

If You Want to Know the Real Rate of Inflation, Don't Bother with The CPI

<http://www.forbes.com/sites/perianneboring/2014/02/03/if-you-want-to-know-the-real-rate-of-inflation-dont-bother-with-the-cpi/#678cbfd6118b>

Consumer Price Index Flaws:

1. Doesn't include many frequently purchased products and services
2. Reduces the inflation measure on larger items for "product quality improvements"

Examples of Manipulation by the Fed that Impacts Seniors:

1. Keeping interest rates low to "stimulate the economy" but also to reduce debt obligations.
Reduces fixed income.
2. Not adjusting COLA on entitlements for inflation as realized by the beneficiaries.

The Everyday Price Index

AIER's new proprietary measure calculates the inflation we actually experience. Guess what: It's just as bad as you thought.

by AIER Staff

Most Americans in 2011 experienced a day-to-day inflation rate of 7.2 percent—more than two times the official estimate released by the Bureau of Labor Statistics.

This preliminary finding based on a price index with static weights comes from the Everyday Price Index (EPI). AIER developed the new proprietary index to measure the actual price experience of ordinary people.

The most widely quoted official estimate, the Consumer Price Index (CPI), puts the 2011 inflation rate at 3.1 percent. That's because the CPI uses a different array of goods and services to calculate the average annual percentage change in the cost of living.

The Everyday Price Index includes only the prices of goods and services that the average consumer purchases at least once a month.

The index includes food and beverages, household energy products and services, other utilities, motor fuel, prescription drugs, child care fees, phone services, personal care products, and other goods and services purchased on a regular basis.

Unlike the CPI, the Everyday Price Index does not include housing. Despite the housing debacle caused in part by variable rate mortgages, most people do not renegotiate rent or mortgage payments

on a regular basis. In addition, the index ignores big-ticket items such as household appliances and furnishings and new and used cars. It also excludes less expensive but irregularly purchased goods such as apparel and information technology.

The frequently purchased products in the Everyday Price Index make up only about 39 percent of total household spending. But changes in the prices of these products are what people experience day to day. They account for sticker shock at the pump and at the supermarket check-out, and they impact month-to-month household budgets in a way that fixed costs do not.

Chart 1, below, shows the long-term implications of the difference between the CPI and the Everyday

Price Index. We set the index values for both the CPI and EPI to 100 for January 2000. In December 2011, the CPI was 133.69 and the EPI was 156.89. This means since 2000, the CPI increased by about 34 percent, while the EPI increased almost twice as fast, by about 57 percent.

Interpreting the implied difference in purchasing power involves thinking separately about day-to-day experience and the broader long-term cost of living. Over the course of a year, the price of a hamburger or a pound of coffee may change dramatically. But a car payment cannot because it is contractually fixed. In addition, certain intermittently purchased goods such as televisions and computers are falling in price (especially on a

Chart 1: EPI and CPI Price Levels

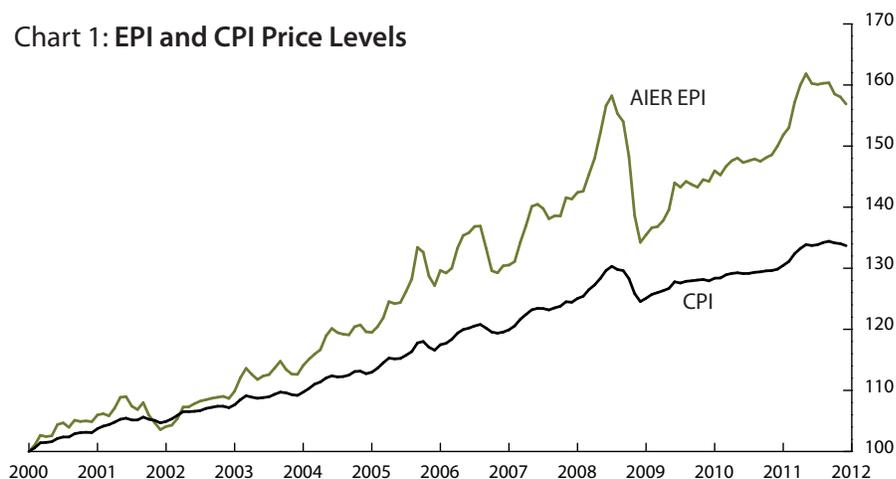
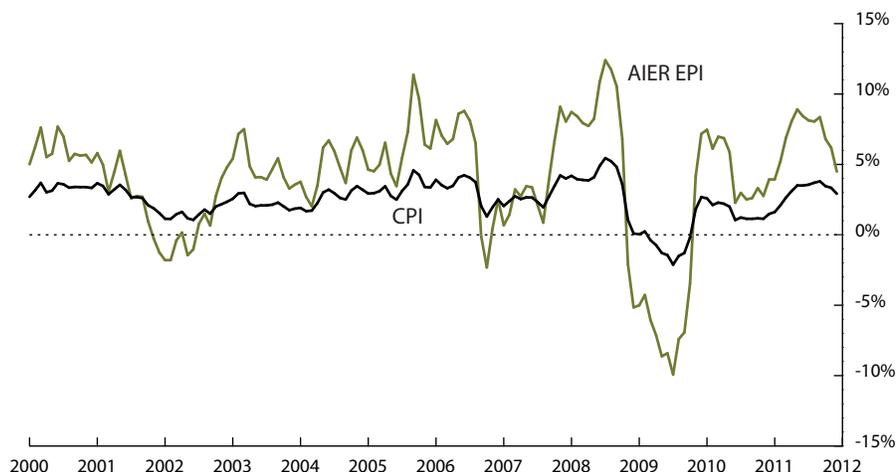


Chart 2: EPI and CPI Inflation



quality-adjusted basis). Coffee and hamburgers tend to put upward pressure on the broader cost of living. Cars, televisions, and computers tend to exert a downward pressure.

According to the BLS, the average price of an automobile rose

2.4 percent from January 2000 to December 2011, substantially less than the change in the CPI. This means that a car that cost \$25,000 at the beginning of the decade now costs \$25,600. That number probably seems low because the price

has been adjusted for quality: New cars in 2011 have many features that cars in 2000 did not have. But because buyers often do not have the option to buy a car *without* the new features, they pay substantially more in actual dollars than the value suggested by the CPI.

If the inflation rate of big-ticket items such as cars matched that of everyday items, consumers would be appalled. If the price of cars matched the CPI's overall inflation rates without quality adjustment, for example, a car that cost \$25,000 in 2000 would be \$33,423 today. If the price of cars matched day-to-day experiences (EPI), then that same car would cost \$39,222.

Buying a car is a much bigger hit to one's wallet than day-to-day outlays for food, fuel, and other simple necessities. Therefore, big

Price Indices: Different Measures for Different Purposes

Price indices attempt to summarize the prices paid by millions of individuals for a vast array of goods and services. Each index is constructed to address specific issues or policy-making needs. Accordingly, each differs by the goods and services it includes, and the importance attributed to them.

The Bureau of Labor Statistics publishes several consumer price indices each month in addition to the overall CPI. Below is a sampling of them, along with the 2011 inflation rate computed from each. For reference, the annual average inflation rate according to the Everyday Price Index was 7.2 percent.

The CPI for All Urban Consumers (CPI-U) is the most commonly used price index. It is based on the prices of goods and services purchased by the 87 percent of the U.S. population that are urban consumers. For 2011, the CPI-U increased 3.1 percent.

The CPI for Urban Wage Earners and Clerical Workers (CPI-W) reflects buying habits of the 32 percent of the population that qualify as urban wage earners. The annual percentage change in this index determines the cost-of-living adjustment to Social Security benefits, in an attempt to have Social Security COLAs mimic those of wages. For 2011, the CPI-W increased 3.6 percent.

The CPI Less Food and Energy excludes the

highly volatile food and energy prices from the CPI-U. The percentage change in this index is often called the *core inflation rate*. The core rate reflects government policy more than it reflects supply and demand. Over time, the CPI-U and the CPI Less Food and Energy exhibit similar growth rates. For this reason, core CPI is thought to be a good predictor of future inflation. For 2011, it was 1.7 percent.

The Chained CPI-U continuously adjusts for substitutions that consumers make in response to price changes. When the price of beef increases relative to the price of chicken, for example, consumers tend to buy less beef and more chicken. A price index that ignores this substitution will overestimate the impact of higher prices on the cost of living. For 2011, the Chained CPI-U increased 3 percent.

Unlike other indices, the **Personal Consumption Expenditure (PCE)** deflator is not based on a fixed basket of consumer goods that is determined by surveying consumer buying habits. Rather, the PCE deflator looks at price changes for *all* consumer goods and services sold in United States. The Federal Reserve prefers to use the change in the PCE deflator as the measure of inflation. The PCE deflator has exhibited a lower inflation rate than the CPI-U. For 2011, it was 2.2 percent.

purchases have a larger impact on the overall cost of living. In the CPI, the lower inflation rate for cars (and similar items) offsets a substantial part of the increases in other prices. The everyday inflation rate that people experience is moderated to some degree by quality adjustment and slower growth in the prices of infrequently purchased goods and services.

The Everyday Price Index is also more volatile than the CPI, as Chart 2 on page 2 shows. The chart compares annual increases (monthly year-to-year changes) in inflation since 2000 according to the two indexes. There are striking differences.

