5TH ANNUAL

Innovative ALTERNATIVE INVESTMENT STRATEGIES

Using Non-Correlated Assets To Diversify and Improve Alpha

Achieving Tax Efficiency with Alternatives

MODERATOR

Bill Humphrey,
CEO and Co-Founder, New Direction IRA

PANELISTS

Katie Turner
Vice President, Retirement and Wealth Strategies
Jackson

Eric Douglas
Regional Director for Jefferson National

Sameer P. Sethi
President/CEO
Sethi Petroleum LLC

FA FINANCIAL ADVISOR

Private Wealth

Achieving Tax Efficiency with Alternatives

Panel Description: This panel will address how advisors can use tax efficient alternative strategies to generate high levels of tax-free income while maximizing after-tax return and remaining neutral to changes in interest rates. These strategies may also offer significant diversification benefits.

Katie Turner

Jackson

Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information. Please contact the Company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

This material was prepared to support the promotion and marketing of Jackson variable annuities. Jackson, its distributors and their respective representatives do not provide tax, accounting or legal advice. Any tax statements contained herein were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state or local tax penalties. Please consult your own independent advisor as to any tax, accounting or legal statements made herein.

A variable annuity is a long-term, tax-deferred investment designed for retirement, which involves investment risks and may lose value. Earnings are taxable as ordinary income when distributed and may be subject to a 10% additional tax if withdrawn before age 59 ½.

Diversification does not assure a profit or guarantee against loss. Variable annuities involve investment risks and may lose value.

Alternative investment strategies such as leveraging, arbitrage and commodities investing are subject to greater risks and volatility than more traditional investment offerings. Although asset allocation among different asset categories generally limits risk and exposure to any one category, the risk remains that management may favor an asset category that performs poorly relative to the other asset categories. Other risks include general economic risk, geopolitical risk, commodity-price volatility, counterparty and settlement risk, currency risk, derivatives risk, emerging markets risk, foreign securities risk, high-yield bond exposure, noninvestment-grade bond exposure commonly known as “junk bonds,” index investing risk, industry concentration risk, leveraging risk, market risk, prepayment risk, liquidity risk, real estate investment risk, sector risk, short sales risk, temporary defensive positions and large cash positions.

Tax deferral offers no additional value if an annuity is used to fund a qualified plan, such as a 401(k) or IRA, and may be found at a lower cost in other investment products. It also may not be available if the annuity is owned by a “non-natural person” such as a corporation or certain types of trusts.

Guarantees are backed by the claims-paying ability of Jackson National Life Insurance Company or Jackson National Life Insurance Company of New York and do not apply to the principal amount or investment performance of the separate account or its underlying investments.

Jackson is the marketing name for Jackson National Life Insurance Company (Home Office: Lansing, Michigan) and Jackson National Life Insurance Company of New York (Home office: Purchase, New York). Jackson National Life Distributors LLC.

2014 Tax Landscape

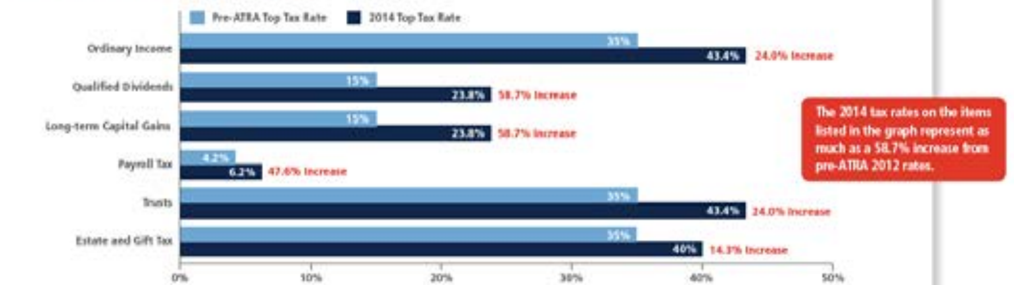
WWW.JACKSON.COM

ARE YOU BRACED FOR THE LATEST TAX HEADWIND?

