



The Standard®
Positively different.

Beneficiary Financial Counseling

for Your Personal Financial Choices



STANDARD INSURANCE COMPANY

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TheStandard®
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Making a well-planned start

As a recent beneficiary or recipient of an accelerated benefit, you're facing important decisions about complicated financial issues:

- *How can I make the most of this money — do I spend it all at once or slowly over time?*
- *If I invest, what kinds of investments make sense for me?*

Before making such important decisions, it's wise to learn as much as you can about your options.

As a recent beneficiary¹ or recipient of an accelerated benefit under a group life insurance policy issued by Standard Insurance Company, you are entitled to Beneficiary Financial Counseling. Beneficiary Financial Counseling will be provided by StanCorp Investment Advisers, Inc. — through an agreement with Standard Insurance Company — at no cost to you. This service is designed to help you understand your current financial situation and provide guidance on how to reach your financial goals. You may request and receive this service at any time within the 12 months following the payment of your benefit.

As part of Beneficiary Financial Counseling² you can:

- Arrange for one of StanCorp Investment Advisers' financial planners to create your personal financial plan. You can start this process by calling us toll free at 800.378.5742 to arrange a telephone interview.
- Contact one of StanCorp Investment Advisers' financial planners for assistance with general financial questions.

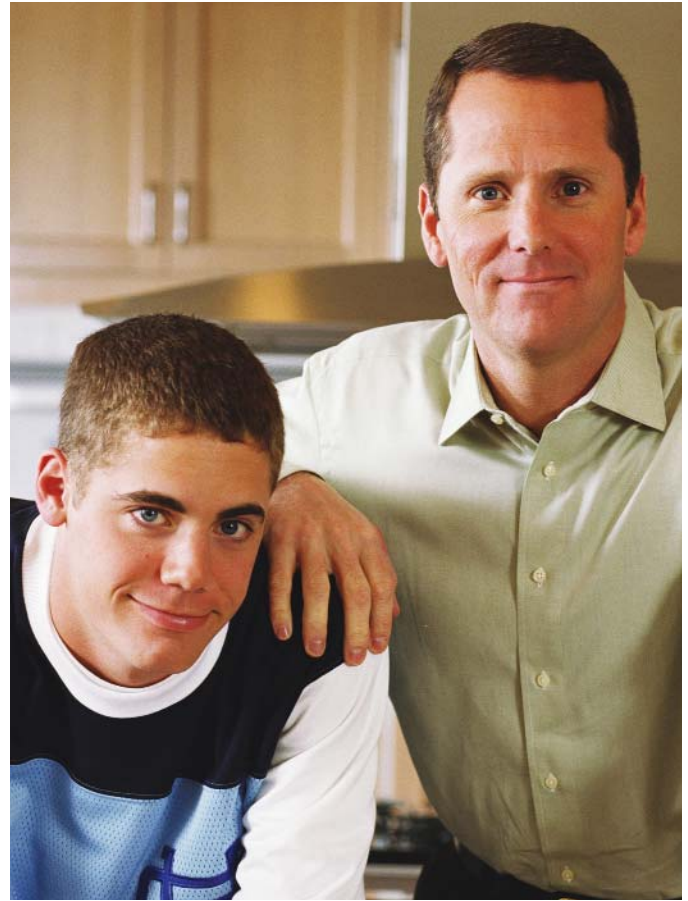
You'll also find several helpful tools in this booklet

This booklet provides helpful information on subjects such as:

- Locating and selecting a financial adviser
- Researching and purchasing different kinds of investments on your own
- Structuring and maintaining an investment portfolio

¹ No Beneficiary Financial Counseling services will be provided where the life insurance beneficiary is a minor, a trust or the insured's estate.

² StanCorp Investment Advisers' financial planners will not provide specific investment or financial advice or recommendations as part of your Beneficiary Financial Counseling services.