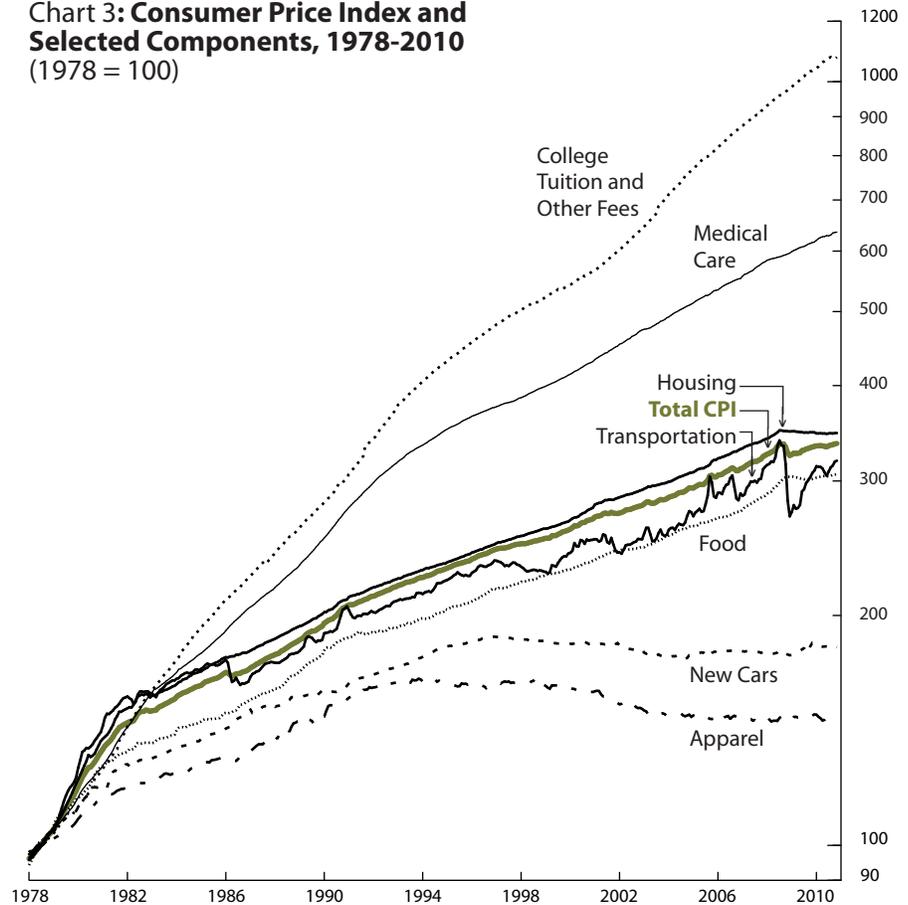
While the CPI stayed relatively stable in the 4 to 5.5 percent range in mid-2008, the EPI peaked at 12.4 percent in July of that year. The EPI also indicates a broad deflationary period from November 2008 through October 2009, which peaked at -9.9 percent. This was probably led by declines in energy prices, and helps explain the Fed's nearly panicked attempts to expand the money supply during that period.

More recently, EPI inflation hit 8.9 percent in May 2011 and was as high as 6.2 percent in November. For the latest month, EPI inflation is 4.5 percent versus CPI inflation of 2.9 percent.

The government is not cooking its numbers. The official CPI is not designed to measure the everyday experience of people. Rather, it is supposed to be a policy guide that reflects broad changes in consumer price levels. The faster increase in prices of the frequently purchased items measured by the Everyday Price Index may explain why some people feel that the official CPI numbers are at odds with their own perceptions of inflation.

The CPI is still the best way to measure broad-based inflation. As measured by the CPI, inflation has been relatively contained since 2009, in part because of the financial crisis and the recession. Now

Chart 3: Consumer Price Index and Selected Components, 1978-2010 (1978 = 100)



that seems to be changing. The average CPI inflation for 2011 of 3.1 percent is almost double the 2010 inflation rate of 1.6 percent. The rate also tracks with the 30-year average CPI inflation rate of about 3 percent per year.

Given the monetary expansion policies pursued by the Federal Reserve in the last few years, inflation is unlikely to moderate and may even accelerate in the future. The Fed increased M1, the narrowly defined money supply that consists of currency and demand deposits only, by 14 percent in 2011 alone and by 48 percent since the start of the financial crisis in 2008.

Historically, such a large expansion of the money supply has always resulted in higher inflation. For now, most of the additional money created by the Fed is accumulating in the excess reserves held by banks. But recently banks have started lending again. Reserves have started

flowing out of the banks and into the wider economy through a somewhat increased volume of consumer loans and a more dramatic increase in the volume of commercial and industrial loans. There are also some early signs of life in the housing market and therefore in mortgage-loan origination.

All forms of lending convert bank reserves into money, available to be spent by consumers on goods and services. If the money enters the economy without a corresponding increase in output, higher inflation will follow. With money supply increases in the 14 percent range and output increases forecast in the 2 to 2.5 percent range, it seems likely that the money supply will outpace output.

Chronic price inflation—even at moderate rates—leads to significant losses of buying power over time, a fact often obscured by the general focus on comparatively small monthly

or annual price changes. During the past decade, the average rate of price inflation measured by the Consumer Price Index was 2.4 percent. Most people accept a 2.4 percent inflation rate as fairly tame. Yet it implies a loss of more than one-fifth of the purchasing power of the dollar over the decade.

Inflation does not affect all goods and services in the same way. A breakdown of the CPI into broad categories of goods and services in Chart 3 on page 3 shows where price pressures have been the greatest during the past three decades. The price indexes for higher education and medical care have increased considerably faster than the overall price level. Prices for items such as clothing and cars have increased at a slower pace.

The table at right provides BLS data on the detailed breakdown of the cumulative changes in the prices of goods and services from the beginning of 2000 through the end of 2011. An eclectic mix of commodities and services registered the greatest percentage growth in prices. Not surprisingly, gasoline and other energy products showed the most price appreciation. But tobacco, educational and medical care services, poultry, eggs, beef, and utilities services also posted big gains.

At the other extreme, the prices of (constant quality) televisions, personal computers, and other information-processing equipment have plummeted, primarily because of improvements in quality and features.

Because prices of different goods and services change at different rates, each household has its own price index—its own cost of living. Households that purchased relatively more of the items near the top of the table suffered a larger increase in their cost of living than implied by the increase in the aggregate CPI. Those that spent more on the items shown near the bottom of the list experienced a relatively smaller increase.

This is a revised report that updates the calculations.

Percent Changes in Selected Price Indices, 2000-2011

| Item | % Change | Item | % Change |
|--|----------|--|----------|
| Fuel oil | 253.9 | Bank services, tax return preparation, other financial services | 34.6 |
| Gasoline (all types)..... | 170.0 | Fresh whole milk..... | 34.2 |
| Motor oil, coolant and fluids | 165.9 | All items | 34.1 |
| Tobacco and smoking products..... | 129.5 | Carbonated drinks | 34.1 |
| Hospital and related services | 113.5 | Frozen vegetables | 33.5 |
| College tuition and fees | 112.1 | Beer, ale, and other malt beverages at home..... | 33.3 |
| Educational books and supplies | 111.2 | Crackers, bread, and cracker products | 33.1 |
| Poultry | 99.7 | Airline fare | 33.1 |
| Elementary and high school tuition and fees | 94.4 | Ice cream and related products | 32.8 |
| Margarine..... | 89.8 | Pork chops | 31.2 |
| Water and sewerage maintenance.... | 84.0 | Jewelry | 28.1 |
| Utility (piped) gas service..... | 82.2 | Cookies..... | 27.0 |
| Housing at school, excluding board.... | 82.0 | Housekeeping supplies..... | 27.0 |
| Eggs..... | 80.8 | Bananas..... | 26.4 |
| Beef and veal..... | 78.1 | Spices, seasonings, condiments, sauces..... | 24.2 |
| Bread other than white | 69.0 | Eyeglasses and eye care..... | 20.5 |
| Bacon and related products | 68.7 | Soups | 18.3 |
| Potatoes..... | 65.5 | Newspapers, magazines, books..... | 18.3 |
| Oranges, including tangerines | 65.3 | Distilled spirits at home | 18.1 |
| Legal services..... | 63.7 | Breakfast cereal | 16.6 |
| Dental services | 63.7 | Lodging away from home..... | 16.3 |
| White bread | 62.6 | Sports vehicles, including bicycles.... | 15.3 |
| Rice, pasta, cornmeal | 60.0 | Frozen and freeze dried prepared foods | 15.3 |
| Public transportation | 59.2 | Wine at home..... | 10.6 |
| Funeral expenses..... | 57.3 | Boys' and girls' footwear..... | 8.0 |
| Electricity..... | 55.8 | Women's dresses..... | 5.9 |
| Motor vehicle insurance | 54.9 | personal care products..... | 5.5 |
| Fresh sweetrolls, coffeecakes, and doughnuts | 53.6 | Women's footwear | 2.8 |
| Prescription drugs..... | 53.6 | New cars | 2.5 |
| Butter | 52.4 | Men's footwear | 1.8 |
| Apples..... | 50.5 | Stationery, stationery supplies, gift wrap | 0.2 |
| Garbage and trash collection..... | 49.6 | Laundry equipment | -1.2 |
| Alcoholic beverages away from home | 49.6 | Watches..... | -2.6 |
| Cable and satellite television and radio service | 49.2 | Other intercity transportation | -3.8 |
| Motor vehicle maintenance and repair..... | 47.1 | New trucks | -3.8 |
| Fresh cakes and cupcakes | 46.7 | Used cars and trucks | -4.4 |
| Coffee..... | 45.0 | Furniture and bedding | -10.2 |
| Postage | 44.6 | Girls' apparel..... | -11.2 |
| Admission to movies, theaters, and concerts | 44.2 | Infants' and toddlers' apparel | -11.3 |
| Physicians' services | 44.2 | Women's outerwear..... | -13.0 |
| Frankfurters | 44.1 | Men's pants and shorts..... | -13.7 |
| Lettuce..... | 43.4 | Sporting goods | -16.1 |
| Fees for lessons or instructions | 43.3 | Men's suits, sport coats, and outerwear..... | -16.2 |
| Rent of primary residence | 42.6 | Boys' apparel | -18.4 |
| Snacks..... | 42.4 | Haircuts and other personal care services | -18.7 |
| Fish and seafood..... | 42.2 | Audio equipment | -44.8 |
| Food away from home | 40.5 | Toys..... | -49.3 |
| Frozen and refrigerated bakery products, pies, tarts..... | 39.1 | Photographic equipment and supplies | -49.4 |
| Sugar and sweets | 38.4 | Clocks, lamps, and decorator items | -50.2 |
| Tires | 37.9 | Personal computers and other information processing equipment..... | -68.7 |
| Pets and pet products..... | 36.7 | Televisions..... | -88.7 |
| Ham | 36.1 | | |
| Vehicle parts and equipment..... | 36.0 | | |
| Tomatoes..... | 35.4 | | |
| Cheese and related products..... | 35.2 | | |



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New EPI: Gasoline Drives Index Lower

by [Theodore Cangero, Data Scientist](#) [1]

Wednesday, 16 September 2015

AIER's Everyday Price Index (EPI) decreased 0.5 percent in August after registering no change in July. Including apparel, the EPI decreased 0.3 percent. In some households, apparel may be purchased at least once a month but in others less frequently. The EPI, an index of prices that people encounter in monthly budgeting, reflects both measures.

