Mile Marker
CONVERSATIONS

ROADMAP TO RETIREMENT

Issued by Pruco Life Insurance Company and by Pruco Life Insurance Company of New Jersey.

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Prudential
Bring Your Challenges®
Knowing what’s down the road can help you prepare

For years, retirement planning focused on the accumulation of retirement assets, but that is only the beginning of your retirement journey. The intention of this “roadmap” is to introduce topics of conversation that you may want to have with your financial professional, tax advisor, and legal counsel as you approach certain retirement “mile markers.” This brochure does not provide tax, investment or legal advice.

Planning the journey to and through retirement can be complicated and time-consuming. You have a lot to consider and will encounter challenges along the way, such as the possibility of outliving your savings, rising costs and market uncertainty. Knowing what’s on the road ahead can help you prepare for these challenges.

Having conversations with your financial professional throughout your retirement journey and at the appropriate mile markers may help you travel safely to your retirement destination.

The retirement journey begins with saving for the future, then travels through asset allocation, consolidation, income protection and tax diversification, and finally drives on to retirement income and wealth transfer.

- Accumulation
- Income protection
- Distribution
- Wealth transfer
Review your asset allocation and retirement strategy

Hopefully, before you turn age 50, you will have met with your financial professional to formulate a strategy to help you save for retirement. But if you haven’t started yet, it’s not too late to begin to focus on saving and planning for retirement income.

Investors should work with their financial professional to allocate their retirement assets in a way that is consistent with their risk tolerance, retirement needs, and time horizon.

Asset allocation is the process of diversifying investments across different asset classes such as stocks, bonds and short-term investments, based on an investor’s current situation. However, it’s important to keep in mind that asset allocation and diversification do not ensure a profit or protect against a loss.

More aggressive asset allocation may be tempting due to its potential for greater returns, but that also comes with higher risks and more volatility.

Traditional wisdom suggests that a more conservative asset allocation may be appropriate the closer someone is to retirement.

There are 81,139 employer-sponsored 401(k) plans.

Only 11% offer a guaranteed income solution.


Mile Marker Checkpoints

Work with your financial professional to:

- Begin to map out your course
- Align your retirement strategy with your retirement goals
- Review how your retirement assets are allocated
Review what you’re currently contributing to your retirement accounts

Your employer’s retirement plan - whether it’s a 401(k), 403(b), or 457(b) - is a good place to start when you’re saving for retirement. If you’re eligible, you can also make contributions into both traditional and Roth IRAs. Roth IRAs differ from traditional IRAs in several ways:

- You can only make contributions if your income doesn’t exceed a certain level
- Contributions into Roth IRAs are not tax-deductible
- If you satisfy the requirements, qualified distributions are tax-free
- You can make contributions after you reach age 70½
- You don’t have to take Required Minimum Distributions (RMDs) from Roth IRAs

If you’re over the age of 50, you may also make additional “catch-up” contributions to both your 401(k) and IRAs.

If you are contributing the maximum amount into your retirement plan and IRAs, consider talking to your financial and tax advisors about other investment opportunities that could complement your retirement portfolio.

### 2018 Contribution Limits

<table>
<thead>
<tr>
<th></th>
<th>Retirement Plans 401(k), 403(b), governmental 457(b)</th>
<th>IRA/Roth IRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Deferral</td>
<td>$18,500</td>
<td>$5,500</td>
</tr>
<tr>
<td>Age 50 Catch-up</td>
<td>$6,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Maximum Contribution</td>
<td>$61,000</td>
<td>$6,500</td>
</tr>
</tbody>
</table>

(Deferrals, employer contributions, catch-ups)

Source: irs.gov: IRS Notice 2017-64, IR 2017-177, October 19, 2017
Beneficiary designation forms

For many people, planning for retirement also involves creating a legacy - wills, trusts and other estate planning strategies that transfer wealth to the next generation. However, you may not realize that IRAs and qualified retirement plans, which could be a large part of your estate, are not subject to probate or affected by the terms of your will. These assets will pass to the next generation based solely on the retirement account’s beneficiary designation form. As a result, the beneficiary designation form is one of the most important estate planning documents.

If the account owner dies with no living named beneficiaries: The assets are usually paid to the account owner’s estate. If paid to the estate, IRAs and qualified retirement plans, normally non-probate assets, will become subject to probate. The probate process can be long, cumbersome, and expensive.

