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The Retirement Challenge

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PRUDENTIAL

RETIREMENT?



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- People worked until they died
- Families took in seniors unable to work

NEW DEAL CREATED RETIREMENT LANDSCAPE

The Social Security Act - 1935



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- Misconstrued as a “Pension Act”
- The modern day concept of retirement was born.

THE PIECES CAME APART



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- **Social Security – overburdened**
- **Pension Plans – dwindling**
- **Healthcare – costs skyrocketed**

Responsibility . . . shifted back to the individual.



THE RETIREMENT CHALLENGE

For the Lower-End of the Market



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Undersaved

- Savings rates at lowest levels since the Great Depression¹
- 40% of workers have saved nothing for retirement²
- 28 million U.S. households – no retirement savings account³
- Typical American household savings = \$18,750 for retirement⁴

Overspent

- Average debt per U.S. household (excluding mortgages) is \$18,700⁵
- Record bankruptcy filings⁶
- Record 4.81% of credit cards are 30 days past due⁷

¹The National Retirement Planning Coalition, 2004. ²Dan Ackman, "Retirement Doomsday," Forbes.com, May 4, 2005. ³Dan Ackman, "Retirement Doomsday," Forbes.com, May 4, 2005. ⁴New "Fidelity Retirement Index" Reports America's Retirement Readiness, 2005. ⁵"How to Manage the Debt-Laden Client," financial-planning.com, June 9, 2005. ⁶Timothy Egan, "Debtors in Rush to Bankruptcy as Change Nears," The New York Times Online, August 21, 2005. ⁷Sept. 28, 2005 American Bankers Association (press release)

THE RETIREMENT CHALLENGE

For the Mass, Middle, and Emerging Markets



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- **Accumulation focus**
- **Increased complexity**
- **Additional challenges:**
 - **Longevity**
 - **Pensions**
 - **Social Security**
 - **Taxes**
 - **Inflation**
 - **Healthcare**

THE RETIREMENT CHALLENGE



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- I. The retirement landscape
- II. Challenges to retirement
- III. The opportunity for JNL

THE RETIREMENT LANDSCAPE

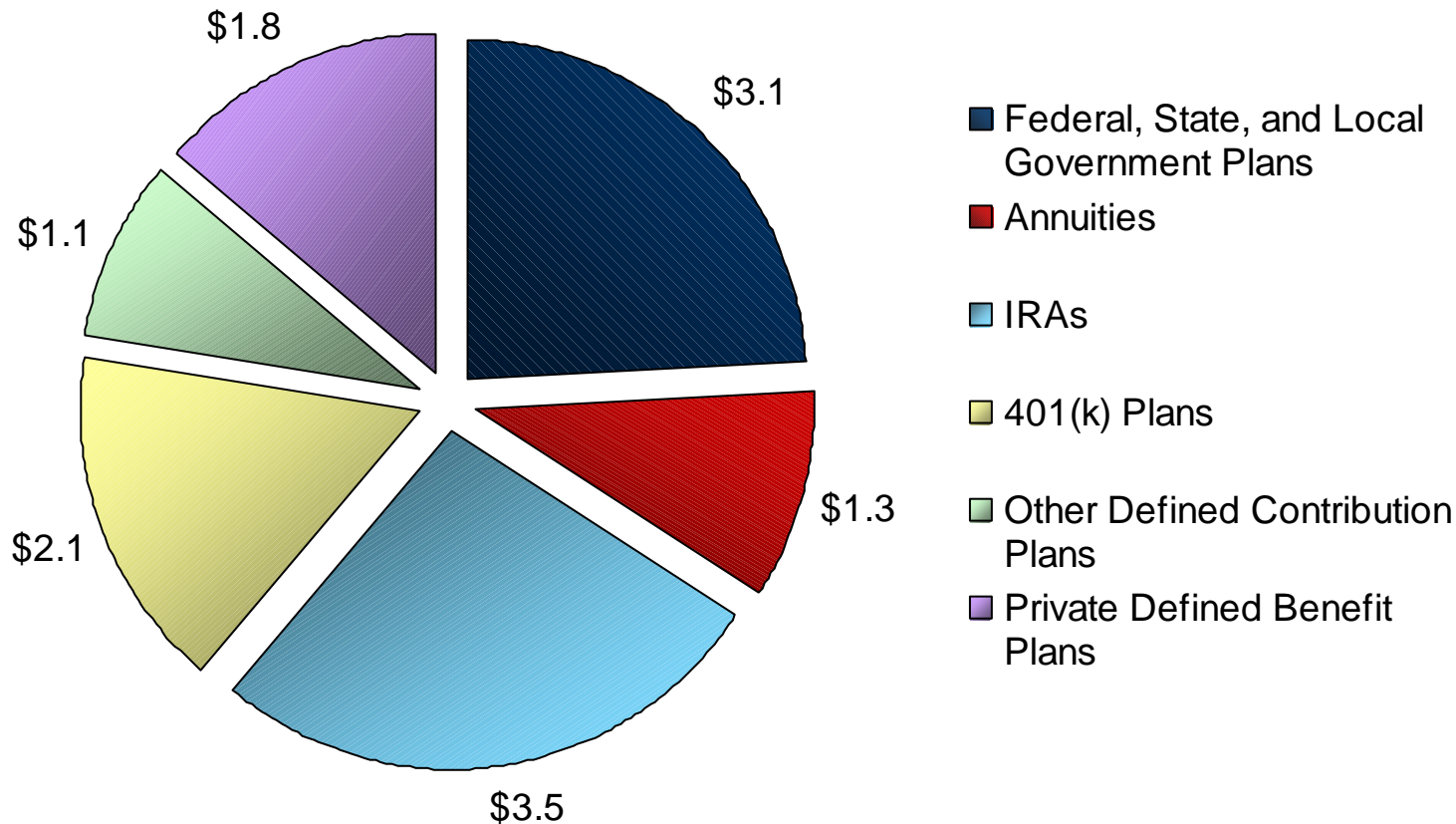
U.S. Retirement Saving Has Many Components



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TOTAL RETIREMENT MARKET ASSETS: \$12.9 TRILLION

Trillions



Sources: Investment Company Institute; Federal Reserve Board National Association of Government Defined Contribution Administrators; American Council of Life Insurers; and Internal Revenue Service, Statistics of Income Division. Year end 2004.

