

Broker Overview

Background

There is over \$1 Trillion currently invested in variable annuities with nearly half of this in nonqualified contracts. Due to 3-year bear market in 2000-2002, many of these variable annuities have suffered market losses in recent years. Many of these annuity owners are dissatisfied with their policy and wish they had other alternatives.

One consolation is that nearly all contracts now have death benefits well above their account values. However, did you know that most seniors will outlive their death benefits? Most people are not aware that guaranteed minimum death benefits (GMDBs) often expire at a given age, such as age 85. A 72 year old man has over a 50% chance of living past age 85.

In addition, death benefits evaporate as the market recovers, and offer no value to the owner while living. Until now...

New Solutions

Sterling Financial Partner's Variable Annuity Recovery Program offers new alternatives that may help many VA owners offset some of the losses caused by the market downturn. Clients with contracts that have lost money (account value below tax basis), will be able to offset these losses by claiming a tax deduction for their loss. For certain clients who have made money in their contracts, it will allow them to "lock-in" the value of their current death benefits that will otherwise evaporate. And for eligible VA owners who may consider exchanging their contract, this program will *always offer a better value*.

Huge Sales Opportunity

SFP's VA Recovery Program creates an extraordinary marketing opportunity for brokers to generate a new sale while helping clients whose contracts have suffered market losses. In nearly all cases, the broker will make a new sale! SFP's VA Recovery Program creates compelling advantages to the client and frees up money for new sales. There are two distinct markets for this program:

- 1) Clients with a tax loss
- 2) Clients with a tax gain.

Sterling Financial Partners, LLC
Variable Annuity Recovery Program

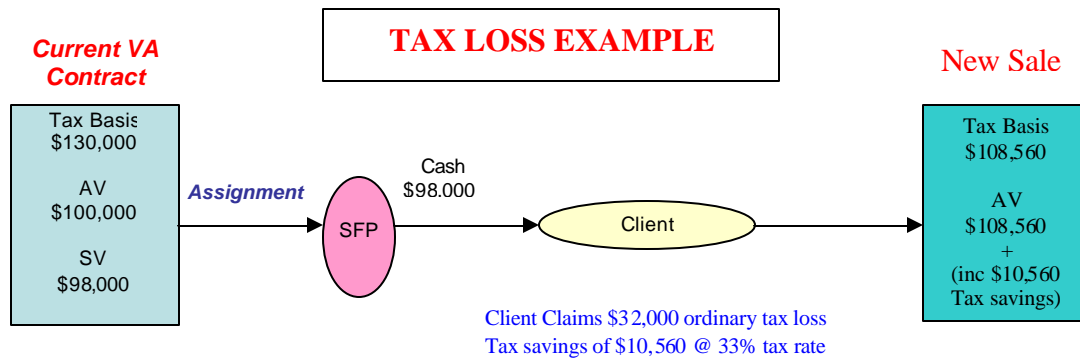
Tax Loss Program- The \$100 Billion Tax Secret

Contract Issue Dates 1999-2001: The majority of people who purchased their contracts in 1999-2001 have lost money- and over \$100 Billion of nonqualified variable annuities were sold! Amazingly, most are not aware of the fact that they can surrender their contract and claim a **tax deduction against ordinary income***. This is the biggest tax secret in the USA! Imagine reducing your taxable income by \$20,000, \$50,000 or even \$100,000!

* Contract owners should consult their tax advisor. Source: IRS Publication 575

The VA Recovery Program shows clients how to obtain this deduction. Of course, a client should weigh the benefits of the tax deduction against any surrender charges they may incur.

Tax Loss Example: John Jones invested \$130,000 in a VA in 1999 which has a current account value of \$100,000 and surrender value of \$98,000. After discussing with his advisors, John decides to claim a \$32,000 deduction on his tax return. In a 33% tax bracket, this could produce a tax savings of \$10,560 which offsets a significant portion of his market loss. In addition, this could be reinvested in a more suitable product that would reduce his exposure to future losses.



