Cetera Financial Specialists LLC
Member FINRA/SIPC
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BUYING A VARIABLE ANNUITY CONTRACT THROUGH CETERA FINANCIAL SPECIALISTS LLC

General Considerations

Before you buy any insurance or investment product, it is important to review your financial situation, investment objectives, risk tolerance, time horizon, diversification needs, and need for liquidity.

The following discussion will help you better understand annuity contracts in general and the costs associated with various annuity contract types and features, as well as how your Financial Adviser and Cetera Financial Specialists LLC ("Cetera Financial Specialists") are compensated when you invest in a variable annuity contract. Of course, this guide is not meant to replace the variable annuity Prospectus or other offering material prepared by the insurance company issuing the variable annuity, or the underlying subaccount Prospectuses and Statements of Additional Information. Please read these documents carefully before purchasing any variable annuity contract. Some of these documents will also describe the variable annuity contract features that you can choose as you work with your Financial Adviser.

As always, if you have any questions about your variable annuity policy, please contact your Financial Adviser.

Variable Annuities are contracts with an insurance company that have investment features and are designed generally for long-term retirement savings and should not be considered a short-term investment option. While variable annuities offer many product features not available from other investments, these are primarily insurance related features of the product or riders to the standard product, such as a death benefit protection, guaranteed minimum income payments, or the ability to convert the policy to a stream of payments (annuitization). These features are available at a cost that is either built into the product or, in the case of riders, must be purchased at an additional cost. As a result, many experts consider variable annuities to be suitable for most investors only if the investor is seeking the benefit of one of the insurance features, since, on a purely investment return basis, they are often inferior to alternatives, such as mutual funds, that have lower expenses.

Investing in pre-tax investment options such as IRAs, 403(b)s and 401(k)s should generally be fully taken advantage of before investing in a variable annuity contract.

Variable annuities are not insured by the FDIC, are not obligations of any bank (even if you buy your variable annuity through a bank representative), and are subject to loss of principal.

Tax Considerations

While you will be able to have access to your money in a variable annuity contract by surrendering your contract or making a withdrawal, a variable annuity contract generally contains a surrender penalty, assessed by the issuing insurance company, for premature surrenders or withdrawals. There are often exceptions to such surrender penalties, for example, many variable annuities allow an investor to withdraw up to 10% of the policy's value each year without any penalty. However, if more is withdrawn than permitted as described in the variable annuity's prospectus, surrender charges can typically range from 5% to 10% of the amount withdrawn (sometimes more!) in the early years after purchase (the charges usually decline over time).

In addition, surrenders or withdrawals of earnings from a variable annuity contract are subject to ordinary income tax rates (currently up to 35% federal, plus any state income taxes assessed), and, in addition, if taken before age 59 ½, may incur a 10 percent IRS early withdrawal tax penalty. This tax treatment is much less favorable than the current long term capital gains tax rate (current federal maximum 15%) available for many other investments, such as mutual funds, that are held for more than one year.

A deferred annuity allows you to accumulate money tax-deferred for long-term goals such as retirement. When you are ready to receive income from your annuity, you can withdraw funds as needed.

If you purchase a variable annuity within a tax-qualified retirement plan such as an IRA or 401(k), you will get no additional tax advantage from the variable annuity. *Therefore, you should consider whether your variable annuity purchase would be more appropriate in a non tax-qualified account. You should consider buying a variable annuity in a tax-qualified retirement account only if it makes sense because of the variable annuity's other unique features and benefits, such as the death benefit protection, guaranteed minimum income payments, or the ability to convert the policy to a stream of payments (annuitization). You should assess whether these other features and benefits of the variable annuity and the associated costs justify the purchase within a tax-qualified plan.*

Investment Risk

A variable annuity generally offers a diverse selection of investment options, usually referred to as subaccounts, which are similar to mutual fund portfolios. In fact, in most variable annuities, the subaccounts are managed by major third party fund companies, such as Putnam, American Funds, Oppenheimer, etc. These subaccounts have varying investment objectives and risk levels. The return on a variable annuity investment will depend on your investment allocation and the performance of the subaccounts you choose. **The value of your account, upon surrender, could be more or less than your initial investment.**