Review beneficiary designation forms for IRAs, 401(k) plans and other retirement accounts periodically, and after any significant life event – such as the birth or adoption of a child, marriage, divorce, or remarriage – to make sure that these assets will be distributed correctly upon your death.

Healthcare costs

The Affordable Care Act has made health insurance more accessible and affordable for many Americans, including those retiring from full-time jobs prior to becoming eligible for Medicare at age 65.

If you’re planning to retire before age 65, visit the HealthCare.gov website to familiarize yourself with the insurance options available, and see if you might qualify for tax credits and subsidies that can help to cover the cost of a plan.

Healthcare can take a healthy bite out of retirement savings. It is estimated that an average, healthy, 65-year-old couple will need to pay $275,000 for medical expenses for the remainder of their lives.


Mile Marker Checkpoints

Work with your financial professional to:

- Assess your contributions to your 401(k) and IRAs; consider making “catch-up” contributions if you are eligible
- Review beneficiary designation forms
- Understand healthcare costs and the impact of the Affordable Care Act
- Consider a contribution into a tax-deferred investment
Retiring early

At age 55, many people begin to think about the day they will retire. Whether you decide you are ready to retire early, or you are forced to do so due to downsizing or health reasons, be sure to understand your options and the consequences of making certain choices.

If you take withdrawals from your IRA before age 59½, you will have to pay ordinary income tax on the withdrawal, and a 10% penalty tax may apply. There are several exceptions to the penalty, including: certain qualified higher education expenses; medical expenses that exceed 10% of your adjusted gross income; first-time homebuyers; disability; or if you take a series of substantially equal periodic payments for five years or until you reach age 59½, whichever is longer.

There is an additional exception to the 10% penalty that applies to withdrawals from employer-sponsored retirement plans, such as 401(k) plans, made after you separated from service with your employer, but only if the separation occurred after or during the calendar year you reached age 55.

Before taking any withdrawals, please contact your tax advisor about any possible adverse tax consequences.

Early retirement and Social Security benefits

Early retirement may also impact future Social Security income benefits. Social Security calculates benefits based upon your best 35 years of earnings. The Social Security benefits displayed on your statement (which you can access on www.socialsecurity.gov) are projections that assume you will make at least what you made last year until you reach “full retirement age,” now between 66 and 67 years old.

If you no longer have wage income and do not pay FICA taxes, your Social Security income payments will likely be reduced because they will add zero income for each year you don’t work if you worked a total of less than 35 years.
Pension payment options

Fewer Americans today have pension plans. If you are fortunate enough to have a pension, it's important to consider the payout options, particularly if you are taking an early retirement. These options may include:

- life-only
- joint life payable over a married couple’s lifetime
- period-certain (for example, 20 years)

**Pension payments may be reduced once you are eligible for Social Security**

Many private industry pension plans offer an option that integrates pension benefits with Social Security, often referred to as a “level income annuity” option. It provides increased monthly income before you are eligible for Social Security benefits (age 62 or your full retirement age).

However, once you are eligible for Social Security, pension benefits could be reduced by as much as 80% of your Social Security benefits. Choosing a level income annuity option may have a short-term positive impact on cash flow for a few years, but a long-term negative impact the longer you live.

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**Mile Marker Checkpoints**

Work with your financial professional to:

- Understand any tax consequences of early distributions from your retirement plan
- Consider the effect of early retirement on Social Security benefits
- Review pension distribution options
In-service withdrawals

While early distributions from your retirement accounts may be subject to a 10% penalty in addition to applicable income taxes, one of the exceptions to the penalty is withdrawals taken after age 59½. Furthermore, many 401(k) plans permit participants access to their retirement accounts at age 59½ and prior to retirement. This is called an “in-service withdrawal.”

To find out whether your plan offers in-service withdrawals, ask your employer for a copy of the “Summary Plan Description,” check your 401(k) website, or speak with the 401(k) administrator at the number provided on your statement.

Talk to your financial professional to see if an in-service withdrawal is a good fit for your situation. Taking an in-service withdrawal and rolling it over may provide you with greater diversification in your portfolio and access to more investment choices. However, it may affect your ability to make future contributions to your employer’s plan. Or if you terminate your 401(k) with your in-service withdrawal, any outstanding loans taken from the 401(k) may become subject to income taxes and a federal income tax penalty. Consult your financial professional, and see the back cover of this brochure, for more information about in-service withdrawals.

