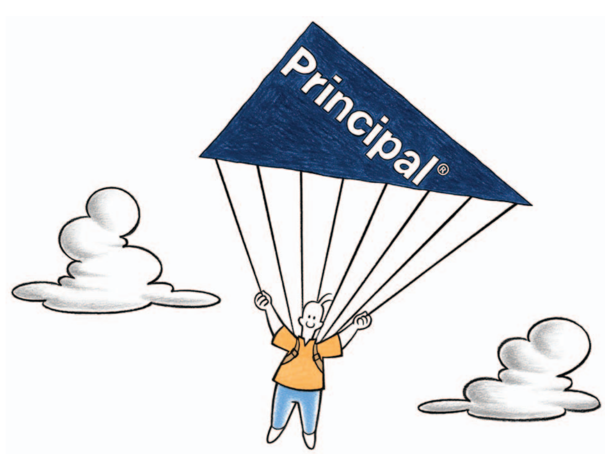
Principal Select Series Annuity℠

Safety and Security with a Great Rate



Safety and security with a great rate

Guarantee your clients a lifetime of income with a Select Series Annuity from Principal Life Insurance Company. It is a single premium deferred annuity with a market value adjustment (MVA). In exchange for the money they put into the annuity, they can get income for as long as they live.

Client Profile

- 58 years old
- Initial premium: $10,000+
- Buys for retirement savings
- Tax deferral is important
- Uses money from current income, retirement plan and savings to buy the contract

Select Series may be an attractive solution if your clients are retiring and want to transfer their qualified retirement plan distribution into a rollover IRA. It's also a good fit if they've maxed out their retirement plan savings and are looking for an additional way to save for retirement on a tax-deferred basis. (Maximum issue age is 85.)

Select Series Annuity benefits

With a Select Series annuity, your clients:

- Make a lump-sum investment ($5,000 minimum for the four-, five-, six-, seven- and nine-year guarantee periods; $50,000 for the three-year guarantee period)
- Can choose from three-, four-, five-, six-, seven- or nine-year guaranteed* rate periods with matching surrender charge periods. All guaranteed interest rate periods may not be available at all times and for all distribution channels.
- Can expect a minimum guaranteed interest rate that will never go below the rate stated in the contract. Principal Life sets the guaranteed minimum interest rate at contract issue and will not change for the life of the contract.
- Don't have to worry about market volatility

* Guarantees are based on the claims-paying ability of Principal Life Insurance Company.

- Don't pay any taxes on their annuity earnings until they withdraw the money*
- Don't pay a surrender charge or MVA for amounts used to purchase a payout option or amounts paid at death
- Have access to the greater of 10% of the contract year's beginning account value (less withdrawals made since contract anniversary) or their required minimum distribution each year without paying a surrender charge or MVA*
- Can make systematic partial surrenders on a monthly, quarterly, semiannual or annual basis via the Flexible Withdrawal Option (FWO)
- Are guaranteed a minimum surrender value at full surrender (single premium paid, less prior withdrawals, not including MVA amounts accumulated at the guaranteed minimum interest rate stated in the contract less surrender charges)
- Can receive all or a portion of their accumulated value without a surrender charge or MVA if one year or more after the rider's effective date they:
  - become disabled
  - are diagnosed as terminally ill
  - are confined to a medical care facility

(Automatic issue age 85. May not be available in all states and state variations may apply.)

Surrender charges**

There are no surrender charges for amounts used to purchase an income annuity or for single-sum payments made at death. For other surrenders, the charges are as follows:

CONTRACT YEAR	3-Year Guarantee	4-Year Guarantee	5-Year Guarantee	6-Year Guarantee	7-Year Guarantee	9-Year Guarantee
1	7%	7%	7%	7%	7%	7%
2	7%	7%	7%	7%	7%	7%
3	7%	7%	7%	7%	7%	7%
4		6%	6%	6%	6%	6%
5			5%	5%	5%	5%
6				4%	4%	4%
7					3%	3%
8						2%
9						1%

* Withdrawals made prior to age 59½ may result in a 10% IRS penalty tax.

** All guarantee periods may not be available at all times and for all distribution channels. For New York, the surrender charges are as follows: 3-year: 7%, 6%, 5%; 4-year: 7%, 6%, 5%, 4%; 5-year: 7%, 6%, 5%, 4%, 3%; 6-year: 7%, 6%, 5%, 4%, 3%, 2%; 7-year: 7%, 6%, 5%, 4%, 3%, 2%, 1%; 9-year is not available.

Answers to commonly asked questions about the Principal Select Series Annuity℠

Q: How does the annuity work?

A: Clients can choose from interest-rate guarantee periods of three, four, five, six, seven or nine years. At the end of the guarantee period, the interest rate will be determined annually, and surrender charges and MVA charges will end.

Q: What is an MVA?