This month introduces a revised version of the index, adding new components and deleting some previous ones. To learn more about the changes, read "[Capturing shifts in everyday prices](#) [2]," an AIER Issue Brief.

In comparison to the EPI for August, the Consumer Price Index (CPI) reported by the Bureau of Labor Statistics decreased 0.1 percent on a not-seasonally-adjusted basis after showing no change in July. AIER's EPI is not seasonally adjusted.

Over the past 12 months the EPI has fallen 2.8 percent while the CPI has increased 0.2 percent. The difference between the two is due to a drop in energy prices. The EPI assigns a greater weight to energy.

A decline in energy prices provided some relief for households. Gasoline prices fell 5.4 percent in August with regular-grade dropping 5.7 percent, mid-grade falling 4.3 percent, and premium declining 4.4 percent. Over the past 12 months gasoline prices have decreased 23.3 percent. In August, home fuel oil prices dropped 8.1 percent and electricity prices decreased 0.3 percent. On the other hand, natural gas prices inched up 0.1 percent in August.

Internet services decreased 1.2 percent in August and have dropped 3 percent over the past 12 months. Cable TV prices decreased 0.5 percent in August but have increased 1.5 percent over the past 12 months. Prices for other household goods and services were mixed in August. Telephone service prices increased 0.6 percent and domestic services, such as cleaning, were up 0.1 percent. Housekeeping supplies decreased 0.2 percent and pet supply prices were unchanged.

Offsetting lower energy prices were higher food prices. Food-at-home increased 0.3 percent and food-away-from-home increased 0.2 percent. Food-at-home prices were led higher by meats, eggs, and fresh fruits and vegetables. Within the meat category, seafood increased 2.2 percent and pork was up 0.6 percent. Egg prices jumped 9.2 percent in August and have risen 35.3 percent over the past 12 months. Fresh fruits and vegetables prices registered a 1.2 percent increase in August. Food prices that declined in August include bakery products and dairy products, which decreased 0.2 percent and 0.3 percent respectively.

To learn more about the methodology of the Everyday Price Index, go to, "[What is the EPI?](#)" [3]

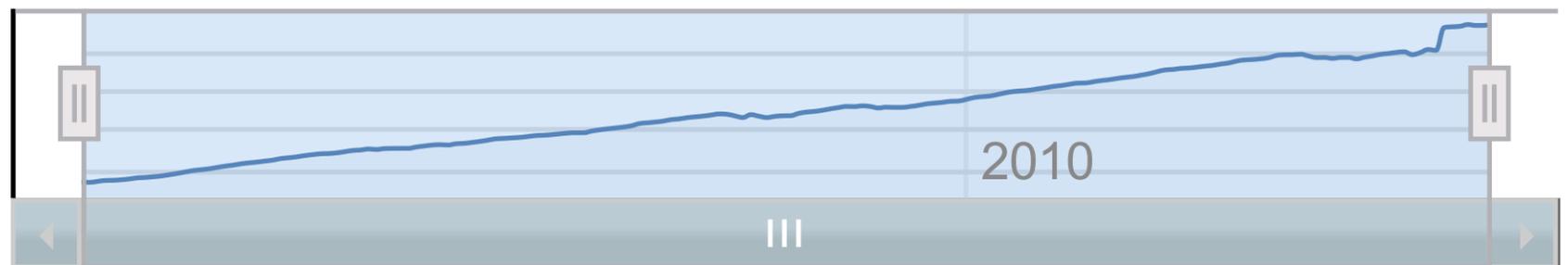
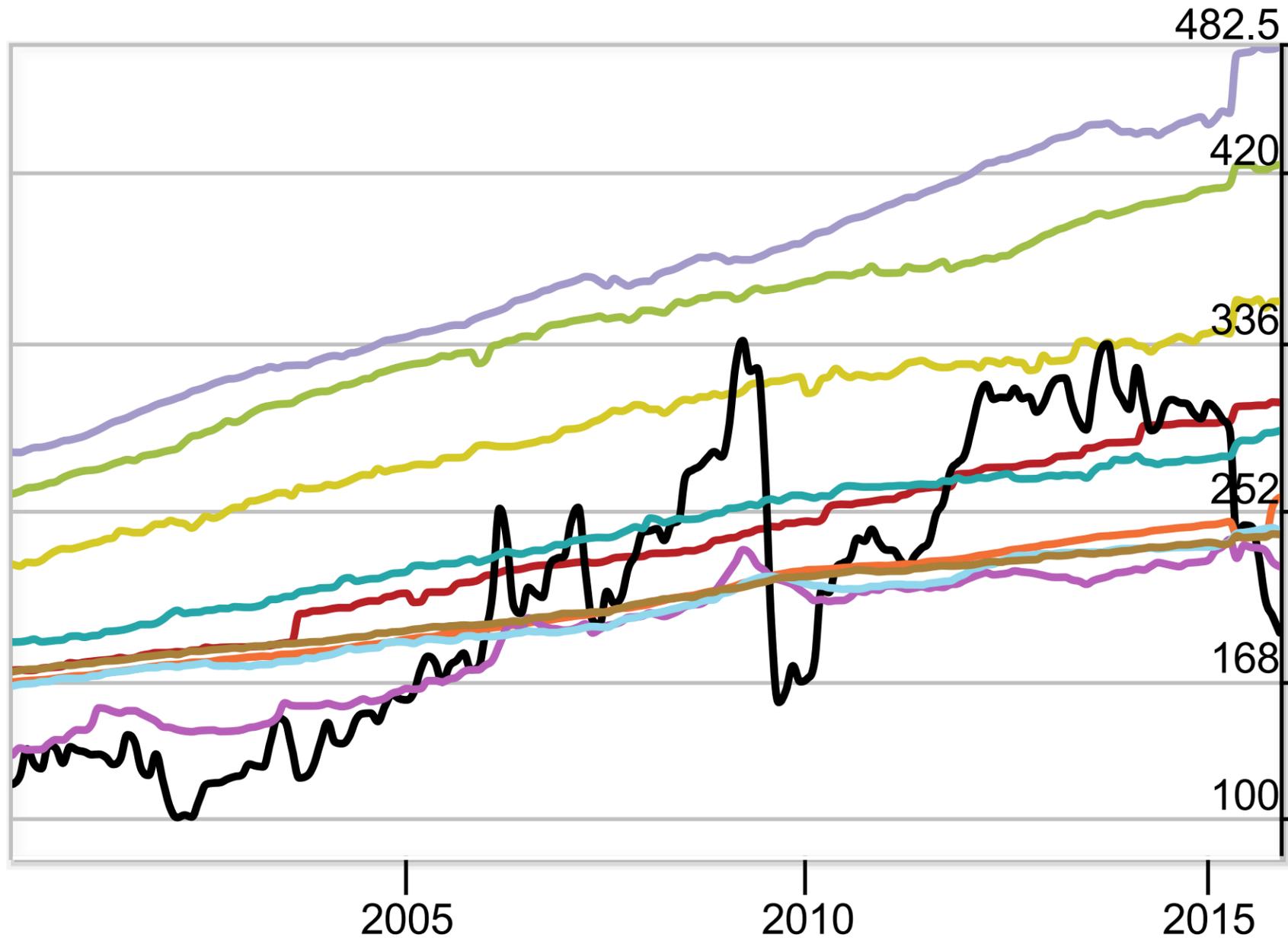
[Read More Everyday Price Index](#) [4]

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EPI Component Levels

Zoom 1m 3m 6m 1 YTD 1y All v 19, 2015

- Presc Drugs & Medical Supplies
- Cable & Satellite TV
- Admissions
- Intracity Public Transport
- Motor Fuel
- Recreational Lesson Fees
- Food Away From Home
- Fuels and Utilities
- Food at Home
- Alcoholic Beverages



MY CLIENT DOESN'T NEED INCOME!

