investing money, the amount of interest you want should depend on whether you want to eat well or sleep well."


J. Kenfield Morley, *Some Things I Believe*.



Slide 26

Anatomy of an Index

The S&P 500 Index



S&P 500 Global Industry Classification Standard (GICS) Sectors as of December 31, 2001

Slide 27

Indexing Wins Out

"...approximately 80% of mutual funds underperform the stock market's returns in a typical year."


- Bill Barker, Senior Producer of Investing, *The Motley Fool*

"Since 1984...the S&P 500 Index...provided a 16.3% return. The average equity mutual fund turned in a return of 13.1% — 3.2 percentage points less..."

Remarks by John C. Bogle, November 15, 2001
 Founder and Former Chairman, The Vanguard Group
 (Return data are through 10/1/2001)

Slide 28

Pause and Reflect



- We invest in equities to beat inflation.
- We choose *not* to invest ourselves so as to avoid 'bubbles'.
- We choose *not* to invest in "actively managed" (non-index) mutual funds.
- We choose to look for tax-deferral instruments, and use them.
- We use indexing as our primary investment strategy.

Slide 29


Investing Smarter

Slide 30

Can We Find the 'Best of All Worlds'?


Wouldn't it be great to have an investment that provided all this?

- ✓ Protection of Principal
- ✓ Locked in Annual Gains
- ✓ Index-linked Performance
- ✓ Guaranteed Minimum Return
- ✓ Tax Deferral on All Gains



Slide 31

Protection of Principal



- Your initial investment is not at risk.
- This index product is guaranteed to not lose value.

All guarantees are based on the claims-paying ability of the issuing insurance company.

Slide 32

Lock In Annual Gains

Example: The 'Annual Reset' Equity Index Annuity



\$1,000	GAIN	GAIN	NO LOSS	GAIN
	\$1,100	\$1,210		\$1,331

Slide 33


Index-Linked Gains

- Stock market participation that focuses on downside protection.
- A percentage of the increase in the market value of the index is credited to your account.



Slide 34

Use of Monthly or Daily Averaging



- Monthly or Daily averaging can provide a positive return in a year that was otherwise negative.
- It also can reduce the impact of market volatility, having the capability of smoothing out severe swings – increases and decreases – in index values.

Slide 35

Selecting an Equity Indexed Annuity

We recommend, where appropriate, EIA products that:

- Are issued by top-rated companies
- Have a guaranteed minimum return.
- Have high caps and low (or no) fees.
- Use annual reset & monthly averaging.
- Have other benefits:
 - Free withdrawals, tax deferral, avoids probate, nursing home provisions & more!

Slide 36

Realistic Expectations

Slide 37

The Equity Index Annuity in Action

We'll examine:

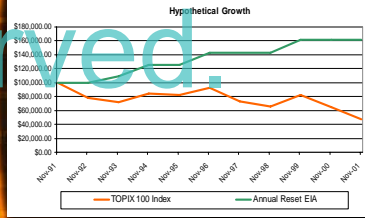
- A Bear Market Scenario
- A Bull Market Scenario
- A Random Market Scenario

All illustrations that follow are based upon an initial investment of \$100,000 that remains invested for a ten-year period. Hypothetical illustrations using historical events are shown.

Slide 38

Bear Market Illustration

Post 1990 Japan Stock Market Meltdown

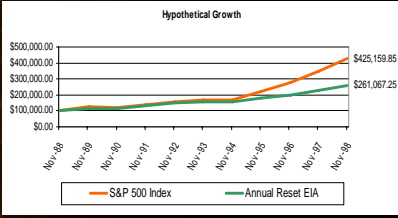


Ten years ending 11/2001. Data source: Track Data, Inc.

Slide 39

Bull Market Illustration

Post 1987 US Stock Market crash



Ten years ending 11/1998. Data source: Track Data, Inc.

Slide 40

Random Outcome Simulations

Also called 'Monte Carlo Simulations'

- Are useful when investing in the stock market for the following reasons:
 - Stock Market returns are unpredictable.
 - Investors need realistic projections.



Slide 41

Random Outcomes
Sample Ending 10 year Growth Values

Probability Factor	S&P 500	Annual Reset EIA
5% >	\$ 314,903.13	\$ 259,254.40
10% >	\$ 260,061.86	\$ 243,742.60
15% >	\$ 234,164.08	\$ 233,373.22
20% >	\$ 210,424.74	\$ 226,530.26
25% >	\$ 190,828.41	\$ 214,106.08
50% >	\$ 138,879.69	\$ 188,588.68
75% >	\$ 97,789.44	\$ 164,757.29
90% >	\$ 70,632.17	\$ 146,667.66
95% >	\$ 60,741.75	\$ 134,486.68
99% >	\$ 39,788.66	\$ 119,538.74

Slide 42

Three Investing Truths

1. Markets are ultimately efficient.
2. Indexing can be an effective strategy.
3. Have realistic expectations.



Slide 43

Taking the Next Step

Slide 44

Our Vision for You

- Meet Your Financial Goals
- Reduce Investing Stress & Anxiety
- Pay Less Taxes
- Avoid Probate



Slide 45

Disclaimer

This material is intended to provide general information and is not intended to provide legal or tax advice. Because individual situations vary, each person's situation should be examined carefully to determine appropriate planning strategies. It is recommended that decisions be made only after consulting with competent financial, tax, and legal advisors.

All examples and illustrations shown during this presentation are meant to demonstrate various investment concepts. They are not intended as a guarantee of your results should you enact any of the strategies shown. They are also not intended to reflect the performance of an actual investment or to guarantee returns.

Slide 46

About Fixed Annuities

Before making any investment into a fixed annuity, you should read and understand the consumer sales literature that the insurance company and/or its agent is required to provide.

There may be costs associated with investments in fixed annuities (i.e. caps, asset fees, etc.) that are not typically associated with other investments. Certain features may be offered by the insurance company to investors at no additional cost. All fees, options, and penalties are explained in the sales literature.

There are tax implications associated with early withdrawals and surrenders. A deferred sales charge is typically assessed during the first years of the contract.

Slide 47

Acknowledgements

A Random Walk Down Wall Street, by Burton G. Malkiel, 8th Edition.

The Truth About Equity Indexed Annuities, by Allianz Marketing, Inc., 2003.

The Flaw of Averages, by Sam Savage, published Sunday, October 8, 2000, in the *San Jose Mercury News*.

A Better Way to Sign Up Your Nest Egg, by Christopher Farrell, *BUSINESSWEEK Online*, January 22, 2001 issue.

Earn More (Sleep Better), by R.E. Evans & B.G. Malkiel

Charts and tables by Mitchell M. Maynard CFS, CIMC

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Slide 48

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