Market risks and volatility

As retirement nears, it becomes more important that retirement income is protected against market risks and volatility. With the demise of traditional pension plans and the future of Social Security in doubt, investors may increasingly look to investment strategies that are designed to help create retirement income. A financial professional can help you determine if it makes sense to take an in-service withdrawal and roll over assets into an IRA funded with a variable annuity which can provide guaranteed retirement income.

77% of 401(k) plans allow in-service non-hardship withdrawals

Tax diversification

Just as asset allocation and investment diversification are cornerstones of financial strategies, having a tax-diversified retirement portfolio is increasingly important. Tax diversification is the strategy of spreading investments out across three different types of accounts:

- **TAXABLE**
  - Traditional IRAs, 401(k) accounts, or 403(b) accounts

- **TAX-DEFERRED**
  - Roth IRAs, Roth options within a 401(k) account, or Roth 403(b) accounts

- **TAX-FREE**

  *Qualified distributions are federal income tax free. A qualified withdrawal requires that the withdrawal be taken at least five tax years after your first contribution to a Roth, and after reaching age 59½, becoming disabled or death.*

Supplementing retirement income with tax-free income may help increase the likelihood that you stay in a lower income tax bracket in retirement. Taking an in-service withdrawal and rolling assets to a Roth IRA may be beneficial if income tax rates increase and you are not otherwise eligible to contribute to a Roth 401(k) plan or Roth IRA. Be aware, however, that the conversion can bump you into a higher tax bracket. You may also be subject to taxes and penalties if you withdraw Roth assets within five tax years of this conversion.

Other ways to tax-diversify a retirement portfolio may include investing in:
- life insurance
- municipal bonds
- tax-efficient mutual funds
- nonqualified annuities

Mile Marker Checkpoints

Work with your financial professional to:
- Help gain more control of your tax situation by diversifying your portfolio
- Learn about retirement products that provide guaranteed lifetime income
- Explore penalty-free access to your retirement accounts
- Consider an in-service withdrawal from your 401(k)
Early Social Security benefits eligibility

When to begin taking your Social Security benefits is an important decision that will affect the amount of benefits you (and if you are married, your spouse) receive.

Retirement benefits can begin as early as age 62 – but taking benefits before full retirement age (generally between ages 66 and 67) will cause them to be permanently reduced by as much as 30%.

Your financial professional can help you determine how Social Security fits into your overall plan for creating lasting retirement income.

Taking Social Security benefits early comes with a price, yet more than 40% of Americans who are 50 and over say they’ll dip into the program before reaching full retirement age.


For illustrative purposes only. For 1955-1960, two months are added to the Full Retirement Age each year.
Source: ssa.gov: Retirement Benefits, SSA Publication No. 05-10035, ICN 457500, January 2017
Spousal and survivor benefits

If your spouse’s Social Security benefit is less than half of your Social Security benefit, he or she may be eligible to receive up to half of your benefit. However, if your spouse begins taking Social Security before reaching full retirement age, their benefit is subject to a reduction based on their age as detailed in the chart below.

Assuming a full retirement age of 66 and a maximum $7,500 annual spousal benefit

<table>
<thead>
<tr>
<th>If Your Spouse Files at Age</th>
<th>Percentage of Maximum Spousal Benefit</th>
<th>Potential Spousal Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>62</td>
<td>70.0%</td>
<td>$5,250</td>
</tr>
<tr>
<td>63</td>
<td>75.0%</td>
<td>$5,625</td>
</tr>
<tr>
<td>64</td>
<td>83.4%</td>
<td>$6,255</td>
</tr>
<tr>
<td>65</td>
<td>91.6%</td>
<td>$6,870</td>
</tr>
<tr>
<td>66</td>
<td>100.0%</td>
<td>$7,500</td>
</tr>
</tbody>
</table>

Source: ssa.gov: Retirement Benefits, SSA Publication No. 05-10035, ICN 457500, January 2017

Taking benefits prior to your full retirement age may have another effect on your spouse’s benefit. If your spouse’s benefit is less than what you are collecting, at your death he or she will be eligible for a survivor benefit that equals the higher Social Security benefit that you were receiving. If you have taken a reduced Social Security benefit by filing before your full retirement age, your spouse’s survivor benefits will be based on that reduced amount.

