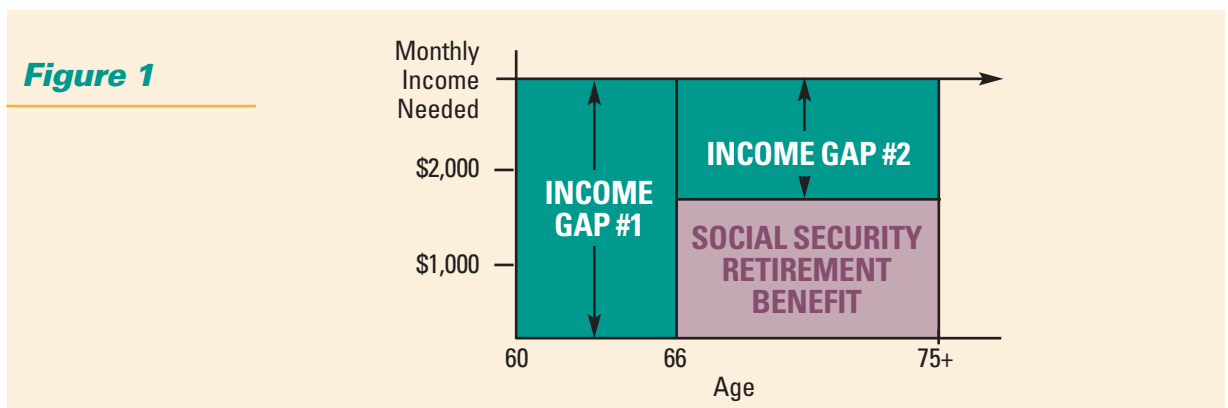


Early Retirement Planning

Are you ready to retire now? You may have to wait longer than expected if you want to receive your full social security retirement benefit. The normal retirement age to receive full social security benefits was set at 65 with the enactment of the Social Security Act of 1935. But in 1983 an amendment was passed to progressively increase the retirement age. Workers affected by this increase are just now beginning to reach retirement age. For someone born in 1938 (65 years old in 2003) normal retirement age is now 65 and 2 months and continues to step up till it reaches 67 for those born after 1959.

Despite this, the actual average retirement age has been steadily moving down. In 1910, the average retirement age for men was 74. By 1996, it was down to age 62¹. Age 62 just happens to be the minimum age for collecting social security retirement benefits, but by taking the early benefit, a retiree must accept a permanently reduced monthly check. This reduction is approximately 20% of what would have been paid if they had waited until normal retirement age. The reduction will gradually increase until it reaches 30% for those born after 1959 that wish to take the early benefit.

What should you do if you still want to retire early? Is it wise to take the reduced benefit? Maybe you don't have to: Creative use of a Single Premium Immediate Annuity (SPIA) from GE Financial's family of companies could bridge the gap until you are eligible for your full social security benefit.



Here's How:

- Calculate the initial monthly income needed in retirement. This could be a percentage of your current income or the sum of your anticipated expenses in retirement. Remember these are estimates and many expenses change once you are retired. Your financial advisor (insurance agent, financial planner, accountant, etc.) can help with your estimate.
- Determine the Social Security Retirement Benefit for the age you want it to start, no later than age 70. This can be requested from the Social Security Administration directly or go to their website at www.ssa.gov and estimate your benefit using one of the available calculators. Remember, this is only an estimate.
- Structure an immediate annuity to pay the amount determined in step one to fill the gap between now and the date you'd like to start social security benefits. Once social security begins, you may not need the full annuity benefit; therefore, you structure the annuity to reduce the benefit to approximately fill income gap #2 (see figure 1). Because your benefit reduces, the cost of your annuity is lower than if benefits had remained level.

Tax Considerations:

- Payments from an immediate annuity will either be partially taxable or fully taxable depending on the type of asset used to purchase the annuity. Your social security benefit could also be taxable depending on your total income level.

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- If you sell or take a lump sum distribution from another asset, gain from the sale will be taxed in the current year. Using a tax-free exchange for deferred annuities or a qualified transfer for IRAs & qualified plans, allows you to spread this tax liability over time.
- Immediate annuity benefits should NOT be taken if you are under 59^{1/2}, as the structure of benefit payments described in this sales idea may trigger a 10% IRS penalty tax on any distributions that occur prior to your age of 59^{1/2}.
- If the immediate annuity is purchased with qualified funds, the smaller annuity benefit (filling gap #2) must meet your required minimum distributions. Contact your tax advisor for help determining your required minimum distributions.

Other Considerations:

- Once the annuity contract is issued, the benefit stream and the reduction in income cannot be changed.
- A lifetime payout from an immediate annuity provides the assurance that you'll receive a guaranteed, steady income that you can't outlive.²
- May allow you to retire earlier without permanently reducing your social security benefit.
- Social Security benefits increase by a percentage (based on your date of birth) if you delay them beyond your normal retirement age. The increase stops once you reach age 70.
- The funding of the immediate annuity can come from the conversion of another asset (i.e., individual retirement account (IRA), qualified plan, or deferred annuity).
- If you retire early, your social security benefit and the balance of your retirement accounts may be lower than if you had continued working and making contributions.

¹ Gary Burtless, Senior Fellow, Economic Studies, "Increasing the Eligibility Age for Social Security Pensions." The Brookings Institution Senate Special Committee on Aging, 15 July 1998. 13 Feb. 2003.

² All guarantees are based on the claims-paying ability of the issuing insurer.

Single premium immediate annuities are issued by:

First Colony Life Insurance Company, Lynchburg, VA, and are subject to Policy Form Nos. 19561 et al. and 8010 et al. Not available in all states or markets. Features and benefits may vary by state.

General Electric Capital Assurance Company, Lynchburg, VA, and are subject to Policy Form Nos. 19556 et al. and GE-8010 et al. Not available in all states or markets. Features and benefits may vary by state.

This is a simplified explanation of the potential benefits of the stated financial strategy. The discussion of legal and tax considerations in this material is the GE Financial companies' interpretation of current law and is not intended as legal or tax advice. You should seek the counsel of your own legal or tax professional to discuss how this concept may apply to your own financial situation.

GE Capital Assurance and First Colony Life are members of the Insurance Marketplace Standards Association (IMSA). Membership promotes ethical market conduct for individual life insurance and annuity companies.



GE Financial

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First Colony Life Insurance Company, Lynchburg, VA
General Electric Capital Assurance Company, Lynchburg, VA

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