| Income Solution for Mr. & Mrs. Valued Client NO INFLATION | | | | | | | | | |
|--|---------|----------|-----------------------------------|------------------------------------|--------------|---------------|---------------------|----------|----------------------------|
| Year | Mr. Age | Mrs. Age | Social Security: Mr. ¹ | Social Security: Mrs. ¹ | Pension: Mr. | Pension: Mrs. | Annual Gross Income | Expenses | Annual Surplus or Shortage |
| 1 | 65 | 62 | \$20,000 | \$10,000 | \$12,000 | \$10,000 | \$52,000 | \$44,000 | \$8,000 |
| 2 | 66 | 63 | \$20,400 | \$10,200 | \$12,000 | \$10,000 | \$52,600 | \$44,000 | \$8,600 |
| 3 | 67 | 64 | \$20,808 | \$10,404 | \$12,000 | \$10,000 | \$53,212 | \$44,000 | \$9,212 |
| 4 | 68 | 65 | \$21,224 | \$10,612 | \$12,000 | \$10,000 | \$53,836 | \$44,000 | \$9,836 |
| 5 | 69 | 66 | \$21,649 | \$10,824 | \$12,000 | \$10,000 | \$54,473 | \$44,000 | \$10,473 |
| 6 | 70 | 67 | \$22,082 | \$11,041 | \$12,000 | \$10,000 | \$55,122 | \$44,000 | \$11,122 |
| 7 | 71 | 68 | \$22,523 | \$11,262 | \$12,000 | \$10,000 | \$55,785 | \$44,000 | \$11,785 |
| 8 | 72 | 69 | \$22,974 | \$11,487 | \$12,000 | \$10,000 | \$56,461 | \$44,000 | \$12,461 |
| 9 | 73 | 70 | \$23,433 | \$11,717 | \$12,000 | \$10,000 | \$57,150 | \$44,000 | \$13,150 |
| 10 | 74 | 71 | \$23,902 | \$11,951 | \$12,000 | \$10,000 | \$57,853 | \$44,000 | \$13,853 |
| 11 | 75 | 72 | \$24,380 | \$12,190 | \$12,000 | \$10,000 | \$58,570 | \$44,000 | \$14,570 |
| 12 | 76 | 73 | \$24,867 | \$12,434 | \$12,000 | \$10,000 | \$59,301 | \$44,000 | \$15,301 |
| 13 | 77 | 74 | \$25,365 | \$12,682 | \$12,000 | \$10,000 | \$60,047 | \$44,000 | \$16,047 |
| 14 | 78 | 75 | \$25,872 | \$12,936 | \$12,000 | \$10,000 | \$60,808 | \$44,000 | \$16,808 |
| 15 | 79 | 76 | \$26,390 | \$13,195 | \$12,000 | \$10,000 | \$61,584 | \$44,000 | \$17,584 |
| 16 | 80 | 77 | \$26,917 | \$13,459 | \$12,000 | \$10,000 | \$62,376 | \$44,000 | \$18,376 |
| 17 | 81 | 78 | \$27,456 | \$13,728 | \$12,000 | \$10,000 | \$63,184 | \$44,000 | \$19,184 |
| 18 | 82 | 79 | \$28,005 | \$14,002 | \$12,000 | \$10,000 | \$64,007 | \$44,000 | \$20,007 |
| 19 | 83 | 80 | \$28,565 | \$14,282 | \$12,000 | \$10,000 | \$64,847 | \$44,000 | \$20,847 |
| 20 | 84 | 81 | \$29,136 | \$14,568 | \$12,000 | \$10,000 | \$65,704 | \$44,000 | \$21,704 |
| 21 | 85 | 82 | \$29,719 | \$14,859 | \$12,000 | \$10,000 | \$66,578 | \$44,000 | \$22,578 |
| 22 | 86 | 83 | \$30,313 | \$15,157 | \$12,000 | \$10,000 | \$67,470 | \$44,000 | \$23,470 |
| 23 | 87 | 84 | \$30,920 | \$15,460 | \$12,000 | \$10,000 | \$68,379 | \$44,000 | \$24,379 |
| 24 | 88 | 85 | \$31,538 | \$15,769 | \$12,000 | \$10,000 | \$69,307 | \$44,000 | \$25,307 |
| 25 | 89 | 86 | \$32,169 | \$16,084 | \$12,000 | \$10,000 | \$70,253 | \$44,000 | \$26,253 |
| 26 | 90 | 87 | \$32,812 | \$16,406 | \$12,000 | \$10,000 | \$71,218 | \$44,000 | \$27,218 |
| 27 | 91 | 88 | \$33,468 | \$16,734 | \$12,000 | \$10,000 | \$72,203 | \$44,000 | \$28,203 |
| 28 | 92 | 89 | \$34,138 | \$17,069 | \$12,000 | \$10,000 | \$73,207 | \$44,000 | \$29,207 |
| 29 | 93 | 90 | \$34,820 | \$17,410 | \$12,000 | \$10,000 | \$74,231 | \$44,000 | \$30,231 |

Income Solution for Mr. & Mrs. Valued Client

3% INFLATION

| Year | Mr. Age | Mrs. Age | Social Security: Mr. ¹ | Social Security: Mrs. ¹ | Pension: Mr. | Pension: Mrs. | Annual Gross Income | Expenses | Annual Surplus or Shortage |
|------|---------|----------|-----------------------------------|------------------------------------|--------------|---------------|---------------------|-----------|----------------------------|
| 1 | 65 | 62 | \$20,000 | \$10,000 | \$12,000 | \$10,000 | \$52,000 | \$44,000 | \$8,000 |
| 2 | 66 | 63 | \$20,400 | \$10,200 | \$12,000 | \$10,000 | \$52,600 | \$45,320 | \$7,280 |
| 3 | 67 | 64 | \$20,808 | \$10,404 | \$12,000 | \$10,000 | \$53,212 | \$46,680 | \$6,532 |
| 4 | 68 | 65 | \$21,224 | \$10,612 | \$12,000 | \$10,000 | \$53,836 | \$48,080 | \$5,756 |
| 5 | 69 | 66 | \$21,649 | \$10,824 | \$12,000 | \$10,000 | \$54,473 | \$49,522 | \$4,951 |
| 6 | 70 | 67 | \$22,082 | \$11,041 | \$12,000 | \$10,000 | \$55,122 | \$51,008 | \$4,114 |
| 7 | 71 | 68 | \$22,523 | \$11,262 | \$12,000 | \$10,000 | \$55,785 | \$52,538 | \$3,247 |
| 8 | 72 | 69 | \$22,974 | \$11,487 | \$12,000 | \$10,000 | \$56,461 | \$54,114 | \$2,346 |
| 9 | 73 | 70 | \$23,433 | \$11,717 | \$12,000 | \$10,000 | \$57,150 | \$55,738 | \$1,412 |
| 10 | 74 | 71 | \$23,902 | \$11,951 | \$12,000 | \$10,000 | \$57,853 | \$57,410 | \$443 |
| 11 | 75 | 72 | \$24,380 | \$12,190 | \$12,000 | \$10,000 | \$58,570 | \$59,132 | -\$562 |
| 12 | 76 | 73 | \$24,867 | \$12,434 | \$12,000 | \$10,000 | \$59,301 | \$60,906 | -\$1,605 |
| 13 | 77 | 74 | \$25,365 | \$12,682 | \$12,000 | \$10,000 | \$60,047 | \$62,733 | -\$2,686 |
| 14 | 78 | 75 | \$25,872 | \$12,936 | \$12,000 | \$10,000 | \$60,808 | \$64,615 | -\$3,807 |
| 15 | 79 | 76 | \$26,390 | \$13,195 | \$12,000 | \$10,000 | \$61,584 | \$66,554 | -\$4,970 |
| 16 | 80 | 77 | \$26,917 | \$13,459 | \$12,000 | \$10,000 | \$62,376 | \$68,551 | -\$6,175 |
| 17 | 81 | 78 | \$27,456 | \$13,728 | \$12,000 | \$10,000 | \$63,184 | \$70,607 | -\$7,424 |
| 18 | 82 | 79 | \$28,005 | \$14,002 | \$12,000 | \$10,000 | \$64,007 | \$72,725 | -\$8,718 |
| 19 | 83 | 80 | \$28,565 | \$14,282 | \$12,000 | \$10,000 | \$64,847 | \$74,907 | -\$10,060 |
| 20 | 84 | 81 | \$29,136 | \$14,568 | \$12,000 | \$10,000 | \$65,704 | \$77,154 | -\$11,450 |
| 21 | 85 | 82 | \$29,719 | \$14,859 | \$12,000 | \$10,000 | \$66,578 | \$79,469 | -\$12,890 |
| 22 | 86 | 83 | \$30,313 | \$15,157 | \$12,000 | \$10,000 | \$67,470 | \$81,853 | -\$14,383 |
| 23 | 87 | 84 | \$30,920 | \$15,460 | \$12,000 | \$10,000 | \$68,379 | \$84,309 | -\$15,929 |
| 24 | 88 | 85 | \$31,538 | \$15,769 | \$12,000 | \$10,000 | \$69,307 | \$86,838 | -\$17,531 |
| 25 | 89 | 86 | \$32,169 | \$16,084 | \$12,000 | \$10,000 | \$70,253 | \$89,443 | -\$19,190 |
| 26 | 90 | 87 | \$32,812 | \$16,406 | \$12,000 | \$10,000 | \$71,218 | \$92,126 | -\$20,908 |
| 27 | 91 | 88 | \$33,468 | \$16,734 | \$12,000 | \$10,000 | \$72,203 | \$94,890 | -\$22,687 |
| 28 | 92 | 89 | \$34,138 | \$17,069 | \$12,000 | \$10,000 | \$73,207 | \$97,737 | -\$24,530 |
| 29 | 93 | 90 | \$34,820 | \$17,410 | \$12,000 | \$10,000 | \$74,231 | \$100,669 | -\$26,438 |

