LIF PRO

Life Insurance Funded Personal Retirement Option

Agent reference guide

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Clients are concerned about their current level of retirement savings. They are also worried about the inherent volatility in many of the financial alternatives holding those retirement funds.

In Gallup's April 20 (2009) Economy and Personal Finance poll:

52% of non-retired Americans say they doubt they will have enough money to live comfortably once they retire.

42% (the lowest reading Gallup has measured) say that their 401(K) and other tax exempt plans will be a major source of retirement income.

22% (up from 10% in 2001) say part-time employment will be a major source of retirement income.

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Market based retirement accounts

Many clients expect their 401(k), IRA, Keogh or other retirement savings account to be a major source of retirement income. These types of plans can be great retirement savings vehicles but they come with limitations. Contributions are income tax deductible combined with income tax deferred accumulation (401(k) or Traditional IRA); or income tax free distributions are combined with income tax deferred accumulation (Roth IRA) but the plan assets are usually held in market accounts.

The concern with these accounts is the potential volatility and loss that can be exhibited in market based accounts over which the client has no control. Many clients today are wondering if there are alternative accumulation products that can minimize these potential losses and volatility while still allowing upside growth potential.

Social Security

Many clients who have not yet retired expect Social Security to be a major source of retirement income. This expectation brings up another issue. The August 2009 Congressional Budget Office ("CBO") "Updated Long-Term Projections for Social Security" states that Social Security's current revenues are greater than its outlays. However as the baby-boom generation continues to age, the outlays will grow substantially faster than revenues. This leads to the CBO's projection that in 2043 the Social Security trust funds will be exhausted. Once the trust funds are depleted, the Social Security Administration will no longer have the legal authority to pay full benefits.

Discrimination against high wage earners

These market-based downside risks are also accompanied by government imposed limitations on the ability to save for retirement in a tax-efficient manner. As the HYPOTHETICAL EXAMPLE chart below illustrates, as the annual income of an individual increases, the percentage of compensation potentially replaced by their 401(k) and social security actually decreases.

Replacement of Annual Compensation with Social Security & 401(k) Benefits

Compensation	$50,000	$100,000	$150,000	$200,000	$250,000
401(k) plan annual contribution (10% of Compensation)[1]	$5,000	10,000	15,000	16,500	16,500
401(k) annual benefits at age 67[2]	18,054	36,108	54,162	59,579	59,579
Social Security Benefits beginning at age 67[3]	20,088	28,296	29,484	29,484	29,484
Total Annual Retirement Income beginning at age 67	38,142	64,404	83,646	89,063	89,063
% of Compensation Replaced by Social Sec and 401(k)	76%	64%	56%	45%	36%

The chart demonstrates the inability of someone making $250,000 per year to replace his/her income to the same percentage (36% vs. 76%) as someone making $50,000 by using a combination of a 401(k) plan and social security. Bottom line . . . high income clients need additional tax efficient savings opportunities.

[1] Assumes the client wants to defer 10% of compensation each year beginning this year. The maximum contribution for 2009 is $16,500. However, if you will attain age 50 before the close of the plan tax year, you will also be eligible to defer an additional $5,500 as a catch-up contribution. The chart does not reflect the use of the catch-up provision.

[2] Benefits from the 401(k) assume: (1) an individual age 45; (2) contributions made for 22 years; (3) 401(k) assets accumulate at 6%; and (4) payout is based on a single life annuity purchased at age 67.

[3] Social Security benefits are based on the 2008 Quick Benefit Calculator at www.ssa.gov.

Retirement help

Clients need help saving for retirement. Since Social Security and 401(k) plans will only replace a fraction of their compensation, they must look for ways to save additional retirement funds in a tax-efficient manner. There are a number of financial plans and products that can be used to plan for retirement. The chart below outlines several retirement planning opportunities including their tax characteristics concerning: contribution, accumulation and distribution.

	Annual Limits on Contributions	Tax-Deferred Accumulation	Tax-Preferred Distribution	Income Tax Free Death Benefit
Traditional IRA	Yes	Yes	No	No
Roth IRA	Yes	Yes	Yes	Yes
Qualified Plan (401(k))	Yes	Yes	No	No
CD	No	No	No	No
Mutual Funds	No	No	No	No
Municipal Bond Fund	No	No	No	No
Individually Owned Deferred Annuity	No	Yes	No	No
Life Insurance	No	Yes	Yes	Yes

Life insurance as a retirement source of income

As illustrated in the chart on the previous page, life insurance is the only financial product offering:

1 tax-deferred accumulation

2 tax-preferred distributions

3 income tax-free death benefit; and

4 no income limitations on the ability to participate.