Although the "Fiscal Cliff" negotiations helped some taxpayers avoid a dramatic tax hike, 77% of households still faced an increase in federal tax obligations as they filed 2013 tax returns and started to plan for 2014.* The tax hit could affect you even if you're not in a higher income tax bracket. Single filers who make more than $200,000 and joint filers earning more than $250,000 are subject to the new health care tax—a 3.8% increase on net investment income—on top of the increases implemented as part of the "fiscal cliff" negotiations.

How Much More You Could Pay in 2014

Increase in highest marginal tax rates resulting from the American Taxpayer Relief Act of 2012 (ATRA)**



Tax rates incorporate additional taxes related to the health care reform law. Health care related taxes include a surtax of 3.8% on net investment income affecting single filers with income in excess of $200,000, and joint filers with income in excess of $250,000.

The information in this chart is our summarization of information from the CCH Tax Briefing, "2013 Tax Developments Break New Ground; Build on Past," January 3, 2014.

Contact your representative today to discuss the effects of rising taxes and how various tax-deferred† investment options may help you.

* The Associated Press/USA Today Research, "Deal means taxes will rise for more Americans," February 5, 2013.
** ATRA refers to the American Taxpayer Relief Act of 2012.
† Tax deferral offers no additional value if an annuity is used to fund a qualified plan, such as a 401(k) or IRA. It also may not be available if the annuity is owned by a "non-natural person" such as a corporation or certain types of trusts.

Stealth Taxes

- Elimination and compression of brackets
- Phaseout of deductions
- Overlapping legislation (American Taxpayer Relief Act and Affordable Care Act)
- State taxes
- Alternative Minimum Tax

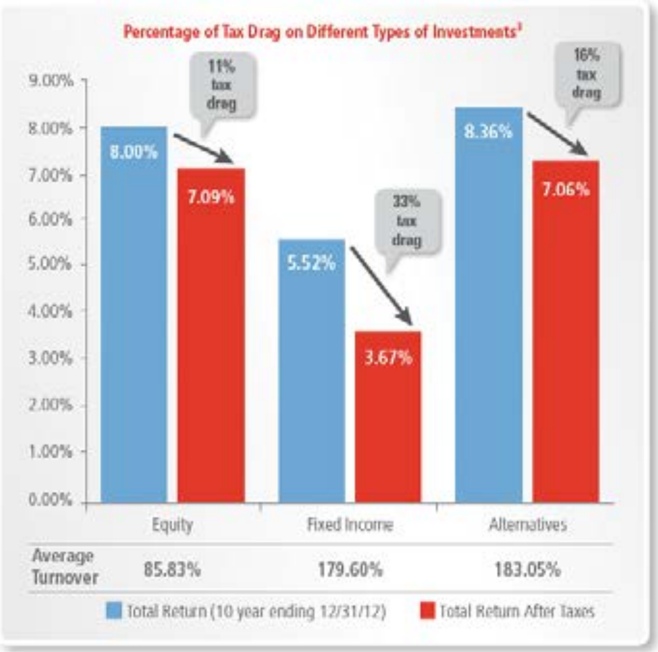
TAXES CAN BE A DRAG

Don't Let Uncle Sam Deflate Returns.

Unprecedented volatility has many investors moving portions of their equity assets into fixed income accounts and adding alternatives to their portfolios.

The good news is that these investments can work to smooth out volatility by providing broader diversification.[1] The bad news is that the tax-inefficiencies of these investments, such as taxable income distributions and portfolio turnover, can create a significant tax drag on performance—even more than sales charges and expenses. What is tax drag? It's the reduction of returns attributable to taxes.

Placing tax-inefficient investments into tax-advantaged accounts[2] can keep more of your money working for you.



The content of this piece is our summarization of a Lipper Research Study, Thomson Reuters, 2011.

[1] Diversification does not assure a profit or protect against loss in a declining market.

[2] Tax deferral offers no additional value if an annuity is used to fund a qualified plan such as a 401(k) or IRA. It also may not be available if the annuity is owned by a "non-natural person" such as a corporation or certain types of trusts. Earnings from tax-deferred investments are taxable as ordinary income when distributed and may be subject to a 10% additional tax if withdrawn before age 59½.