Mile Marker Checkpoints

Work with your financial professional to:

- Help you decide when to begin taking Social Security benefits
- Understand the effect that taking Social Security benefits early can have on spousal and survivor benefits
Evaluating Medicare options

At age 65, you become eligible for Medicare. Many people underestimate the impact that healthcare costs will have on them during retirement, because they assume that Medicare will cover all of their healthcare expenses. The truth is that Medicare only covers about 62% of all retirement healthcare costs.\(^1\)

While Medicare Part A (hospitalization) is free for most people, there are premiums for Part B (doctor’s visits), Part D (prescription drug coverage), and any Medigap insurance you may purchase to cover some of your out-of-pocket medical costs. For a married couple, these premiums average about $4,300/year/person.\(^2\)

Transitioning your savings to retirement income

Age 65 remains a popular retirement age for Americans and a time to begin transitioning from the accumulation phase of retirement planning to the distribution phase. As you approach retirement, you and your financial professional can work together to determine the investments, withdrawal rate, and order of withdrawals that may create the most sustainable retirement income stream for you. Retirees who incorrectly structure their retirement assets could face reduced retirement income that adversely affects their lifestyle.

Exploring your withdrawal options

You may have different types of retirement assets such as 401(k) plans, traditional IRAs, Roth IRAs, annuities and taxable accounts. Conventional wisdom may suggest withdrawing money from taxable accounts first, which may benefit from lower capital gains taxes, then tax-deferred accounts such as 401(k) and IRA accounts, and tax-free accounts such as Roth IRAs last. The rationale is that you spend your after-tax money first because you want your retirement accounts to compound tax-deferred or tax-free as long as possible.

Sometimes, however, it may make more sense for retirees to take distributions from taxable accounts first, either to offset tax losses if they are in a lower income tax bracket, or if they believe tax rates or their tax bracket are likely to be higher in the future. Your financial professional and tax advisor can help you determine the most efficient way to tap into your retirement accounts.

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\(^1\) Employee Benefit Research Institute: EBRI Notes, “Savings Medicare Beneficiaries Need for Health Expenses,” January 31, 2017

Spousal protection

The emotional impact of losing a spouse can be worsened by the lack of proper planning. Because many situations can arise where the surviving spouse’s retirement income can decline, it’s important to plan ahead so that the money you and your spouse spent so many years saving will be there when it’s needed.

Work with your financial professional to put strategies in place to help avoid a potential income gap:

- Review the life insurance and long-term care insurance policies that you and your spouse have
- Review your beneficiary designations to ensure they are up-to-date (see page 5)
- Evaluate how pension payouts are structured (see page 7)
- Explore your options for Social Security and understand the effect that taking benefits early has on spousal and survivor benefits (see page 11)
- Consider variable annuities that offer spousal options that can help retirement income continue after the death of the first spouse

If you are 65 and married, there is a 50% chance that either you or your spouse will live to age 94.

Source: Society of Actuaries RP-2014 Mortality Table projected with Mortality Improvement Scale MP-2014, 2016

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Checkpoints

Work with your financial professional to:

☐ Evaluate Medicare options
☐ Create a retirement income plan and transition strategy
☐ Mitigate the financial impact of losing a spouse
Social Security: Calculating your full retirement age

When to file for Social Security is an important decision. Your financial professional can share strategies and factors that can help you make the right choices.

Depending on your birthday, your full retirement age will be between ages 66 and 67. Once you reach your full retirement age, you can begin taking your Social Security benefits without any reductions.

<table>
<thead>
<tr>
<th>Year Born</th>
<th>Full Retirement Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1943-1954</td>
<td>66</td>
</tr>
<tr>
<td>1955</td>
<td>66 and 2 months</td>
</tr>
<tr>
<td>1956</td>
<td>66 and 4 months</td>
</tr>
<tr>
<td>1957</td>
<td>66 and 6 months</td>
</tr>
<tr>
<td>1958</td>
<td>66 and 8 months</td>
</tr>
<tr>
<td>1959</td>
<td>66 and 10 months</td>
</tr>
<tr>
<td>1960 and after</td>
<td>67</td>
</tr>
</tbody>
</table>

Source: ssa.gov: Retirement Benefits, SSA Publication No. 05-10035, ICN 457500, January 2017
Benefits of deferring Social Security

From your full retirement age until age 70, for every year you delay taking your Social Security benefits, your benefits will increase by 8% of your Full Retirement Age benefit. If your full retirement age is 66, waiting to begin your Social Security until age 70 would increase the amount of your benefit by 32%.

After age 70, while it is possible to delay taking your benefits, the 8% increase does not continue.

