




HORIZON
FINANCIAL SERVICES, LLC

FIXED INDEX ANNUITIES





An **ANNUITY** is an insurance contract designed to provide an individual with income for an established period of time, often beginning at retirement age. After an individual purchases an annuity, either by making a single or series of payments, the insurance company agrees to make periodic payments to the contract owner, beginning immediately or at a future date. Annuities are best suited for people looking for long-term retirement savings programs and can offer some very valuable benefits.



TYPES OF ANNUITIES

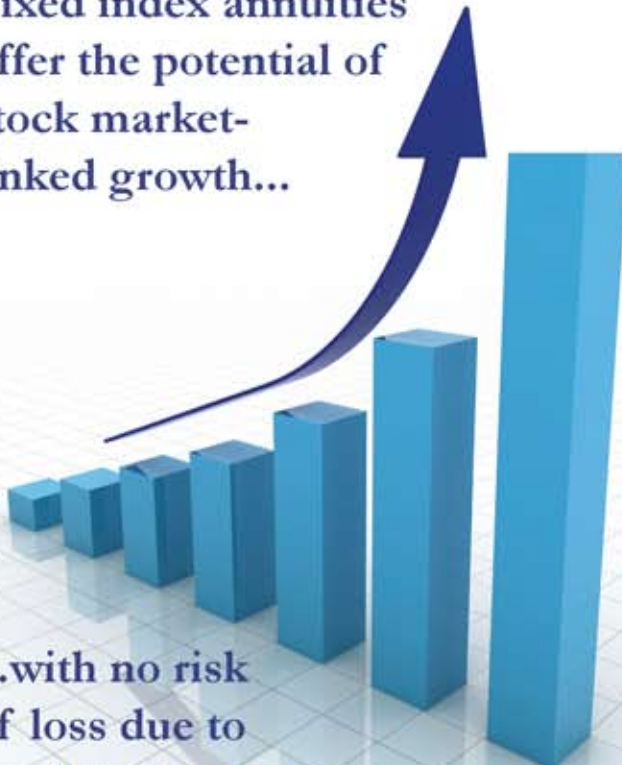


IMMEDIATE or **DEFERRED** These terms pertain to when you begin receiving payments from your annuity. Immediate annuities allow you to convert your assets into income and start receiving income payments right away. Deferred annuities allow your assets to grow tax-deferred until withdrawals are taken, usually during your retirement. Both immediate and deferred annuity contracts are offered in two ways -- variable for fixed.



VARIABLE or **FIXED** These terms describe how an annuity is funded or grows. Variable annuities are funded with securities, stocks, and unsecured bonds, which tend to fluctuate with economic conditions. This means the value of a variable annuity can fluctuate with the underlying securities used to fund the contract. Fixed annuities provide guaranteed fixed-dollar income payments with set or fixed interest rates.

Fixed index annuities offer the potential of stock market-linked growth...



...with no risk of loss due to market downturns.

FIXED INDEX ANNUITIES

A fixed index annuity is a type of deferred fixed annuity that earns interest or provides benefits that are linked to an external index. The index may be tied to a stock or other equity index such as the S&P 500, Dow Jones Industrial Average or NASDAQ 100.

Like other fixed annuities, fixed index annuities guarantee to pay a minimum interest rate on your annuity even if the index-linked interest rate is lower. Also, the value of your annuity is guaranteed and cannot decrease even if the market experiences a downturn. In other words, fixed index annuities enable you to participate in the upside potential of the market with a guarantee that your principal and credited interest earnings will never decrease even if the market declines.



BENEFITS OF FIXED INDEX ANNUITIES

- \$ PARTICIPATION in stock-market linked growth
- \$ PROTECTION against market volatility
- \$ GUARANTEED minimum interest rate
- \$ GUARANTEE of principal
- \$ TAX-DEFERRED growth
- \$ GUARANTEED INCOME for life
- \$ ACCESSIBILITY*
- \$ STRENGTH & STABILITY

*Most annuity companies will allow you to withdraw up to 10% of your assets each year without a penalty. At the end of your surrender term, your money is fully accessible. In some situations, the surrender charge may be waived should you need to access your money before the end of the term.

FIXED INDEX ANNUITY BASICS

CREDITING METHOD The formula used to determine the amount of change in the index linked to your fixed index annuity. The crediting method will determine how additional interest (over and above the minimum guarantee) will be applied to your annuity. The following are some of the most commonly used crediting methods:



Point-to-Point The index-linked interest is based on the difference between the index value at the end of the term and the beginning of the term.



Averaging The index-linked interest is based on the average of the index's value rather than the actual value of the index on a specified date.



Fixed or Declared Rate Interest is credited daily based on the rate set at the start of the term.



OTHER FEATURES

PARTICIPATION RATE

This feature determines how much of the increase in the index will be used to calculate the index-linked interest that is applied to your annuity. For example, if the calculated change in the index is 9% and your participation rate is 70%, then the index-linked interest rate for your annuity is 6.3%. ($9\% \times 70\% = 6.36\%$)

CAP RATE

The upper limit, or cap, that some annuity companies put on the index-linked interest rate. Not all annuities have a cap rate.

SPREAD

In some annuities, the index-linked interest rate is computed by subtracting a specific percentage from any calculated change in the index. This percentage is the "spread" and may be used instead of or in addition to a participation rate.

F A Q



What does “free look” mean?

This is the period of time (usually 10-20 days) following the policy delivery in which the annuity owner can return the contract for a full refund of the premium without any fees or penalties.



What are “surrender charges”?

If you cash in an annuity before the end of the surrender term, you may be required to pay a penalty. (The penalty does not usually apply if the policy is cashed in due to the death of the owner.) The cash surrender value of an annuity is the contract value less the early surrender charges. Tax penalties may apply so be sure you fully understand the tax implications and consequences of surrendering an annuity contract before doing so.



What is a “free withdrawal”?

Some annuity companies will allow you to withdraw a portion of your annuity funds without any penalty on a periodic basis.



How do I know if an annuity company is reputable?

Five major companies publish financial strength ratings on insurance companies, based on the company's ability to pay in accordance to the terms of the insurance policy or contract. Ratings can vary depending on the rating company, but they all use a combination of letters and +/- to indicate financial strength. For example, AAA+ denotes an extremely strong rating, and B- indicates a weak rating. The major ratings companies are A.M. Best Company, Standard & Poor's, Weiss Research, Duff & Phelps, and Moody's Investors Service. For more detailed information on ratings and the companies that provide them, please contact your HFS advisor. We only recommend products from annuity companies with the highest ratings.



How does Horizon Financial Services receive compensation for my annuity?

Horizon Financial Services is paid by the insurance company that holds the annuity contract and is based on the amount of the purchase payments. No fees or charges of any kind are applied to or deducted from your principal to pay our compensation.



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