In addition, you can transfer your money from one investment subaccount to another within the variable annuity without paying taxes on your investment income and gains, something you could not do, for example, with mutual funds. This is an important feature because it permits you to change your investment strategy (for example from moderate risk to conservative risk), or change from poorly performing subaccounts to other subaccounts, without surrendering the contract. Dividends, interest and capital gains remain invested, tax-deferred, until withdrawals are made, allowing you to control when income taxes are paid. If you make a withdrawal, or surrender your variable annuity contract during the surrender charge period (see below), a surrender charge may be assessed.

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Often a variable annuity also includes a fixed account, which offers a guaranteed fixed interest rate for a stated period of time. This means that during the accumulation phase of a deferred variable annuity, you can allocate your investment not only to one or more variable investment options, but to the fixed account as well. It is generally inadvisable, however, to purchase a variable annuity contract for the purpose of investing solely in the "fixed" account, since you would probably get a better rate simply investing in a fixed annuity product if a fixed rate of return is what you're seeking. But remember, the rate in either case is fixed only for a stated period of time; that is, the rate on the guaranteed account or on a fixed annuity is periodically reset by the insurance company that issues the annuity to reflect then current interest rates.

Variable Annuity Fees And Charges

There are several types of fees and charges in any variable annuity contract, which can relate to either the investment side of the product or the insurance features of the variable annuity . Be sure you understand all these expenses before you invest. They can affect the value of your account and reduce the return on your variable annuity. The higher these combined fees are on a variable annuity, the more negative the impact will be on your investment return.

Surrender Fees

If you withdraw money from a variable annuity contract or surrender the contract within a certain period of time after investing (the "surrender charge period," typically three to ten years), the insurance company may assess a surrender charge, which is a type of redemption fee. Usually, the surrender charge is a percentage of the purchase payment withdrawn and declines gradually over the surrender charge period. For example, a 7 percent charge might apply in the first year after investing, 6 percent in the second year, 5 percent in the third year, and so on, until the surrender charge no longer applies. New surrender charge periods usually start with each new purchase payment invested in the variable annuity for the new amount invested, so new purchase payments may extend the surrender charge period for the new investments beyond the original surrender charge period established at the initial purchase date of the contract.

However, many contracts will allow you to withdraw part of your account value each year — generally your annual income earned, cumulative earnings, or up to 10 percent or 15 percent of your purchase payment — without paying a surrender charge. Your Financial Adviser can discuss any surrender period and charges associated with the variable annuity you are considering. When choosing a variable annuity contract, you should consider all charges and benefits — not just surrender charges.

Operating Fees and Charges

In addition to the surrender charges mentioned, above, variable annuities have other expenses you should be aware of. These fees and charges will reduce the value of your account and the return on your investment. They can include:

- <u>Mortality and expense (M&E) risk charge</u>. This charge is equal to a certain percentage of your account value, typically from 1.25 percent to 1.60 percent per year. The M&E risk charge can be used by the insurance company to offset the costs of selling the variable annuity, such as a commission paid to Cetera Financial Specialists and to your Financial Adviser for selling the variable annuity to you, and to compensate the insurance company for the insurance risks that it assumes under the insurance contract.
- <u>Administrative fees</u>. The insurer may deduct charges to cover record-keeping and other administrative expenses. This may be charged as a flat account maintenance fee (perhaps $25 or $30 per year) or as a percentage of your account value (typically about 0.15 percent per year). Some insurance companies waive the flat account maintenance fee on larger account values.
- <u>Subaccount expenses</u>. You will also pay fees and expenses imposed by the underlying investment subaccounts in a variable annuity. The fees and expenses of the subaccounts include annual operating expenses, such as management fees, 12b-1 (distribution) fees, cost of shareholder mailings, and other expenses. These expenses can range from zero percent annually for money-market subaccounts to as much as 2 percent annually for certain equity sub-accounts. For a detailed explanation of these expenses, see the prospectus for the underlying subaccounts.
- <u>Fees and charges for other features</u>. Certain features offered by some variable annuities — such as a stepped-up death benefit, a bonus credit feature, a guaranteed minimum income benefit, a guaranteed minimum withdrawal benefit, a guaranteed minimum accumulation benefit, or an earnings enhancement benefit — often are offered as a "rider" to the policy and carry additional fees and charges. Some of the features and options will be discussed below. Often once you have elected a particular benefit, you cannot later have that benefit, or the associated fees, removed. Therefore, before making any selection you should discuss the long-term consequences with your Financial Adviser, including the long-term costs of such benefits.