[3] Tax drag calculated by Jackson® Source: Lipper Research Study, Thomson Reuters, 2012. Calculations are a percentage difference between the 10-year Total Return and Total Return After Taxes for the time period ending 12/31/2012. Total Return is for performance periods of one year or longer and it is the annualized percentage change of the NAV (return minus expenses), factoring in reinvested dividends from one measurement period to the next. Total Return After Taxes is derived by accounting for loads, expenses, and interim distributions, which lower the returns based on the tax consequences. Taxes are applied at the highest applicable rate. **Past performance is not a guarantee of future returns.**

Equity as defined by Lipper consist of the following macroclassifications: U.S. Diversified Equity Funds, Sector Equity Funds, World Equity Funds, and Mixed-Asset Funds.

Fixed Income as defined by Lipper consists of the following macroclassifications: Short/Intermediate-Term U.S. Treasury and Government Funds, Short/Intermediate-Term Corporate Fixed Income Funds, General Domestic Taxable Fixed Income Funds, and World Taxable Fixed Income Funds.

Alternatives as defined by Lipper consist of the following classifications: Absolute Return Funds, Precious Metals Funds, Equity Leverage Funds, Equity Market-Neutral Funds, Extended U.S. Large-Cap Core Funds, Flexible Portfolio Funds, Global Flexible Portfolio Funds, Global Real Estate Funds, International Real Estate Funds, Long/Short Equity Funds, and Real Estate Funds.

JACKSON®

Speaker Reference: Beaton, M. (July 14, 2014). BlackRock Bucks Industry Norm, Embraces Net. *Ignites*.

Call your representative today to learn more about how tax-advantaged accounts could benefit you.

Before investing, investors should carefully consider the investment objectives, risks, charges, and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information. Please contact your representative or the Company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

This material was prepared to support the promotion and marketing of annuities. Jackson, its distributors, and their respective representatives do not provide tax, accounting, or legal advice. Any tax statements contained herein were not intended or written to be used—and cannot be used—for the purpose of avoiding U.S. federal, state, or local tax penalties. Please consult your own independent advisor as to any tax, accounting, or legal statements made herein.

Portfolios that have a greater percentage of alternatives may have greater risks, especially those including arbitrage, currency, leveraging, and commodities. This additional risk can offset the benefit of diversification. Although asset allocation among different asset categories generally limits risk and exposure to any one category, the risk remains that management may favor an asset category that performs poorly relative to the other asset categories. Some of those risks include general economic risk, geopolitical risk, commodity-price volatility, counterparty and settlement risk, currency risk, derivatives risk, emerging markets risk, foreign securities risk, high-yield bond exposure, noninvestment-grade bond exposure, index investing risk, industry concentration risk, leveraging risk, market risk, prepayment risk, liquidity risk, real estate investment risk, sector risk, short sales risk, temporary defensive positions, and large cash positions.

Jackson is the marketing name for Jackson National Life Insurance Company® (Home Office: Lansing, Michigan) and Jackson National Life Insurance Company of New York® (Home Office: Purchase New York).

Jackson National Life Distributors LLC.

JACKSON® | LONG-TERM SMART®

Taxes are not just increasing for the rich!

Most long-term investors will experience taxes as their *largest cost.*[2]

- Combination of higher capital gains, health care surtax, and reinstated phase-outs could increase the tax burden on investors by as much as 60%.[3]
- The more progressive the tax structure, and the higher the rates, the more important it is to be tax efficient in investing…[4]
- Placing tax-inefficient investments (like alternatives) in a retirement plan, annuity, or insurance product will defer or lower taxes.[5]

[2] n.a. (2014). Tax-Efficient Equity Investing. *Parametric Engineered Portfolio Solutions*. Page 7.
[3] n.a. (2014). Tax-Efficient Equity Investing. *Parametric Engineered Portfolio Solutions*. Page 7.
[4] Lucas, S. (April 2014). The 50% Rule: Keep More Profit in Your Wallet. *Wealth Strategist Partners*. Page 1.
[5] Lucas, S. (April 2014). The 50% Rule: Keep More Profit in Your Wallet. *Wealth Strategist Partners*. Page 5.

