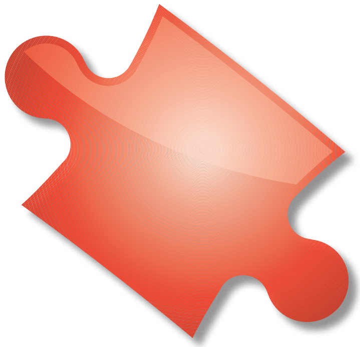


Obstacles to Advice

HOW THE DOL'S PROPOSED FIDUCIARY REGULATION COULD AFFECT AMERICANS

MANAGING THE RETIREMENT PLANNING PUZZLE

The U.S. Department of Labor (DOL) has proposed a new regulation that would adversely affect the retirement and financial security for millions of Americans. The proposed regulation would result in consumers receiving less guidance from financial professionals and limit their access to a wide range of retirement products and services.

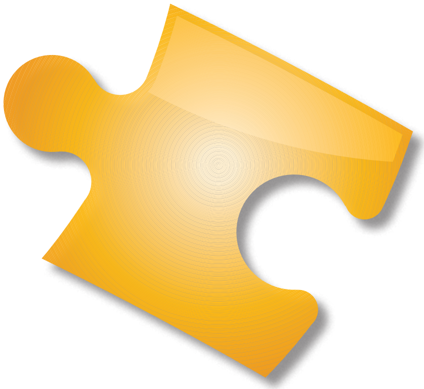
The DOL plan would steer people away from many of the commission-based financial advisors they have worked with for years and trust. The DOL plan would push people toward "fee-for-service" advisors who typically charge clients year-to-year based on the amount of a client's assets they manage, an arrangement that is out of reach of many savers of modest financial means.

The following examples help demonstrate how the regulation would have harmed Americans seeking guidance and information about retirement if it had been in place in years past.

ROSE AND WALTER

Rose and Walter are in their eighties and have been married 61 years. Walter is a retired electrician and Rose is a retired executive assistant. Both retired at age 65. According to actuarial tables, one or both of them could live until 95. However, given their excellent health and family history it is likely that one or both of them will live beyond that age. So they needed to be sure their retirement savings would last at least 30 years. Their main retirement vehicles were 401(k) defined contribution plans that each contributed to regularly. They also had modest savings in a taxable account. When they retired, they had close to $350,000 in total savings. A commission-based financial professional recommended that they place $100,000 of their savings into an annuity that guaranteed a steady stream of income – no matter how long either one of them lived. This provided the income certainty Rose and Walter needed and enabled them to invest their remaining $250,000 for future growth.

The financial crisis in 2008 significantly affected their investments. However, thanks to the income from their annuity, Rose and Walter were able to maintain a comfortable lifestyle during the crisis. Eventually, their investments



rebounded. Today, their retirement income is higher than it has ever been. Under the fiduciary regulation proposed by the Department of Labor, which would impose new restrictions on financial professionals, it is unlikely they would have received information about annuities, a financial product underwritten solely by life insurers and offered by advisors most affected by the proposed regulation. As a result, their savings likely would have remained in the market during the crisis and to maintain their lifestyle, they surely would have had to sell assets at reduced prices, depleting their savings.

JACK

Jack is an independent insurance agent. He sells auto insurance and other products on a commission basis. He helps the people in his community protect their belongings. Many of Jack's clients are low to middle-income workers who do not have a retirement savings plan at work.

When he meets with his clients to talk about their insurance needs, Jack takes some time to talk about saving for retirement as well. He is often the only person who has raised the subject of retirement savings with them, and they are thankful for the conversation and what they learn. Usually, after discussing budgets and long-term goals, Jack assists his clients with opening an IRA account.

Because of the DOL's proposed regulations' new legal liabilities and restrictions on compensation, Jack would have needed to move to a fee-based advice model or leave the business. That would have been unfortunate. Since his customers' savings are usually quite low, charging a one-time commission on sales is often the most cost-effective way for lower-income consumers to get the products that help them save for the future. However, had the proposed regulation been in place, financial advisors would have been driven to switch to a higher cost fee-only service model, which Jack's clients may not have been able to afford.

FRED AND ELEANOR

After many years of hard work, Fred and Eleanor built a successful small business. They reached the point of success where they were ready to explore retirement planning options for their workers.

So, they reached out to Sue, their insurance agent, who had provided them with their group life insurance policy. They respect the service and advice Sue has given and did some research to learn that her company's 401(k) offerings are highly regarded. Fred and Eleanor wanted a service provider that would allow them to continue to spend most of their time doing what they do best, running their small business. Sue was able to provide this service and now their small business offers its employees a path to a secure retirement.

Even though Sue believes her life insurance company's retirement plan serves the best interest of her clients, and Fred and Eleanor and their employees had been satisfied with Sue's service, the restrictions in the proposed fiduciary regulation would have prevented Sue from continuing to service their plan or other plans like Fred and Eleanor's, leaving her clients and their employees without her services and likely without a plan.

LINDA

Linda is a 73-year old retiree. Her nest egg was invested in an IRA earning little more than inflation. She worried about how long her savings would last. She explained her concern to her life insurance agent, George, who she has worked with and trusted for years.

George explained how an annuity could provide a monthly paycheck for life. Linda worked with George to use a portion of her savings to purchase an annuity that met her needs, and she was grateful.

Under the DOL proposal, George would likely not have had this conversation with Linda. As written, the rule would have exposed George to new legal liabilities for discussing IRA options with Linda. Moreover, because of the proposed regulation's restrictions on commissions, George would likely have started charging Linda an ongoing fee to offer advice, which is more expensive than a commission-based approach. For lower-income consumers like Linda, this approach is not cost effective.

OLIVIA

Olivia was working part-time at a grocery store and taking care of her elderly mother. The grocery store did not offer a 401(k) plan. But Olivia was fully vested in a retirement plan with a previous employer. When she turned 60, she started to worry about whether she would have enough money when she retired, which she hoped to do at age 65.

She called the life insurance company that serviced her former company's 401(k) plan. She spoke with Sally, an advisor, who reviewed Olivia's investment allocations. She learned that Olivia was invested entirely in a money market fund that, on average, earned only 1.5 percent. Sally discussed Olivia's long-term goals and evaluated her tolerance for risk.

Sally then reviewed the many options available to Olivia and they agreed she needed some exposure to the equity markets.

Olivia chose to put a portion of her savings into a variable annuity IRA. The annuity contract guaranteed a minimum return on her investments and offered the potential for future gains in the stock market. It also offered a guaranteed stream of income when she retired. The annuity provided Olivia with peace of mind that she was ready for retirement.

The proposed regulation would effectively have prohibited Sally from receiving a commission for the sale of an annuity option to fund an IRA. As a result, she would likely not have offered this option to Olivia. Under these circumstances, it is unlikely that Olivia would have the same peace of mind about her retirement.

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