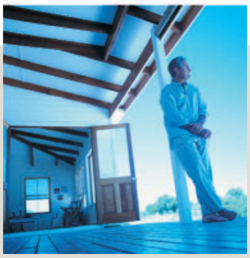
MORNINGSTAR®

# The Morningstar Asset Allocator

*for Ameritas Variable Life Insurance Company*



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# EXPLORE the Benefits of Asset Allocation

Asset allocation* is the process of dividing your money among different investment types to find the combination that balances your expectations for returns with your concerns about risk. Asset allocation helps you diversify your holdings, balance risk and reward, and plan for the long term. It is a key factor in determining long-term performance results.

**Diversification.** Diversification is a way to reduce investment risk by dividing your money among a variety of investments. A diversified portfolio typically has a mix of stocks, bonds, and cash. You can also diversify within each of these types of investments (see definitions listed under Asset Categories on the back page for more information). For example, you may not want to invest entirely in small company stocks, which can be more volatile, nor 100% in long-term bonds, which can be hurt when interest rates rise. Asset allocation puts the principle of diversification to work so that when some asset classes are experiencing a downturn, others may be experiencing stronger performance.

**Balancing Risk and Reward.** If your only goal is to eliminate risk, you can put your money in a fixed interest or money market account. But, if you're investing to increase the value of your assets to achieve future goals, you will often need to take on additional risks. Asset allocation helps you manage risk while attempting to maximize future returns.

**Long-Term Investing.** One of the biggest mistakes investors make is focusing on the short term—worrying about day-to-day fluctuations or chasing hot performers. Asset allocation helps you plan for your important long-term goals by helping you establish an effectively diversified investment plan that will help you take advantage of the long-term potential of the investment markets.

**The Morningstar Asset Allocator.** The Morningstar Asset Allocator is a portfolio-planning tool designed to help you build a mix of investments to match your personal goals and risk tolerance. Grounded in sound statistical research and seasoned judgment, it recommends the balance of investment categories that will provide you with the highest expected returns given the amount of risk you're willing to accept.

The innovative Morningstar Asset Allocator Questionnaire is brief but incisive. The seven questions are designed to elicit an accurate profile of your risk tolerance. These questions take three approaches to assess your attitudes toward risk: time horizon, long-term goals and expectations, and short-term risk attitudes.

*Asset allocation is a method of diversification that positions funds among investment categories. This tool may be used in the effort to manage risk and enhance returns. It does not guarantee a profit or protect against a loss.

second

# DISCOVER Your Investment Style

**Investor Questionnaire.** Circle the most appropriate response to each question below. Next, add the points for each answer to arrive at your total score. Finally, match your score with the asset allocation strategy inside. These questions are designed to help you determine your asset allocation for one variable product. If you have more than one product with different goals, repeat this questionnaire.

## TIME HORIZON

The first two questions concern your time horizon for this investment.

1. My current age is:
   - Under 45 (5 points)
   - 45-55 (4 points)
   - 56-65 (3 points)
   - 66-75 (2 points)
   - Over 75 (1 point)

2. I expect to start drawing income from this investment:
   - Not for at least 20 years (5 points)
   - In 10 to 20 years (4 points)
   - In 5 to 10 years (3 points)
   - Not now, but within 5 years (2 points)
   - Immediately (1 point)

## LONG-TERM GOALS AND EXPECTATIONS

The next three questions ask about your long-term goals and expectations for this investment. Please think through your true feelings before you answer.

3. For this investment, my goal is:
   - To grow aggressively (5 points)
   - To grow with caution (3 points)
   - To avoid losing money (1 point)

4. Assuming normal market conditions, what would you expect from this investment over time?
   - To generally keep pace with the stock market (5 points)
   - To trail the stock market but make a decent profit (3 points)
   - To have a high degree of stability but only modest profits (1 point)

5. Suppose the stock market performs unusually poorly over the next decade. Then what would you expect from this investment?
   - To make nothing or even lose a little (5 points)
   - To seek out a small gain (3 points)
   - To be little affected by what happens in the stock market (1 point)

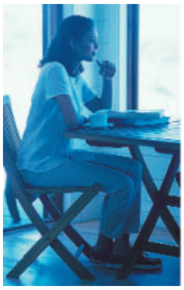
## SHORT-TERM RISK ATTITUDES

The last two questions concern your thoughts about shorter-term results.

