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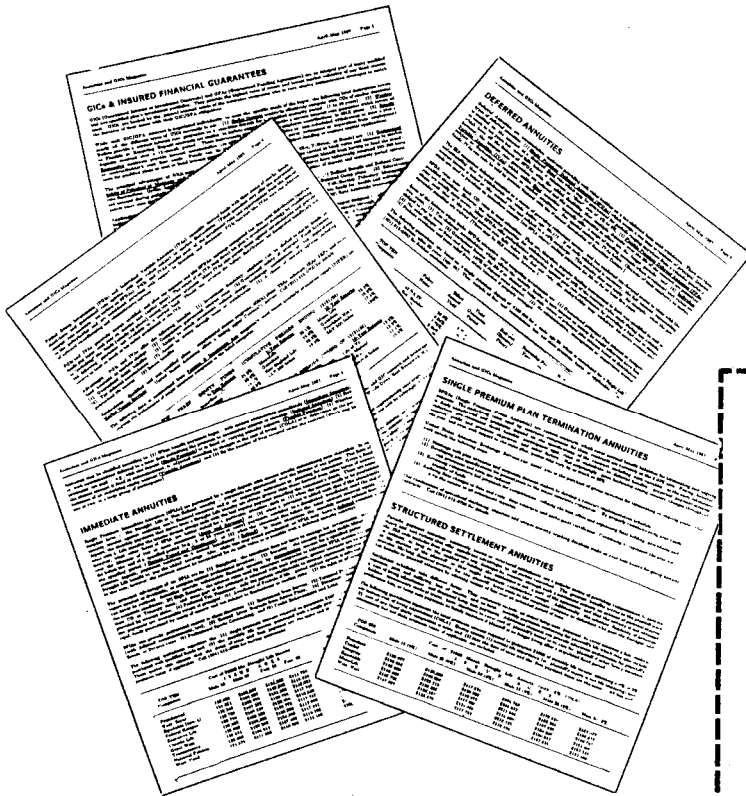
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# Annuities and GICs

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# CALL (201) 613-0700 FOR ALL YOUR ANNUITY & GIC QUOTES

Annuities may be classified according to (1) When benefit payments begin - with income commencing immediately (Immediate Annuities) or with commencement deferred to a later date permitting the premium to accumulate interest or earnings (Deferred Annuities); (2) How premiums are paid - e.g., with one deposit (Single Premium) or in fixed or varying periodic deposits (Flexible Premium); (3) Whether the income amount is fixed at commencement, is adjusted according to changes in the cost of living (COLA) or is dependent on the performance of an underlying equity account (Variable Annuities); and (4) By the number of lives covered under the contract (which may be one or two, or a large group of participants).

## IMMEDIATE ANNUITIES

Single Premium Immediate Annuities (SPIAs) are purchased by a single deposit with income usually commencing soon thereafter. In its simplest form -- the Straight Life or Non-Refund annuity -- payments are guaranteed over the lifetime of one person. This form of annuity insures against outliving one's financial resources and is an important instrument in planning for retirement. Given a fixed deposit, the monthly payments that derive from a Straight Life annuity are always greater than those derived from other forms of annuity since with a Life annuity the income stream always ends with the last regular payment preceding the annuitant's death. There are times, however, when other forms of SPIA are better suited for a particular situation, such as (1) when the income needs to be guaranteed over the lifetimes of two or more annuitants (Joint and Survivor); or (2) when a provision is added such that if the annuitant(s) die before the end of a specified period (e.g., 5 or 10 years or more) payments continue to a designated beneficiary until the end of the specified period (Certain Period and Continuous); or (3) when the annuitant dies before the total amount received equals the premium deposit, payments continue to a named beneficiary (Refund). In these situations the monthly income reduces from the Straight Life benefit to pay the added coverage. Also, while this may sound paradoxical, an SPIA may have a deferred commencement. In this case, however, the contract cannot be surrendered for its cash value as is possible with a deferred annuity contract.