THE RETIREMENT LANDSCAPE

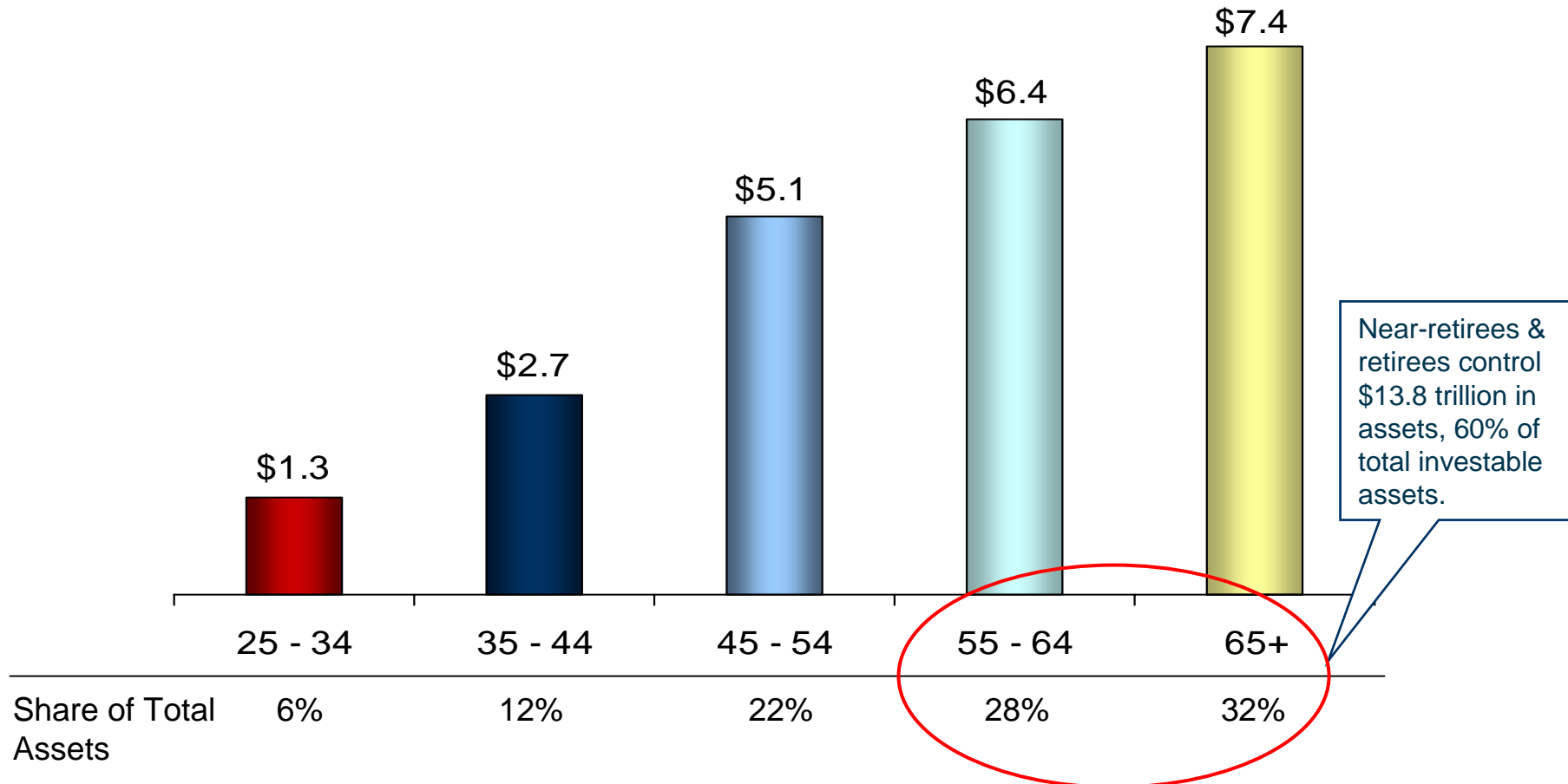
Who Has The Assets by Age?



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TOTAL U.S. INVESTABLE ASSETS BY AGE COHORT¹

Trillions



¹Total U.S. Financial Assets includes: cash, stocks, bonds, mutual funds, IRAs, Keoghs, SEPs, current value of DB assets,

