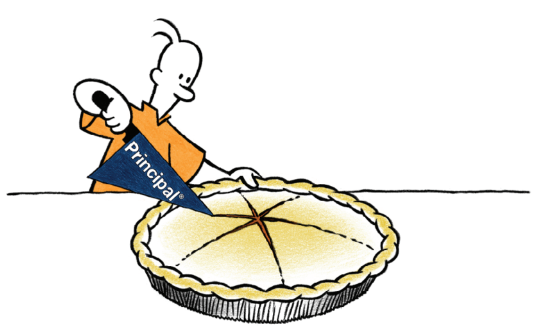
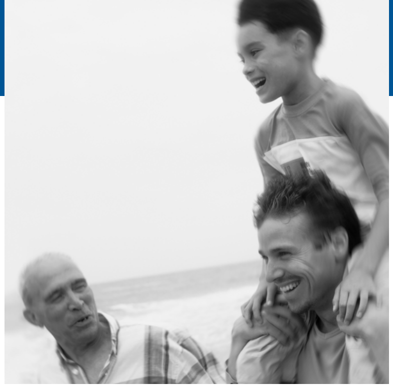
Principal IRA Exchange℠

Protect and Allocate Your Legacy





Protect your legacy

Individual Retirement Accounts (IRAs) and other qualified plans are a great way to accumulate retirement income on a tax-favored basis. However, you may find you don't need the additional income from these assets. If this is your situation, you may wish to protect and allocate your legacy to help secure the financial futures of your beneficiaries through a Principal IRA Exchange℠.

This tax-efficient program provides the opportunity to help your beneficiaries avoid the income and estate tax problems of qualified money. Principal IRA Exchange allows you to bring new life to your existing IRAs and provides the opportunity for your heirs to benefit from your planning[1].

The IRA taxation problem

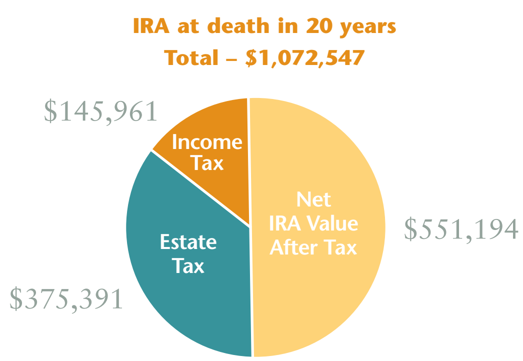
Qualified plan assets, including IRAs, could be subject to the following two taxes:

- **Estate Taxes** – The entire value of your IRA assets is included in your taxable estate and can be subject to a federal estate tax rate of up to 46% in 2006 and 45% in 2007-2009. In addition, state inheritance or estate taxes may also apply.
- **Income Taxes** – The entire value of your IRAs may be taxable as ordinary income, either to your estate or your beneficiaries, depending on when the IRAs are distributed.

A HYPOTHETICAL EXAMPLE

Joe Smith, 65, owns an IRA worth $500,000.

If Joe keeps the IRA for another 20 years until his death, the IRA will grow to $1,072,547* before taxes. However, if the estate and income tax rate is 35%, the after-tax value to Joe's heirs is only $551,194.



* Assumes a 5% growth rate taking required minimum distributions, paying the tax, and reinvesting at a 5% growth rate.

[1] Roth IRA assets are not income taxable when taken as qualified distributions or when inherited by heirs. It is not generally recommended that Principal IRA Exchange use assets from Roth IRAs.

Is this solution right for you?

Principal IRA Exchange is not a solution for everyone. If you fit the following profile it could be for you!

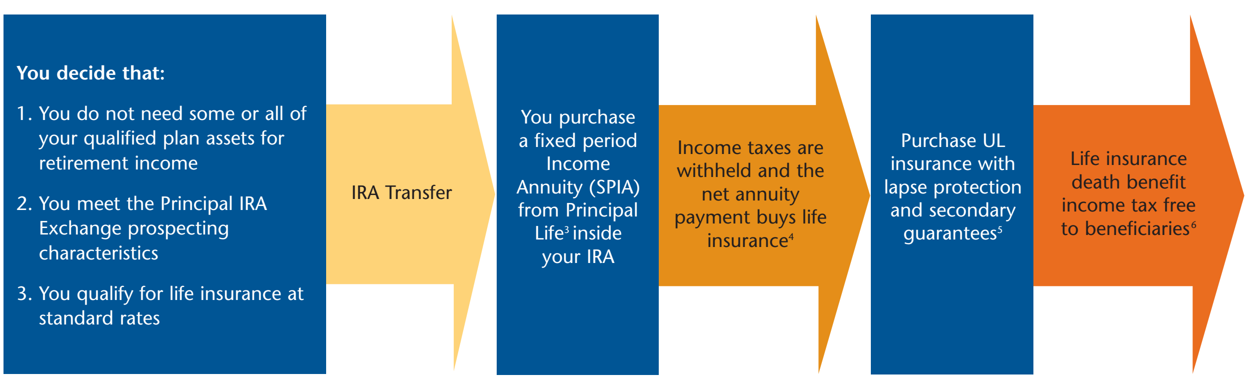
- You are **financially full**. Your financial needs for the rest of your life can be met without using the annuity.
- You **qualify** for life insurance.
- You **want to transfer** the maximum amount of wealth to the next generation.
- You **want to reduce potentially high combined income and estate taxes** on your existing qualified plan assets.

How it works

Principal IRA Exchange uses life insurance in a way that helps you leverage your qualified plan assets and minimize the tax implications of qualified plans that are left in an estate.

Benefits of Principal IRA Exchange

- **Peace of Mind** – Through the tax-advantaged nature of life insurance, your beneficiaries can maximize the investment dollars you worked so hard to save.
- **Complete Support Services**[2] – Leave the details to us! Our innovative administrative process allows for automatic income tax withholding from your fixed period income annuity payment prior to paying the premium on your UL insurance policy with lapse protection. And you'll receive annual statements from us, keeping you updated on the status of your life insurance policy.
- **Competitive Products** – Principal Life provides competitive universal life insurance policies and fixed period income annuity contracts.
- **Simplified Underwriting** – Don't forget about our TeleApp underwriting process! Our TeleApp underwriting process guarantees that you will be underwritten in a fast, efficient and simple manner.



[2] When both the UL insurance policy and a fixed period income annuity are purchased from Principal Life.

[3] Once the annuity payments begin, they cannot be changed and you give up control of the principal in your account.

[4] Gift tax consequences should be reviewed with your tax advisor. Annual gifts over a certain amount may be considered taxable gifts.

[5] The lapse protection to age 121 feature can be applied on a limited pay basis with outstanding underwriting. Guarantees are based on the claims-paying ability of Principal Life Insurance Company.

[6] To keep insurance out of the estate, the insurance should be owned by a third party, such as an Irrevocable Trust. If owned by a third party, gift-tax issues should be considered.

WE'LL GIVE YOU AN EDGE℠

Principal Life Insurance Company, Des Moines, Iowa 50392-0001, www.principal.com

Policy Form SF 791/Policy Form SF 779
BB 9215-5 | 06/2006 | #3089052008