Other charges, such as fees for transferring part of your account from one investment option to another, may also apply. You can find a description of the charges for any variable annuity that you are considering in its prospectus.

Types Of Variable Annuity Contract Structures

Insurance companies offer many types of variable annuity contract structures to meet various investor needs. The structures offered vary in many ways, including the surrender charge period and surrender charges. Insurance companies can offer variable annuity contracts with no surrender charge period (often called C share annuities), surrender charge periods of three to four years (L share annuities), and surrender charge periods of six to seven years (B share annuities). Bonus credit annuities offer a bonus credit of 2 percent to 6 percent, based on the amount invested in the variable annuity, and can have even longer surrender charge periods, often from seven to ten years or longer. This is discussed more fully below.

These variable annuity contract structures differ in features, the fees and expenses charged, and the compensation paid to your Financial Adviser. Please ask your Financial Adviser to explain the contract structures available, in order to make sure that any contract you purchase matches your investment time horizon and financial goals.

Variable Annuity Features

Variable annuities offer many features you may want to consider. They may be included as part of the contract, or they may be optional features or riders that you elect at the time of purchase. Each optional feature typically carries a charge. This approach gives you the ability to select and pay for only the features you need. Because very often you will not be able to change your initial selection later, you should carefully consider these optional features before making a selection.

Optional features that typically can be added to variable annuity contracts include guaranteed minimum death benefits, a bonus credit, guaranteed minimum living benefits, and guaranteed minimum withdrawal benefits. **These features do not guarantee against day-to-day market fluctuations, nor do they assure you that you will make a profit on your investment in a variable annuity,** and may be affected by subsequent additions or withdrawals during the accumulation phase of your annuity contract. However, they do provide additional features that may be valuable to you. Some of the more common features or riders are:

Guaranteed Minimum Death Benefit ("GMDB")

Deferred annuity contracts usually provide for a death benefit if the owner and/or the annuitant dies while the contract is still in the accumulation phase. The payout structure of the death benefit varies by contract. The benefit can be payable as a lump sum or as annuity payments that generally must be paid in a specified period of time. If a spouse is the sole beneficiary, the spouse may have the additional option of continuing the contract tax-deferred.

Variable annuity contracts have traditionally offered a GMDB during the accumulation period. The GMDB is generally equal to the greater of (a) the contract value or (b) purchase payments less prior withdrawals. Many variable annuity contracts allow you, for an additional charge, to "step-up" or "ratchet" the death benefit up to the contract value on a specified date (e.g., annually or every five years). In addition, some contracts will raise the GMDB floor at a specified rate (e.g., 5 percent annually) for an additional charge.

Bonus Credit Feature

Some insurance companies offer variable annuity contracts with a bonus credit feature. These contracts promise to add a bonus credit to your contract value based on a specified percentage (typically from 2 percent to 6 percent) of the initial purchase payment.

<u>Example</u>: You purchase a variable annuity contract that offers a bonus credit of 3 percent on the initial purchase payment. You make a purchase payment of $20,000. The insurance company issuing the contract adds a bonus credit of $600 to your account, raising the total initial amount of the contract to $20,600.

Insurance companies frequently offset the cost for such a bonus credit by charging higher surrender or mortality and expense charges or setting longer surrender charge periods, in some cases for the life of the contract. The resulting charges may equal or exceed the amount of the bonus credit. In some products, the bonus credit does not "vest" until after a period of time or "vests" in increasing percentages over a period of time. In other products, the bonus credit is credited immediately but may be recaptured if the contract is surrendered or a withdrawal is made during a specified period of time.