A properly structured life insurance policy not only provides valuable benefits for your client's loved ones in case of death, but it can also be an important source of supplemental retirement income.

Properly Structuring the Policy

The first step is choosing the correct life insurance policy. Aviva's indexed universal life product portfolio provides upside cash accumulation potential with indexed linked interest crediting options and a guaranteed 2% minimum interest crediting rate.

Once the client has selected their Aviva indexed policy, next is illustrating the product:

- You usually begin by selecting the minimum non-MEC ("Modified Endowment Contract") death benefit for the specified premium. Selecting the minimum death benefit reduces the cost of insurance thus increasing the potential for greater cash accumulation inside the policy. However, the strategy still works if the client needs a larger death benefit.

- Depending upon the situation you might run the illustration with an "increasing" death benefit to see if it will accumulate more cash value at the designated retirement age than leaving the death benefit at "level".

- Premiums are usually paid until the client's age when policy cash flow begins (desired retirement age).

- The illustration software can then solve for the maximum policy cash flow over the designated period of time (i.e. 15 or 20 years).

How LIF PRO works

1 Client selects the Aviva life insurance policy that best suits their objective (death benefits and cash accumulation).

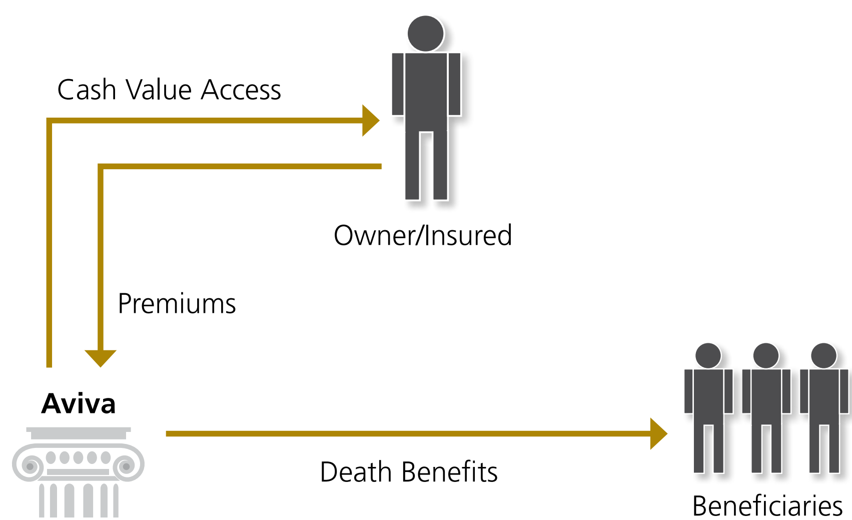
2 Client applies for the policy as owner and insured.

3 The policy's death benefit is set to the lowest possible amount to minimize costs associated with the policy.[1]

4 Client pays the scheduled premiums for the desired period of time (usually until retirement age).

5 The life insurance policy's cash values can be accessed to provide supplemental retirement income. Accessing the policy's cash value is typically income tax free through withdrawals (limited to basis) and policy loans.[2]

6 The named beneficiaries will receive an income tax free death benefit at client's death.



[1] The policy's death benefit must be set at a high enough amount to avoid being classified as a Modified Endowment Contract ("MEC"). A MEC does not allow tax-preferred distributions.

[2] Any outstanding policy loans in excess of basis are taxable to the policy owner if the policy lapses.

Hypothetical example

Steve is concerned about retirement savings. Steve wants to be able to support himself and Angela (his wife) at their current standard of living during their retirement years. He participates each year in his employer's 401(k) plan at the maximum allowable deferral. Due to the fact that he participates in the employer's plan and that he makes too much income, Steve cannot participate in an IRA or Roth IRA.

Your Suggestion

Purchase an indexed universal life insurance policy that when properly funded accumulates significant cash values that can be accessed to supplement Steve's retirement income. The policy also provides important death benefit protection for his beneficiaries.