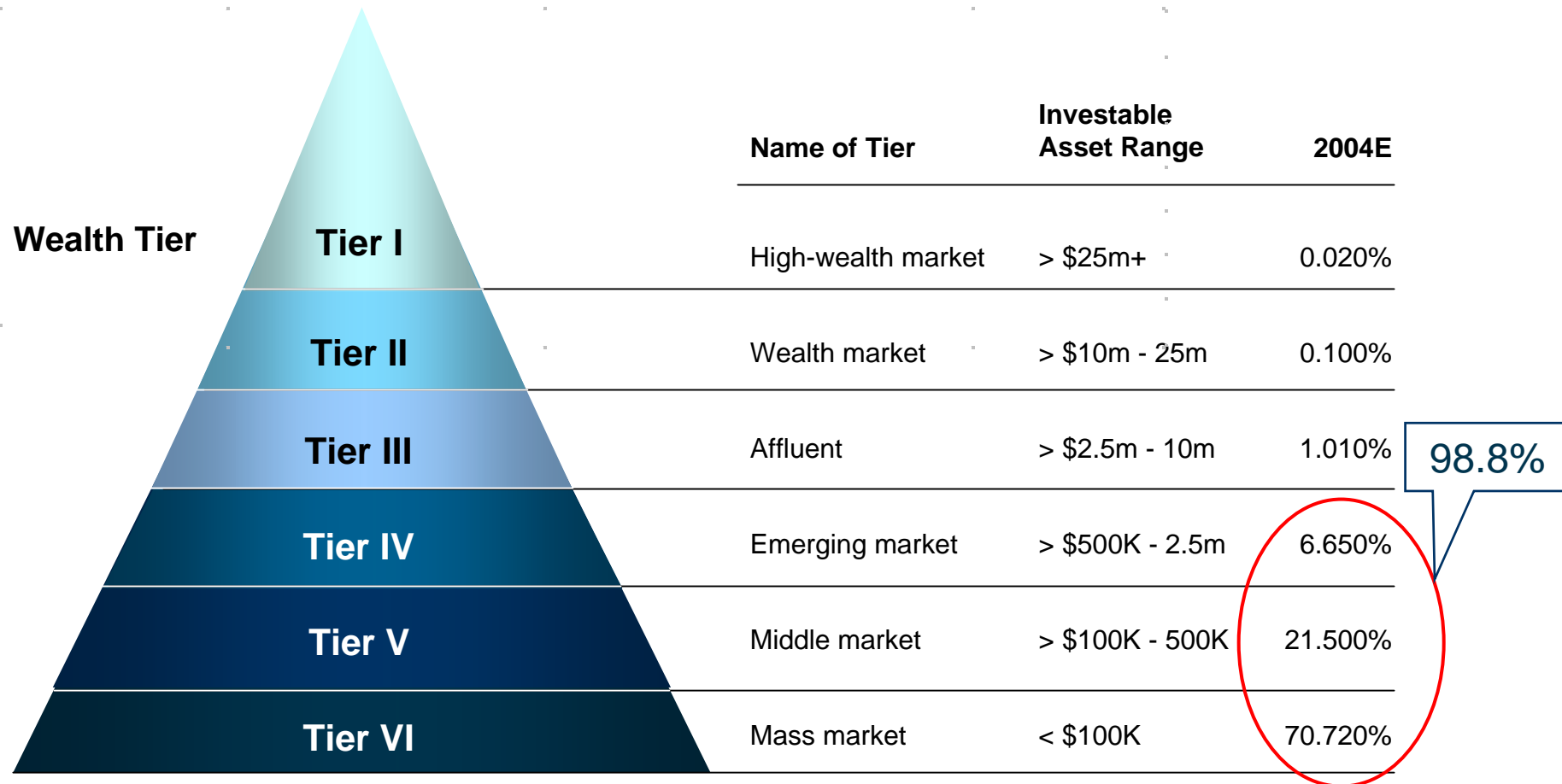
THE RETIREMENT LANDSCAPE

U.S. Household Distribution by Tier – Investable Assets



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THE MASS AND MIDDLE MARKET REMAIN THE JNL TARGET AND ACCOUNT FOR OVER 98% OF THE INVESTABLE ASSETS¹



¹Cerulli Quantitative Update: Advisor Metrics, 2004

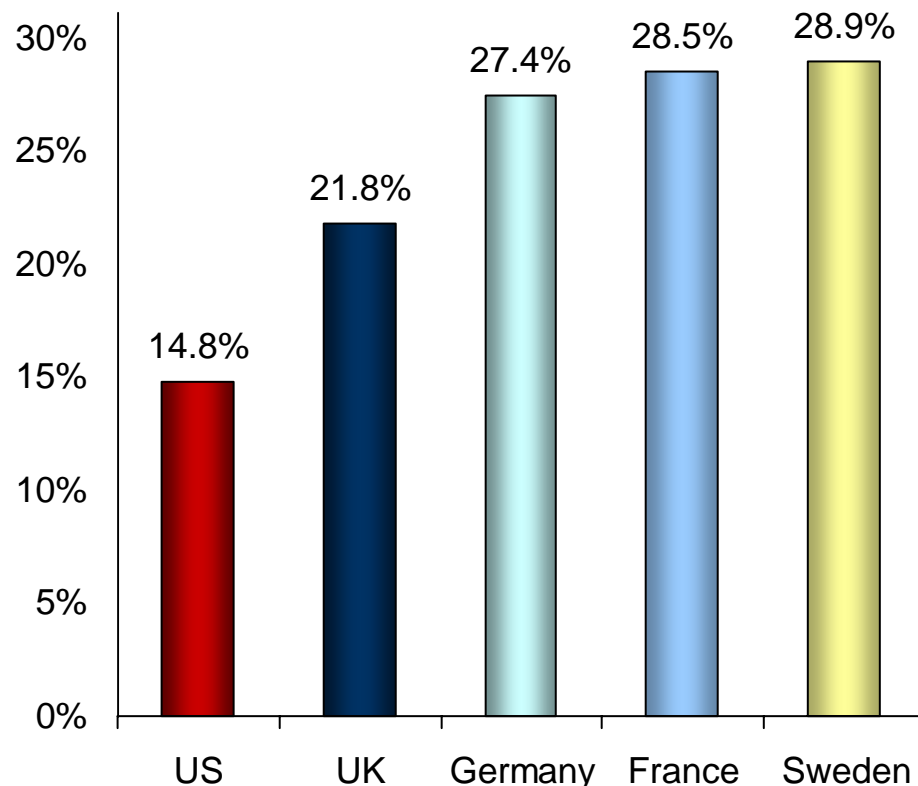
THE RETIREMENT LANDSCAPE

Social Welfare Spending (Including Public Pensions)