Guaranteed Minimum Income Benefit ("GMIB")

A GMIB is typically offered as an optional feature or rider to a variable annuity contract for an additional charge, generally ranging from 0.30 percent to 0.75 percent of the contract's account value per year. Contracts with GMIBs have a waiting period, typically seven to ten years, before the benefit can be exercised. Age limits may also apply. For some contracts, if the benefit is exercised, only fixed annuity payments are available; others offer variable annuity payments as well.

The GMIB ensures under certain conditions that the owner may annuitize the contract based on the greater of (a) the actual account value or (b) a "payout base" equal to purchase payments credited with some interest rate (usually between 3 percent and 7 percent) or the maximum anniversary value of the account prior to annuitization. The benefit guarantees that under the stated conditions, the contract owner will receive a minimum cash flow beginning at a future date as described above. However, there is no guarantee that this insurance feature, if purchased, will ever come into effect.

Guaranteed Minimum Withdrawal Benefit ("GMWB")

A GMWB guarantees that you will receive, at a minimum, your initial invested amount, regardless of market conditions, using the systematic withdrawal feature of the variable annuity. The amount of the systematic withdrawal is usually 7 percent or less per year and determines how long it will take to withdraw your invested purchase payments. Many variable annuities allow you to add this feature to existing contracts (the benefit can usually be exercised immediately or at a future date) and allow you to step up the guaranteed base amount to the current account value. The cost for this feature typically ranges from 0.30 percent to 0.75 percent of account value per year.

Some variable annuities may offer other optional features. Please review their costs and benefits with your Financial Adviser.

Free Look Provision

You have the right to cancel your variable annuity contract within the free look provision period (usually 10 days following delivery of your variable annuity contract or whatever period is required by your state). If you exercise this provision, you will receive a refund in accordance with the terms of the contract and your state's regulations. In some instances, if the market value of the variable annuity has declined during the free look period, you may not receive back your entire initial purchase payment.

Variable Annuity Tax Issues

Although variable annuities generally allow your investment to be held on a tax-deferred basis, you should be aware of certain tax issues before you purchase a variable annuity. For example:

- Withdrawals from variable annuities, including partial withdrawals and surrenders, may be taxable. If you take a taxable withdrawal before age 59½, you may have to pay a 10 percent penalty to the IRS on the amount of the gain in your contract, in addition to your normal income taxes.
- Taxable distributions from a variable annuity are generally taxed at the contract owner's ordinary income-tax rate and do not get the benefit of lower tax rates received by certain capital gains and dividends under current tax laws.

- If a variable annuity contract is owned by a non-natural entity (such as a corporation, partnership or LLC), the contract is generally not eligible for tax-deferral.
- The death of a variable annuity owner (and, in some cases, the death of an annuitant) may result in taxable distributions that must be made from the contract within a specified period of time.
- Upon the death of the owner/annuitant of a variable annuity, gains may be taxable to the beneficiary; the variable annuity assets may be included in the owner's estate; there is no step-up in the tax basis, but variable annuity assets will bypass probate, unless the contract owner's estate is the named beneficiary or no beneficiary is named
- **The tax-deferral benefit offered by variable annuities provides no additional tax benefit if they are held in tax-qualified accounts such as an IRA, 403(b) or 401(k).** Special rules governing annuities issued in connection with a tax-qualified remtirement plan restrict the amount that can be contributed to the contract during any year, the time when amounts can be paid from the contract, and the amount of any death benefit that may be allowed. In addition, the rules provide for different results when distributions, including death benefits, are made from annuity contracts held in a taxqualified plan.

Please consult your tax advisor and consider all of the tax consequences before purchasing a variable annuity.

