

Frequently asked questions about Lifetime Income ChoiceSM

A guaranteed living benefit rider available in select Power Series of Index Annuities

1 What makes Lifetime Income Choice unique?

Lifetime Income Choice offers two income options to help meet the diverse retirement income needs of your clients:

- **Max Income** provides initial withdrawal rates of up to 7.25% per year to maximize the amount of income clients receive in the active, early years of retirement, when retirement spending tends to be highest. Clients receive lifetime income of up to 4.00% per year (called Protected Income Payments) once their contract value is depleted.
- **Level Income** provides clients with a consistent stream of income throughout retirement, even after the contract value is depleted.

2 What type of income credit is available with Lifetime Income Choice?

Clients will receive a 5.5% income credit every year they postpone taking lifetime withdrawals, regardless of whether they choose the Max Income or Level Income option.¹ The longer clients wait to begin withdrawals, the greater their future income. Please note that there are no further income credits once lifetime income is activated.

3 What factors are used to determine the income credit rate?

AIG Life & Retirement looks at the market, economic and interest rate environment to determine the income credit rate for Lifetime Income Choice. The goal is not only to maximize the income credit, but also to provide a combination of income credit and withdrawal rates that helps increase your clients' income when they need it. While the 5.5% annual income credit may not be as high as the income credit of other competitive features, it allows us to enhance our withdrawal rates and reduce the difference between single and joint life percentages to only 40 basis points. This combination of benefits helps deliver attractive cumulative lifetime income for your clients.

Index annuities are issued by American General Life Insurance Company, a member company of AIG.

¹The income credit is calculated as a percentage of the Income Credit Base. It is not a rate of return and is not added to the contract value.

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4 Do clients have the flexibility to take withdrawals prior to activation?

Yes, clients can take withdrawals prior to activating lifetime income without eliminating the 5.5% income credit or locking in their withdrawal rate for life. However, the Income Base and Income Credit Base will be reduced in the same proportion that the withdrawal reduced the contract value.

5 How is AIG Life & Retirement able to provide withdrawal rates of up to 7.25% for the Max Income Option?

At AIG Life & Retirement, we have strong expertise and a history of innovation in offering variable annuities with living benefit riders and withdrawal rates that are very similar in design to Lifetime Income Choice. The Max Income option draws upon our years of experience developing riders that maximize income during the early years of retirement in our variable annuity products. We're now excited to bring this competitive withdrawal rate design to index annuities for the first time. By adding the Max Income option to an index annuity chassis that is not impacted by market downturns, we can enhance the predictability of your clients' lifetime income stream and provide them with higher initial withdrawal rates.

6 How does Lifetime Income Choice differ from similar riders in variable annuity products?

For those seeking more consistent income, Lifetime Income Choice provides income that is not impacted by market fluctuations. Market declines or corrections won't affect the contract value, making outcomes for an index annuity more predictable. In contrast, variable annuities are exposed to the ups and downs of the financial markets, which may deplete their contract value at a faster or slower rate than index annuities, impacting the amount of time clients can take advantage of the higher withdrawal rates.

7 Why would clients choose an income option that can one day pay them less?

The Max Income Option is designed to provide clients with more income during the active, early years of retirement, also called the "go-go" years. These clients want or need more income as soon as they retire to fund their active lifestyle. Depending on their health and life expectancy, Max Income may provide more cumulative income over much of these clients' retirement years.

In addition, Department of Labor statistics show that overall spending for retirees declines as they get older,² which is consistent with the way Max Income is structured. Payments from the Max Income option only decline after the contract value is fully depleted and goes to zero. For example, if \$10,000 was the initial annual income under the Max Income Option and there was \$100 in contract value for that year, the client will still be able to withdraw \$10,000 for that year before Protected Income Payments start. Finally, with Max Income's high withdrawal rates of up to 7.25%, clients can put less premium into the product to generate the same amount of income as other riders offering level income withdrawals, saving them money for other accumulation and protection needs.