Income Solution for Mr. & Mrs. Valued Client

5% INFLATION

| Year | Mr. Age | Mrs. Age | Social Security: Mr. ¹ | Social Security: Mrs. ¹ | Pension: Mr. | Pension: Mrs. | Annual Gross Income | Expenses | Annual Surplus or Shortage |
|------|---------|----------|-----------------------------------|------------------------------------|--------------|---------------|---------------------|-----------|----------------------------|
| 1 | 65 | 62 | \$20,000 | \$10,000 | \$12,000 | \$10,000 | \$52,000 | \$44,000 | \$8,000 |
| 2 | 66 | 63 | \$20,400 | \$10,200 | \$12,000 | \$10,000 | \$52,600 | \$46,200 | \$6,400 |
| 3 | 67 | 64 | \$20,808 | \$10,404 | \$12,000 | \$10,000 | \$53,212 | \$48,510 | \$4,702 |
| 4 | 68 | 65 | \$21,224 | \$10,612 | \$12,000 | \$10,000 | \$53,836 | \$50,936 | \$2,901 |
| 5 | 69 | 66 | \$21,649 | \$10,824 | \$12,000 | \$10,000 | \$54,473 | \$53,482 | \$991 |
| 6 | 70 | 67 | \$22,082 | \$11,041 | \$12,000 | \$10,000 | \$55,122 | \$56,156 | -\$1,034 |
| 7 | 71 | 68 | \$22,523 | \$11,262 | \$12,000 | \$10,000 | \$55,785 | \$58,964 | -\$3,179 |
| 8 | 72 | 69 | \$22,974 | \$11,487 | \$12,000 | \$10,000 | \$56,461 | \$61,912 | -\$5,452 |
| 9 | 73 | 70 | \$23,433 | \$11,717 | \$12,000 | \$10,000 | \$57,150 | \$65,008 | -\$7,858 |
| 10 | 74 | 71 | \$23,902 | \$11,951 | \$12,000 | \$10,000 | \$57,853 | \$68,258 | -\$10,406 |
| 11 | 75 | 72 | \$24,380 | \$12,190 | \$12,000 | \$10,000 | \$58,570 | \$71,671 | -\$13,102 |
| 12 | 76 | 73 | \$24,867 | \$12,434 | \$12,000 | \$10,000 | \$59,301 | \$75,255 | -\$15,954 |
| 13 | 77 | 74 | \$25,365 | \$12,682 | \$12,000 | \$10,000 | \$60,047 | \$79,018 | -\$18,970 |
| 14 | 78 | 75 | \$25,872 | \$12,936 | \$12,000 | \$10,000 | \$60,808 | \$82,969 | -\$22,160 |
| 15 | 79 | 76 | \$26,390 | \$13,195 | \$12,000 | \$10,000 | \$61,584 | \$87,117 | -\$25,533 |
| 16 | 80 | 77 | \$26,917 | \$13,459 | \$12,000 | \$10,000 | \$62,376 | \$91,473 | -\$29,097 |
| 17 | 81 | 78 | \$27,456 | \$13,728 | \$12,000 | \$10,000 | \$63,184 | \$96,046 | -\$32,863 |
| 18 | 82 | 79 | \$28,005 | \$14,002 | \$12,000 | \$10,000 | \$64,007 | \$100,849 | -\$36,842 |
| 19 | 83 | 80 | \$28,565 | \$14,282 | \$12,000 | \$10,000 | \$64,847 | \$105,891 | -\$41,044 |
| 20 | 84 | 81 | \$29,136 | \$14,568 | \$12,000 | \$10,000 | \$65,704 | \$111,186 | -\$45,481 |
| 21 | 85 | 82 | \$29,719 | \$14,859 | \$12,000 | \$10,000 | \$66,578 | \$116,745 | -\$50,167 |
| 22 | 86 | 83 | \$30,313 | \$15,157 | \$12,000 | \$10,000 | \$67,470 | \$122,582 | -\$55,112 |
| 23 | 87 | 84 | \$30,920 | \$15,460 | \$12,000 | \$10,000 | \$68,379 | \$128,711 | -\$60,332 |
| 24 | 88 | 85 | \$31,538 | \$15,769 | \$12,000 | \$10,000 | \$69,307 | \$135,147 | -\$65,840 |
| 25 | 89 | 86 | \$32,169 | \$16,084 | \$12,000 | \$10,000 | \$70,253 | \$141,904 | -\$71,651 |
| 26 | 90 | 87 | \$32,812 | \$16,406 | \$12,000 | \$10,000 | \$71,218 | \$149,000 | -\$77,781 |
| 27 | 91 | 88 | \$33,468 | \$16,734 | \$12,000 | \$10,000 | \$72,203 | \$156,450 | -\$84,247 |
| 28 | 92 | 89 | \$34,138 | \$17,069 | \$12,000 | \$10,000 | \$73,207 | \$164,272 | -\$91,065 |
| 29 | 93 | 90 | \$34,820 | \$17,410 | \$12,000 | \$10,000 | \$74,231 | \$172,486 | -\$98,255 |

INCREASING YOUR CASE SIZE THROUGH INFLATION HEDGED CASE DESIGN

PURPOSE OF MONEY

1. Life
2. Death
- ~~3. Growth~~

PRIORITIZATION OF MONEY PROCESS

1. Emergency Money
2. Income at Retirement
- 3. Inflation**
4. LTC
5. Legacy

Income Solution for Mr. & Mrs. Valued Client

\$1 Million Retirement Assets (\$700K/\$300K) - 5% Inflation

| Year | Mr. Age | Mrs. Age | Social Security: Mr. ¹ | Social Security: Mrs. ¹ | Pension: Mr. | Pension: Mrs. | Gugg TV 200K ² | AIG PS 150K ² | Allianz 222 200K ² | AE BG 150K ² | Annual Gross Income | Expenses ³ | Annual Surplus or Shortage |
|------|---------|----------|-----------------------------------|------------------------------------|--------------|---------------|---------------------------|--------------------------|-------------------------------|-------------------------|---------------------|-----------------------|----------------------------|
| 1 | 65 | 62 | \$20,000 | \$10,000 | \$12,000 | \$10,000 | | | | | \$52,000 | \$44,000 | \$8,000 |
| 2 | 66 | 63 | \$20,400 | \$10,200 | \$12,000 | \$10,000 | | | | | \$52,600 | \$46,200 | \$6,400 |
| 3 | 67 | 64 | \$20,808 | \$10,404 | \$12,000 | \$10,000 | \$10,292 | | | | \$63,504 | \$48,510 | \$14,994 |
| 4 | 68 | 65 | \$21,224 | \$10,612 | \$12,000 | \$10,000 | \$10,297 | | | | \$64,133 | \$50,936 | \$13,198 |
| 5 | 69 | 66 | \$21,649 | \$10,824 | \$12,000 | \$10,000 | \$11,106 | | | | \$65,579 | \$53,482 | \$12,097 |
| 6 | 70 | 67 | \$22,082 | \$11,041 | \$12,000 | \$10,000 | \$11,111 | | \$2,000 | | \$68,233 | \$56,156 | \$12,077 |
| 7 | 71 | 68 | \$22,523 | \$11,262 | \$12,000 | \$10,000 | \$12,793 | | \$3,000 | | \$71,578 | \$58,964 | \$12,614 |
| 8 | 72 | 69 | \$22,974 | \$11,487 | \$12,000 | \$10,000 | \$12,799 | | \$6,000 | | \$75,260 | \$61,912 | \$13,347 |
| 9 | 73 | 70 | \$23,433 | \$11,717 | \$12,000 | \$10,000 | \$13,716 | | \$9,000 | | \$79,866 | \$65,008 | \$14,858 |
| 10 | 74 | 71 | \$23,902 | \$11,951 | \$12,000 | \$10,000 | \$13,722 | \$16,380 | | | \$87,955 | \$68,258 | \$19,696 |
| 11 | 75 | 72 | \$24,380 | \$12,190 | \$12,000 | \$10,000 | \$13,729 | \$16,380 | | | \$88,679 | \$71,671 | \$17,007 |
| 12 | 76 | 73 | \$24,867 | \$12,434 | \$12,000 | \$10,000 | \$13,735 | \$16,380 | | | \$89,416 | \$75,255 | \$14,161 |
| 13 | 77 | 74 | \$25,365 | \$12,682 | \$12,000 | \$10,000 | \$14,830 | \$16,380 | \$19,766 | | \$111,023 | \$79,018 | \$32,006 |
| 14 | 78 | 75 | \$25,872 | \$12,936 | \$12,000 | \$10,000 | \$14,837 | \$16,380 | \$19,926 | | \$111,951 | \$82,969 | \$28,983 |
| 15 | 79 | 76 | \$26,390 | \$13,195 | \$12,000 | \$10,000 | \$15,598 | \$16,380 | \$20,618 | | \$114,180 | \$87,117 | \$27,063 |
| 16 | 80 | 77 | \$26,917 | \$13,459 | \$12,000 | \$10,000 | \$15,506 | \$16,380 | \$22,296 | \$20,014 | \$136,572 | \$91,473 | \$45,099 |
| 17 | 81 | 78 | \$27,456 | \$13,728 | \$12,000 | \$10,000 | \$16,768 | \$16,380 | \$22,709 | \$20,014 | \$139,055 | \$96,046 | \$43,008 |
| 18 | 82 | 79 | \$28,005 | \$14,002 | \$12,000 | \$10,000 | \$16,777 | \$16,380 | \$23,745 | \$20,014 | \$140,923 | \$100,849 | \$40,074 |
| 19 | 83 | 80 | \$28,565 | \$14,282 | \$12,000 | \$10,000 | \$17,405 | \$16,380 | \$25,644 | \$20,014 | \$144,290 | \$105,891 | \$38,399 |
| 20 | 84 | 81 | \$29,136 | \$14,568 | \$12,000 | \$10,000 | \$17,414 | \$16,380 | \$26,845 | \$20,014 | \$146,357 | \$111,186 | \$35,172 |
| 21 | 85 | 82 | \$29,719 | \$14,859 | \$12,000 | \$10,000 | \$17,422 | \$16,380 | \$26,845 | \$20,014 | \$147,239 | \$116,745 | \$30,494 |
| 22 | 86 | 83 | \$30,313 | \$15,157 | \$12,000 | \$10,000 | \$17,422 | \$16,380 | \$29,810 | \$20,014 | \$151,096 | \$122,582 | \$28,514 |
| 23 | 87 | 84 | \$30,920 | \$15,460 | \$12,000 | \$10,000 | \$17,422 | \$16,380 | \$31,456 | \$20,014 | \$153,651 | \$128,711 | \$24,940 |
| 24 | 88 | 85 | \$31,538 | \$15,769 | \$12,000 | \$10,000 | \$17,422 | \$16,380 | \$31,711 | \$20,014 | \$154,834 | \$135,147 | \$19,687 |
| 25 | 89 | 86 | \$32,169 | \$16,084 | \$12,000 | \$10,000 | \$17,422 | \$16,380 | \$32,812 | \$20,014 | \$156,881 | \$141,904 | \$14,977 |
| 26 | 90 | 87 | \$32,812 | \$16,406 | \$12,000 | \$10,000 | \$17,422 | \$16,380 | \$35,482 | \$20,014 | \$160,516 | \$149,000 | \$11,517 |