Insurance Company Ratings and What They Mean

The insurance company guarantees many features in the variable annuity, including rates of return for fixed accounts and the features discussed above, like the GMDB, GMIB or GMWB, (but not, of course, the performance of the subaccounts or the value of your investment). Therefore, the financial strength of the issuing insurance company is very important. Several independent, nationally recognized rating agencies regularly review the financial records of insurance companies to assess their strength and claims paying ability. The stronger and more secure the insurance company, the more likely it is that the insurance company will be able to pay the benefits offered. However, even a strong rating does not ensure that the insurance company will be able to meet all of its obligations under the annuity contracts. For information about insurance company ratings, ask your Financial Adviser to provide the ratings, or contact the following rating agencies: A.M. Best Company (ambest.com), Duff & Phelps Credit Rating. Company (duffandphelps.com), Standard & Poor's Corporation (standardandpoors.com) and Moody's Investor Service (moodys.com). These ratings do not relate to the past performance or potential performance of the annuity's subaccounts.

Tax-Free Exchanges of Annuities

Section 1035 of the Internal Revenue Code allows you to exchange an existing variable (or fixed) annuity contract for a new variable or fixed annuity without paying any taxes on the income and investment gains in the original annuity account. The "1035 exchange" can be useful if a variable annuity has features that you prefer, such as a larger death benefit, different annuity payout options, or a wider choice of investments, that are not available on your current fixed or variable annuity.

However, you may be required to pay surrender charges on your original annuity if you are still in the surrender charge period. In addition, a new surrender charge period generally begins when you exchange into the new variable annuity. This means that, for a significant period (as much as ten years), you typically will be subject to a surrender charge (which can be as high as 9 percent of your withdrawals) if you withdraw funds from the new variable annuity. If your original contract has decreased in value below its death benefit, you also will be giving up the higher death benefit by surrendering the old contract, since your new policy's death benefit will only equal the amount you are transferring into the new variable annuity. Further, the new variable annuity may have higher annual fees and charges than your existing variable annuity, which can reduce your returns.

What Should I Consider Before Investing in a Variable Annuity?

Variable annuities are contracts with an insurance company that have investment features and are designed to meet retirement and other long-range goals. Variable annuities are not suitable for pursuing short-term investment goals, because substantial taxes, and charges from the insurance company, may apply if you withdraw your money early. Variable annuities also involve investment risks, including possible loss of the principal invested.

Before investing in any variable annuity contract you should learn about the specific variable annuity you are considering. Request a prospectus or any other available material from the insurance company or from your Financial Adviser, and read it carefully. The prospectus contains important information about the annuity contract — including risks, fees and charges, investment options, death benefits, annuity payout options, and other important information that need to be carefully considered. You should compare the benefits and costs of the variable annuity to other variable annuities and to other types of investments, such as mutual funds and life insurance.

Before you decide to purchase a variable annuity, consider the following questions:

- Are you taking advantage of all your other tax-deferred opportunities, like 401(k)s and IRAs?
- Will you use the variable annuity primarily to save for retirement or a similar long-term goal?
- Are you investing in the variable annuity through a retirement plan or IRA (which would mean that you are not receiving any additional tax-deferral benefit from the variable annuity)? Are there features and benefits in the variable annuity contract, other than tax deferral, that make a variable annuity purchase appropriate?
- Are you willing to take the risk that your account value may decrease if the underlying investment subaccounts in the variable annuity perform badly?
- Do you understand all of the features of the variable annuity?
- Do you understand all of the fees and expenses that the variable annuity charges?
- Do you intend to keep your money in the variable annuity long enough to avoid paying any surrender charges if you have to withdraw money?
- If a variable annuity offers a bonus credit, will the bonus outweigh any higher fees and charges that the product may carry?
- Are there features of the variable annuity that you could purchase separately at a lower cost?
- Have you consulted with a tax advisor and considered all the tax consequences of purchasing a variable annuity, including the effect of variable annuity payments to your tax status in

retirement, or death benefit payments to your beneficiaries?

- If you are exchanging one variable annuity for another, do the benefits of the exchange outweigh the costs — such as any surrender charges on your existing variable annuity and the amounts you will have to pay if you withdraw your money before the end of the surrender period for the new variable annuity?

