INVESTING FOR THE TIME OF YOUR LIFE℠

Are you in the Retirement Red Zone®?

Prudential

# Are you in the Reti

## Welcome to the most critical time of your investment life.

Ah, retirement. It's the dream of hard-working Americans everywhere.

But enjoying a fulfilling retirement lifestyle is more challenging than it used to be. Multiple obstacles must be navigated. The future of Social Security is uncertain. And traditional employer pension plans that generated monthly income checks are often being displaced by plans that put the onus of saving and retirement income planning on the employee.

You've spent a lifetime building your qualified retirement savings, whether in your IRAs, 401(k), 403(b), etc. And now, if you are retired or approaching retirement, you need a solid investment strategy to help ensure that this most vital asset provides for a long, rewarding life in retirement.

## Retirement Red Zone:

**five years before**

**5/5**

**five years following**

**Retirement**

# rement Red Zone®?

## Time may not be on your side.

Long-term investing is one thing. Pre- and post-retirement investing is quite another. Why? Simply put, the stakes are higher. You can't afford the short-term losses that a younger investor can, because you may not have time to recover from them. In other words, time is generally not on your side. That's why the 5-year period before and the 5-year period following retirement may represent the most critical time of your investing life.

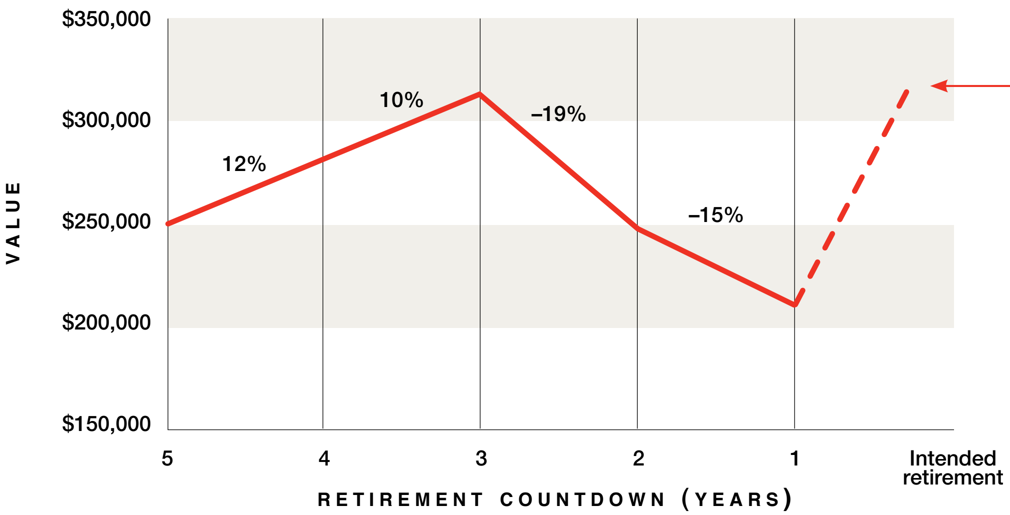
We call it the "**Retirement Red Zone**." And for good reason. Poor market performance during this period can have serious effects on your portfolio, at the very time that you can least afford it. The result can be a retirement that lasts longer than your assets.

## Upside potential vs. downside risk – do you have a strategy?

As the chart below shows, if your retirement portfolio suffered two years of negative performance (-19% and -15% respectively) during the 5-year countdown to retirement, it would take a very unlikely 45% return in the following year to fully recover your principal and gains.

When you enter the Retirement Red Zone, it's important to evaluate your retirement assets, and make every effort to grow and protect those assets, so they will generate income that lasts a lifetime.

**WILL POOR PERFORMANCE IN THE RETIREMENT RED ZONE CHANGE YOUR PLANS?**




**How long and how much would it take to recover?**

| # Years | Average annual return |
|---|---|
| 1 | 45% |
| 2 | 21% |
| 3 | 13% |
| 4 | 10% |
| 5 | 8% |

For illustrative purposes only. This chart is hypothetical and one example of the returns an investor theoretically could experience during a given period, and is not intended to depict past or future performance of a variable annuity or subaccount within a variable annuity. If this were an actual example, various costs would be factored into the gross return, including annual insurance and administrative charges of the annuity, annual contract charges, investment management fees of the variable subaccounts, the cost for any optional features, and any other applicable fees.