¹ Assumed 2% cost of living adjustment.

² Refer to carrier illustration.

³ Adjusted with hypothetical 2% inflation

Annuity Income Illustrator for state of CO

| | | AEL | | AIG | Athene | F&G | | FT | | | GALIC | | NWL | | | NAC | | |
|------------|-----|------------------|------------------|-------------------------------|-------------------------------|------------------------------|-----------------------|--------------------|-------------------|-----------------------|------------------------|--------------------|----------------------------|---------------------|----------------------------------|-----------------------|----------------------------------|-----------------|
| FIA bonus | | Bonus Gold 10.0% | | Power Select Plus Income 5.0% | Ascent 10 Bonus Products 0.0% | Prosperity Elite Series 0.0% | Safe Income Plus 7.0% | Choice Income 0.0% | Income 125+ 0.0% | Income 150+ 0.0% | American Valor 10 2.0% | | Impact 10 7.0% | Ultra Future 9.0% | | Income Choice 10 0.0% | | |
| LIBR bonus | | 6% - Male FIA% | 5.5% - Male FIA% | Lifetime Income Plus FIA% | Option 1 - AP10B FIA + 5.0% | Protection Package 0.0% | EGMWB-SIP FIA% | IC GLWB 10% FIA% | IC GLWB 7.5% FIA% | 125+ GLWB FIA + 25.0% | 150+ GLWB 0.0% | Income Secure FIA% | Income Sustainer Plus FIA% | Income Outlook FIA% | Income Outlook Plus 5 FIA + 5.0% | Income Outlook FIA% | Income Outlook Plus 5 FIA + 5.0% | GLWB FIA + 5.0% |
| Yrs | Age | Income | Income | Income | Income | Income | Income | Income | Income | Income | Income | Income | Income | Income | Income | Income | Income | Income |
| 0 | 62 | Deferral | Deferral | \$6,142 | \$5,828 | Deferral | Deferral | \$5,550 | \$5,550 | \$5,438 | \$6,210 | \$5,661 | Deferral | Deferral | Deferral | Deferral | Deferral | Deferral |
| 1 | 63 | \$7,258 | \$7,224 | \$6,877 | \$6,555 | \$7,257 | \$6,955 | \$6,270 | \$6,128 | \$5,709 | \$6,390 | \$6,221 | \$6,163 | \$7,109 | \$6,989 | \$7,241 | \$7,114 | \$7,289 |
| 2 | 64 | \$7,787 | \$7,713 | \$7,653 | \$7,312 | \$7,434 | \$7,626 | \$7,020 | \$6,728 | \$5,995 | \$7,391 | \$6,802 | \$6,683 | \$7,492 | \$7,268 | \$7,632 | \$7,398 | \$7,751 |
| 3 | 65 | \$8,352 | \$8,234 | \$8,470 | \$8,100 | \$7,791 | \$8,356 | \$7,800 | \$7,350 | \$6,295 | \$7,594 | \$7,405 | \$7,222 | \$7,892 | \$8,504 | \$8,040 | \$8,656 | \$8,238 |
| 4 | 66 | \$8,957 | \$8,789 | \$9,129 | \$8,918 | \$8,491 | \$9,152 | \$8,505 | \$7,898 | \$6,609 | \$8,662 | \$8,029 | \$7,779 | \$8,310 | \$8,844 | \$8,465 | \$9,002 | \$8,752 |
| 5 | 67 | \$9,605 | \$9,381 | \$9,808 | \$9,765 | \$9,248 | \$10,017 | \$9,225 | \$8,456 | \$6,940 | \$8,888 | \$8,675 | \$8,354 | \$8,745 | \$9,198 | \$8,908 | \$9,362 | \$9,294 |
| 6 | 68 | \$10,415 | \$10,124 | \$10,508 | \$10,642 | \$10,068 | \$10,959 | \$9,960 | \$9,026 | \$7,287 | \$9,112 | \$9,342 | \$8,947 | \$9,199 | \$9,566 | \$9,371 | \$9,737 | \$9,865 |
| 7 | 69 | \$11,289 | \$10,921 | \$11,229 | \$11,550 | \$10,956 | \$11,984 | \$10,710 | \$9,608 | \$7,651 | \$9,338 | \$10,031 | \$9,559 | \$9,672 | \$9,948 | \$9,853 | \$10,126 | \$10,467 |
| 8 | 70 | \$12,229 | \$11,775 | \$11,970 | \$12,488 | \$11,916 | \$13,099 | \$11,475 | \$10,200 | \$8,034 | \$9,562 | \$10,741 | \$10,190 | \$10,166 | \$11,496 | \$10,356 | \$11,701 | \$11,101 |
| 9 | 71 | \$13,241 | \$12,690 | \$12,732 | \$13,455 | \$12,955 | \$14,311 | \$12,255 | \$10,804 | \$8,435 | \$9,788 | \$11,472 | \$10,839 | \$10,680 | \$11,956 | \$10,880 | \$12,169 | \$11,769 |
| 10 | 72 | \$14,331 | \$13,669 | \$16,380 | \$14,452 | \$14,079 | \$15,629 | \$13,050 | \$11,419 | \$8,857 | \$10,012 | \$12,225 | \$11,506 | \$11,216 | \$12,434 | \$11,426 | \$12,656 | \$12,473 |
| 11 | 73 | \$14,479 | \$14,570 | \$16,895 | \$15,120 | \$14,360 | \$16,263 | \$13,860 | \$12,045 | \$8,857 | \$10,238 | \$12,485 | \$12,191 | \$11,775 | \$12,931 | \$11,995 | \$13,162 | \$13,214 |
| 12 | 74 | \$14,627 | \$15,528 | \$17,010 | \$15,802 | \$14,642 | \$16,917 | \$14,685 | \$12,682 | \$8,857 | \$10,462 | \$12,745 | \$12,895 | \$12,357 | \$13,449 | \$12,588 | \$13,689 | \$13,995 |
| 13 | 75 | \$14,774 | \$16,548 | \$17,325 | \$16,500 | \$14,923 | \$17,590 | \$15,525 | \$13,331 | \$8,857 | \$10,688 | \$13,005 | \$13,158 | \$12,963 | \$15,385 | \$13,206 | \$15,660 | \$14,817 |
| 14 | 76 | \$14,922 | \$17,632 | \$17,640 | \$17,212 | \$15,205 | \$18,284 | \$16,560 | \$14,145 | \$11,911 | \$10,912 | \$13,265 | \$13,421 | \$13,595 | \$16,001 | \$13,849 | \$16,286 | \$15,682 |
| 15 | 77 | \$15,070 | \$18,786 | \$17,955 | \$17,940 | \$15,486 | \$18,998 | \$17,625 | \$14,981 | \$11,911 | \$11,138 | \$13,525 | \$13,684 | \$14,253 | \$16,641 | \$14,519 | \$16,938 | \$16,593 |
| 16 | 78 | \$15,218 | \$20,014 | \$18,270 | \$18,682 | \$15,768 | \$19,734 | \$18,720 | \$15,840 | \$11,911 | \$11,362 | \$13,785 | \$13,947 | \$14,938 | \$17,306 | \$15,217 | \$17,615 | \$17,552 |
| 17 | 79 | \$15,365 | \$21,320 | \$18,585 | \$19,440 | \$16,050 | \$20,491 | \$19,845 | \$16,721 | \$11,911 | \$11,588 | \$14,045 | \$14,211 | \$15,652 | \$17,999 | \$15,944 | \$18,320 | \$18,561 |
| 18 | 80 | \$15,513 | \$22,708 | \$18,900 | \$20,212 | \$16,331 | \$21,271 | \$21,000 | \$17,625 | \$11,911 | \$11,812 | \$14,306 | \$14,474 | \$16,394 | \$20,420 | \$16,701 | \$20,785 | \$19,623 |
| 19 | 81 | \$15,513 | \$23,957 | \$18,900 | \$21,000 | \$16,613 | \$22,073 | \$22,185 | \$18,551 | \$11,911 | \$12,038 | \$14,566 | \$14,737 | \$17,168 | \$21,237 | \$17,489 | \$21,616 | \$20,407 |
| 20 | 82 | \$15,513 | \$25,275 | \$18,900 | \$21,802 | \$16,894 | \$22,900 | \$23,400 | \$19,500 | \$11,911 | \$12,262 | \$14,826 | \$15,000 | \$17,973 | \$22,087 | \$18,309 | \$22,481 | \$21,224 |
| 21 | 83 | \$15,513 | \$25,275 | \$18,900 | \$22,185 | \$16,894 | \$24,645 | \$24,471 | \$11,911 | \$12,488 | \$15,086 | \$15,263 | \$18,810 | \$22,970 | \$19,162 | \$23,380 | \$21,224 | |
| 22 | 84 | \$15,513 | \$25,275 | \$18,900 | \$22,568 | \$16,894 | \$25,920 | \$24,465 | \$11,911 | \$12,712 | \$15,346 | \$15,526 | \$19,682 | \$23,889 | \$20,050 | \$24,315 | \$21,224 | |
| 23 | 85 | \$15,513 | \$25,275 | \$18,900 | \$22,950 | \$16,894 | \$27,225 | \$22,481 | \$11,911 | \$12,938 | \$15,606 | \$15,790 | \$20,589 | \$26,915 | \$20,974 | \$27,395 | \$21,224 | |
| 24 | 86 | \$15,513 | \$25,275 | \$18,900 | \$23,332 | \$16,894 | \$28,560 | \$23,520 | \$11,911 | \$13,388 | \$15,866 | \$16,053 | \$21,533 | \$27,991 | \$21,936 | \$28,491 | \$21,224 | |
| 25 | 87 | \$15,513 | \$25,275 | \$18,900 | \$23,715 | \$16,894 | \$29,925 | \$24,581 | \$11,911 | \$13,838 | \$16,126 | \$16,316 | \$22,515 | \$29,111 | \$22,936 | \$29,631 | \$21,224 | |