How Compensation is Paid to Cetera Financial Specialists and your Financial Adviser

For helping you choose a variable annuity, Cetera Financial Specialists and your Financial Adviser are paid in ways that vary based on the type of variable annuity, the issuing insurance company and the amount invested.

- As mentioned above, Cetera Financial Specialists is paid by the insurance company if we sell you a variable annuity. Under an agreement with the insurance company, Cetera Financial Specialists is paid based on the amount of the purchase payment. Your Financial Adviser's initial compensation is based on a compensation formula applied to the invested purchase payments. This type of compensation is typically referred to as a commission.
- Cetera Financial Specialists also receives ongoing payments, known as residuals or "trail" commissions, on invested assets that are held in your variable annuity for more than one year. These ongoing payments are set by the insurance company, and Cetera Financial Specialists pays a portion of the trail commissions to your Financial Adviser as they are received.

The compensation formula to determine the amount of payment from Cetera Financial Specialists to your Financial Adviser is the same for all variable annuities. However, some insurance companies pay Cetera Financial Specialists higher compensation for sales of their variable annuities than other companies, and, in such cases, the total amount received by Cetera Financial Specialists and your Financial Adviser would be higher.

Your Financial Adviser must be compensated for his/her expertise and time, both at the time of sale and during the period when you own your shares, which could be many years. The amount Cetera Financial Specialists receives from the insurance company is typically split with the Financial Adviser who actually sold the variable annuity to a client. The amount received by your Financial Adviser depends on a variety of factors, but typically is between 50% and 90% of the amount received by Cetera Financial Specialists.

Supervisors may also receive monetary incentives based on the revenues and profits of the Financial Advisers they oversee.

Feel free to ask your Financial Adviser how he or she will be compensated for any variable annuity transaction.

Cetera Financial Specialists' Relationships with Insurance Companies

At Cetera Financial Specialists, in addition to the commissions described above, we receive marketing support payments from a few of the insurance companies whose variable annuities we sell. <u>These payments may be used to pay for training and educational conferences and meetings for our Financial Advisers, various administrative and record-keeping costs, educational meetings and seminars for our current and prospective clients, and due-diligence evaluations of the creditworthiness of the insurance companies whose variable annuities we sell</u>. The payments may be either a fixed dollar amount or may be calculated as a percentage of variable annuity assets held in variable annuities from that insurance company that have been sold by Cetera Financial Specialists.

These payments are not made directly by you nor are they deducted from your account in any way; they are paid by the insurance company, an affiliate of the insurance company, or the investment management company that serves as manager of the underlying investment subaccounts for the variable annuities that do make such payments.

None of these payments are passed on to your Financial Adviser as commissions or ongoing payments. However, the payments may be used to fund some of the general benefits provided to your Financial Adviser that are described above. We believe that these financial arrangements do not affect the advice that your Financial Adviser offers you.

Insurance companies and their affiliates use a variety of sources for funding the commissions and payments described above. The funding sources may include, but are not limited to:

- the fees and charges assessed by the insurance company under the variable annuity contract;
- revenues from the underlying investment options, if any, received by the insurance company, an affiliate of the insurance company or the investment management company that serves as manager of the underlying investment options for variable annuities; and
- investment earnings on amounts allocated to the general account of the insurance company.

Some of the information on certain of these funding sources and payments for variable annuities can be found in the Prospectus or Statement of Additional Information for the variable annuity, which is available on request from the insurance company. You can also find additional information about revenues from the underlying investment subaccounts in their Prospectuses and Statements of Additional Information.

Below is a list of insurance companies that sponsor variable annuities that paid Cetera Financial Specialists for marketing and/or other service fees in 2011:

- Prudential Annuities – a business division of Prudential Financial, Inc.
- Transamerica Life
- Jackson National Life Insurance Company

Although Cetera Financial Specialists offers hundreds of variable life and annuity contracts from more than 100 insurance companies, we concentrate our marketing and training efforts on those investments offered by a much smaller number of select and well-known companies (Strategic Partners). Strategic Partners are selected, in part, based on the competitiveness of their products, their technology, their customer service and their training capabilities. Strategic Partners have more opportunities than other companies to market and educate our financial advisers on investments and the products they offer. Our Strategic Partners are categorized into two tiers: Elite and Participating. Elite Strategic Partners have more opportunities than Participating Strategic Partners to market and to educate our financial advisers about their products. The tables below list our Strategic Partners, broken down by Elite and Participating.