6. Which of these statements would best describe your attitude about the next three years' performance of this investment?
   - I can live if I lose money (5 points)
   - I want to at least break even (3 points)
   - I want to end up with at least a little more profit than I started with (1 point)

7. Which of these statements would best describe your attitude about the next three months' performance of this investment?
   - Who cares? One calendar quarter means nothing (5 points)
   - If I suffered a loss of greater than 10%, I'd get concerned (3 points)
   - I can tolerate only small short-term losses (1 point)

**Total Points**



third

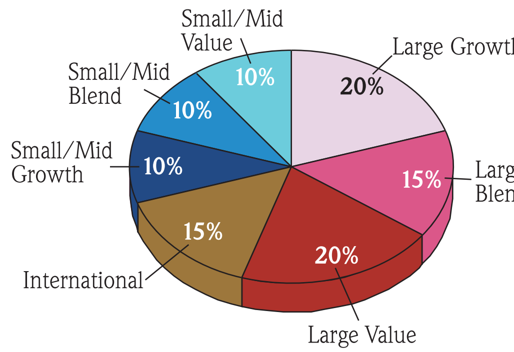
# PLAN Your Portfolio

Using your **Total Points** from the Morningstar Asset Allocator Questionnaire, you can now determine the asset allocation portfolio for your variable product. A brief description of the portfolio's characteristics, a typical target investor and the recommended allocations for each model portfolio follows. **Please note: Asset category definitions can be found on the back page.**

## Total Points: 32-35
### AGGRESSIVE

100% stocks

*For the fearless investor who has a truly long-term time frame (at least 20 years). Expect frequent stomach-churning dips.*

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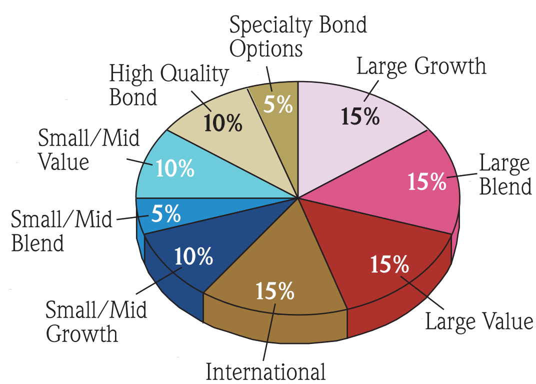
## Total Points: 25-31
### CAPITAL GROWTH

85% stocks
15% bonds

*For the bold investor who can tolerate some volatility. Expect frequent dips, but not as extreme as the aggressive portfolio. A medium to long time frame is advised.*

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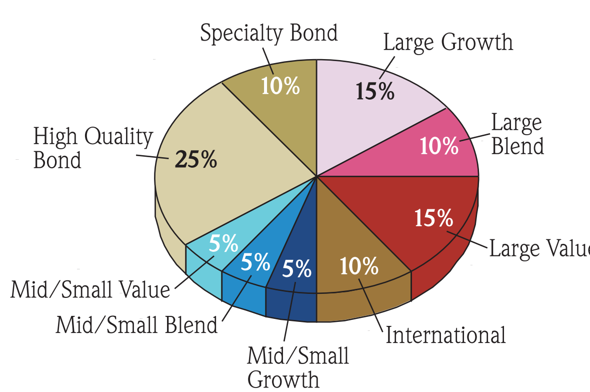
## Total Points: 18-24
### BALANCED

65% stocks
35% bonds

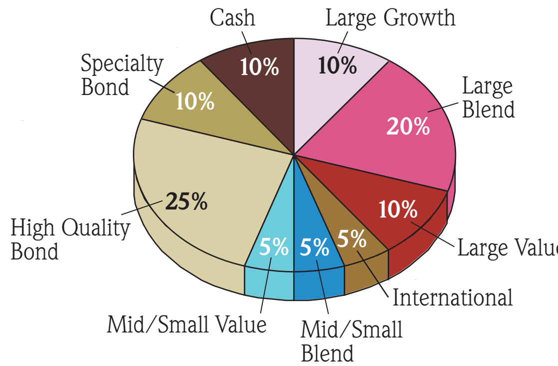
*For the investor who likes to sleep at night while still getting healthy growth from his or her portfolio. A relatively smooth ride, though occasional potholes may be encountered.*



**Total Points: 11-17**
M O D E R A T E

55% stocks
35% bonds
10% cash

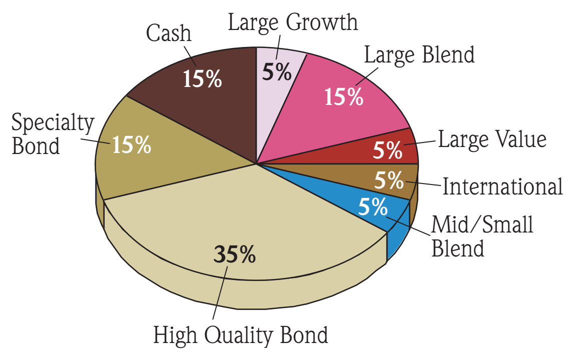
*For the investor who can't bear the thought of losing money or who will need access to it fairly soon. Appropriate for those easing into retirement or planning a big purchase. Keep in mind, losses are certainly still possible.*




**Total Points: 7-10**
C O N S E R V A T I V E

35% stocks
50% bonds
15% cash

*Our least volatile portfolio. Intended primarily for those who need to live off the income from their portfolios and cannot risk losing any capital. However, losses are certainly still possible.*




Now that you've determined your asset allocation strategy, choose the investment options that are right for you. To complete the final step of the asset allocation process, use the accompanying "Implement Your Investment Options" worksheet to determine the percentage to allocate to each investment option.