Highest Income **2nd Highest Income** **3rd Highest Income** For comparative use by a licensed agent only. Not valid without carrier approved illustration/brochure.

Input Criteria

Client Age: 62 (youngest if joint payout)

Payout Type: Joint

Premium: \$150000 Qualified



Rates are subject to change without notice. Rate guarantees and income payouts are subject to the financial strength of the issuing carrier. (ref id: 92816.9.15769)

Hypothetical Values - Most Recent 10-calendar year period

Here's how the TriVysta Annuity might look over a 35-year period. The values show what would happen if the indexed allocations earned indexed interest using current caps, spread, and/or participation, and the fixed allocation earned the current annual fixed rate in all years. The indexed interest is based on actual index performance during the most recent 10-calendar year period for the first 10 years. In all later years, we repeat the index performance from the first 10-year period.

Prepared By: Valued Agent
 Prepared For: Valued Client
 Male, Age 65

Type of Funds: Qualified
 Purchase Payment: \$200,000.00

| End Of Year | Age | Purchase Payment | Credited Interest | Lifetime Income Withdrawal | Other Withdrawals | Lifetime Income Rider Charge | Account Value | Surrender Value | Death Benefit | Benefit Base |
|-------------|-----|------------------|-------------------|----------------------------|-------------------|------------------------------|---------------|-----------------|---------------|--------------|
| 1 | 65 | 200,000 | 0 | 0 | 0 | 1,800 | 198,200 | 178,380 | 198,200 | 228,800 |
| 2 | 66 | 0 | 31,633 | 0 | 0 | 2,068 | 227,764 | 206,970 | 227,764 | 270,850 |
| 3 | 67 | 0 | 0 | 10,292 | 0 | 1,957 | 215,515 | 195,212 | 215,515 | 270,980 |
| 4 | 68 | 0 | 20,337 | 10,297 | 0 | 2,030 | 223,524 | 202,297 | 223,524 | 292,261 |
| 5 | 69 | 0 | 0 | 11,106 | 0 | 1,912 | 210,507 | 192,573 | 210,507 | 292,401 |
| 6 | 70 | 0 | 42,411 | 11,111 | 0 | 2,176 | 239,631 | 221,255 | 239,631 | 336,649 |
| 7 | 71 | 0 | 0 | 12,793 | 0 | 2,042 | 224,797 | 211,979 | 224,797 | 336,811 |
| 8 | 72 | 0 | 23,044 | 12,799 | 0 | 2,115 | 232,927 | 223,997 | 232,927 | 360,938 |
| 9 | 73 | 0 | 0 | 13,716 | 0 | 1,973 | 217,238 | 213,085 | 217,238 | 361,112 |
| 10 | 74 | 0 | 0 | 13,722 | 0 | 1,832 | 201,684 | 199,747 | 201,684 | 361,285 |
| 11 | 75 | 0 | 0 | 13,729 | 0 | 1,692 | 186,264 | 186,264 | 186,264 | 361,458 |
| 12 | 76 | 0 | 27,536 | 13,735 | 0 | 1,801 | 198,263 | 198,263 | 198,263 | 390,269 |
| 13 | 77 | 0 | 0 | 14,830 | 0 | 1,651 | 181,782 | 181,782 | 181,782 | 390,456 |
| 14 | 78 | 0 | 16,544 | 14,837 | 0 | 1,651 | 181,838 | 181,838 | 181,838 | 407,850 |
| 15 | 79 | 0 | 0 | 15,498 | 0 | 1,497 | 164,842 | 164,842 | 164,842 | 408,045 |
| 16 | 80 | 0 | 31,764 | 15,506 | 0 | 1,630 | 179,470 | 179,470 | 179,470 | 441,276 |
| 17 | 81 | 0 | 0 | 16,768 | 0 | 1,464 | 161,238 | 161,238 | 161,238 | 441,487 |
| 18 | 82 | 0 | 15,703 | 16,777 | 0 | 1,441 | 158,723 | 158,723 | 158,723 | 458,030 |
| 19 | 83 | 0 | 0 | 17,405 | 0 | 1,272 | 140,046 | 140,046 | 140,046 | 458,250 |
| 20 | 84 | 0 | 0 | 17,414 | 0 | 1,104 | 121,528 | 121,528 | 121,528 | 458,470 |
| 21 | 85 | 0 | 0 | 17,422 | 0 | 937 | 103,170 | 103,170 | 103,170 | 441,048 |
| 22 | 86 | 0 | 13,685 | 17,422 | 0 | 895 | 98,538 | 98,538 | 98,538 | 423,626 |
| 23 | 87 | 0 | 0 | 17,422 | 0 | 730 | 80,386 | 80,386 | 80,386 | 406,205 |
| 24 | 88 | 0 | 6,240 | 17,422 | 0 | 623 | 68,581 | 68,581 | 68,581 | 388,783 |
| 25 | 89 | 0 | 0 | 17,422 | 0 | 460 | 50,699 | 50,699 | 50,699 | 371,361 |
| 26 | 90 | 0 | 7,078 | 17,422 | 0 | 363 | 39,992 | 39,992 | 39,992 | 353,939 |
| 27 | 91 | 0 | 0 | 17,422 | 0 | 203 | 22,367 | 22,367 | 22,367 | 336,517 |
| 28 | 92 | 0 | 538 | 17,422 | 0 | 49 | 5,433 | 5,433 | 5,433 | 319,095 |
| 29 | 93 | 0 | 0 | 17,422 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 | 94 | 0 | 0 | 17,422 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 | 95 | 0 | 0 | 17,422 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 | 96 | 0 | 0 | 17,422 | 0 | 0 | 0 | 0 | 0 | 0 |
| 33 | 97 | 0 | 0 | 17,422 | 0 | 0 | 0 | 0 | 0 | 0 |
| 34 | 98 | 0 | 0 | 17,422 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35 | 99 | 0 | 0 | 17,422 | 0 | 0 | 0 | 0 | 0 | 0 |

For the purposes of this illustration, withdrawals are assumed to occur at the beginning of the year.
 Lifetime Income Withdrawals assumes Joint Lifetime Income payout starting in year 3.

Hypothetical Values – Most Recent 10-calendar year period

Here's how the Allianz 222® Annuity might look over a 30-year period. The values show what would happen if the indexed allocations earned indexed interest using current caps and/or spreads, and the fixed allocation earned the current annual fixed rate in all years. The indexed interest is based on actual index performance during the most recent 10-calendar year period for the first 10 years. In all later years, we repeat the index performance from the first 10-year period.