The principal advantages of an SPIA are its (1) Simplicity; the annuitant does not have to manage his investments, watch markets, report interest or dividends, or compete against professional investors, (2) Security; the annuity provides stable lifetime income which can never be outlived. Annuities provide unbeatable financial security by guaranteeing income for a specified period no matter what the economic conditions; (3) High Returns; the interest rates used by insurance companies to calculate SPIA income are generally higher than CD or Treasury rates, and since part of the principal is returned with each payment, greater amounts are received than would be provided by interest alone; (4) Preferred Tax Treatment; only the portion attributable to interest represents taxable income; the bulk of the payments are nontaxable return of principal; (5) Avoidance of Probate if life - period certain option is selected; (6) Safety of Principal; funds guaranteed by assets of insurer and not subject to fluctuations or market risks; (7) No sales or administrative charges.

SPIAs can provide guaranteed income in these situations: (1) Retirement from Service; (2) Terminal Funding or Pension Terminations (with deferred commencements, too); (3) Retired Lives Buyouts from Active Plans; (4) Structured Settlements for Personal Injury, Estate, or Divorce cases; (5) Professional Sports Contracting; and (6) Credit Enhancement and Loan Guarantee Transactions.

The following quotations represent single premium amounts required to guarantee \$1000 of monthly income on the annuity forms described below when purchased with qualified funds. These quotes also assume that the dates of issue and first payment are the same and include all fees and commissions but not state premium taxes, if applicable. Call (201) 613-0700 for quotations.

Top 10 Reporting Companies	Date of Quote	COST OF \$1000 MONTHLY INCOME (QUALIFIED FUNDS)						
		ISSUE AGES AND FORMS OF ANNUITY						
		Male 55 Life	Male 65 Life	Fem. 55 Life	Fem. 65 Life	5yr PC No Life	10yr PC No Life	M65 F60 J&50%S*
Mass Mutual	06/02	\$109,950	\$ 92,730	\$116,290	\$104,250	\$ -	\$ -	\$104,500
Amer. Mut.L.	05/22	\$117,370	\$101,520	\$123,920	\$110,620	\$ 51,230	\$ 84,530	\$ na
Presidential	05/19	\$118,483	\$102,987	\$124,688	\$111,732	\$ 50,582	\$ 82,576	\$114,155
Jackson Natl.	05/28	\$118,629	\$103,140	\$124,747	\$111,866	\$ 50,575	\$ 82,135	\$114,255
Natl Fidelity	05/21	\$119,376	\$ 99,998	\$129,026	\$112,912	\$ 52,999	\$ 86,664	\$114,248
Canada Life	05/21	\$120,901	\$104,818	\$127,711	\$113,801	\$ 52,776	\$ 85,200	\$116,141
Guar. Secur.	06/02	\$121,951	\$104,932	\$128,866	\$114,416	\$ 51,361	\$ 85,178	\$113,765
United Pacf.	06/03	\$121,210	\$105,600	\$127,550	\$118,060	\$ 52,850	\$ 85,400	\$116,820
West. Natl.	05/22	\$123,016	\$105,470	\$131,455	\$115,375	\$ 49,676	\$ 85,800	\$118,638
Anchor Natl.	05/27	\$125,565	\$105,808	\$134,228	\$116,699	\$ 52,094	\$ 86,325	\$116,076

\*J&S annuity reducing on death of Male only (primary annuitant)

\*\*First payment 1 mo. after date of issue

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## GICs & INSURED FINANCIAL GUARANTEES

GICs (Guaranteed Interest or Investment Contracts) and GFAs (Guaranteed Funding Agreements) are an integral part of many qualified and non-qualified plan's investment portfolios. They provide the highest rates of return and lowest market volatility of any fixed-income asset. GICs are backed by the general account assets of the insurance companies who in turn employ immunization strategies to match the duration of their assets with their GIC/GFA obligations.

While each GIC/GFA contract is negotiated individually to meet the specific needs of the buyer, the following brief description covers nearly all the different types of GICs currently in use: (1) Bullet Deposit contracts effectively compete with CDs of similar durations. Bullets provide a current interest rate guarantee on a one-time deposit for a specified maturity period (1 to 10 years). (2) Window or Flexible or Recurring Deposit contracts are similar to bullets except they provide a current interest rate guarantee which covers all deposits received over a 12-month period. These instruments are attractive for employee contributions in 401K plans. (3) Benefit Responsive contracts provide interest accumulation (as with "bullets") and scheduled or non-scheduled withdrawals to meet a plan's or contractholder's cash flow needs. Funds can be paid out at book value to cover retirement or separation from employment costs for qualified plans or loan or bond interest payments in credit enhancement, municipal-funding or venture capital applications.