Elite Strategic Partners

- Jackson National Life
- Pacific Life
- Prudential
- SunAmerica Retirement Markets

Participating Strategic Partners

- Allianz Life
- AXA Distributors
- Hartford Life
- Lincoln Financial Distributors
- MetLife
- Nationwide Insurance
- Transamerica Capital

We have reached separate written agreements or agreements in principle with the Strategic Partners or their affiliates listed above, to receive, effective April 2, 2012, revenue sharing payments as part of our Strategic Partner Program. Cetera Financial Specialists anticipates entering into written agreements with respect to all of these Strategic Partners or their affiliates by the end of the third quarter 2012.

Our Strategic Partners pay extra compensation to Cetera Financial Specialists and/or its affiliates in addition to the usual product compensation described in the prospectus. The additional amounts Strategic Partners pay Cetera Financial Specialists vary from one Strategic Partner to another, and from year to year. Elite Strategic Partners generally pay us a higher level of revenue sharing, based on the criteria below, than Participating Partners. Some Strategic Partners pay up to 25 basis points (1/4%) of your total purchase amount of a variable insurance product. So, for example, if you invest $10,000 in a variable annuity, Cetera Financial Specialists could be paid up to $25. Additionally, some Strategic Partners make an additional quarterly payment based on the assets you hold in the product over a period of time of up to 10 basis points (1/10%) per year. For example, on a holding of $10,000, Cetera Financial Specialists would receive up to $10. Alternatively, Cetera Financial Specialists may receive a flat fee from the insurance company, regardless of the amount of new sales or assets held in client accounts. These payments are designed to compensate Cetera Financial Specialists for ongoing marketing and administration and education of its employees and Financial Advisers. You do not make these payments. They are paid by the insurance companies and/or their affiliates out of the assets or earnings of the insurance companies or their affiliates.

It is important to note that you do not pay more to purchase Strategic Partner insurance products through Cetera Financial Specialists than you would pay to purchase those products through another broker-dealer, and your Financial Adviser does not receive additional compensation for selling a Strategic Partner product.

1. "Basis point" is a common term used to describe compensation and other costs relating to securities. A basis point is one one-hundredth of a percentage point.
2. Cetera Financial Specialists also may occasionally receive revenue sharing payments from companies that are not Strategic Partners.

A potential conflict of interest exists in that Cetera Financial Specialists is paid more revenue-sharing fees if you purchase one type of product instead of another and/or you purchase a product from one particular sponsor instead of another. Your Financial Adviser also indirectly benefits from Strategic Partner payments when the money is used to support costs relating to product review, marketing or training.

To learn more about variable annuities, ask your Financial Adviser or visit the following websites:

National Association for Variable Annuities – navanet.org
Financial Industry Regulatory Authority - finra.org
Securities and Exchange Commission - sec.gov

VARIABLE ANNUITIES ARE NOT INSURED BY THE FDIC OR ANY FEDERAL GOVERNMENT AGENCY - MAY LOSE VALUE – ARE NOT A DEPOSIT OF, OR GUARANTEED BY, A BANK OR ANY BANK AFFILIATE.

Throughout this guide the word "guarantee"' refers to guarantees backed by the claims-paying ability of the issuing insurance company. If the insurance company is unable to meet the claims, the payments may not be made.

Securities offered through Cetera Financial Specialists LLC (doing insurance business in CA as CFGFS Insurance Agency), member FINRA/SIPC. Advisory services offered through Cetera Investment Advisers LLC. Main offices 200 N. Martingale Rd., Schaumburg, IL 60173; phone 888.528.2987.

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