We've also included a brief glossary of common investment terms to help you interpret the information you find.

Whatever your plans for the future, we invite you to take advantage of this opportunity to make a well-planned start. Call us today at 800.378.5742 with any questions, or to arrange for your Beneficiary Financial Counseling interview. We look forward to working with you.

Selecting a Financial Adviser

If a financial plan has been developed for you, at some point you may want to consider engaging a professional near where you work or live to help you implement the plan.

There are typically four primary types of professionals who can help you implement your financial plan: investment advisers, financial planners, insurance agents, and investment brokers. The following chart highlights some of the characteristics of each kind of professional.

Type of Professional	Registration and Regulation	Professional Credentials and Experience	How They Are Paid
Investment Adviser	Must be registered with either the state or the Securities and Exchange Commission (SEC) depending on the size of their business. ³	Investment Advisers often hold a professional designation such as Certified Financial Planner, Chartered Financial Analyst or Personal Financial Specialist.	May be paid on a fee basis, usually on a percentage of assets under management, but some also work on an hourly or retainer basis, or on a commission basis.
Financial Planner	May be registered as investment advisers, licensed for insurance sales, or strictly focused on financial planning. Unless licensed or registered as an investment adviser, broker-dealer (security sales) or insurance agent, financial planners are largely unregulated.	Financial planners generally hold the Certified Financial Planner Designation or the Personal Financial Specialist Designation if they are also a Certified Public Accountant (CPA).	May be paid on a fee basis, either hourly or on a percentage of assets under management if they are also a registered investment adviser, or on a commission basis from insurance or other product sales.
Insurance Agent	Licensed by state insurance departments to sell insurance and may also be registered as investment advisers or have a financial planning designation. Insurance agents may help you find insurance products for security as well as investments. ⁴	May also hold one of the previously mentioned professional designations.	Generally paid on commission from the sale of insurance products.
Investment Broker	Registered with the NASD (National Association of Securities Dealers). Brokers can offer investment advice without also registering as an investment adviser with the state or SEC through a special legal provision for this type of business.	Brokers may or may not have a professional designation, but they are licensed to sell securities with the NASD.	Historically, brokers have primarily worked on commission from investment transactions; however, some brokers are now offering fee based services.

³ Small businesses are registered with the state. Once a business reaches \$25 million in assets under management it is required to be registered with the SEC.

⁴ A full discussion of the protection and investment insurance products available from insurance agents is beyond the scope of this booklet.

When choosing a financial professional you may also want to think about:

Your personal comfort level

Do you feel comfortable with your financial professional?

Spending some time in person with the professional can help you determine whether he or she is a good match on a personal level.

Past history

Is there a history of complaints against the professional you're considering?

- For registered investment advisers, complaint disclosures can be found in the Form ADV available on the Securities and Exchange Commission (SEC) web site at www.sec.gov.
- For brokers, complaint disclosures can be found on the National Association of Securities Dealers (NASD) web site at www.nasd.com.
- Information on insurance agents may be available from the applicable state department of insurance.

The cost of services

How does the professional get paid?

A financial professional is a business person who incurs a cost for providing you with financial services. As with any professional service, a financial professional wishes to cover that cost and earn a profit, regardless of how you pay.

- **Commission based services** — The cost of services is built into the price of the product you are purchasing; you do not pay an explicit, separate amount for the service. The service provider is paid by the issuer of the product and the amount paid is generally directly related to the dollar value of the product you purchase. Commissions can vary among the different financial products and issuers



- **Hourly fees or asset-based fees** — You pay the service provider an amount that you and the provider have agreed upon in advance. The service provider does not receive compensation from the products that are sold to you.

To find a financial professional in your area there are a variety of sources. Two online sources you can check are www.fpanet.org and www.napfa.com. These two web sites focus on professionals with one of the financial planning designations.

On page 9 you'll find a brief list of questions that may be helpful to you when interviewing financial professionals.