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GOVERNMENT SOCIAL SPENDING AS PERCENTAGE OF GDP¹



- **U.S. – a greater burden on the individual**
- **Sweden, where total state spending makes up 60% of the economy, also spends twice as much on social welfare as the United States**

¹OECD: *Should We Extend the Role of Private Social Expenditure*, March, 2005

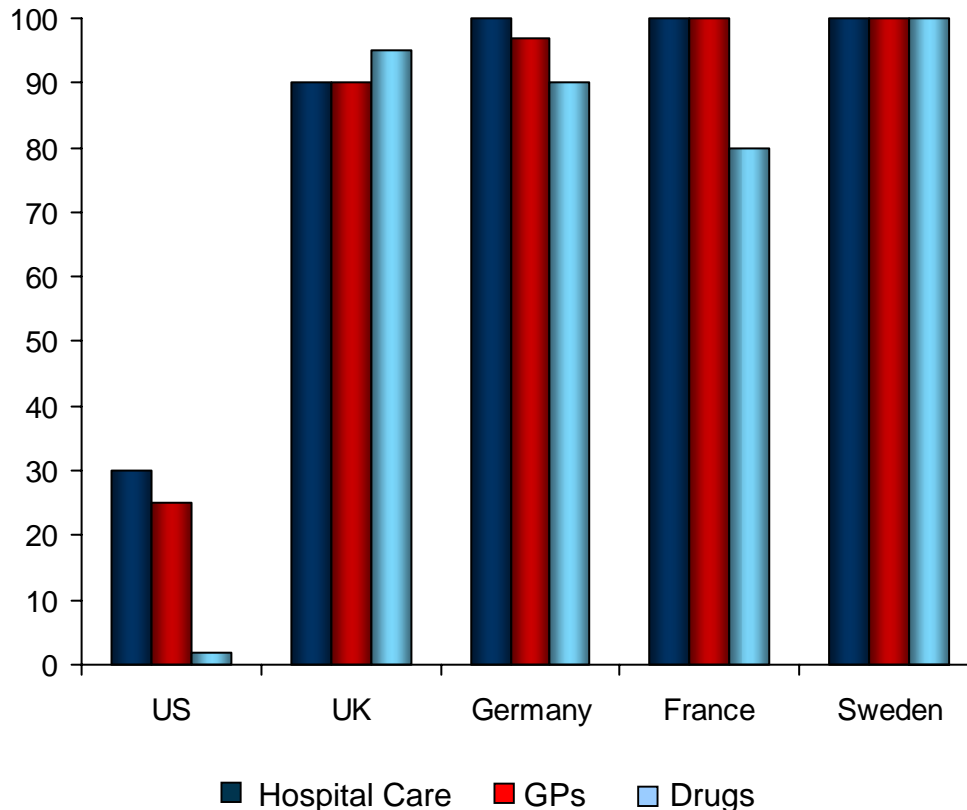
THE RETIREMENT LANDSCAPE

Healthcare Coverage — Who Pays?



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PERCENT OF POPULATION COVERED BY GOVERNMENT HEALTHCARE¹



- **U.S. stands out as the only industrialized country which provides only limited government healthcare benefits**
- **Americans spend more per capita on healthcare than any other nation**