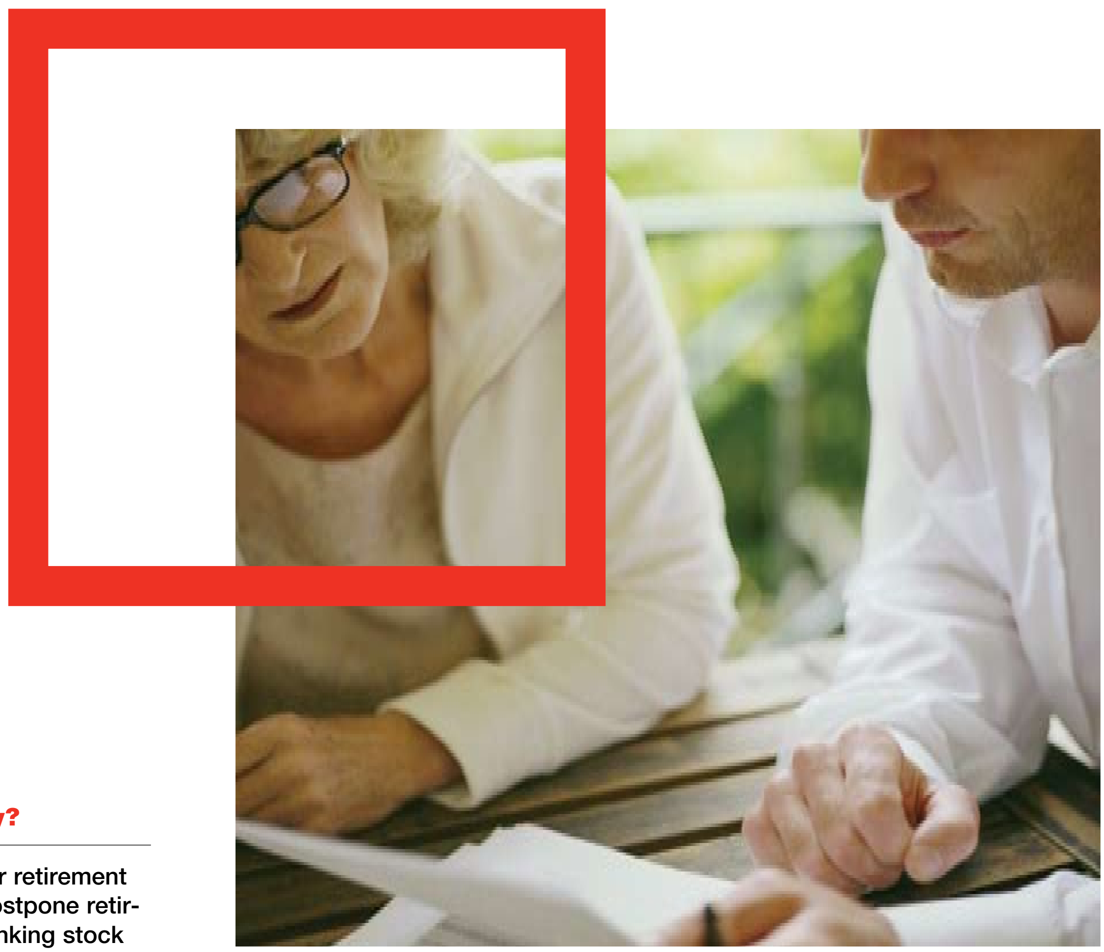
# Even the best-laid plans are su

## An ill-timed portfolio decline may deplete your savings sooner than you planned.

The hypothetical table on the next page shows how poor market performance early in retirement – when you begin taking withdrawals – can have a dramatic effect on how long your assets last.

Let's say Joseph, age 62, retires with $250,000. As the table shows, if his retirement portfolio experiences a decline in the first three years, Joseph's savings could run out by year 17, or age 79.

Alternatively, if the portfolio returns were exactly reversed – positive performance in the first years, negative performance in later years – his retirement savings could last a lifetime. Both scenarios assume a 7% average annual rate of return over a 30-year period and 5% withdrawals based on his beginning value, adjusted for 3% annual inflation.



**? Back in 2002, what did people say?**

"46% of those saving for retirement say they will have to postpone retiring because of the shrinking stock market."