²Source: U.S. Department of Labor Statistics, Consumer Expenditure Survey, September 2020

8 How long will Max Income payments typically last before the contract value is depleted?

It depends on many factors such as index performance, how much is contributed to the index annuity, and how much is taken out each year. It's important to remember that clients enjoy the upside potential of the indices and downside principal protection, even after withdrawals begin. Solid index performance can help make the initial payout percentages last longer, and for many clients, the Max Income option can deliver more cumulative income for much of their retirement, often into their 80's or 90's.

9 Will Max Income provide enough income to cover both discretionary and essential expenses throughout retirement?

The answer depends on the individual situation of each client. For some clients, it may cover all their expenses. For others, it will only be enough to cover essential expenses. The goal is to provide clients with more discretionary income in their early years when they're more active or starting new activities. These clients may then use the reduced Protected Income Payment to pay for their essential expenses as they get older.

10 What if inflation is a concern in the later years of retirement?

Max Income offers high initial withdrawal rates, allowing clients to commit less premium into the annuity to meet their initial income objectives. This gives you and your clients significant flexibility to continue growing the remaining premium to supplement retirement income at a later date if needed to help keep pace with inflation.³

11 Are clients required to withdraw the maximum percentage once the rider has been activated?

No. Clients do not need to withdraw the maximum income under the terms of the rider. A client can withdraw up to their maximum annual withdrawal percentage (MAWP) each year without the withdrawal(s) being treated as an excess withdrawal. Withdrawing less than their MAWP may extend the amount of time the high rates under the Max Income Option would be available. Please note that excess withdrawals (withdrawals that exceed the MAWP) will reduce the Income Base and Income Credit Base in the same proportion by which the contract value is reduced by the excess withdrawal. If an excess withdrawal reduces the contract value to zero, the contract and rider will terminate and clients will no longer be eligible to take withdrawals or receive lifetime income payments.

³There is no guarantee that an accumulation strategy will keep pace with inflation.

Connect with your AIG representative for more information on Lifetime Income Choice at 888-438-6933, option 2.

Index annuities are not a direct investment in the stock market. They are long-term insurance products with guarantees backed by the claims-paying ability of the issuing insurance company. They provide the potential for interest to be credited based in part on the performance of the specified index, without the risk of loss of premium due to market downturns or fluctuations. Index annuities may not be appropriate for all individuals.

Withdrawals may be subject to federal and/or state income taxes. An additional 10% federal tax may apply if clients make withdrawals or surrender their annuity before age 59½. Clients should consult a tax advisor regarding their specific situation.

Lifetime Income Choice is a guaranteed living benefit rider available at contract issue in select Power Series Index Annuities for an annual fee of 1.10% of the Income Base. The Income Base is initially equal to the first eligible premium. The Income Base is adjusted for withdrawals (prior to activating the lifetime income benefit) and excess withdrawals (after activation and the first lifetime withdrawal) and is increased each time an eligible premium is made. Eligible premiums are all premiums made in the first 30 days of the contract. On each contract anniversary, the Income Base is set to equal the greater of 1) the contract value; or 2) the Income Base increased by any available income credit.

The Max Income option allows clients to take out the Maximum Annual Withdrawal Percentage (MAWP) while the contract value remains positive. The Protected Income Payment (PIP) continues for life after the contract value is depleted. The MAWP ranges from 3.30% to 7.25%, depending on the age at the time of lifetime income activation and the number of individuals covered (single or joint life). The PIP ranges from 2.65% to 4.00% and is also based on age of lifetime income activation and single or joint life coverage.

The Level Income option provides clients with a consistent stream of lifetime income, even after the contract value is depleted. The maximum percentage clients can take out each year ranges from 3.00% to 5.85%, depending on the age of lifetime income activation and the number of individuals covered (single or joint life).

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