¹OECD: *Should We Extend the Role of Private Social Expenditure*, March, 2005

THE RETIREMENT LANDSCAPE

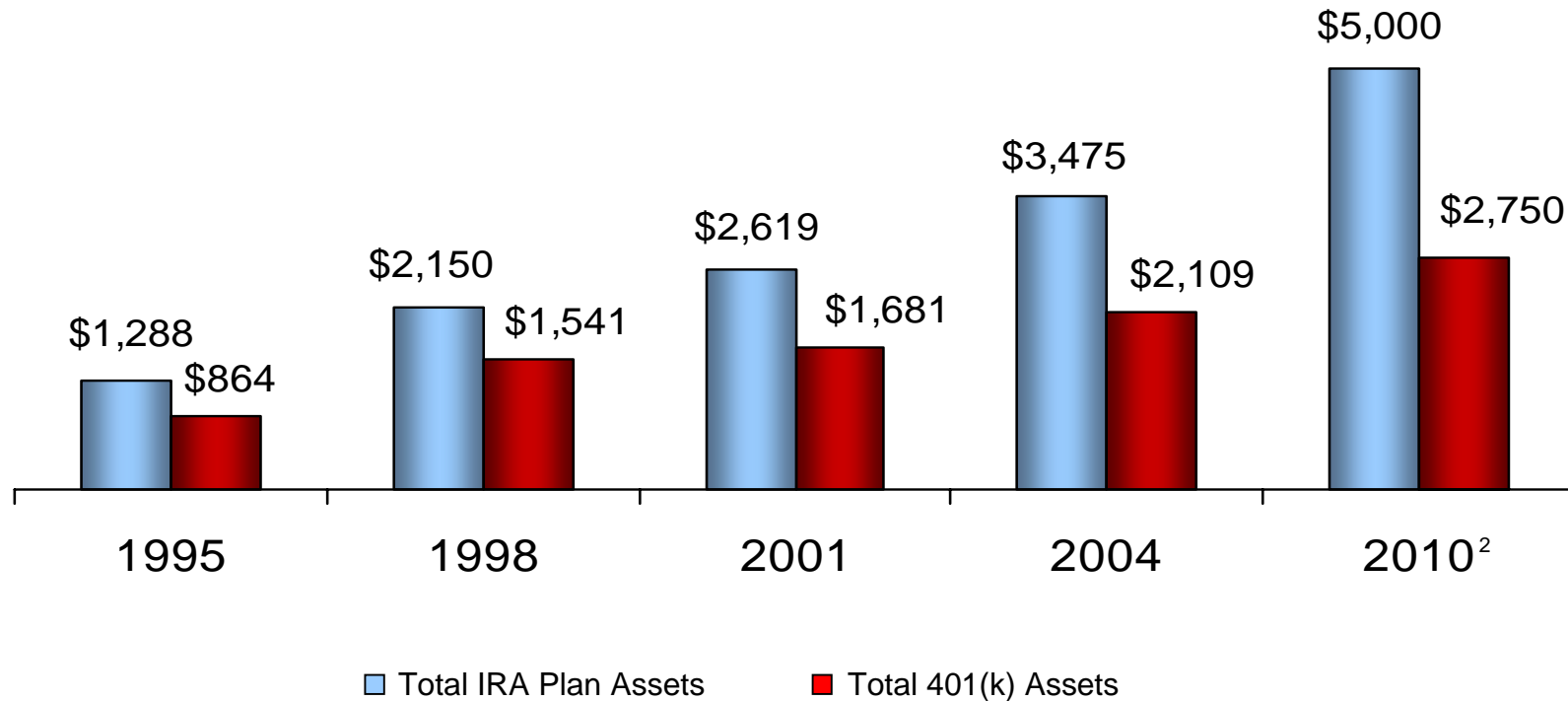
Qualified Assets Will Continue to Grow



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RETIREMENT ASSETS¹

Trillions



¹ICI and Tiburon Advisors, "The Future of Advice," January 21, 2005.

²Projected



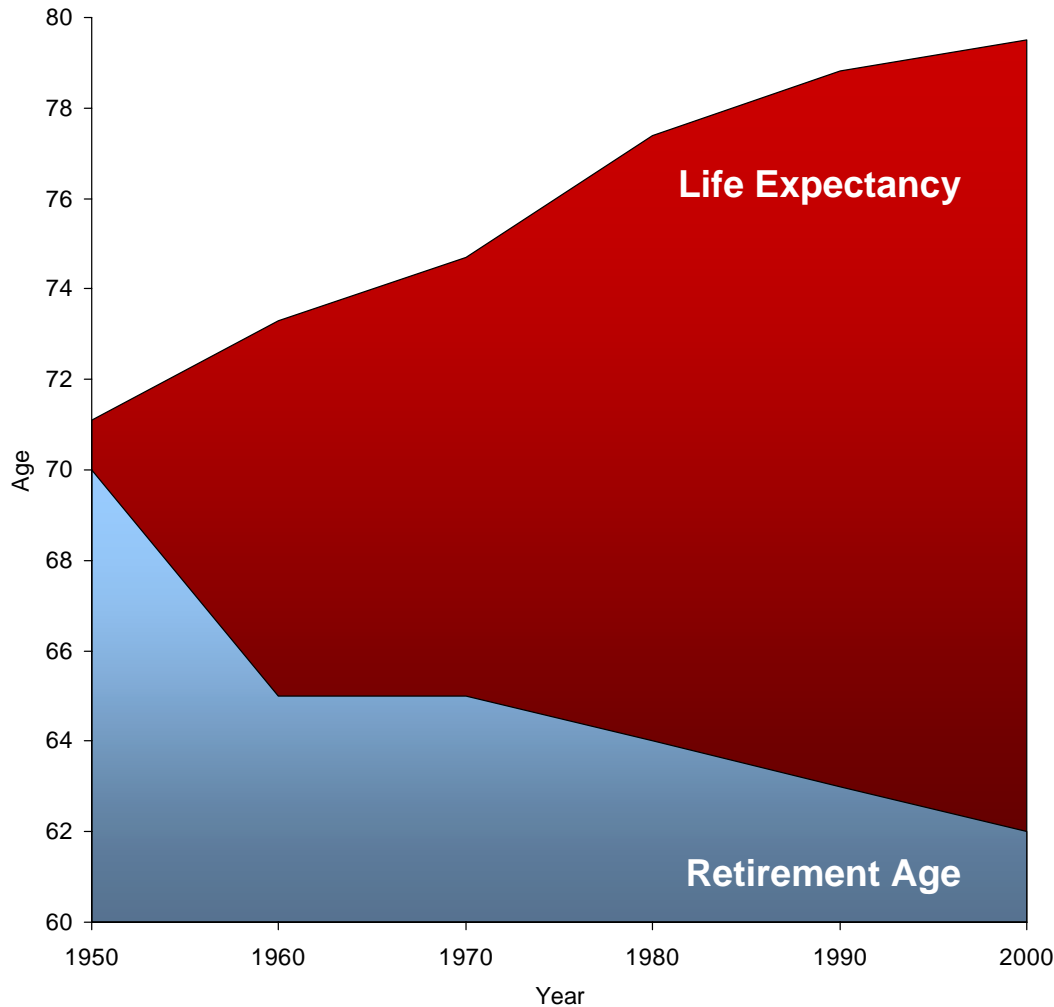
- Longevity
- Pensions
- Social Security
- Taxes
- Inflation
- Healthcare

CHALLENGES TO RETIREMENT

Longevity



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- The average American will spend 20+ years in retirement.¹
- Over 80 population growing 5 times faster than overall population.²

