



“Uncle Sam has conferred on certain financial vehicles a powerful advantage: tax-deferred growth.”

compliments of:



Putting the Power of Tax Deferral to Work for You

Retirement Realities

Building a nest egg for the “golden years” of retirement can be quite a challenge. But there are certain retirement programs that give investors a decided advantage when saving and investing for the long term. They offer the advantage of tax-deferred growth, and they should be the cornerstone of any comprehensive retirement savings program.

How Tax Deferral Works

Uncle Sam has conferred on certain financial vehicles a powerful advantage: tax-deferred growth. This means that appreciation, earnings, interest and dividends on assets in a tax-deferred vehicle are not taxed until the funds are withdrawn. As long as the funds remain in the account, they grow without taxes eroding their value. This enables assets to accumulate at a faster pace, giving you an edge when saving for the long term. And, when you withdraw funds after you retire, you’ll likely be in a lower tax bracket and be able to keep more of what you’ve accumulated.

Taxable vs. Tax Deferred

The bar chart below illustrates the powerful advantage of tax-deferred contributions and compounding versus taxable contributions and compounding. In this hypothetical example, after 30 years of regular contributions at hypothetical rates of return, the tax-deferred IRA had nearly 53% more money than the taxable account upon withdrawal, even after taxation.

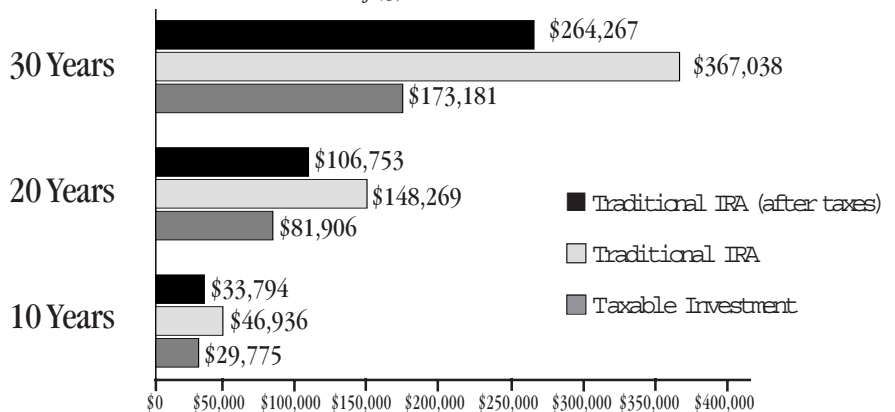
The \$367,038 tax-deferred IRA cumulative total is subject to taxation upon withdrawal, which would net \$264,267 for someone in the 28% combined tax bracket. A 10% penalty may also be imposed for withdrawals made prior to age 59½. Of course, as with any investment, results are not guaranteed.

Designed for The Long Term

What products offer the advantage of tax-deferred growth? Only those programs specifically designed to help people accumulate funds for retirement — such as 401(k)s, 403(b)s, SIMPLE-IRAs, Traditional IRAs and annuities — are given this valuable tax benefit. It’s important to note that because these products are intended for the “long haul,” early withdrawals can create stiff tax consequences. In most instances, withdrawals from tax-deferred vehicles are subject to taxation. In addition, early withdrawals before age 59½ may also be subject to a 10% or 25% penalty. Keep in mind that these plans are primarily for retirement savings, and using them appropriately will afford you the fullest benefits.

What are the benefits of Tax-Deductible Contributions and Tax-Deferred Growth?

The chart below compares a deductible Traditional IRA investment of \$3,000 made at the beginning of each year with an annual non-deductible investment of \$3,000 made into a taxable investment account.



Assumptions:

Annual contributions of \$3,000 made at the beginning of each year.

Hypothetical 8% investment return, compounded annually with reinvestment of dividends and capital gains.

28% assumed tax rate.

The value of the Traditional IRA after a lump sum withdrawal taxed at 28%, is \$33,794 if taken after 10 years, \$106,753 if taken after 20 years, and \$264,267 if taken after 30 years.

Taking Advantage of Tax-Deferred Growth

A number of vehicles offer the power of tax-deferred growth. They include:

Employer-sponsored plans - You may be able to take advantage of a tax-deferred plan right at your workplace. Many employers offer retirement plans such as 401(k), 403(b), SIMPLE-IRA and others. The many benefits of employer-sponsored plans have made them extremely popular, and they can be an excellent place to start your retirement savings. Eligible employees can contribute through the convenience of payroll deduction. Contributions are made on a pre-tax basis, and gains within the plan accumulate tax-deferred until they are withdrawn. Most plans offer a range of investment choices, such as equity, bond and money market funds. In some instances, employers may match your contributions up to a certain percentage, making it even more beneficial to participate. Some plans include a loan feature, allowing you to tap into your money. However, you should be aware that there are tax ramifications for loans that go unpaid. Also, outstanding loans may hurt accumulation. Withdrawals from these plans are taxed as ordinary income and may be subject to a penalty if taken prior to age 59½. Each employer-sponsored plan is unique, so you should check with your Human Resources Department for the specifics of your firm's plan.

