**What Is a Tax-Deferred Annuity?**

If you would like to increase your income at retirement while at the same time lowering your taxes now, then consider participating in a tax deferred annuity plan.

A tax-deferred annuity allows you to put a portion of your before-tax wages into an investment account on a regular basis. Instead of paying taxes on the money now (when your tax rate is high), you pay after you retire (when your tax rate will be lower). In the meantime, the annuity account earns dividends that permit you to supplement your retirement income.

How Do I Enrol in a Tax-Deferred Annuity Plan?

As a full-time employee, you’re eligible to participate in the Tax-Deferred Annuity Plan. Of course, the plan is voluntary. You may begin participating on the on the first day of the month following your employment, and you may stop participating at any time. To participate, just complete the necessary enrolment form, as well as a Salary Reduction Agreement, and return them to R-H Solutions.

How Will My Money Be Invested?

On your annuity application you can allocate your premiums among several options, such as stocks, money markets, bonds, and world equities. A typical allocation might be similar to the following: stock (30%); money market (25%); bond market (25%); world equities (15%); other (5%).

You can change your allocation by calling our Customer Service Centre at any time at (501) 555-2425. R-H Solutions will make every effort to invest your money safely and effectively so you will realize the maximum possible earnings.

How Will I Know How Well My Investments Are Doing?

R-H Solutions will send you a report annually, showing your total accumulation. Every quarter you’ll receive a statement containing a complete history of all financial transactions and showing the interest credited you’ve earned. You’ll also receive our Centre regular newsletter.

For the purposes of this plan, accumulation is defined as all tax-deferred contributions, minus the R-H Solutions service charges.

Can My Tax-Deferred Annuity Plan Be Terminated?

Your Tax-Deferred Annuity Plan can be terminated only if you’re no longer an eligible employee, you stop contributing to the plan, or your employer discontinues the contract with R-H Solutions.

Can I Withdraw Money from My Tax-Deferred Annuity Plan?

Normally, if you make an early withdrawal from your tax-deferred annuity plan, you will incur substantial financial penalties. However, you can withdraw money without penalty if you have an immediate and severe financial need (as defined below) and the money from your plan is necessary to meet those needs. Under current law, these withdrawals are subject to ordinary income taxes.

The following are considered to be immediate and severe financial needs:

* tuition for post-secondary education for you or your dependants
* medical expenses that exceed 7.5% of your annual salary
* purchase (excluding mortgage payments) of a principal residence
* other circumstances as regulated by the Internal Revenue Service

When Can I Begin to Receive Funds from My Tax-Deferred Annuity Plan?

You (or your heirs) can begin receiving funds when you

* reach the age of 59
* leave the service of your employer
* encounter financial hardship (as defined above)
* die or become disabled

Get more information by writing R-H Solutions, 2804 Russell Hollow Road, Little Rock, AR 72203, or by calling at (501) 555-2425.