Investment Basics

Whether you use a financial professional to help implement your financial plan, or intend to implement it on your own, it's helpful to understand the different types of investment options.

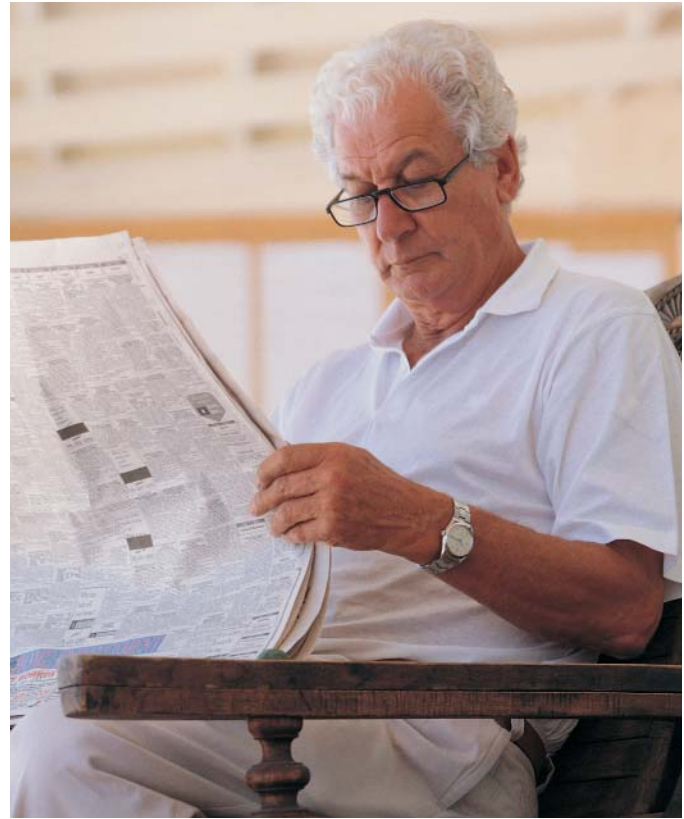
Three common types of investments are **stocks**, **bonds** and **mutual funds**.

Stocks

Stock represents an equity ownership in a company. Owning stock provides the opportunity to participate in the earnings growth of the company. Over time, if the company performs well and posts good earnings in its industry, the principal value of the investment should rise. However, there are significant risks with stock ownership. Even a strong company can see its stock price decline if overall market sentiment is negative. A variety of factors can cause the earnings of a company to disappoint relative to expectations, or ultimately lead to the demise of the company. While stocks in general are considered to have the most return potential, they also present the biggest risk for loss. While the stock market in general has historically experienced good long-run returns, the prospects for any single company or stock varies widely.

Bonds

Bonds are a form of loan to a company or governmental body. Bonds offer a fixed or variable rate of income payment but are not intended to provide growth of principal. However, between the issue date and the maturity date, the value of the bond will fluctuate based on changes in overall interest rates, and the credit quality of the issuer. As a result, if the bond is not held to maturity, the investor may experience a capital gain or loss. Bond issuers are classified as investment grade or below investment grade. Bonds from investment grade issuers are considered suitable for investors whose primary goal is preservation of principal. Below investment grade issuers are speculative and present a greater risk of default. Investment grade bonds have historically presented a low risk of loss if held to maturity. Because of the risk of loss due to interest rate fluctuations between issuance and maturity, bonds may present the lowest risk if the maturity dates coincide with your investment time horizon.



Mutual Funds

Mutual funds are pools (or portfolios) of many stocks or bonds or combinations of the two. The primary advantage of mutual funds is that you can own a professionally managed, diversified portfolio with a small investment. Another advantage is trading costs can be eliminated or reduced depending on whether you purchase the mutual fund directly from the fund company or through a financial intermediary. If the fund is purchased directly from the fund company there is generally no transaction cost. If you purchase the fund through a financial intermediary, such as a discount or full service broker, your diversified portfolio will likely incur transaction costs each time you change your investment portfolio. There are many high-quality, low cost mutual fund investment options; there are also many lesser quality, higher cost choices. If you purchase a mutual fund through a full service broker or other professional paid on commission, make sure you fully understand any purchase or sales charges and holding period restrictions.