## S U M M A R Y O F A S S E T A L L O C A T I O N P O R T F O L I O S

| | AGGRESSIVE 32-35 pts. | CAPITAL GROWTH 25-31 pts. | BALANCED 18-24 pts. | MODERATE 11-17 pts. | CONSERVATIVE 7-10 pts. |
|---|---|---|---|---|---|
| Large Growth | 20% | 15% | 15% | 10% | 5% |
| Large Blend | 15% | 15% | 10% | 20% | 15% |
| Large Value | 20% | 15% | 15% | 10% | 5% |
| International Equity | 15% | 15% | 10% | 5% | 5% |
| Small/Mid Growth | 10% | 10% | 5% | 0% | 0% |
| Small/Mid Blend | 10% | 5% | 5% | 5% | 5% |
| Small/Mid Value | 10% | 10% | 5% | 5% | 0% |
| High Quality Bond | 0% | 10% | 25% | 25% | 35% |
| Specialty Bond | 0% | 5% | 10% | 10% | 15% |
| Cash | 0% | 0% | 0% | 10% | 15% |

# Expanding on Asset Allocation

## ANNUAL REVIEW

It's a good idea to review the Investor Questionnaire and your asset mix once a year to make sure it still reflects your goals. It also makes sense to review your strategy if your financial situation changes. Retirement, a new child, or other events can have a substantial impact on asset allocation.

## WHO IS MORNINGSTAR?*

Morningstar is a leading provider of variable insurance, mutual fund, and stock investment information. Its research and analysis have become the standard measure of quality and effectiveness within the investment industry. When you see the Morningstar name, you can count on reliable, unbiased data and candid editorial analysis.

## ASSET CATEGORIES

Market value boundaries may fluctuate.

**Large Growth** funds invest in companies with market values greater than $10 billion that are projected to grow faster than the market.

**Large Blend** funds focus on big companies that are fairly representative of the overall stock market in both size and price. These funds often track closely with the S&P 500 index.

**Large Value** funds focus on companies with market values greater than $10 billion with stocks less expensive than the market as a whole. They often come from utilities, energy, or financial sectors.

**International Equity** funds invest their assets all over the world. Some funds include significant U.S. holdings but all invest a significant amount in other developed economies.

**Small/Mid Growth**. Small Growth funds focus on companies with market values less than $1.5 billion. Most Mid Growth funds focus directly on companies with market values between $1.5 and $10 billion. Others invest in stocks of all sizes, thus averaging a midsize profile. Both target firms projected to grow faster than the overall market.

**Small/Mid Blend**. Small Blend funds invest in stocks of small companies. These funds may own everything from fairly cheap out-of-favor stocks to expensive growth stocks. The typical Mid Blend fund invests in stocks of various sizes and mixed characteristics, giving it a middle-of-the-road profile. This flexibility makes these funds some of the most diverse funds available.

**Small/Mid Value**. Small Value funds invest in less popular companies with values less than $1.5 billion. Mid Value funds focus on medium-size companies or buy stocks of all sizes, creating a midsize profile. All look for stocks that are cheap relative to potential.

**High Quality Bond** funds invest in investment-grade fixed-income securities, including U.S. government-issued debt, mortgage-backed securities, and investment-grade corporate bonds.

**Specialty Bond** funds invest in fixed-income securities outside the investment-grade bond market. They may be junk bonds, which offer higher yields but are more volatile, or international bonds, which track foreign economies.

**Cash** funds invest in money market securities, CDs, and short-term U.S. Treasury bills that are highly liquid and have little or no risk.

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fourth

# IMPLEMENT Your Investment Options

To finalize your asset allocation strategy, use this worksheet to determine the percentage to allocate to each investment option.

First, you may want to transfer the percentages from your asset allocation model to each category below. For example, if you were an aggressive investor, your model indicates 20% of your assets should be in the Large Growth category. Fill in 20% in the Large Growth Total line to help you remember your percentages in this category should add up to 20%.