*– USA Today/CNN/Gallop Poll, July 19, 2002*

bject to change.

**SEQUENCE OF RETURNS:**
**IT CAN BE HARD FOR A PORTFOLIO TO RECOVER FROM EARLY LOSSES**

| 5% Withdrawals Begin at Age 62 | Hypothetical Annual Rate of Return | Hypothetical $250,000 Portfolio Value: *Negative Returns Early* | Hypothetical Annual Rate of Return | Hypothetical $250,000 Portfolio Value: *Positive Returns Early* | Hypothetical Annual Rate of Return | Hypothetical $250,000 Portfolio Value Uniform 0% Return |
|---|---|---|---|---|---|---|
| Beginning Value | | $250,000 | | $ 250,000 | | $250,000 |
| 62 | -17.6% | $193,500 | 16.6% | $ 279,000 | 0.0% | $237,500 |
| 63 | -12.8% | $155,857 | 7.4% | $ 286,771 | 0.0% | $224,625 |
| 64 | -3.5% | $137,141 | 12.0% | $ 307,922 | 0.0% | $211,364 |
| 65 | 6.4% | $132,259 | 11.3% | $ 329,058 | 0.0% | $197,705 |
| 66 | 8.3% | $129,167 | 3.3% | $ 325,848 | 0.0% | $183,636 |
| 67 | 15.4% | $134,568 | 20.7% | $ 378,740 | 0.0% | $169,145 |
| 68 | -3.0% | $115,605 | 3.3% | $ 376,313 | 0.0% | $154,219 |
| 69 | 7.1% | $108,440 | 8.8% | $ 394,055 | 0.0% | $138,846 |
| 70 | 16.9% | $110,932 | 9.7% | $ 416,444 | 0.0% | $123,011 |
| 71 | 6.7% | $102,054 | 14.3% | $ 459,686 | 0.0% | $106,702 |
| 72 | 7.2% | $ 92,603 | 9.7% | $ 487,476 | 0.0% | $ 89,903 |
| 73 | 11.9% | $ 86,320 | 7.2% | $ 505,272 | 0.0% | $ 72,600 |
| 74 | 12.1% | $ 78,943 | 14.9% | $ 562,735 | 0.0% | $ 54,778 |
| 75 | 8.1% | $ 66,981 | 9.1% | $ 595,588 | 0.0% | $ 36,421 |
| 76 | 12.0% | $ 56,111 | -3.2% | $ 557,621 | 0.0% | $ 17,514 |
| 77 | -3.2% | $ 34,841 | 12.0% | $ 605,061 | 0.0% | $ 0 |
| 78 | 9.1% | $ 17,953 | 8.1% | $ 634,013 | 0.0% | $ 0 |
| 79 | 14.9% | $ 0 | 12.1% | $ 690,067 | 0.0% | $ 0 |
| 80 | 7.2% | $ 0 | 11.9% | $ 750,905 | 0.0% | $ 0 |
| 81 | 9.7% | $ 0 | 7.2% | $ 783,051 | 0.0% | $ 0 |
| 82 | 14.3% | $ 0 | 6.7% | $ 812,939 | 0.0% | $ 0 |
| 83 | 9.7% | $ 0 | 16.9% | $ 927,073 | 0.0% | $ 0 |
| 84 | 8.8% | $ 0 | 7.1% | $ 968,943 | 0.0% | $ 0 |
| 85 | 3.3% | $ 0 | -3.0% | $ 915,205 | 0.0% | $ 0 |
| 86 | 20.7% | $ 0 | 15.4% | $1,030,737 | 0.0% | $ 0 |
| 87 | 3.3% | $ 0 | 8.3% | $1,090,116 | 0.0% | $ 0 |
| 88 | 11.3% | $ 0 | 6.4% | $1,132,926 | 0.0% | $ 0 |
| 89 | 12.0% | $ 0 | -3.5% | $1,065,507 | 0.0% | $ 0 |
| 90 | 7.4% | $ 0 | -12.8% | $ 900,523 | 0.0% | $ 0 |
| 91 | 16.6% | $ 0 | -17.6% | $ 712,574 | 0.0% | $ 0 |
| Average Annual ROR for 30-year period | 7.0% | | 7.0% | | 0.0% | |

**Negative returns early deplete savings after 17 years**

**Positive returns early can extend savings more than 30 years despite the same average annual rate of return**

This example is hypothetical and is for illustrative purposes only and not meant to represent the performance of any particular investment. It assumes a 7% average annualized return on a $250,000 value rounded to the first decimal. The various columns are intended to demonstrate the impact of the sequence of returns, assuming 5% annual withdrawals of $12,500 (increasing at 3% annually for inflation). Past performance does not guarantee future results. If this were an actual variable annuity, various costs would be factored into the gross return, including annual insurance and administrative charges of the annuity, annual contract charges, investment management fees of the variable subaccounts, the cost for any optional features, and any other applicable fees.