Researching Investments

Making investment selections requires research. If you plan to invest on your own, you will need to make a time commitment to the project. To manage your own stock or bond portfolio, you should plan to spend five to ten hours per week researching and monitoring companies in your portfolio.

Mutual funds can require less work. After the initial selection, generally a quarterly or even annual review of your portfolio can keep you on track.

Analyzing individual companies and in-depth analysis of mutual funds is beyond the scope of this booklet. There are a wide variety of publications at your local library or book store that can provide more detail on investment fundamentals and strategies.

Broadly speaking, there are stock, bond, and balanced or hybrid categories of mutual funds. Within each broad category, mutual funds can be divided even more finely. For bonds, funds can focus on government bonds, municipal bonds, which are a category of government bond that, in some cases, provide tax exempt income, investment grade corporate bonds, below investment grade corporate bonds, foreign bonds and combinations of any or all of these.

For stocks, funds are categorized by the size of company they invest in and the style they use to select investments. You will find Large Cap, Mid Cap and Small Cap categories which identify the size of company the fund invests in. You will also find value and growth categories, which describes the style of investment the fund manager employs. Finally stock funds are also categorized into U.S., foreign or global. Although diversification does not guarantee against loss, it's generally a good idea to own a variety of investment categories in your portfolio to improve the return potential as well as reduce risk.

The following are some factors to consider in choosing a mutual fund:

- **Historical performance relative to other funds in the category** — Both Lipper and Morningstar rank the performance of funds in their investment category. Investment categories perform differently over time, so it's important to compare funds with similar investment objectives. Historical performance is not an indicator of future performance, but can provide useful information about the fund managers' skill in executing their strategy to date.
- **Fund expenses** — The higher the “expense ratio” in the fund, the more difficult it is to perform well relative to other funds in the investment category. Funds with low expenses have a lower hurdle to overcome.
- **Manager tenure** — It's important to understand how much of the fund's past performance can be attributed to the current manager. If the manager's tenure with the fund is shorter than the total history, consider only the returns that were generated by the current manager.
- **Diversification** — Consider the number of total holdings in the fund as well as the percentage of total holdings in the largest ten investments. Many funds use a concentrated investment approach. This can be very successful but increases the risk of the funds.
- **Year-to-year performance** — In most fund literature, 1-, 3-, 5- and 10-year returns are displayed. These can be a good start in evaluating fund performance, but these returns can mask some large variations in return. It is not uncommon for strong 3- and 5-year performance to be attributable to a single good year. So look for annual return comparisons where you can find them.
- **Turnover** — High turnover can increase transaction costs and tax liabilities, thereby reducing returns. Generally speaking, funds with low turnover have a lower hurdle to overcome.
- **Lipper or Morningstar Rankings** — Both of these prominent mutual fund rating companies provide overall fund rankings. These generally not only take into account historical performance, but also risk, and can be a useful barometer.

Building an investment portfolio

One of the most important decisions to make in managing your savings and investments is deciding how to divide, or allocate, your investments among the various investment categories. If you engage a

financial professional, he or she may be able to help you with this. Whether you engage a professional or choose to go it alone, it's wise to explore how different categories fit in with your goals, time horizon, and objectives.

