

# THE MINDS BEHIND 2010'S FINANCIAL SERVICES COMPANY OF THE YEAR: JEFFERSON NATIONAL'S TRACK RECORD OF GAME- CHANGING INNOVATION.

*First they remade the landscape by helping build the nation's original branchless bank. Then they transformed variable annuity from a "four-letter-word" into something "Beautiful," helping clients save over \$30 million in fees since 2006<sup>1</sup>. What's this team's next game-changing innovation for RIAs, fee-based advisors and HNW investors?*

#### Tailor-Made for RIAs

The minds behind Jefferson National have a track record of being first to market with their unique approach to creating greater value. They've won accolades in recent years for building a company that delivers products and services tailor-made for the rapidly growing market of RIAs and fee-based advisors.

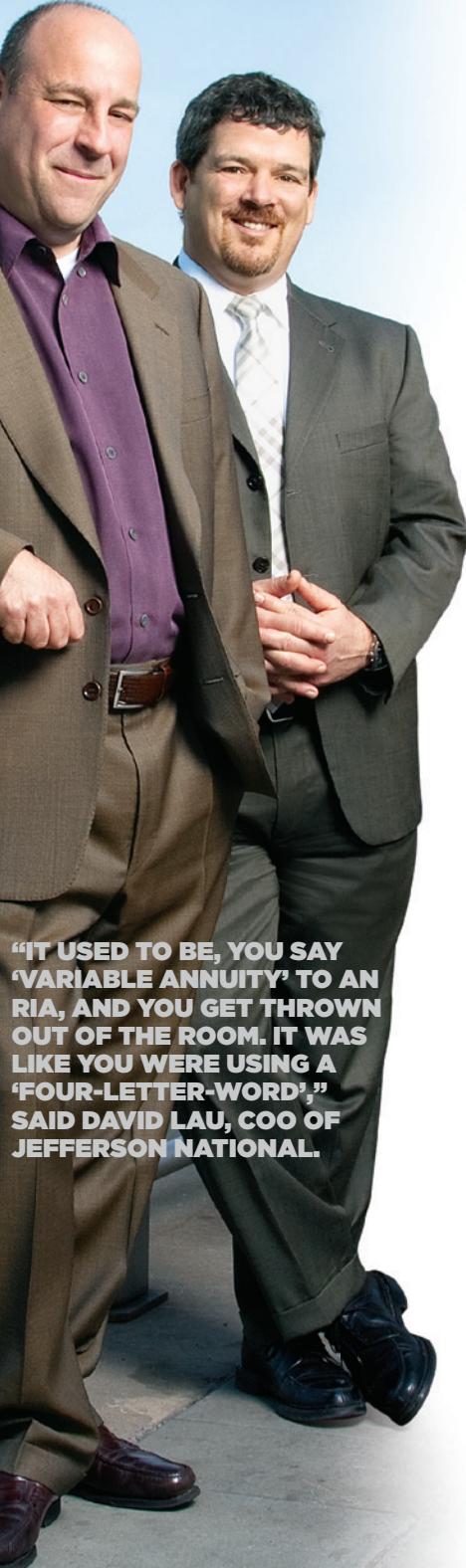
In the wake of financial reform, as more make the move to independence, Jefferson National invents new ways to help advisors take their seat on the client's side of the table. It's the kind of challenge this team has been hunting down and taking on for nearly two decades. And the results speak for themselves.

#### Flat is Beautiful

Ask any advisor, "Does the industry need another variable annuity?" The answer will be an unequivocal "No."

That is, unless you rebuild it from the ground up. In 2006, Jefferson National launched Monument Advisor, the industry's first variable annuity with a flat-insurance fee. A welcome change from traditional VAs known for expensive asset-based fees, steep commissions and an ongoing arms race of complicated insurance riders.

"It used to be, you say 'variable annuity' to an RIA, and you get thrown out of the room. It was like you were using a 'four-letter-word,'" said David Lau, COO of Jefferson National.



**"IT USED TO BE, YOU SAY 'VARIABLE ANNUITY' TO AN RIA, AND YOU GET THROWN OUT OF THE ROOM. IT WAS LIKE YOU WERE USING A 'FOUR-LETTER-WORD,'" SAID DAVID LAU, COO OF JEFFERSON NATIONAL.**

Laurence P. Greenberg, President, and David Lau, COO, Jefferson National

So the team set out to create a new category that could change the game for RIAs—and create more value for their clients. "We wanted to build a better VA, because we believe the right annuity, one offering ultra-low cost tax deferral, makes sense in almost any portfolio," said Laurence Greenberg, Jefferson National's President.

That's Jefferson National's Monument Advisor. Simple and transparent. A flat fee of \$20 a month—no matter how much you invest, no matter how much the contract grows. No commissions, no-surrender charges. And the industry's broadest selection of underlying investment options—over 300 funds from more than 30 families.

The industry agreed the team was on the right track. In his column "The Monument Revolution," expert Bob Veres wrote, "Here's the kind of insurance product that some of us had given up hoping for... This may be the start of a revolution that changes the rules of the game for the better, for you and for consumers."

#### **Wouldn't You Rather Have the Money?**

It began in the mid-90's, when Greenberg and Lau helped launch the nation's first pure-play internet bank. Telebank—now E\*TRADE Bank—advanced rapidly, from deposits of \$220 million in 1994 to more than \$8 billion by 2000.

"We always said 'We could have built expensive branches—but wouldn't you rather have the money?'" Lau noted. "Clearly, consumers were fed up with the old way of doing business. They were looking for a better way to bank and a simple way to save more."

