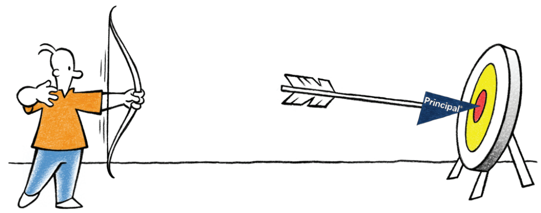

Commonly Asked Questions

Understanding Fixed Annuities

You've got questions about annuities and we've got answers. Obviously, the more you understand fixed annuities, the better equipped you are to decide how they fit into your retirement planning. Here are answers to some of the most common questions asked about fixed annuities.

QUESTION: Can I get a better rate of return from another investment?

ANSWER: Annuities are tax-deferred. When you take that into account, the net rate of return from an annuity may, in fact, be higher than what a taxable investment provides. This is because you do not pay taxes on the earnings until you make a withdrawal, thus having the potential to make money faster than with comparable taxable investments.

To find the tax-equivalent yield of a tax-deferred investment, use this equation:

$$\frac{\text{Tax-Deferred Rate of Return}}{(100 - \text{Tax Rate})} = \text{Tax Equivalent Yield}$$

EXAMPLE

$$\frac{\text{5\% Tax-Deferred Rate of Return}}{(100 - \text{25\% Tax Rate})} = \text{6.6\% Tax Equivalent Yield}$$

QUESTION: My certificate of deposit is federally insured, are annuities federally insured?

ANSWER: Annuities offered by financially strong insurers also afford investor protection. State laws regulate the insurance business. Insurers must hold reserves to protect money paid in by policy owners. Principal Life consistently receives high ratings from the major ratings firms: Moody's Investor's Service, Standard & Poor's Corporation, A.M. Best Company, and Fitch.[1]

QUESTION: Why would I lock into a product with a surrender charge period, especially when annuity rates seem so low?

ANSWER: Annuities should be purchased as a long-term investment. However, you always have access to the free surrender amount without any surrender charges.[2]

Plus, investors don't lock into a long-term rate. The initial rate on many fixed annuities is guaranteed for one year. After that, the rate is reset (renewed) annually based on various factors, including market conditions.

Historically, Principal Life fixed annuity renewal rates have been very attractive.

QUESTION: When the Federal Reserve raises interest rates, why don't annuity rates increase?

ANSWER: There are several different types of interest rates, such as short-term rates, long-term rates, etc. The Federal Reserve can more directly influence short-term interest rates that are guaranteed for less than six months.

Most annuities, however, are tied to long-term interest rates. This is because insurance companies are more likely to invest in asset classes like long-term duration bonds and mortgages.

Now that you have the knowledge, you have the power to choose wisely. If a fixed annuity has the flexibility, tax deferral and guaranteed interest rates you want from a retirement planning investment, consider a fixed annuity from Principal Life Insurance Company.

[1] A high rating by a particular firm does not constitute an endorsement of the rated insurer by the ratings firm.

[2] Values withdrawn prior to age 59½ may be subject to a 10% IRS penalty tax.

Not FDIC Insured	No Bank Guarantee
Not a Deposit	May Lose Value
Not Insured by Any Government Entity	

WE'LL GIVE YOU AN EDGE[SM]

Principal Life Insurance Company, Des Moines, Iowa 50392-0001, www.principal.com

Tax-qualified retirement arrangements, such as IRAs, SEPs, and SIMPLE-IRAs are tax-deferred. You derive no additional benefit from the tax deferral feature of the annuity. Consequently, an annuity should be used to fund an IRA, or other tax qualified retirement arrangement, to benefit from the annuity's features other than tax deferral. These features may include guaranteed lifetime income, guaranteed minimum interest rates, and death benefits without surrender charges.

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