A: If your client withdraws funds in excess of their free surrender amount or surrenders the contract before the end of the guarantee period, the amount he or she will receive will be adjusted based on the interest-rate conditions at the time of withdrawal or surrender, compared to the rate conditions at the start of the guarantee period. This is referred to as a market value adjustment (MVA). The adjustment is calculated using an external index and is determined by a mathematical formula that measures changes in the interest-rate environment since the start of the guarantee period.

The external index used for this annuity is the most recently available Federal Reserve Bulletin H.15 "Interest Rate Swap" index.

The MVA may increase, decrease or have no effect at all on amounts surrendered.

Q: Why offer an MVA product?

A: The MVA feature shifts the interest rate risk to the consumer, in exchange for a higher interest-crediting rate as compared to annuities without MVA. The Principal Select Series Annuity is based on the assumption that clients will not withdraw more than their free surrender amount before the end of the guarantee period. If those assets need to be liquidated before they mature, their value may be more or less than their original value, depending on interest-rate conditions. If interest rates have risen since the start of the guarantee period, the cash surrender value will have decreased. Conversely, if rates have dropped, the cash surrender value will have increased.

Q: When does an MVA apply?

A: We make a market value adjustment if clients take more than the free surrender amount or if they surrender the contract before the end of the guarantee period.

The MVA doesn't apply to:

- Withdrawals made up to the free surrender amount
- Death benefits
- Benefit options
- Withdrawals made as a result of the Waiver of Surrender Charge and Market Value Adjustment Rider.*

Q: Are there limitations to the MVA?

A: Yes, clients will never receive less than the guaranteed minimum surrender value: the single premium paid (less prior withdrawals, not including MVA amounts) accumulated at the guaranteed minimum interest rate stated in the contract less applicable surrender charges. In other words, the guaranteed minimum surrender value offers a guaranteed minimum that the MVA can never invade.

Q: How is the MVA calculated?

A: The MVA amount is:
(surrender amount requested – free surrender amount) x (MVA factor – 1)

The MVA factor is determined by this formula:
$\{ (1 + I) / (1 + J) \}$ raised to the $(N / 12)$ power where:

I = The Federal Reserve Bulletin H.15 "Interest Rate Swap" rate corresponding to the guarantee period selected, when the base interest rate is determined.

J = The most recently available Federal Reserve Bulletin H.15 "Interest Rate Swap" rate corresponding to the number of years remaining in the initial guarantee period.

N = The number of whole months remaining in the current guarantee period.

Our Annuity Contact Center can help you calculate the MVA adjustment.
For more information, please call 800-852-4450.

* May not be available in all states. State variations may apply.

Select Series MVA examples

Assumptions:

- $50,000 single premium
- Five-year guarantee period
- Base interest rate of 4.00%
- Full surrender after two years (no withdrawal activity prior to the full surrender)
- Account value at surrender (end of year two): $54,080.00
- Five-year swap rate at issue: 4.50% (I)
- Free surrender amount: $5,408.00 (10% of the contract's beginning-of-year accumulated value)
- 35 months remaining (N)

Example 1 – Negative MVA value (rising interest rate environment)	
2-year swap rate end of year 2: 5.50% (J)	
MVA factor*	{(1 + .0450) / (1 + .0550)} ^ (35 / 12) = 0.9726
MVA amount	($54,080.00 – $5,408.00) x (0.9726 – 1) = - $1,333.61
Surrender charge (7%)*	($54,080.00 – $5,408.00) x 7% = $3,407.04
Surrender value**	$49,637.96 (Account value + MVA amount – Surrender charges)
Example 2 – Positive value (falling interest rate environment)	
2-year swap rate end of year 2: 3.50% (J)	
MVA factor*	{(1 + .0450) / (1 + .0350)} ^ (35 / 12) = 1.0284
MVA amount	($54,080.00 – $5,408.00) x (1.0284 – 1) = $1,382.28
Surrender charge (7%)*	($54,080.00 – $5,408.00) x 7% = $3,407.04
Surrender value	$52,055.24 (Account value + MVA amount – Surrender charges)
Example 3 – No effect	
2-year swap rate end of year 2: 4.50% (J)	
MVA factor*	{(1 + .0450) / (1 + .0450)} ^ (35 / 12) = 1.0000
MVA amount	($54,080.00 – $5,408.00) x (1.0000 – 1) = $0
Surrender charge (7%)*	($54,080.00 – $5,408.00) x 7% = $3,407.04
Surrender value	$50,672.96 (Account value + MVA amount – Surrender charges)

These examples are based upon hypothetical interest rates to help you understand how the MVA is calculated. They are not predictions of future performance.

* State variations may apply to surrender charge scales and to the MVA formula.
** Without the guaranteed minimum surrender value, the surrender value would have been $49,339.35.

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Contract rider description is not intended to cover all restrictions, conditions or limitations. Refer to rider for full details.

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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, guaranteed minimum interest rates, and death benefits without surrender charges.

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