# Unpredictable markets lead to

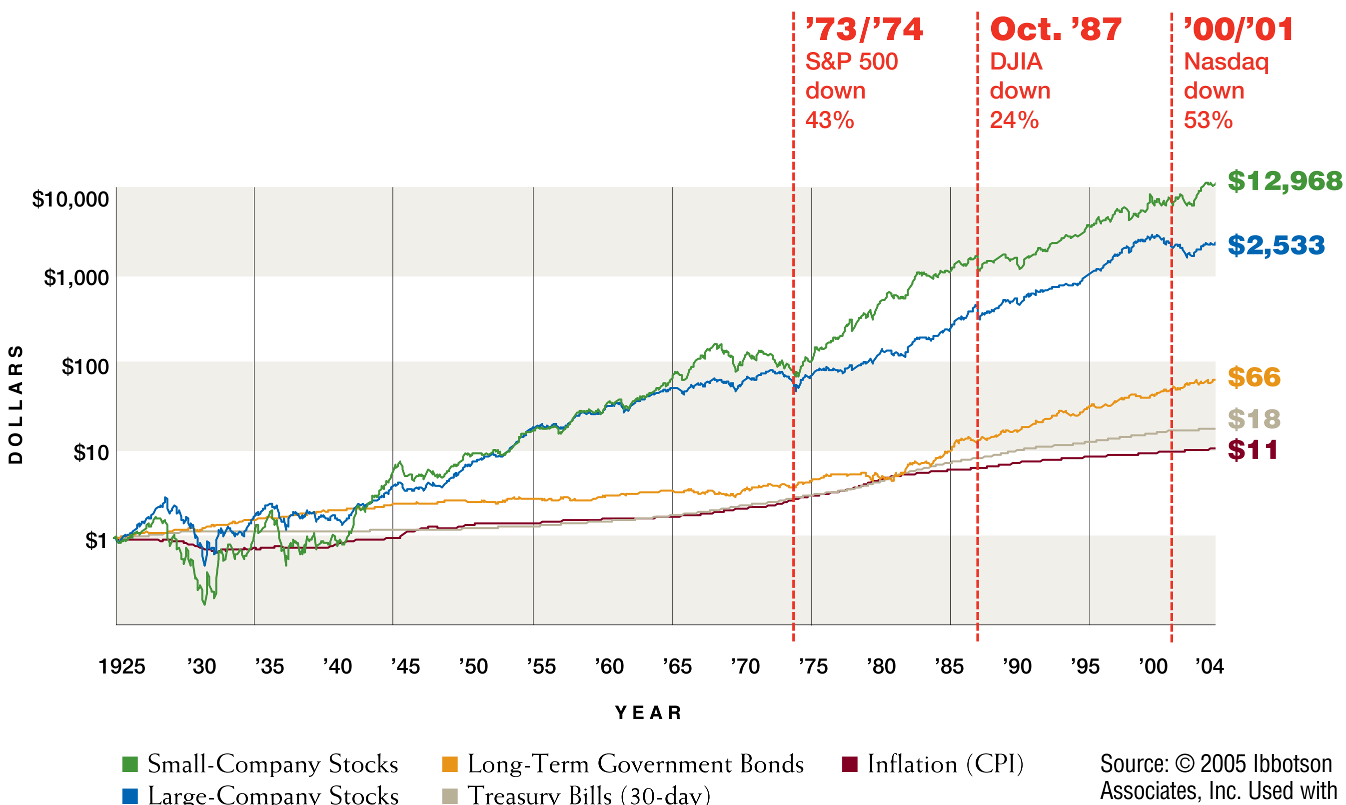
## Pursuing portfolio growth to help sustain a long, rewarding retirement is a sensible strategy.