*My portfolio is:* ❍ Aggressive ❍ Capital Growth ❍ Balanced ❍ Moderate ❍ Conservative

## LARGE GROWTH

_______ Ameritas Growth (Alger)
_______ Ameritas Income & Growth (Alger)
_______ Alger American Leveraged AllCap
_______ Fidelity VIP Growth
_______ Ameritas Emerging Growth (MFS)
_______ Summit Nasdaq-100 Index
_______ **Total**

## LARGE BLEND

_______ Ameritas Research (MFS)
_______ Ameritas Growth With Income (MFS)
_______ Ameritas Index 500 (State Street)
_______ Calvert Social Equity
_______ Fidelity VIP Contrafund®
_______ **Total**

## LARGE VALUE

_______ American Century VP Income & Growth
_______ Fidelity VIP Equity-Income
_______ **Total**

## INTERNATIONAL EQUITY

_______ Calvert Social International Equity
_______ Fidelity VIP Overseas
_______ Morgan Stanley Global Value Equity
_______ Morgan Stanley International Magnum
_______ **Total**

## SMALL/MID GROWTH

_______ Ameritas Small Cap (McStay/Brazos) *small*
_______ Calvert Social Small Cap Growth *small*
_______ MFS New Discovery *small*
_______ Ameritas MidCap Growth (Alger) *mid*
_______ Calvert Social Mid Cap Growth *mid*
_______ Invesco VIF-Dynamics *mid*
_______ **Total**

## SMALL/MID BLEND

_______ Ameritas Small Co. Equity(Babson) *small*
_______ Summit Russell 2000 Small Cap Index *small*
_______ Salomon Brothers Variable Capital *mid*
_______ Summit S&P MidCap 400 Index *mid*
_______ **Total**

## SMALL/MID VALUE

_______ Third Avenue Value *small*
_______ Ameritas Select (Harris/Oakmark) *mid*
_______ **Total**

## HIGH QUALITY BOND

_______ Fidelity VIP Investment Grade Bond
_______ Calvert Income
_______ Ameritas Fixed Account*
_______ **Total**

## SPECIALTY BOND

_______ Fidelity VIP High Income
_______ MFS Strategic Income
_______ **Total**

## CASH

_______ Ameritas Money Market (Calvert)
_______ **Total**

100% **GRAND TOTAL**

I have completed the Morningstar Asset Allocation Investor Questionnaire and understand that this asset allocation is only for this variable product.

_______________________________
*Client Signature*

_______________________________
*Print Name* *Date*

_______________________________
*Representative Signature*

For existing policy, changes above are for: ❍ current ❍ future ❍ current and future. Policy No. ______________.

*Transfers of monies out of the fixed account are restricted. Please refer to the prospectus.

Inclusion of the above investment options is not intended as investment advice by Morningstar Associates, LLC. These investment options offered within the variable product have been selected by Ameritas Variable Life Insurance Company with recommendations from Morningstar Associates, LLC.

## SPECIALTY OPTIONS

Specialty funds invest in specific niches, such as market sectors and counter-market investing alternatives. These types of investments are not considered in Morningstar's asset allocation models. But specialty funds can be useful tools for investors who want to tilt their portfolio toward a specific sector of the economy. Specialty investment options available in the OVERTURE! Series include:

- MFS Utilities
- Morgan Stanley Emerging Markets Equity
- Morgan Stanley U.S. Real Estate

## BALANCED OPTIONS

Domestic hybrid, or balanced funds, usually contain both stocks and bonds. Typically, the fund manager reacts to market and economic factors by adjusting the balance of stocks to bonds. Thus, by themselves, balanced funds already provide several of the advantages of a sensible asset allocation strategy. Their use within an asset allocation framework would be redundant. Balanced options available in the OVERTURE! Series include:

- Alger American Balanced
- Calvert Social Balanced
- Fidelity VIP Asset Manager℠
- Fidelity VIP Asset Manager: Growth®

## PORTFOLIO REBALANCING

After establishing and implementing an asset allocation strategy, periodic adjustments may be necessary to maintain the strategy. Automatic portfolio rebalancing makes this task convenient and easy. With automatic portfolio rebalancing, the company reviews your investment balances as often as you choose (quarterly, semiannually, or annually) and redistributes the assets to reflect the percentages in your target allocation.

## DOLLAR COST AVERAGING

If you are investing a substantial sum of money, you may want to consider dollar cost averaging—investing on a regular basis instead of all at once. By investing your money gradually, you avoid exposing the entire amount to extreme fluctuations in the financial markets. Using this approach you buy more shares when the price is low and fewer shares when the price is high. While this will not assure a profit or protect against a loss, it's a proven technique for lowering the average cost per share over time.

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For more complete information about the variable product, ask your representative. This material should be accompanied by an OVERTURE product highlights brochure.

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