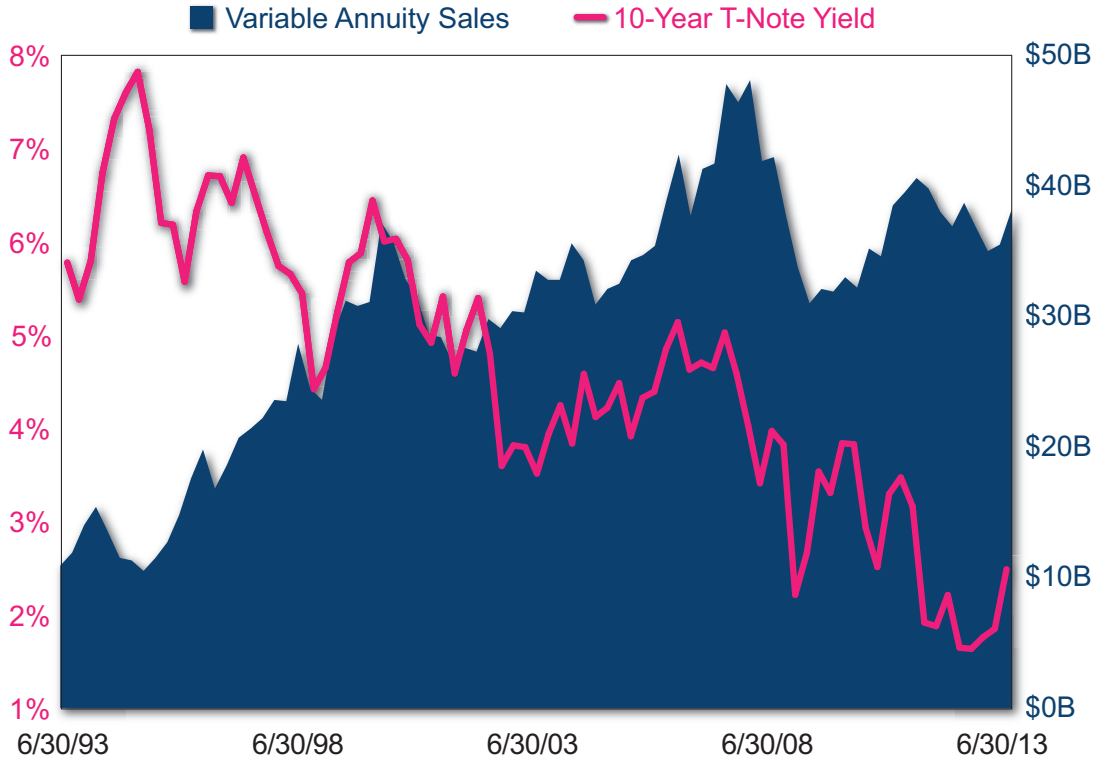


Variable Annuity Sales Boosted By Lower Rates And One Key Benefit

Variable Annuity Sales & 10-Year T-Note Yield



Source: Bloomberg. Data is quarterly from 6/30/93 through 6/30/13.

View from the Observation Deck

1. Variable annuity (VA) sales in the U.S. increased from \$10.9 billion in Q2'93 to \$38.2 billion in Q2'13 (20 years). On a quarterly basis, sales peaked at \$48.1 billion in Q4'07 (see chart).
2. Falling interest rates played a role in rising sales, in our opinion. In that 20-year period, the yield on the 10-Year T-Note declined from 5.78% in Q2'93 to 2.49% in Q2'13.
3. The 10-Year T-Note's 20-year average yield was 4.63%, according to Bloomberg. The annualized total return on the S&P 500 was 8.64%. Four percentage points more per year, on average, over the same period.
4. VA sales averaged \$19.3 billion per quarter from 6/30/93 through 12/31/99. In the new millennium, VA sales have averaged \$35.3 billion per quarter through Q2'13, according to LIMRA.
5. The Guaranteed lifetime withdrawal benefit (GLB) continues to fuel VA sales, according to LIMRA. GLBs were offered by 89% of VAs in Q2'13. GLBs have really grown in popularity in the past few years.
6. Looking ahead, VA sales could get a further boost from an aging U.S. population. Beginning January 1, 2011, 10,000 baby boomers will turn 65 each day, on average, for the next 20 years, according to the Pew Research Center.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.