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage of Full Retirement Age Benefit</th>
<th>Annual Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>66 (Full Retirement Age)</td>
<td>100%</td>
<td>$15,000</td>
</tr>
<tr>
<td>67</td>
<td>108%</td>
<td>$16,200</td>
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<tr>
<td>68</td>
<td>116%</td>
<td>$17,400</td>
</tr>
<tr>
<td>69</td>
<td>124%</td>
<td>$18,600</td>
</tr>
<tr>
<td>70</td>
<td>132%</td>
<td>$19,800</td>
</tr>
</tbody>
</table>

Source: ssa.gov: Retirement Benefits, SSA Publication No. 05-10035, ICN 457500, January 2017
Required Minimum Distributions (RMDs)

Age 70½ is when most people must begin taking RMDs from their retirement accounts. According to IRS regulations:

- For IRAs, the first RMD must be taken by April 1st of the year following the year in which you turn 70½. After that, distributions must be taken annually by December 31st. RMDs can be taken from a single IRA or from any combination of IRAs if you have more than one.

- You must begin taking distributions from your employer-sponsored retirement plan, such as a 401(k), by April 1st of the year following the year in which you turn 70½ or retire, whichever is later. However, individuals who are 5% or more owners of the business sponsoring the retirement plan must take RMDs by age 70½, even if the owner is still working.

- While Roth IRAs are not subject to the required distribution rules during the life of the Roth IRA owner, RMDs are required from Roth 401(k) plans.

- Unlike IRAs, if you have more than one retirement plan account, you must take an RMD from each.

- RMDs are typically fully subject to ordinary income tax, unlike withdrawals from your non-qualified accounts which are subject to ordinary income tax to the extent of the gains in the contract.

RMDs and sustainable withdrawals

Financial experts have long suggested that withdrawing 4% annually from retirement savings would provide enough income for a 30-year retirement. This is referred to as a sustainable withdrawal rate. But ongoing market volatility and prolonged low interest rates¹ have caused many experts to adjust the sustainable withdrawal rate down to 3% - or even less.²

But as you can see from the chart on the right, RMDs begin at 3.65% and continue to increase every year. If there is a market downturn and your investments lose value, you are still required to take RMDs, so it adds to the challenge of planning for the unexpected.

¹ irs.gov, as of March 2017
RMDs increase each year*

<table>
<thead>
<tr>
<th>AGE</th>
<th>RMD PAYOUT RATE</th>
<th>AGE</th>
<th>RMD PAYOUT RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>3.65%</td>
<td>86</td>
<td>7.09%</td>
</tr>
<tr>
<td>71</td>
<td>3.77%</td>
<td>87</td>
<td>7.46%</td>
</tr>
<tr>
<td>72</td>
<td>3.91%</td>
<td>88</td>
<td>7.87%</td>
</tr>
<tr>
<td>73</td>
<td>4.05%</td>
<td>89</td>
<td>8.33%</td>
</tr>
<tr>
<td>74</td>
<td>4.20%</td>
<td>90</td>
<td>8.77%</td>
</tr>
<tr>
<td>75</td>
<td>4.37%</td>
<td>91</td>
<td>9.26%</td>
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<tr>
<td>76</td>
<td>4.55%</td>
<td>92</td>
<td>9.80%</td>
</tr>
<tr>
<td>77</td>
<td>4.72%</td>
<td>93</td>
<td>10.42%</td>
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<td>78</td>
<td>4.93%</td>
<td>94</td>
<td>10.99%</td>
</tr>
<tr>
<td>79</td>
<td>5.13%</td>
<td>95</td>
<td>11.63%</td>
</tr>
<tr>
<td>80</td>
<td>5.35%</td>
<td>96</td>
<td>12.35%</td>
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<td>5.59%</td>
<td>97</td>
<td>13.16%</td>
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<td>82</td>
<td>5.85%</td>
<td>98</td>
<td>14.08%</td>
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<td>83</td>
<td>6.13%</td>
<td>99</td>
<td>14.93%</td>
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<tr>
<td>84</td>
<td>6.45%</td>
<td>100</td>
<td>15.87%</td>
</tr>
<tr>
<td>85</td>
<td>6.76%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*If the spouse is the sole beneficiary and is more than 10 years younger, the RMD rate is lower.

Source: www.irs.gov, accessed October 2017

Consider strategies that can help retirement income last two lifetimes

Talk to your financial professional about how a variable annuity can help you create retirement income for two lifetimes. This may help you and your spouse feel more prepared for your retirement journey.