Asset Class	Description	Time Horizon
Cash	Cash includes: money in your pocket, in your checking and savings accounts, and in money market mutual funds. Cash is readily available if you need to utilize it for expenses.	Emergency funds and money earmarked for foreseeable expenditures in the very near future should remain in cash.
Other Short-Term Investments	Other short-term investments include certificates of deposit (CDs) and short-term bond mutual funds. These are not as readily available as cash but there are limited fluctuations in the value of the investments. CDs generally require you to commit to leave the money on deposit for a particular time period or incur a penalty. Short-term bond mutual funds can experience small changes in the value of the holdings.	These types of investments can be more suited for foreseeable expenditures one to three years in the future.
Bonds	Bonds or bond mutual funds can experience wider variations in value. Bonds should be purchased so that the maturities coincide with planned cash flow needs. Bond funds can serve a similar purpose, but because there is not single maturity date, these funds are always subject to market value fluctuations.	More appropriate for investment horizons longer than three years.
Stocks	Stocks or stock mutual funds experience wide fluctuations in value and are only suitable for long-term investments.	Stock investments are more suitable if you have at least five years before you need to access the money.

A portfolio designated for long-term investment objectives can reasonably have portions of all of these investment types. In addition to meeting cash flow

needs, all of these investments have an impact on the overall variation in the portfolio value and therefore the total risk of the portfolio.

Glossary of Common Investment Terms

Annuity

A contract sold by an insurance company designed to provide payments to the holder at specified intervals, usually after retirement. Fixed annuities guarantee a certain payment amount, while variable annuities do not, but do have the potential for greater returns. All capital in the annuity grows tax-deferred. An early withdrawal penalty often applies.

Asset Allocation

The selection and combination of different investment types or asset categories in a portfolio to achieve a desired investment goal while reducing the overall risk of the total portfolio.

Asset Categories

Asset categories help define the general behavior of the assets in them. On a very broad level, they include cash, bonds and stocks, but within those categories there are additional sub-categories such as investment grade bonds or large cap stocks. Asset categories also provide benchmarks against which performance can be evaluated.

Blend Funds

Combines the principles of the value and growth styles to choose stocks that have good growth prospects and fair or attractive valuations. The risk level of these funds is considered to be between that of value and growth funds.

Bonds

Investments in the debt of governmental groups, their agencies or corporations. Bonds are also called fixed income securities because they generally pay a fixed amount of interest each year until maturity, when the principal is returned. Municipal bonds are the obligations of states and other local authorities and most are exempt from federal taxes. Bonds do fluctuate in price, so there will be variations in the daily value.

Diversification

Reduces the risk of investments by combining assets or asset types that have different behaviors in a given market environment in a portfolio. For example, by combining cash and stock in a portfolio, the risk of the portfolio will be lower than if it only contained stock, because the value of cash does not fluctuate while the value of stocks do.

Equities

The common stock of corporations that represents an ownership share of a company. The terms equity and stock are used interchangeably by investors. Equities present an opportunity to grow your investment unlike bonds, which are limited to paying interest and returning principal.

Foreign Stock Funds

These funds invest at least 90 percent of assets in companies domiciled outside the United States. Foreign markets are exposed to different fundamental, economic and structural factors than the U.S. stock markets. As a result, these funds provide diversification above that of U.S.-only portfolios. Foreign funds are exposed not only to equity market risks, but currency market risks, and therefore tend to have higher overall risk than U.S.-only funds.

Fund Manager

Individual or team responsible for making portfolio decisions for a mutual fund, pension fund or insurance fund. Commonly referred to as the managers.

Growth Funds

Those funds that invest in companies that grow more rapidly than other companies. Much of the market value of a growth stock is derived from the firm's prospects for future growth. Growth is considered higher risk than value because if the growth does not materialize, the valuations will be adjusted to reflect the lower expectations and as a result, losses may occur.

Index Funds

A passively managed mutual fund that tries to mirror the performance of a specific index, such as the Standard & Poor's 500. Since portfolio decisions are automatic and transactions are infrequent, expenses tend to be lower than those of actively managed funds.