It's obvious now. But more than 15 years ago, when Greenberg and Lau joined Telebank, they were taking a leap of faith—and a tremendous professional risk. Launching a nationwide bank with no brick-and-mortar branches. Serving clients over the telephone, then the newly emerging Internet.

"We had our fair share of skeptics. No one believed people would do business with a bank if they didn't have a branch around the corner," Greenberg added.

But, by lowering overhead and passing the savings back to consumers as higher returns and lower fees, Telebank grew from an unknown start-up to the nation's "leading and largest Internet bank," captured more than 200,000 customer accounts, completed a successful NASDAQ IPO, and raised more than \$500 million before merging with E\*TRADE in 2000.

"This team has the ability to see what's missing from the marketplace and takes a unique approach to solving issues that people didn't even know they had," said Michael

Lane, Vice President, Office of the Chairman, Dimensional Fund Advisors. Banks without branches. VAs without complex costs and riders. Always focused on cutting fees and boosting value for consumers and advisors.

**"IF ADVISORS ASK FOR SOMETHING, YOU'VE GOT TO LISTEN," SAID GREENBERG "I REALLY DO BELIEVE THAT THEY WANT TO MAKE A DIFFERENCE FOR THEIR CLIENTS. AND OUR JOB IS TO GIVE THEM THE TOOLS THEY NEED TO DELIVER ON THAT PROMISE."**

#### **Disrupting the Distribution**

When Greenberg and Lau joined Jefferson National in 2004, the company just acquired Conseco's variable annuity business. They quickly recognized that the traditional distribution model, built on commissions and high-priced wholesalers, was no way to win the game.

Their new strategy? An ultra-efficient, scalable technology platform. A fully automated processing system. A hybrid model that serves advisors through a centralized sales desk, instead of traditional wholesalers in the field. And an award-winning direct marketing approach centered on a powerful website and educational content.

"Other companies tried to penetrate the fee-based market for years, but couldn't crack the code," said Lau. "Then we developed this unprecedented product designed expressly for fee-based advisors, and disrupted the distribution with a hybrid approach built to fit the way they work." Just what the market demanded as more advisors continue breaking away from commissions and making the move to independence. Nearly \$1 billion in sales since launching five years ago is solid proof.

#### **Ultimate Retirement Vehicle for HNW**

"Annuities get a bad rap for being excessively expensive—especially when the more you invest, the more you pay," said Greenberg. With an average annual M&E of 135 bps according to Morningstar, a \$100,000 contract costs \$1,350 per year; a \$1 million contract costs \$13,500. "That's the issue with assets-based fees."

But Monument Advisor was designed to help investors build savings tax-deferred—and already has helped clients save over \$30 million in insurance fees alone!1

According to Brian Schreiner, Vice President Schreiner Capital Management, and an early adopter, "Do the math. The flat fee starts making sense, especially for high net

worth clients, who can easily max out the low contribution limits of qualified plans and need access to additional tax-deferred vehicles." He adds, "As fiduciaries, the advisors we work with want the lowest fees and best performance for their clients. That's another advantage of Monument Advisor. It's built to fit the fee-only model."

#### **The Ultimate Goal**

Launching the industry's first and only Flat-Insurance Fee VA is just the first step. Now the team is set to create additional value-added products for HNW investors. The ultimate goal? Continue advancing Jefferson National's post as a progressive financial services company serving RIAs and fee-based advisors.

After re-engineering variable annuities, and pioneering the Tax-Efficient Frontier™, Jefferson National's latest innovation is a "TPIA Marketplace" offering a range of proven asset management strategies from a select group of recognized third-party investment advisors

Leveraging a flexible technology platform and highly efficient operations is just part of the game plan. It also includes driving the growth of Jefferson National's asset management unit, to capitalize on its tremendous potential to build unique products that help advisors serve their clients.

"If advisors ask for something, you've got to listen," said Greenberg "I really do believe that they want to make a difference for their clients. And our job is to give them the tools they need to deliver on that promise."

#### **The Next Game-Changing Innovation?**

Jefferson National has never been stronger. It's a combination of know-how and hard work. A commitment to consumer value. And a singular focus on serving fee-based and fee-only advisors.

And today, the company is primed for growth.

"As new innovations are made that gain traction in the market, there could be more opportunities for advisors and consumers. We share a common goal of delivering the highest value at the lowest cost," said Lane about the team.

There is no question that Jefferson National has redefined variable annuities. There is no doubt they'll continue making their mark on the financial services industry. That's great for advisors—and great for consumers.

Schreiner, wraps it up by saying, "Jefferson National shares our passion for innovation. They've always been revolutionary. So it's going to be interesting to see what they come up with next."

1 Total client savings derived from annual average Monument Advisor contract size multiplied by Morningstar average M&E of 1.35%, minus the \$240 flat-insurance fee of Monument Advisor, and then multiplied by number of policies in force. Data spans May, 2005 through April, 2011. An investor should carefully consider the investment objectives, risks, charges and expenses of the investment before investing or sending money. For a prospectus containing this and additional information, please contact Jefferson National at 866.667.0564 Option 2. Read it carefully before investing. The summary of product features is not intended to be all-inclusive. Restrictions may apply. The contracts have exclusions and limitations, and may not be available in all states or at all times. Monument Advisor is issued by Jefferson National Life Insurance Company (Dallas, TX) and distributed by **Jefferson National Securities Corporation**, FINRA member. Policy series JNL-2300-1, JNL-2300-2.