Individual Retirement Accounts (IRAs) - For more than two decades, millions of Americans have taken advantage of the tax benefits of IRAs, and they remain one of the best ways to save for retirement. With a Traditional IRA, you may contribute up to \$3,000 per year (this limit increases to \$4,000 for tax year 2005), which depending on your income, may be tax deductible. However, even if your contribution isn't tax deductible, you still benefit from tax-deferred growth. Similarly, with the Roth IRA, you may contribute up to \$3,000 (\$4,000 for tax year 2005) annually on a non-deductible basis. These Roth IRA funds grow tax-deferred and if certain conditions are met, may be withdrawn *tax-free*. For the Roth IRA, certain income restrictions apply. For both the Traditional and the Roth IRA, penalty-free withdrawals are permitted under certain circumstances, such as the purchase of a first home and for qualified education expenses. To help you decide which IRA, or which mix of IRAs is right for you, please consult your personal tax adviser and your financial professional.

Annuities - In recent years, annuities have gained prominence as an excellent vehicle to supplement retirement savings. An annuity is a contract with a life insurance company that can provide you with a stream of income for life. The annuity can be "deferred," whereby you accumulate money over time, to be paid out at some future date, or "immediate," where payments are made shortly after purchase. The rate of return for an annuity can be "fixed" or "variable." With a fixed annuity, the interest rate is guaranteed for a specific period of time by the insurance company. With a variable annuity, you may choose from a number of investment "subaccounts," which will fluctuate in value. The returns of a variable annuity are not guaranteed and are based on the investment results of the underlying subaccounts. Funds within annuities accumulate tax-deferred, and you can choose from a variety of pay-out options when you start receiving income. Keep in mind that withdrawals are taxable, and if you are under 59½, the withdrawals may be subject to a 10% penalty on any gain or profit. Like life insurance, annuities offer a guaranteed death benefit, which can provide valuable financial protection. Unlike other tax-deferred vehicles, annuities generally do not have a contribution ceiling, making them an ideal option for individuals who have "maxed-out" their employer-sponsored plans and IRAs.

Permanent life insurance - Although the primary purpose of life insurance is to provide financial protection, permanent plans also offer the benefit of tax-deferred growth of cash values. Plans such as whole life, universal life and variable life build cash value, which grows on a tax-deferred basis. With innovative variable plans, you may allocate your money across several subaccounts. Although this may help build cash value, returns are not guaranteed and will fluctuate according to investment performance. Many policies offer a loan option that allows you to tap into cash value at competitive interest rates. While this is a valuable feature, keep in mind that borrowing against a policy reduces its insurance protection. Loans will affect your cash values as well.

Talk To Your First Investors Registered Representative

To discuss the benefits of tax deferral, and to learn more about the products discussed here, contact your First Investors Registered Representative. He or she can explain the details of each tax-deferral vehicle, and help you determine which of them

may be suitable for you. Together, you can tailor a strategy to your meet your specific needs. Even if you already utilize tax-deferred vehicles, you'll want to review them annually with your registered representative to ensure that they are in sync with your current needs and investment time horizon.

For more information about any of the First Investors funds or First Investors Life variable insurance products, you may obtain a free prospectus by contacting your investment professional, writing to the address below, or calling (800) 423-4026. You should consider the investment objectives, risks, charges and expenses carefully before investing. The prospectus, or in the case of a variable insurance product both its contract and underlying fund prospectus, contains this and other information, and all applicable prospectuses should be read carefully before you invest or send money. An investment in one of these products is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Insurance and variable annuities are issued by First Investors Life Insurance Company and made available by First Investors Corporation.

*At the present time, you will not be charged any set-up or annual maintenance fees when you establish a Traditional IRA that is invested in shares of a First Investors mutual fund.**

Please Note: First Investors Registered Representatives do not offer tax or legal advice. Please consult your personal tax and legal advisers before making any tax-related investment decisions.



First Investors Corporation
110 Wall Street
New York, NY 10005
www.firstinvestors.com

* The annual fee for a First Investors retirement account is currently being paid by the First Investors mutual funds in which the retirement account is invested. The funds reserve the right to discontinue paying this fee at any time, in which case the fee will be charged to retirement account holders. In addition, the amount of the fee may be changed, upon appropriate notice to account holders.

Financial Services With A Personal Touch

First Investors has been serving the needs of investors since 1930. Through the Great Depression, World War II, and numerous recessions we have remained committed to our mission—helping our clients reach their financial goals. Today, we offer a wide range of high quality financial products and services, including mutual funds, variable annuities and life insurance. We pride ourselves on providing financial services with a "personal touch." Your First Investors Registered Representative is a highly trained professional who will take the time necessary to learn about your current financial situation, risk tolerance and future goals. Your registered representative will work closely with you to custom-tailor a suitable strategy to meet your financial needs.