5TH ANNUAL

Innovative ALTERNATIVE INVESTMENT STRATEGIES

Using Non-Correlated Assets To Diversify and Improve Alpha

Eric Douglas

Jefferson National

Market Dynamics

Drivers

- Correlations/Diversification
  - More than three-quarters of advisors polled in the eighth-annual Morningstar survey cited diversification and low correlation with the market as a prime reason for investing in alternatives *
  - Nearly half said that they turn to alternative investments to help reduce the risk in their portfolios *
- Volatility
- Expected Returns
  - **MORE THAN A QUARTER OF ADVISORS** in the Morningstar/Barron's survey pointed to a poor bond-market
  - Taxes – recent changes and prospects for future

Response

- 68% using more alternatives; 63% more likely to use tactical strategies **
- 57% of advisors consider alternatives at least as important as traditional investments **
- Alternative Mutual Fund from about $38 billion in assets in 172 funds at the end of 2008 to $160 billion in 429 funds at the end of February, according to Morningstar

** 2013–2014 Alternative Investment Survey of U.S. Institutions and Financial Advisors*
** "RIAs and Fee-Based Advisors Alternative Investments and Tactical Management Survey," published by Jefferson National, September 2011.

Alternative and tactical strategies often have tax implications driven by:

Management

- Many Alternative managers used to managing for returns not taxes

Strategy Individual strategies and underlying investments

- Many hedge fund strategies have high turnover - as much as 720%

Investments

- REITs – distribute 90% of taxable income to shareholders with most taxed at income tax rate rather than qualified dividend rate + Capital gain possibilities

Structure

- Liquid alternative funds may use underlying structures such as a Controlled Foreign Corporation which affects the taxation of returns

	5 Year Ended 6/30/14			10 Year Ended 6/30/14		
Morningstar Category	Total Return	Post-tax Return (Pre-liquidation)	BPS Lost To Taxes	Total Return	Post-tax Return (Pre-liquidation)	BPS Lost To Taxes
US OE Bear Market	-21.31	-22.07	75.6	-10.31	-12.36	205.8
US OE Commodities Broad Basket	2.51	1.26	125.4	0.34	-2.84	318.1
US OE Equity Energy	13.30	13.15	14.7	12.02	11.07	94.7
US OE Equity Precious Metals	-2.95	-4.04	109.0	5.95	4.75	120.0
US OE Global Real Estate	15.29	13.42	187.0	7.47	5.81	165.6
US OE Long/Short Equity	9.14	8.35	79.6	6.40	5.59	81.2
US OE Managed Futures	0.54	-1.14	168.0			0.0
US OE Market Neutral	2.19	1.34	85.6	2.81	1.68	113.0
US OE Multialternative	6.17	5.37	80.3	3.80	2.83	96.9
US OE Multicurrency	3.05	2.23	81.9	3.19	1.90	128.7
US OE Natural Resources	12.02	11.72	30.2	10.77	9.41	136.0
US OE Real Estate	22.48	21.33	114.9	8.98	7.10	187.3

Solution – Asset Location

401(k)s

- Access
- Improved but still limited contribution amounts
- Lack of Investment selection

IRAs

- Great investment selection
- Limited ability to contribute

Variable Annuities

- Ability to contribute large amounts
- Smaller but increasing selection
- Cost

5TH ANNUAL

Innovative ALTERNATIVE INVESTMENT STRATEGIES

Using Non-Correlated Assets To Diversify and Improve Alpha

Sameer P. Sethi

Sethi Petroleum LLC

JMC13472 07/14

Intangible Drilling Cost

- Any cost that cannot be resold later!
- Basically ALL the costs of drilling the well is 100% deductible off your current year taxes.
- Even if the investment is made on Dec. 31st!
- Example:
    - An individual investing $100,000 dollars in a drilling program would be able to deduct approx. $80,000 immediately because of the IDC.

Tangible Drilling Cost

- Any capital expenditure or asset that could be resold later!
- Tangible Drilling Costs are depreciated according to standard depreciation rules.
- 20% for the first year
- Example:
    - An individual investing $100,000 dollars in a drilling program would be able to depreciate approx. $20,000 for the TDC with your 1st year write off of $4,000.