But, how likely is it that a market decline will coincide with your retirement timing? No one knows, of course, but it's a risk to consider. Look back a few years to March 2000. It certainly seemed an opportune time to retire. Personal portfolios were growing, thanks to a stock market that was at an all-time high.

Then the dot-com bubble burst, and many investors lost a considerable amount of their savings in a short time. Younger investors had time to recover (and they're doing so now). But other investors, without the luxury of time, were forced to delay retirement or dramatically adjust their retirement lifestyles.

The fact is, markets rise and fall. World and economic events are unpredictable. And just a bit of unfortunate timing can be problematic. The following chart shows a few instances of market declines over the past 30 years.

### WHEN BAD THINGS HAPPEN TO GOOD PORTFOLIOS






This chart is for illustrative purposes only and is not indicative of the performance of any investment or annuity product. Index returns assume reinvestment of all distributions and do not reflect product fees, expenses or sales charges, which would lower the performance shown. You cannot invest directly in an index. The time period shown is not a realistic investment horizon for retirement saving. While the chart demonstrates that long-term exposure to equity markets may yield a positive return, past performance is not a guarantee of future results.

# varied investor responses.

Conducting a clear-headed evaluation of your portfolio while in the Retirement Red Zone isn't easy. During this period, many investors can be affected by one of these three common tendencies when it comes to their retirement assets.

## Fearful

Some people may feel overwhelmed by the market's volatility. Some feel anxious about making the wrong investment decisions and they may react by: overly conservative investing that may not provide enough growth, or pulling out of the market at the wrong time.

## Unconcerned

This is the "stay the course" philosophy, born of a lifetime of investment decisions that seem to have worked out fine thus far. But the problem is that the Retirement Red Zone is a far different investment period, and previous rules do not necessarily apply. Also, unpredictable personal circumstances could take you off course.

## Overconfident

The third tendency is an aggressive investing style in an attempt to maximize growth. The problem, though, is that you cannot always count on the market's long-term returns in the short term of the Retirement Red Zone. At a time when you should perhaps be adding income certainty to your portfolio, overconfident investing can have unexpected consequences.

**! It's a fact:**

"Money market funds' net cash inflow ballooned by 135% from 2000 to 2001."

— *ICI 2005 Mutual Fund Factbook*

**! It's a fact:**

"Downsizing, injury, health limitations and family emergencies can all contribute to sudden and unexpected early retirement. In fact, almost 40% of those surveyed were forced to retire."

— *Prudential Financial research study of American's retirement preparedness, "Roadblocks to Retirement," published 2005*

# Take some of the risk out of y

## Previous investing rules do not apply.

A key to avoiding some of the risks of the Retirement Red Zone is a prudent, well-informed, well-planned investment strategy that recognizes that investing now is far different than at other times in your life. A variable annuity from Prudential, with the optional benefit, Lifetime Five, may be a prudent option to help you address the risks in the Retirement Red Zone.

## What is a Variable Annuity?

A variable annuity is a contract between you and an insurance company whereby the insurer agrees to make periodic payments to you, beginning either immediately or at some future date. You can make a single or a series of purchase payments and there are generally no contribution limits. Variable annuities offer a wide range of professionally managed investment options, guaranteed death benefits and a variety of payout options including guaranteed income for life.

Plus, any investment gains grow tax-deferred. When you need income, annuities generally offer, without charge, annual access up to 10% of purchase payments. Withdrawals are subject to ordinary income taxes and if taken prior to age 59½, a 10% federal income tax penalty may apply. Withdrawals exceeding a specified annual amount may be subject to a withdrawal charge which is assessed for a period of time and generally reduces each year. Withdrawals will reduce the death benefit.

The costs vary depending on the annuity and include cost of: issuing and maintaining the contract, base death benefit and investment management expenses. Also many variable annuities offer guaranteed optional living and death benefits that, for an additional fee, can help provide an added measure of security during your lifetime and for your beneficiaries. All guarantees are based on the claims-paying ability of the issuing company.

Your financial professional can help determine which annuity product, optional benefits and investment allocation are suitable for your retirement needs. Please read the prospectus for full details, including all fees and charges.