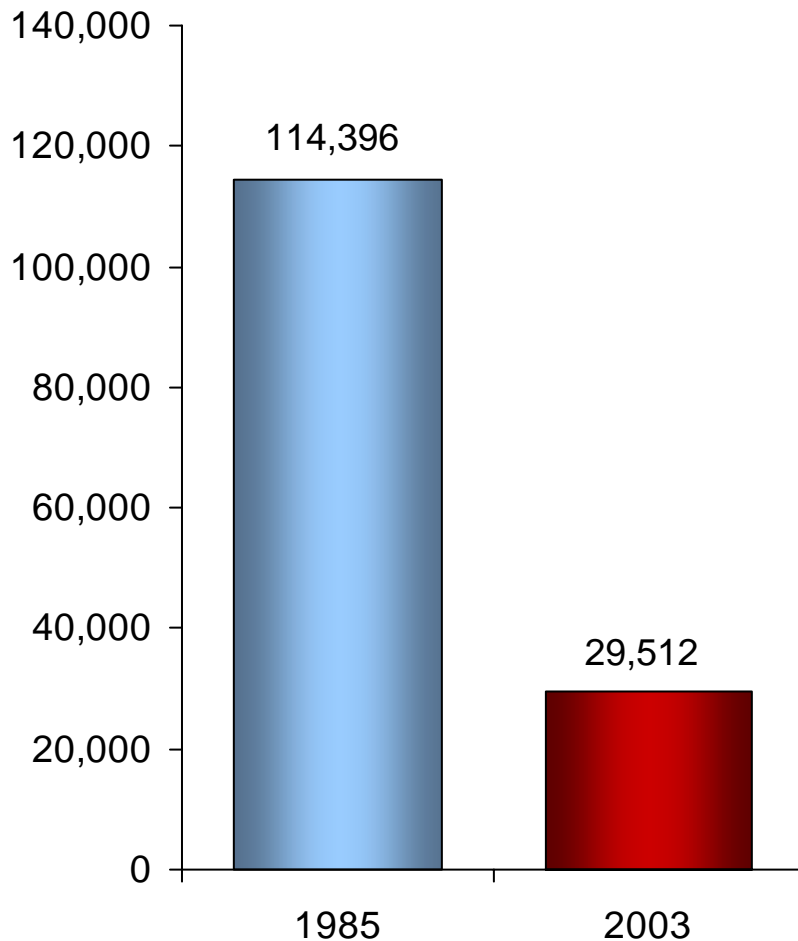
¹National Vital Statistics Report, 2003.

CHALLENGES TO RETIREMENT Pensions



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NUMBER OF U.S. PENSIONS



- **Percentage of workers with defined benefit pension plans has decreased from 80% in 1985 to 24% in 2003.¹**
- **44 Million Americans – and counting – have already been affected by pension defaults.²**
- **Pensions under-funded by \$450B.³**

¹"The Really Troubled Program," Time Magazine, January 4, 2005

²CNN Money, 2005

³BusinessWeek Online, June 13, 2005.

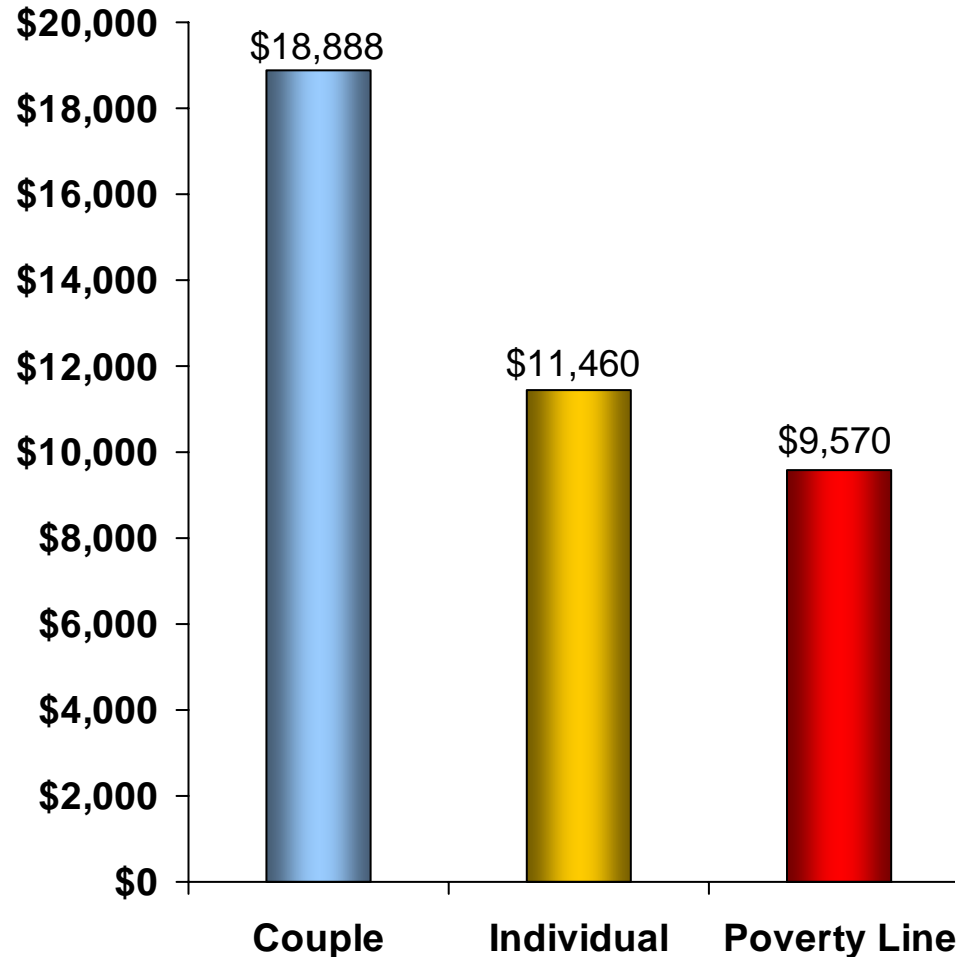
CHALLENGES TO RETIREMENT

Social Security



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AVERAGE ANNUAL SOCIAL SECURITY BENEFITS¹



- Half of retirees would be in poverty without Social Security²
- In 1945, there were 16 contributors to Social Security for every benefactor of it. By 2004, that ratio had dropped to 3.3 to one, and continues to fall³

¹The 2005 Annual Report of the Board of Trustees", Social Security Administration, 2005.