Mile Marker Checkpoints

- Understand the impact that Required Minimum Distributions will have
- Find out more about products that offer guaranteed retirement income
- Help your retirement income last for two lifetimes, if you are married
Mile marker conversations to consider - work with your financial professional to:

- Begin to map out your course
- Align your retirement strategy with your retirement goals
- Review how your retirement assets are allocated

- Assess your contributions to your 401(k) and IRAs; consider making “catch-up” contributions if you are eligible
- Review beneficiary designation forms
- Understand healthcare costs and the impact of the Affordable Care Act
- Consider a contribution into a tax-deferred investment

- Understand any tax consequences of early distributions from your retirement plan
- Consider the effect of early retirement on Social Security benefits
- Review pension distribution options

- Help gain more control of your tax situation by diversifying your portfolio
- Learn about retirement products that provide guaranteed lifetime income
- Explore penalty-free access to your retirement accounts
- Consider an in-service withdrawal from your 401(k)

- Help you decide when to begin taking Social Security benefits
- Understand the effect that taking Social Security benefits early can have on spousal and survivor benefits

- Evaluate Medicare options
- Create a retirement income plan and transition strategy
- Mitigate the financial impact of losing a spouse

- Consider the benefits of deferring Social Security payments
- Review how certain Social Security elections affect spousal and survivor benefits

- Understand the impact that Required Minimum Distributions will have
- Find out more about products that offer guaranteed retirement income
- Help your retirement income last for two lifetimes, if you are married
Hit the road to retirement today

Planning for a successful retirement takes time and effort. By having mile marker conversations with your financial professional along the way, you can help make your road to retirement a smoother one. Knowing what to expect can help you successfully prepare for your future.

Talk to your financial professional
Investors should consider the features of the contract and the underlying portfolios’ investment objectives, policies, management, risks, charges and expenses carefully before investing. This and other important information is contained in the prospectus, which can be obtained from your financial professional. Please read the prospectus carefully before investing.

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Annuity contracts contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your licensed financial professional can provide you with complete details.

A variable annuity is a long-term investment designed for retirement purposes. Investment returns and the principal value of an investment will fluctuate so that an investor’s units, when redeemed, may be worth more or less than the original investment. Withdrawals or surrenders may be subject to contingent deferred sales charges. Withdrawals and distributions of taxable amounts are subject to ordinary income tax and, if made prior to age 59½, may be subject to an additional 10% federal income tax penalty, sometimes referred to as an additional income tax. Withdrawals reduce the account value and death benefit.

All references to guarantees, including the benefit payment obligations arising under the annuity contract guarantees, rider guarantees, optional benefits, any fixed account crediting rates or annuity payout rates are backed by the claims-paying ability of Pruco Life Insurance Company and Pruco Life Insurance Company of New Jersey. All guarantees, including optional benefits, do not apply to the underlying investment options.

Annuity contracts contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your licensed financial professional can provide you with complete details.

- **Exceptions to the 10% federal income tax penalty** - The penalty exceptions for employer plan and IRA distributions are not identical. Two exceptions apply to an employer plan, but do not apply to an IRA: separation from service at or after age 55, and Qualified Domestic Relations Orders. On the other hand, IRAs provide penalty exceptions for first-time home purchase and higher education, but employer plans do not.
- **Net Unrealized Appreciation (NUA) tax treatment** - Favorable NUA tax treatment is not available to IRAs. Therefore, if you have highly appreciated company stock in your employer-sponsored plan, rolling that stock to an IRA eliminates the ability to take advantage of NUA tax treatment.
- **Creditor protection** – While IRAs now have federal bankruptcy protection, they are not protected from other judgments the way that federal law (specifically ERISA) protects qualified plans.
- **New contributions to the employer plan** - Taking an in-service distribution may affect your ability to make future contributions to the employer plan.
- **Loans** - In the event that a 401(k) is terminated, the loan may be subject to income taxes and a federal income tax penalty.
- **Fees** - It is important to check with your employer to see if they offer in-service withdrawals. Sources of information include your Plan Administrator, Summary Plan Description, or Participant Statement. Please consult these sources for any possible restrictions, fees and expenses.
- **Required Minimum Distributions (RMDs)** - RMDs are required to begin from IRAs when an individual reaches age 70½. The first distribution can be deferred to April 1st of the year following the year the individual reaches age 70½. For subsequent years, distributions must be taken by December 31st. If you defer the first payment to the year following the year you reach age 70½, you will be required to take two distributions within the same year. For a participant in an employer plan, other than a 5% or greater owner, RMDs must begin at the later of age 70½ or when you retire from that employer.

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