The principal advantages of GICs over competing fixed-income investments (such as CDs, T-Notes, or Bonds) are (1) Guaranteed Safety of Principal at Maturity and Reduced Market Volatility since GICs and GFAs are carried at book value and immune to market rate fluctuations. Unlike bond investments, for example, with GICs, a plan sponsor can protect himself from having to fund the standard account during periods of rising interest rates. (2) Higher Yields and Values- GIC returns have historically returned 100-300 basis points more than similar duration Treasury or corporate bonds. (3) Flexibility through selection of deposit and maturity period options.

Applications: GICs and GFAs have many qualified and non-qualified applications including: (1) Defined Benefit and Defined Contribution - 401K plans. (2) 501(c) tax-exempt organizations, VEBA plans, and non-qualified Deferred Comp plans. (3) Educational Endowments, Foundation and Charitable Trusts. (4) Asset diversification programs. (5) Taft-Hartley Fiduciary Management Trusts. (6) Group Legal Service funds. (7) Retired Life Reserves or Premium Stabilization funds for health and welfare plans. (8) Credit Enhancement and Collateral programs. (9) Tax-Exempt and Taxable Bond offerings. (10) Rate Arbitrage transactions.

MANAGED GIC PORTFOLIOS AND POOLED GIC FUNDS - United States Annuities offers strategies designed to add value to GIC holdings through active management of GIC portfolios. This is accomplished by saving risk premiums through better planning of cash flows, better planning of maturity dates and reinvestment activities, making forward commitments to insurers when there are rate opportunities, more effective contract review, negotiation, and renegotiation processes, and better insurance company financial analysis. For sponsors with small plans that cannot effectively be administered as discrete GIC portfolios, we offer Managed GIC Pools through the cooperation of the trust departments of leading banks and insurers which accomplish the above results.

The following rates are for Bullet GICs in qualified plan situations and are quoted net of expenses and with no commissions. Call (201) 613-0700 for rates on Window and Benefit Responsive GICs and Non-Qualified Guaranteed Funding Agreements.

Top 10 Reporting Companies	Date of Quote	\$500,000 Deposit				\$5,000,000 Deposit			
		Compound		Simple		Compound		Simple	
		3 Yr	7 Yr	3 Yr	7 Yr	3 Yr	7 Yr	3 Yr	7 Yr
Southwestern	05/20	8.80%	9.70%	8.80%	9.70%	8.90%	9.77%	8.90%	9.77%
Provident Mut	06/04	8.78%	9.39%	8.78%	9.39%	8.95%	9.50%	8.95%	9.50%
Guar. Security	06/02	-	9.25%	-	-	-	9.25%	-	-
New York Life	05/26	8.80%	9.20%	8.85%	9.25%	8.90%	9.30%	8.95%	9.35%
Life of Va.	05/21	8.78%	na	8.78%	na	8.87%	na	8.87%	na
CNA	05/21	8.50%	9.35%	8.50%	9.35%	8.77%	9.52%	8.77%	9.52%
Prudential	05/18					8.70%	9.50%	8.70%	9.50%
Canada Life	06/02	8.49%	na	8.54%	9.37%	8.70%	na	8.75%	9.48%
Confederation	05/21	8.46%	9.50%	8.51%	9.55%	8.65%	9.60%	8.70%	9.65%
ManuLife	05/20	8.20%	8.90%	8.20%	8.90%	8.37%	9.63%	8.35%	9.59%

**SUBSCRIPTIONS & CIRCULATION:** Annuities & GICs is sold by subscription throughout the United States, Canada, and overseas. **PRICE:** U.S. first-class delivery, prepaid only, \$50/year. In addition, about 15,000 copies of a sample Annuities & GICs rate bulletin are distributed approximately once every 2 months. These bulletins are passed through to more than 45,000 readers.