| End of Contract Year | Age | Net Premiums ¹ | Credited Interest Rate ² | Accumulation Value | Cash Surrender Value ⁶ | Guaranteed Minimum Value ³ | PIV Credit ⁴ | Protected Income Value ⁵ | Beginning of Year Lifetime Income Withdrawal |
|----------------------|-------|---------------------------|-------------------------------------|--------------------|-----------------------------------|---------------------------------------|-------------------------|-------------------------------------|--|
| 0 | 65 | \$200,000 | | | | | | | |
| 1 | 65-66 | \$0 | 7.36% | \$214,726 | \$193,253 | \$177,363 | 11.04% | \$255,402 | \$0 |
| 2 | 66-67 | \$0 | 3.68% | \$222,632 | \$200,369 | \$179,757 | 5.52% | \$269,508 | \$0 |
| 3 | 67-68 | \$0 | 0.54% | \$223,832 | \$204,247 | \$182,184 | 0.81% | \$271,687 | \$0 |
| 4 | 68-69 | \$0 | 2.31% | \$229,013 | \$211,837 | \$184,643 | 3.47% | \$281,120 | \$0 |
| 5 | 69-70 | \$0 | 5.43% | \$241,439 | \$226,349 | \$187,136 | 8.14% | \$304,000 | \$0 |
| 6 | 70-71 | (\$2,000) | 1.24% | \$242,399 | \$230,279 | \$187,635 | 1.85% | \$307,072 | \$0 |
| 7 | 71-72 | (\$3,000) | 3.04% | \$246,679 | \$237,428 | \$187,128 | 4.56% | \$317,105 | \$0 |
| 8 | 72-73 | (\$6,000) | 5.33% | \$253,513 | \$247,175 | \$183,573 | 8.00% | \$334,140 | \$0 |
| 9 | 73-74 | (\$9,000) | 3.12% | \$252,146 | \$248,994 | \$176,930 | 4.68% | \$337,368 | \$0 |
| 10 | 74-75 | \$0 | 0.00% | \$252,146 | \$252,146 | \$179,318 | 0.00% | \$337,368 | \$0 |
| 11 | 75-76 | \$0 | 7.36% | \$270,712 | \$270,712 | \$181,111 | 11.04% | \$374,629 | \$0 |
| 12 | 76-77 | \$0 | 3.68% | \$280,679 | \$280,679 | \$182,922 | 5.52% | \$395,320 | \$0 |
| 13 | 77-78 | \$0 | 0.54% | \$262,320 | \$262,320 | \$164,788 | 0.81% | \$370,451 | \$19,766 |
| 14 | 78-79 | \$0 | 2.31% | \$248,004 | \$248,004 | \$146,311 | 3.47% | \$354,197 | \$19,926 |
| 15 | 79-80 | \$0 | 5.43% | \$239,725 | \$239,725 | \$126,950 | 8.14% | \$351,182 | \$20,618 |
| 16 | 80-81 | \$0 | 1.24% | \$220,117 | \$220,117 | \$105,701 | 1.85% | \$324,427 | \$22,296 |
| 17 | 81-82 | \$0 | 3.04% | \$203,411 | \$203,411 | \$83,822 | 4.56% | \$304,227 | \$22,709 |
| 18 | 82-83 | \$0 | 5.33% | \$189,247 | \$189,247 | \$60,678 | 8.00% | \$290,208 | \$23,745 |
| 19 | 83-84 | \$0 | 3.12% | \$168,710 | \$168,710 | \$35,384 | 4.68% | \$262,631 | \$25,644 |
| 20 | 84-85 | \$0 | 0.00% | \$141,865 | \$141,865 | \$8,624 | 0.00% | \$220,841 | \$26,845 |
| 21 | 85-86 | \$0 | 7.36% | \$123,488 | \$123,488 | \$0 | 11.04% | \$198,827 | \$26,845 |
| 22 | 86-87 | \$0 | 3.68% | \$97,128 | \$97,128 | \$0 | 5.52% | \$159,161 | \$29,810 |
| 23 | 87-88 | \$0 | 0.54% | \$66,025 | \$66,025 | \$0 | 0.81% | \$108,484 | \$31,456 |
| 24 | 88-89 | \$0 | 2.31% | \$35,109 | \$35,109 | \$0 | 3.47% | \$58,339 | \$31,711 |
| 25 | 89-90 | \$0 | 5.43% | \$2,422 | \$2,422 | \$0 | 8.14% | \$4,128 | \$32,812 |
| 26 | 90-91 | \$0 | 1.24% | \$0 | \$0 | \$0 | 1.85% | \$0 | \$35,482 |
| 27 | 91-92 | \$0 | 3.04% | \$0 | \$0 | \$0 | 4.56% | \$0 | \$36,140 |
| 28 | 92-93 | \$0 | 5.33% | \$0 | \$0 | \$0 | 8.00% | \$0 | \$37,789 |
| 29 | 93-94 | \$0 | 3.12% | \$0 | \$0 | \$0 | 4.68% | \$0 | \$40,811 |
| 30 | 94-95 | \$0 | 0.00% | \$0 | \$0 | \$0 | 0.00% | \$0 | \$42,722 |
| | | \$180,000 | | | | | | | \$527,127 |

¹ Represents premium paid minus withdrawal(s) for each Contract Year before Lifetime Income Withdrawals begin.

² Reflects the combined results of any indexed interest rates and/or annual fixed rate credited to Accumulation Value each Contract Year based on your chosen allocation percentages.

³ You would receive your Contract's Guaranteed Minimum Value only if it were higher than your Contract's Cash Surrender Value.

⁴ Reflects the Credited Interest Rate plus the 50% Protected Income Interest Bonus.

⁵ Reflects any indexed interest rates and/or annual fixed rate, the 50% Protected Income Interest Bonus and the 15% premium bonus.

⁶ The Cash Surrender Value does not reflect a Market Value Adjustment (MVA). During the surrender charge period a MVA will be applied to the Cash Surrender Value under the conditions listed on the MVA example page. You will never receive less than your Guaranteed Minimum Value or more than your Accumulation Value. See the MVA report later in this illustration for an example of the possible effects of an MVA. See Guaranteed Values Ledger for guaranteed values.

Prepared For Valued Client
Prepared By Valued Agent
Issued In Colorado; September 27 2016; 06:23; 5.3.30.27

Values shown are not guaranteed (unless specified as guaranteed values). Caps, spreads, annual fixed rates, and annuity payout rates are subject to change. Actual values may be higher or lower than the hypothetical values shown.
This illustration is not valid without all 13 pages and the Statement of Understanding.

WHAT IS YOUR MOTIVE FOR REPLACEMENT?

No. 176: Annuity Churning Leads to Federal Prison Time for an Agent

On September 14, 2016, Gary Edward Hibbing, a former insurance agent, will report to a federal prison to begin serving a sentence for actions related to the churning of annuities. The federal charges to which he pleaded guilty are wire fraud and unlawful monetary transactions, but his insurance license had been revoked earlier for, among other things, annuity replacements described as "twisting." Where the apparent sole motive for replacements is to generate agent commissions, I have used the securities industry's word "churning" instead.

Read More:

<http://www.josephbelth.com/2016/08/no-176-annuity-churning-leads-to.html>

Guidelines for Replacement:

- Suitable? Liquidity?
- Purpose of money
- Maintain or increase account value
- Maintain or increase income benefit
- Maintain or increase death benefit
- An induced surrender used to fund an annuity is still a replacement!
- Document pros and cons:
 - Use carrier comparison forms
 - Get client to sign letter acknowledging exactly what they are giving up and why. In other words, have them acknowledge the trading of old benefits for new benefits.

Greenspan Sees U.S. Interest Rates Rising Soon, Perhaps Rapidly

<http://www.bloomberg.com/news/articles/2016-08-18/greenspan-sees-u-s-interest-rates-rising-soon-perhaps-rapidly>

Judge Could Issue Partial Block of DOL Rule, Lawyer Says

<https://insurancenewsnet.com/innarticle/1034343>

SHORT LIST

6 problems solved by life insurance

Life insurance is the only certain way to create “instant” capital. That capital, in turn, can be used by clients to solve a multiplicity of personal and business problems. To understand how life insurance can, and should, be used (the [...]

Return of Premium life insurance policies solve problems

Return of Premium (ROP) life insurance is an easy sale, especially to millennials. But the other current generations also seem to like it including Gen X-ers and even baby boomers. Affordability is what makes term insurance so easy to sell. [...]

66% of Insurers Plan Increased Hiring Over Next Year: Study

More than 66 percent of insurance companies intend to increase staff during the next 12 months, according to a new midyear labor study. That rate is the highest in the history of the study, The U.S. Insurance Labor Outlook Study, conducted [...]

Judge to Hear National Association for Fixed Annuities Suit Against DOL Rule

WASHINGTON – A federal judge on Aug. 25 will consider a request urging him to immediately stop implementation of the U.S. Department of Labor’s new fiduciary rule, which critics claim could initiate a cavalcade of arbitrary mandates, upending the retirement [...]

DOL roundtable: Views from industry veterans

As we look toward 2017 and the implementation of the Department of Labor’s fiduciary standard rule, many questions remain. Though the UK and Australia have been operating under similar rules for several years, there is no clear indication of what such [...]

Increase Financial Literacy to Achieve Financial Well-Being

Educating parents... so they can educate their children August 19, 2016 — RADNOR, Pa.–(BUSINESS WIRE)– A panel of financial services industry and academic thought leaders, participating in an event debuting findings from Lincoln Financial Group’s (NYSE: LNC) most recent Measuring Optimism, Outlook [...]

FSOC seeks prompt arguments in MetLife case

WASHINGTON — The government today renewed its call for prompt oral arguments in the case involving its designation of MetLife as a systemically important financial institution (SIFI), hopefully in October or “as soon thereafter as is feasible.” The March 30 [...]

AIG Tops Annuity Sales Chart Again

For the second consecutive quarter, AIG has reached the top of the list of annuity sellers in the U.S., with combined fixed and variable annuity sales of \$9.78 billion in the first half of 2016, according to LIMRA Secure Retirement [...]

Too many people kept in the dark about life insurance costs

One of the industry’s largest life insurance companies recently filed a motion for secrecy in a lawsuit against them for allegedly singling out and charging certain policyholders substantially more for the cost of insurance. This is another example of efforts [...]

Update on Lawsuits Challenging the U.S. Department of Labor's Fiduciary Rule

As Proskauer Rose LLP previously reported, there are five pending lawsuits challenging the U.S. Department of Labor's new fiduciary rule. Their Client Alert on the new rule outlines the significance of the rule and the implications of the expanded definition of "fiduciary" for [...]

Fixed indexed annuities break quarterly sales record

According to LIMRA Secure Retirement Institute's Second Quarter U.S. Annuity Sales survey, fixed indexed annuity sales were \$16.2 billion, 30 percent higher than prior year and surpassing prior quarterly sales records. "The decline in interest rates benefited indexed annuity sales once again [...]"

Allianz FMO Proposes FINRA-Style Oversight of Insurance Agents

InForce Solutions, a field marketing organization for the largest seller of fixed indexed annuities in the U.S., is proposing a similar structure used by broker-dealers as a way to supervise independent agents. Broker-dealers are registered with and supervised by the [...]