17 ² AFL-CIO.org, 2004.

³James B. Lockhart III, "Strengthening Social Security", Speech, Social Security Deputy Commissioner, March 21, 2005.

CHALLENGES TO RETIREMENT

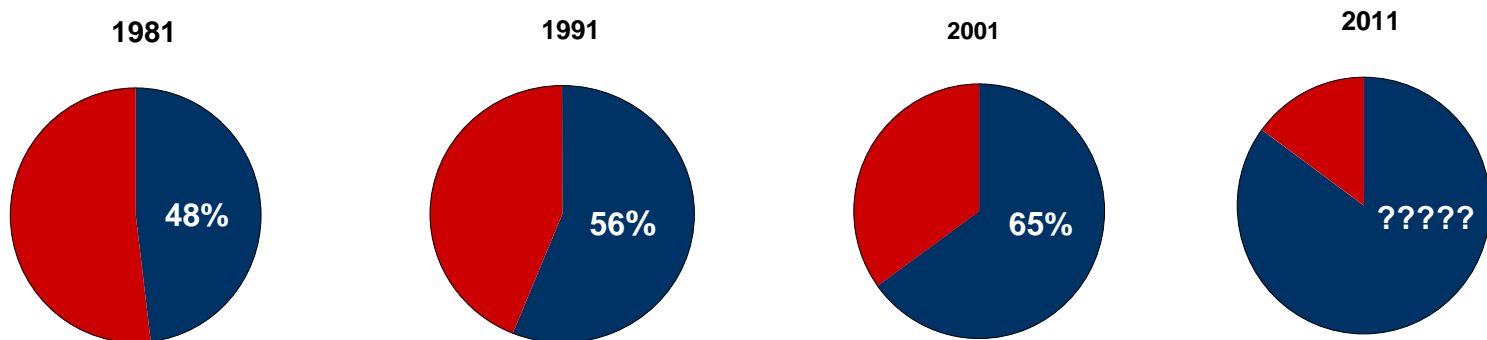
Taxes



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- 40% of Americans pay no income tax at all, placing 100% of the burden on the mass and mass-affluent¹
- This number is expected to continue to grow, as the mass through emerging markets assume a larger portion of the nation's tax burden

PERCENT OF FEDERAL INCOME TAXES PAID BY TOP 10%²



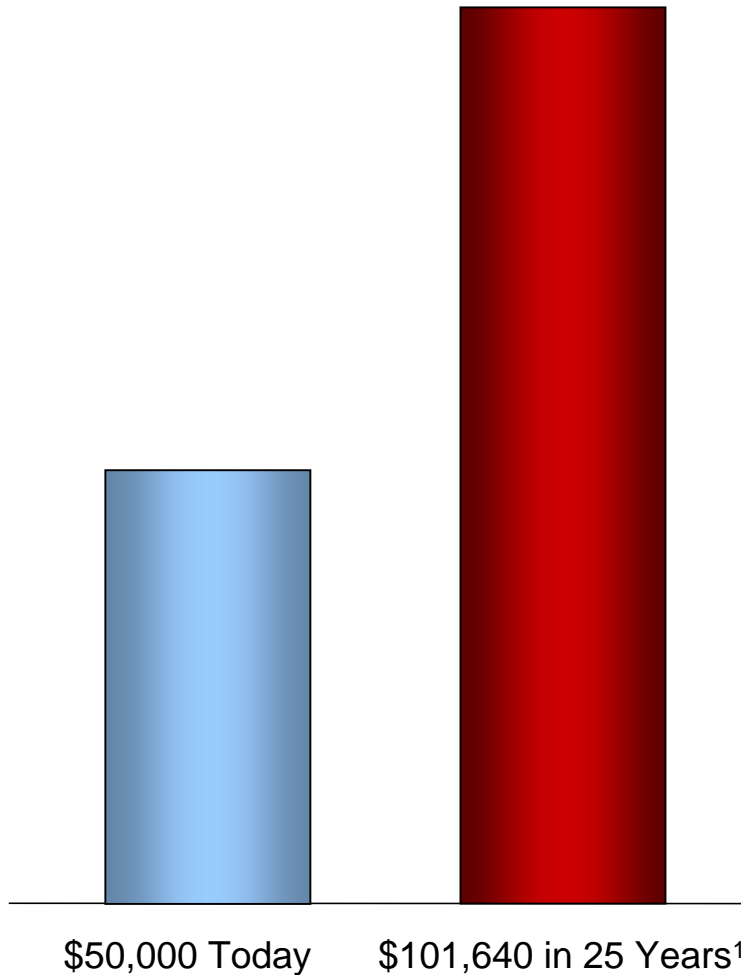
¹The Tax Foundation, 2005.

