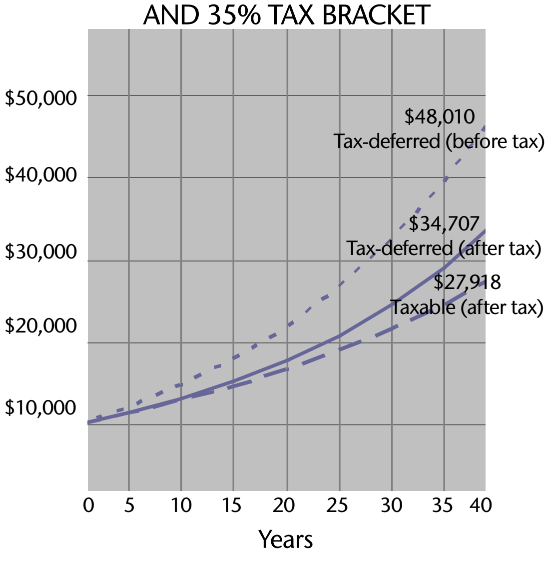
WHEN IS 4% REALLY NOT 4%?

35% TAX BRACKET

Tax-Deferred Rates	Required Equivalent Taxable Rates
3.0%	4.6%
3.5%	5.4%
4.0%	6.2%
4.5%	6.9%
5.0%	7.7%
5.5%	8.5%

$10,000 AT 4% INTEREST RATE AND 35% TAX BRACKET



...When it's the rate on a taxable investment

As you consider your long-term savings needs, be sure to take advantage of tax deferral. A tax-deferred annuity can give you a higher effective rate of return than a taxable alternative–even if the annuity interest rate is lower.

Don't focus solely on the stated interest rate without realizing your net return after taxes. This is your true earnings rate. For instance, $10,000 invested in a 4% certificate of deposit would earn $400 in one year, taxable as interest earnings. At a federal tax rate of 28% and state taxes of 7%, $140 would be paid in taxes. This means the net after tax yield of the CD is only 2.6%.

The chart on the left dramatically illustrates the required taxable equivalent rate in a 35% tax bracket. For example, to equal the annual return of a tax-deferred annuity at 5%, a taxable CD would need to credit 7.7% in a 35% combined tax bracket.

The benefits of tax deferral and compounding

Tax deferral also allows you to reap more benefits from compounding. That $140 saved from taxation stays in your account to earn more interest–every dollar you earn accumulates more interest.

The graph to the left shows the benefits of both tax deferral and compounding, comparing a tax-deferred annuity at 4% and a taxable investment at 4%. A 35% combined tax rate is assumed with an initial amount of $10,000 invested.

As you can see, the tax-deferred accumulation (before tax) is almost 75% more than the taxable investment after 40 years!

Since an annuity is designed to provide long-term savings, you may pay an IRS 10% tax penalty on amounts received before age 59½. However, the tax penalty does not apply to certain lifetime payouts, or if you become disabled or die. Annuity earnings are taxable as ordinary income when received.

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PO Box 9202
Des Moines, IA 50306-9202
800-232-5818
www.EMCNationalLife.com

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