The power of tax-deferral

Not all investments are taxed the same. If your money isn't in a tax-deferred investment, you could be losing a portion of your earnings to taxes. Avoid that by utilizing the power of tax-deferral.

What's a tax-deferred investment?

Money in bank savings accounts or CDs **are not** tax-deferred—you pay taxes on any interest earned each year.

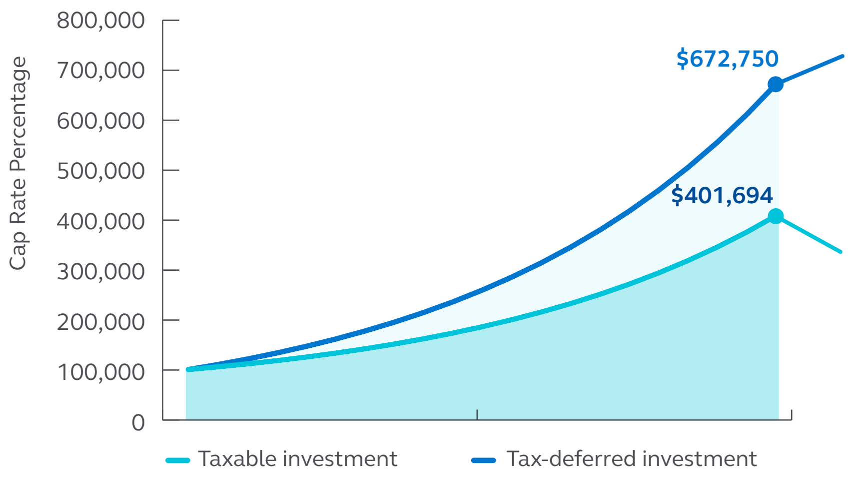
If you participate in an IRA or 401(k) plan, those investments **are** tax-deferred.

With tax-deferred investments, you don't pay taxes on gains in your account until you withdraw your money. The money you save by deferring taxes is reinvested, potentially earning you even more. This is known as compounding, and can be an important part of your overall investment strategy.

How can this help?

Let's take a look at a hypothetical 20-year investment. This example shows two investment scenarios. Both investments were started on the same day with $100,000, and earned a 10% return each year, net of fees. No withdrawals were made from either.

The difference? One investment was taxable, and the other was tax-deferred.



The tax-deferred account reinvested the money instead, resulting in a higher total. Even if you chose to withdraw the $672,750 in a lump sum at the end of the 20 years ($160,370 at the 28% tax rate), you'll still come out ahead.

The earnings of **the taxable investment** were paid annually at a tax rate of 28%.

The taxable investment would have had to earn approximately 13.9% every year to equal the same account value as the tax-deferred investment.

Tax-deferred accumulations are subject to ordinary income tax and if withdrawn prior to age 59½, an additional 10% federal tax penalty is applied.

Remember, this illustration is hypothetical and doesn't represent any particular investment. It can't be used to predict an expected outcome for your particular situation. And changes in tax rates and tax treatment of investment earnings may impact the comparative results. You should consider your personal investment horizon and personal income tax bracket, both current and anticipated, when making an investment decision as these may further impact the results of the comparison.

If fees and charges were included in the illustration above, the tax-deferred performance would have been lower. Lower maximum tax rates on capital gains and dividends would make the investment return for the taxable investment more favorable, thereby reducing the difference in the performance between the accounts shown.

Variable annuities are tax-deferred investments

Variable annuities offer another option for tax-deferred investing. They're best suited for long-term investing and because your money's invested in the market, there are risks involved, including the potential loss of your premium(s). But because a variable annuity offers tax-deferral and compounding, it could potentially result in higher long-term returns.

Principal® Pivot Series Variable Annuity offers these additional tax-saving features:

Transfers
You can move money in and out of the various subaccounts tax-free.

Rebalancing
Keep your portfolio in line with your investment objectives with tax-free automatic rebalancing.

Tax timing
You control when withdrawals are taken—pay less on gains by taking money when you're in a lower tax bracket.

Phantom gains
You pay no taxes on phantom gains. Phantom gains are capital gains on which you owe tax, even if your actual return on the investment is negative.

Learn more

Contact your financial professional to see if a Principal Pivot Series Variable Annuity is a fit for your retirement income plan.

Not FDIC or NCUA insured
May lose value • Not a deposit • No bank or credit union guarantee Not insured by any Federal government agency

All guarantees and benefits of the insurance policy are subject to the claims-paying ability of the issuing insurance company. They are not backed by the broker-dealer and/or insurance agency selling the policy, or any affiliates of those entities other than the issuing company affiliates, and none makes any representations or guarantees regarding the claims-paying ability of the issuer.

Tax-qualified retirement arrangements, such as IRAs, SEPs, and SIMPLE-IRAs are tax-deferred. You derive no additional benefit from the tax deferral feature of the annuity. Consequently, an annuity should be used to fund an IRA, or other tax qualified retirement arrangement, to benefit from the annuity's features other than tax deferral. These features may include guaranteed lifetime income, death benefits without surrender charges, guaranteed caps on fees, and the ability to transfer among investment options without sales or withdrawal charges.

Before investing, carefully consider the investment objectives, risks, charges, and expenses of the contract and underlying investment options. Contact a financial professional or visit principal.com for a prospectus or, if available, a summary prospectus containing this and other information. Please read it carefully before investing.

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