CHALLENGES TO RETIREMENT

Inflation



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HISTORICAL RATES OF INFLATION

Annual Inflation Rate	Value At Retirement	After 10 Years	After 20 Years	After 30 Years
3%	\$10,000	\$7,441	\$5,537	\$4,120
5%	\$10,000	\$6,139	\$3,769	\$2,314
7%	\$10,000	\$5,083	\$2,584	\$1,314

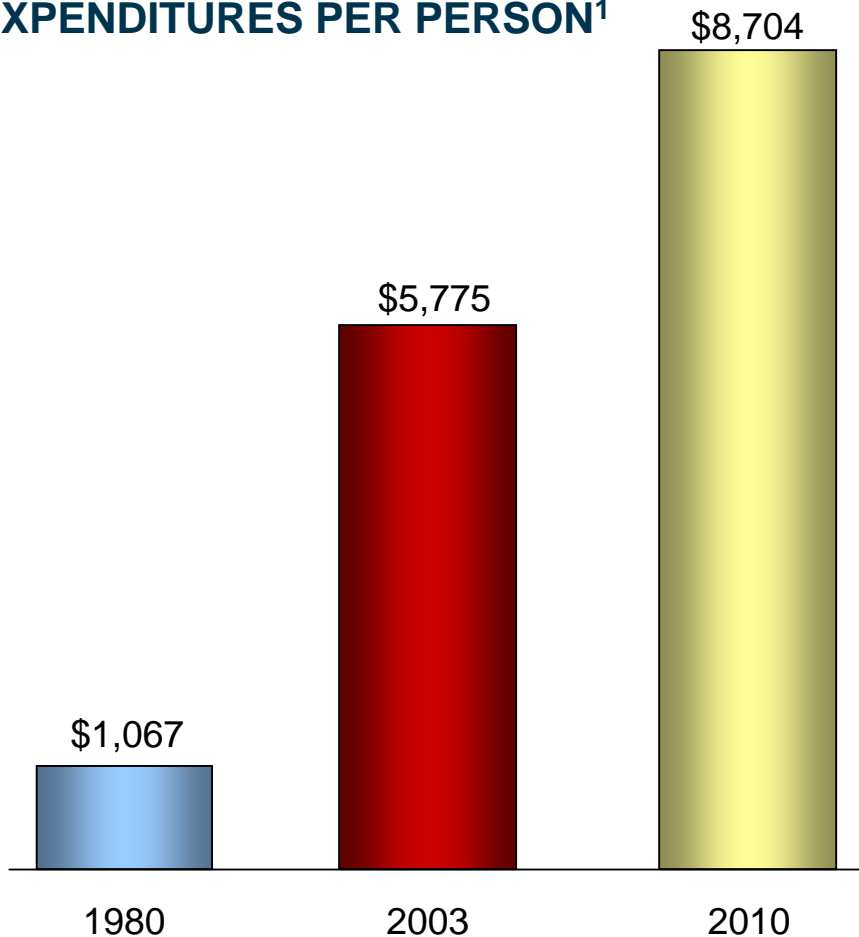
Average Historical Annual Inflation Rates (Avg. inflation rate from 1926 to 2003 was 3.1%) 1990s – 3% 1980s – 5% 1970s – 7%

CHALLENGES TO RETIREMENT Healthcare



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U.S. HEALTHCARE EXPENDITURES PER PERSON¹



- Equivalent to 52% of the average retiree's Social Security income (\$11,460)²
- At General Motors, the average cost of providing healthcare and pension benefits is now \$1,500 per car³

¹National Center for Health Statistics, 2004.

20 ²Social Security Administration, 2004.

³"Now for the Reckoning," The Economist, October 13, 2005.



- **The retirement wave – the single most significant event**
- **The wave is rolling**
- **Government assistance in doubt**
- **Employer assistance is shrinking**
- **All of this provides our greatest challenge and greatest opportunity**
- **The key is pre-retirement**

THE OPPORTUNITY FOR JNL

Understanding Our Target Market - Baby Boomers



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- **Boomer households have an average of 0.95 children¹**
- **40% anticipate that their adult child will move back in with them²**
- **14.2% are divorced³**
- **37% say their favorite TV show growing up was Star Trek⁴**
- **Average Boomer drinks 3.8 cups of coffee per day⁵**
- **Only 7.3% are below the poverty line⁶**
- **97% are uncomfortable with the amount of money they have saved for retirement⁷**

¹Demographic Profile of American Baby Boomers, Mature Market Institute, 2003.

²www.seniorjournal.com/NEWS/Housing/4-06-29Survey.htm

³Demographic Profile of American Baby Boomers, Mature Market Institute, 2003.

⁴USA Today Snapshot, 2001.

⁵National Coffee Drinking Trends Baby Boomers Report, National Coffee Association, 2005.

⁶"When We're All 64," Wall Street Journal, 2005.

⁷"Almost all Retirees, Boomer Regret not Doing More to Prepare for Retirement", Senior Journal, 2005.

THE OPPORTUNITY FOR JNL

What Does America Need?



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Advice

- The majority of Americans use a professional adviser
- During the bear market of 2000-2002, 50% of those investors who did not use a professional adviser consulted one¹

Choices

- There are now over 8,000 mutual funds²

Income

- According to NAVA, the #1 concern of retirees is running out of money prematurely, and downgrading lifestyle³

Safety

- Of the \$8 trillion in mutual funds, 27.5% is invested in money market accounts⁴

Guarantees

- Research indicates that the majority of retiree goals include:
 - maintaining or enhancing their lifestyle throughout retirement; and
 - a zero chance of ending life in deprivation⁵

THE OPPORTUNITY FOR JNL

Why Consumers Want Annuities?



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Safety: Protection of principle

Growth: Potential for growth

Income: Guaranteed income for life

Choice: Choice of asset classes



- **Largest pool of retirement assets in the world**
- **Retirees are dramatically underserved**
- **The age wave is rolling and the levy has cracks**
- **More fluid than at any point in history**
- **JNL is well-positioned with our channels, products, and marketing**