Life insurance is the only financial product offering:

1 tax-deferred accumulation
2 tax-preferred distributions
3 income tax-free death benefit
4 no annual limits on contributions based on compensation

How It Works

1 Steve selects an indexed universal life policy from Aviva providing upside potential through various crediting strategies tied to the S&P 500 while providing a guaranteed minimum crediting rate thus eliminating cash value loss due to market performance.

2 He then applies for the policy as owner and insured.

3 The policy's death benefit is set to the lowest possible amount to minimize costs associated with the policy.[3]

4 Steve pays the scheduled premiums for the desired period of time (usually until retirement age).

5 The life insurance policy's cash values can be accessed to provide supplemental retirement income. Accessing the policy's cash value is typically income tax free through withdrawals (limited to basis) and policy loans.[4]

6 Steve's named beneficiaries will receive an income tax free death benefit at his death.

[3] The policy's death benefit must be set at a high enough level to avoid being classified as a Modified Endowment Contract that does not have tax-preferred distributions.

[4] Any outstanding policy loans in excess of basis are taxable to the policy owner if the policy lapses.

Example

Steve (age 45, Premier)
$500/month Premium:
Aviva's Lifetime Builder II IUL
Pay Premiums to age 67 (Steve's anticipated retirement age)
20 years of Income Tax-Free policy distributions

The Result

- Steve has increased his projected annual after-tax retirement income by $29,001 (a pre-tax equivalent of $44,617 assuming a 35% income tax rate) for ages 67 to 87

- The policy will provide valuable income tax free death benefit if something happens to Steve before, during or after retirement

22 years premiums

Policy Year	EOY Age	Key	Gross Premium Outlay	Total Cash from Policy* (BOY)	Net Outlay	Guaranteed at 2% (1) Account Value	Net Cash Value	Net Death Benefit	Non-Guaranteed Assumed (1) Weighted Average Interest Rate	Net Cash Value	Net Death Benefit
1	46	M	6,000	0	6,000	4,971	1,425	133,227	7.59	1,654	133,456
2	47	M	6,000	0	6,000	10,013	6,703	138,269	7.76	7,491	139,057
3	48	M	6,000	0	6,000	15,125	12,052	143,381	7.82	13,764	145,093
4	49	M	6,000	0	6,000	20,320	17,484	148,576	7.86	20,508	151,601
5	50	M	6,000	0	6,000	25,599	22,999	153,855	7.88	27,762	158,618

6,000	0	6,000
6,000	0	6,000
0	29,001	-29,001
0	29,001	-29,001
0	29,001	-29,001

Begin distribution

41	86	AL	0	29,001	-29,001			0	7.95	179,063	307,319
42	87	AL	0	29,001	-29,001			0	7.95	172,008	300,264
43	88	A	0	0	0			0	7.95	196,396	324,652
44	89	A	0	0	0			0	7.95	223,484	351,740
45	90	A	0	0	0			0	7.95	253,564	381,820
46	91	A	0	0	0	0	0	0			415,223
47	92	A	0	0	0	0	0	0			451,767
48	93	A	0	0	0	0	0	0			491,721
49	94	A	0	0	0	0	0	0			535,368
50	95	A	0	0	0	0	0	0			583,017
			132,000	580,015	-448,015						

Distribution through age 87

Increasing death benefit

This hypothetical example is for illustration purposes only and is not indicative of past, nor intended to predict future performance of any Indexed insurance products.

* Lifetime Builder II policy form 2ECI06
This product may not be approved in all states. Any interest credited to the policy or contract based upon the movement of an index may be subject to caps, asset fees or other limitations. Indexed insurance products are not registered securities or stock market investments and do not directly participate in any stock or equity investments.

Cash Value is a projected, non-guaranteed amount.

We are honored that you've put your trust in Aviva. We won't let you down.

As you read this, thousands of Aviva associates are focused on our three-letter mission statement:

You

We're making business and investment decisions that will ensure we can meet our obligations to you and your loved ones.

We're developing new ways to provide better service to you.

We're challenging ourselves to reinvent the way we look at life insurance and annuities, so we can continue to meet the financial needs of a changing world—your world.

Most of all, we're drawing on the experience we've gathered from our more than 300-year legacy. As the oldest continuously operating insurance group in the world, Aviva has endured and thrived through centuries of war and peace, booms and recessions and constant change. The highs and lows have taught us to be prepared so you can count on us, especially during times of uncertainty.

We never forget that our business is about the people we insure. It's about you. We want to help you achieve peace of mind and prosperity with Aviva.

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