Institutional Investors

Entities with large amounts to invest, such as investment companies, mutual funds, brokerages, insurance companies, pension funds, investment banks and endowment funds. Institutional investors are covered by fewer protective regulations because of the assumption that they are more knowledgeable and better able to protect themselves. They account for a majority of overall volume within the stock and bond investment arenas.

Large Cap

The top 5 percent of all stock by market capitalization.

Liquidity

The ability of an asset to be converted into cash quickly without the loss of principal.

Load

A sales charge added to the purchase and/or sale price of some mutual funds and annuities. It may be charged when purchased (front-end load) or when sold (back-end load).

Market Capitalization

1) The sum of a corporation's long-term debt, stock and retained earnings; or 2) the market price of an entire company, calculated by multiplying the number of shares outstanding by the price per share.

Mid Cap

Stocks that are smaller than the top 5 percent, but still among the top twenty percent, by market capitalization.

Money Market Fund

A mutual fund that invests in short-term debt instruments. In general, the net asset value of a money market fund is stable at \$1 per share. The value of a money market fund is not guaranteed or insured in any way; however, it is considered a very conservative investment with very little risk of loss of principal. Money market funds pay interest consistent with the income on the underlying investments less the expenses of the fund.

Morningstar

An independent, Chicago-based company considered the leading provider of mutual fund, stock and variable annuity investment data and analysis. It does not own, operate or hold any interest in mutual funds, stocks or insurance products.

Mutual Fund

An open-ended fund operated by an investment company which raises money from shareholders and invests in a group of assets, in accordance with a stated set of objectives. Benefits include diversification and professional money management. Shares are issued and redeemed on demand, based on the fund's net asset value, which is determined at the end of each trading session.

No-Load

No sales charge is added to the purchase and/or sales price of mutual funds and annuities.

Principal

The original amount of cash available for investment.

Return

The percentage change in the value of assets over a given period. Generally includes income and market value changes, but excludes additions and withdrawals.

Small Cap

The bottom 80 percent of stocks by market capitalization.

Standard & Poor's 500

Also known as S&P 500. A market-value weighted index of 500 blue-chip stocks, considered to be a benchmark of the overall stock market.

Stock

An instrument that signifies an ownership position, or equity, in a corporation, and represents a claim on its proportionate share in the corporation's assets and profits. Also referred to as equities.

Treasury Bill

Also known as Bill, T-Bill or U.S. Treasury Bill.

A negotiable debt obligation issued by the U.S. government and backed by its full faith and credit, having a maturity of one year or less and exempt from state and local taxes.

Value Funds

Value funds invest in companies whose price is considered inexpensive given their potential, relative to other companies. The assumption is that the value inherent in these firms will eventually be recognized. Value is considered to be lower risk than growth because the market price of value stocks is based primarily on current performance rather than on prospective growth.

Interview Questions for Financial Professionals

Use the following questions to help you when interviewing prospective financial professionals.

Questions	Answers/Notes
1. Are you licensed with the state, SEC or NASD?	
2. Do you have a history of disciplinary actions on file with any regulatory body?	
3. How are you compensated?	
4. What is your relevant experience as a financial professional?	
5. What kind of special education or training do you have?	
6. Do you understand my goals and risk tolerance?	
7. Can I speak to some of your other clients?	
8. What kind of reports on my money will you give me, and how often?	
9. How will the investment you are recommending make money?	
10. How is the investment you are recommending consistent with my goals?	
11. Under what circumstances will the investment you are recommending increase in value?	
12. What are the risks involved with the investment you are recommending?	

Remember that it's also important to request and read all written material regarding the professional and the investments they are proposing.

Standard Insurance Company

Standard Insurance Company has earned a solid reputation for its quality products, expert resources, superior service, steady growth, innovation and strong financial performance. Founded in 1906, Standard Insurance Company has become a leader in the group disability and life insurance market, while also offering individual disability, group dental and retirement plans for groups and individuals. For more information about The Standard, visit our Web site at www.standard.com.



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