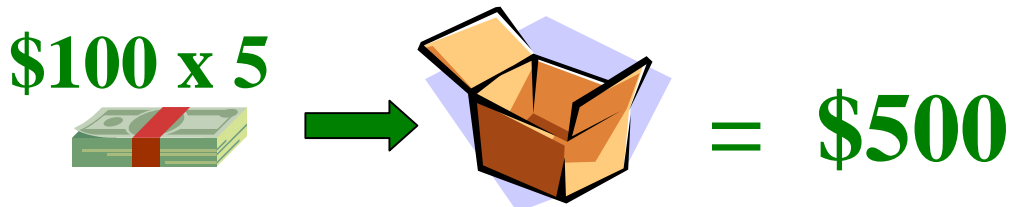


How To: Understand the Benefits of Mortality Credits and Risk Pooling



Suppose five 90 year-old women take a vacation together every year ...

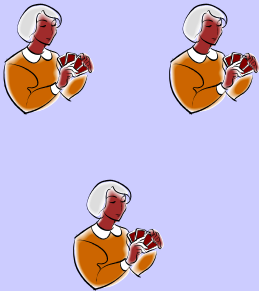


- ... while on vacation they would discuss various topics. This year, one of the women comes up with the idea to each put \$100 into a box, to be shared with whomever is alive at the end of that year.
- One woman passes away that year.
- The next year when the four remaining women again go on vacation they discuss the money in the box. If they share the money now, the four women would each receive \$125.
- They decide to leave the money for another year.
- Another woman passes away. When the three remaining women meet to go on vacation the next year, they split the \$500 and each receive \$167.
- This is a simple story to explain risk pooling and mortality credits, which are important components of immediate annuities and the income payments they provide.



**Five women place \$100 in a box.
Split among 4 women would be...**

$$5 \times \$100 \div 4 = \$125$$



**One year later, another
woman passes away..
At the end of that year, 3 women split**

$$\$500 \div 3 = \$167$$

If each of the women had put \$100 under a mattress, at the end of two years, the surviving women would still have \$100. However, by pooling their risk, each surviving woman receives \$167.

- The older a person is, the less likely they will live that much longer. The older a person is, the higher the mortality credit. And, the higher the mortality credit, the higher the annuity income payment.
- With lifetime income annuities*, through a concept called "risk pooling", premiums from those who die prematurely are used to pay benefits for those who live beyond life expectancy.
- In this story, the five women pooled their risk together. As a result, the surviving women benefited from the remaining funds.
- By using risk pooling and mortality credits, insurance companies can generally provide a larger payout for an individual than the individual could produce independently.**
- There are a number of factors that determine the amount of income payments a client will receive including the payout option selected. For example, clients can select to guarantee payments for a specified number of years or their beneficiaries could receive a pre-determined percentage of the initial premium once the client passes away.
- As with any financial decision, please speak with your New York Life agent to evaluate your personal situation and retirement income needs. Not all payment options are available in all states.

* Lifetime income annuities are Issued by New York Life Insurance and Annuity Corporation, a wholly-owned subsidiary of New York Life Insurance Company, 51 Madison Avenue, New York, NY 10010. All guarantees are based on the claim paying ability of the issuer.

**Based on a study done by the University of Pennsylvania's Wharton Financial Institutions Center co-sponsored by New York Life Insurance Company, found that income annuities can offer financial security throughout retirement using 25-40% less money than would be required to provide an equivalent level of financial security through a retirement portfolio that does not incorporate income annuities.