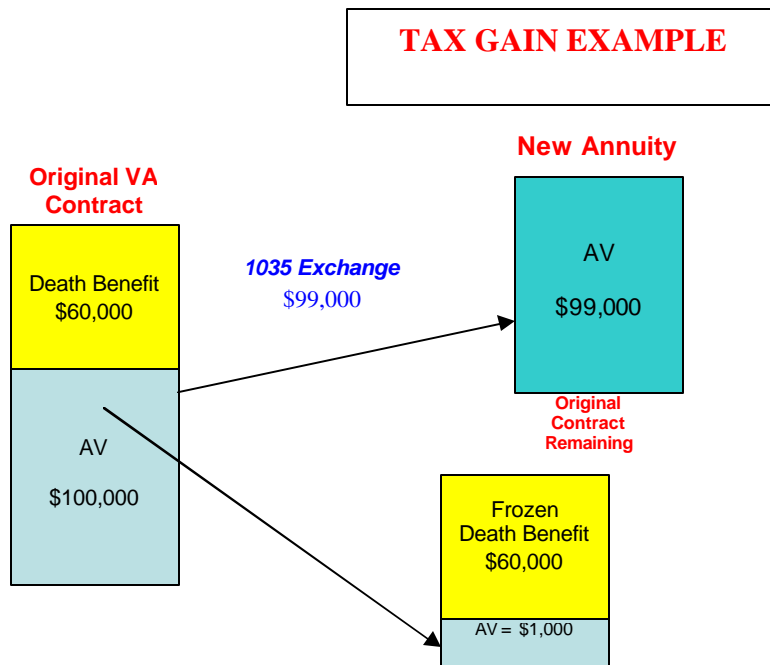
Sterling Financial Partners, LLC Variable Annuity Recovery Program

Tax Gain Program- Freezing the Death Benefit

Contracts Issued Pre-1999: Most VA contracts sold before 1999 have large death benefits, but no tax loss. Many of these contracts have “dollar-for-dollar” withdrawal features. These represent a tremendous opportunity to help clients and make sales. How? Brokers can help their clients lock-in the value of the death benefit by “freezing” the insurance portion of the death benefit. This is accomplished by doing a partial 1035 exchange to a new annuity contract, leaving a small amount of cash in the original policy plus its insurance benefit. And the best news? In the process of helping clients, the broker always makes a new annuity sale!

Tax Gain Example: John Jones invested \$80,000 in a VA in 1995. The account value grew to \$160,000 by 2000, but has fallen back to \$100,000 at this time. The death benefit remains at \$160,000 based on its annual reset feature. The "insurance benefit" is the difference between the total death benefit and his account value (\$160,000 - \$100,000 = \$60,000). John understands that this insurance benefit will evaporate as his account value grows.

With the help of his advisor, John weighs his options and decides to freeze his insurance benefit and reduce his future exposure to market losses. To accomplish this, he transfers \$99,000 to a new contract more suited to his current needs through a partial 1035 exchange. There are no surrender charges so this leaves \$1000 of account value in the original contract along with the \$60,000 insurance benefit.



Sterling Financial Partners, LLC
Variable Annuity Recovery Program

Summary

Owners of variable annuities which have been battered by market losses now have new alternatives! The VA Recovery Program can allow brokers to present solutions that are better for their clients and create enormous opportunities for new sales. SFP can help brokers identify eligible products and provide the materials, training and individual case support to succeed.

About Sterling Financial Partners, LLC

Sterling Financial Partners, LLC, located in Northborough, Massachusetts, was founded by experienced insurance industry executives. Our objective is to help people maximize the benefits of their existing insurance programs and to offer unique solutions to their financial problems. The Sterling Variable Annuity Recovery Program has been developed with leading legal and tax firms as has undergone extensive due diligence.

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