# It may be time to consider an IRA rollover.

An IRA rollover is an opportunity to transfer assets from a qualified plan (such as 401(k), 403(b), etc.) to an IRA without incurring current income taxes or penalties and allows for continued tax-deferred growth. If you are changing jobs, retired or retiring soon, an IRA roll-over funded with a variable annuity from Prudential may provide opportunities for control, flexibility and guarantees.

When you purchase a variable annuity for any tax-qualified retirement plan, you do not receive any additional tax-deferred treatment beyond what is provided in your current plan. You should consider a variable annuity for

# our retirement.

## A variable annuity with Lifetime Five – 5% income for life.

Lifetime Five isone of the innovative features available on variable annuities from Prudential. For an added fee of .60% assessed daily against the variable account value, this optional living benefit offers you predictable growth and predictable income, regardless of how your investments perform.

By adding Lifetime Five to your variable annuity, you are guaranteed a 5% annual stream of income from your Protected Withdrawal Value for the rest of your life, while your investment is professionally managed in one of the available asset allocation portfolios.

## Growth despite down markets, opportunity in up markets.

Lifetime Five's Protected Withdrawal Value will always be the highest of:

1) *Guaranteed 5% annual compounded rate of return* for the first 10 years from benefit election date or until the first withdrawal, if sooner, or
2) *Highest Anniversary Value,* that is, the highest value that your contract attained at any previous anniversary date for the first 10 years from benefit election date or until the first withdrawal, if sooner, or
3) *Contract value* at the first withdrawal.

After you begin taking withdrawals, Lifetime Five offers the potential to lock in investment gains by stepping up your Protected Withdrawal Value every year automatically or manually. Please see the prospectus for more details on the Automatic Step-up Option. You should be aware that, upon step-up, the charge for the benefit might be greater to coincide with current rider fee.

Guarantees are dependent on the claims-paying ability of the issuing company.

By offering these features, Lifetime Five may provide a level of comfort while addressing some of the risks that so many investors face in the Retirement Red Zone. Most importantly, it helps provide you with the flexibility to remain in control.

Next, let's consider an example of how Lifetime Five works.

a tax-qualified plan only on the basis of the other benefits offered by the variable annuity which include lifetime income payments, guaranteed living and death benefits and other features.

In limited circumstances, some employer retirement plan assets can be rolled over to an IRA even while you are currently employed. It is important that you review this "in service withdrawal" option, if available, and carefully compare the costs and benefits of both.

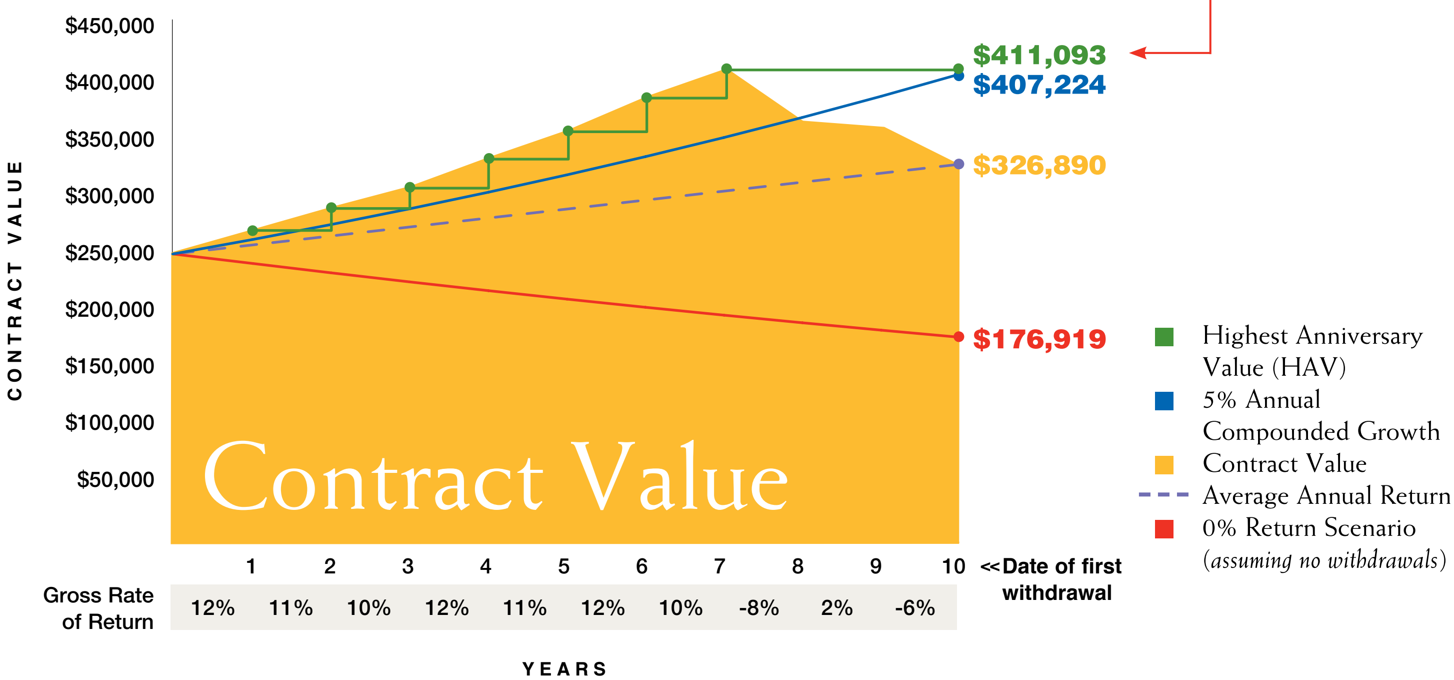
Work with your financial professional and tax advisor to see if an IRA rollover makes sense for you.

# How Lifetime Five works.

Barbara, age 55, makes a purchase payment of $250,000. In the first seven years of her contract, Barbara's investment returns are favorable, but then begin to soften. After ten years, she elects to take her first withdrawal. In this example, Barbara's Highest Anniversary Value of $411,093 attained in year seven is the Protected Withdrawal Value on which her lifetime withdrawals will be based. (If Barbara wants higher withdrawal amounts, she can elect to receive 7% for 14.2 years instead.)

**Barbara's Protected Withdrawal Value of $411,093 provides a guaranteed annual income of:**

**$20,555 for life (5% X $411,093)** or **$28,777 for 14.2 years (7% X $411,093)**




The hypothetical illustration includes the following assumptions: (i) fund expense of 1.24% (which reflects the cost of the AST Capital Growth Allocation Portfolio available for use in conjunction with Lifetime Five; (ii) Lifetime Five charge of 0.60%; and (iii) M&E and Administrative Charges of 1.65% (which reflects the charge of the FlexElite 2 deferred variable annuity). The other annuity products and investment portfolios may contain different expenses. Hence, the values illustrated would then also be different. Guarantees are dependent on the claims-paying ability of the issuing company.

# Prepare for the "Time of Your Life."

If you're in the Retirement Red Zone – the five years before or the five years following retirement – the time is now to preserve your most valuable asset: your retirement portfolio.

Together with your financial professional, you can evaluate your retirement rollover plan and navigate the Retirement Red Zone so you can fulfill your retirement dreams.

Ask your financial professional about Prudential.

## Prudential Financial: Let us be your Rock.

Pruco Life Insurance Company and Pruco Life Insurance Company of New Jersey (in New York) are members of the Prudential Financial family of companies. Prudential is one of the oldest and best-recognized financial services companies in the world. For more than 125 years, Prudential has been helping individuals and families address their retirement needs. We are one of the largest financial services companies in the United States, with one of the most recognizable and trusted brand symbols in the world today: The Rock®.

## Rock-Solid Financial Strength

Our ratings from major independent rating agencies are a good indication that our financial position remains solid from capitalization to liquidity. The ranking indicates the current position within the overall scale of available rankings.

| A.M. Best Company | Fitch Ratings | Standard & Poor's | Moody's |
|---|---|---|---|
| A+ | AA | AA | Aa3 |
| (Rank 2 of 15) | (Rank 3 of 24) | (Rank 3 of 24) | (Rank 4 of 21) |
| Superior ability to meet ongoing obligations to policyholders | Very strong capacity to meet policyholder and contract obligations | Very strong financial security characteristics | Excellent financial security* |

Ratings are not a guarantee of future financial strength and/or claims-paying ability of a company.

* All ratings are as of 8/01/07. Ratings are intended to reflect the financial strength or claims-paying ability of the issuer and are not intended to reflect the investment performance or financial strength of the variable accounts, which are subject to market risk. Pruco Life Insurance Company of New Jersey (in New York) is not rated by Moody's.

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