

# Income solutions from AIG

## Helping you build a brighter financial future

INDEX ANNUITY

### A hypothetical case study on generating a consistent stream of lifetime income



#### → Meet Melissa

- Melissa (single, age 62) is a boutique shop owner with plans to retire soon.
- She wants to increase her retirement income and protect it from market downturns.
- She also wants a steady stream of income that will last for life.

#### → Melissa's retirement income solution

- Melissa uses \$200,000 of her retirement assets to purchase a **Power Series Index Annuity with the Lifetime Income Choice<sup>SM</sup> Level Income Option.**<sup>1</sup>
- Melissa's Income Base is guaranteed to grow with 5.5% income credits each year that lifetime withdrawals are not taken.
- When she's ready to take income, Melissa can withdraw up to 5.85% (age 72+, single life) of her Income Base each year for life.

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

#### Key Terms and Definitions

**Income Base:** The value on which guaranteed withdrawals and the annual rider fee are based; it is not a part of the contract value and cannot be withdrawn partially or in a lump sum. The Income Base is initially equal to the first eligible premium and is increased each time an eligible premium is made. It is also adjusted for withdrawals (prior to activation) and excess withdrawals (after activation). On each contract anniversary, your Income Base may increase to the higher of either (1) your anniversary value or (2) your Income Base plus any available income credits.

<sup>1</sup>The Lifetime Income Choice guaranteed living benefit rider is automatically included in select Power Series Index Annuities for an annual fee of 1.10% of the Income Base. Level Income is one of two income options available with Lifetime Income Choice.

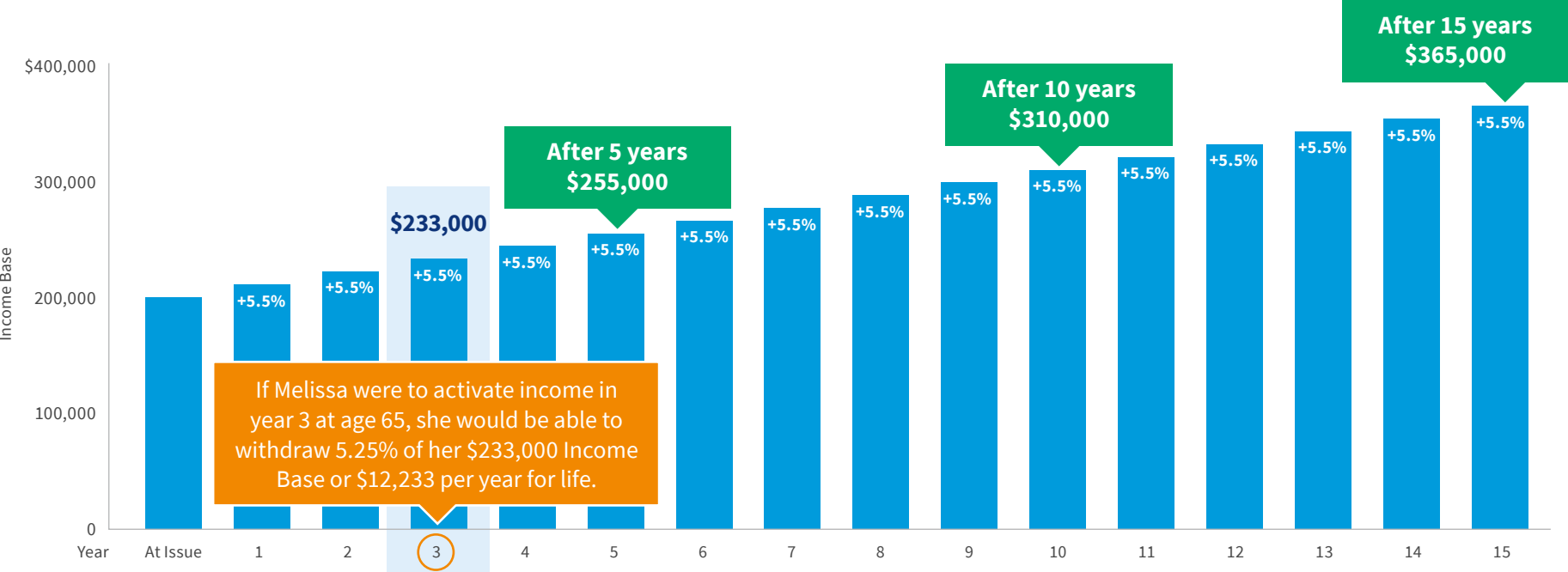


# Creating a guaranteed source of rising income

Melissa’s Income Base is initially equal to her \$200,000 premium and will grow by 5.5% of the Income Credit Base or **\$11,000** ( $5.5\% \times \$200,000 = \$11,000$ ) every year prior to lifetime income activation. After 5 years, her Income Base is guaranteed to increase to **\$255,000**; after 10 years, **\$310,000**; and after 15 years, **\$365,000**. When she decides to take income, Melissa can withdraw up to 5.85% of her Income Base (single life), depending on her age at the time of activation. For example, if Melissa were to activate her income in the 3rd year at age 65, she would be able to withdraw 5.25% of the \$233,000 Income Base, or \$12,233 per year for life (see next page for more information on how this percentage is determined).

## Melissa’s Income Base is guaranteed to grow with 5.5% income credits every year prior to activation

**Hypothetical example assumptions:** \$200,000 initial premium, issue age 62, 5.5% (\$11,000) annual income credits, no withdrawals or activation of lifetime withdrawals and 0% interest earned net of fee



### Key Terms and Definitions

**Activation:** The decision to begin lifetime withdrawals under Lifetime Income Choice. Activation must be requested in writing. At the time of activation, clients will have an opportunity to make changes to the number of individuals covered under Lifetime Income Choice. They can also change this coverage prior to activation under specific situations such as marriage, divorce or death. The ability to make changes is subject to certain limitations. The maximum annual withdrawal percentage is determined by the age of the covered person (or younger person in cases of joint life) upon activation.

**Premium:** The money used to purchase the annuity contract is called the premium. Eligible premiums are all premiums received in the first 30 days of the contract and do not include income credits. Eligible premiums are included in the Income Base and Income Credit Base.

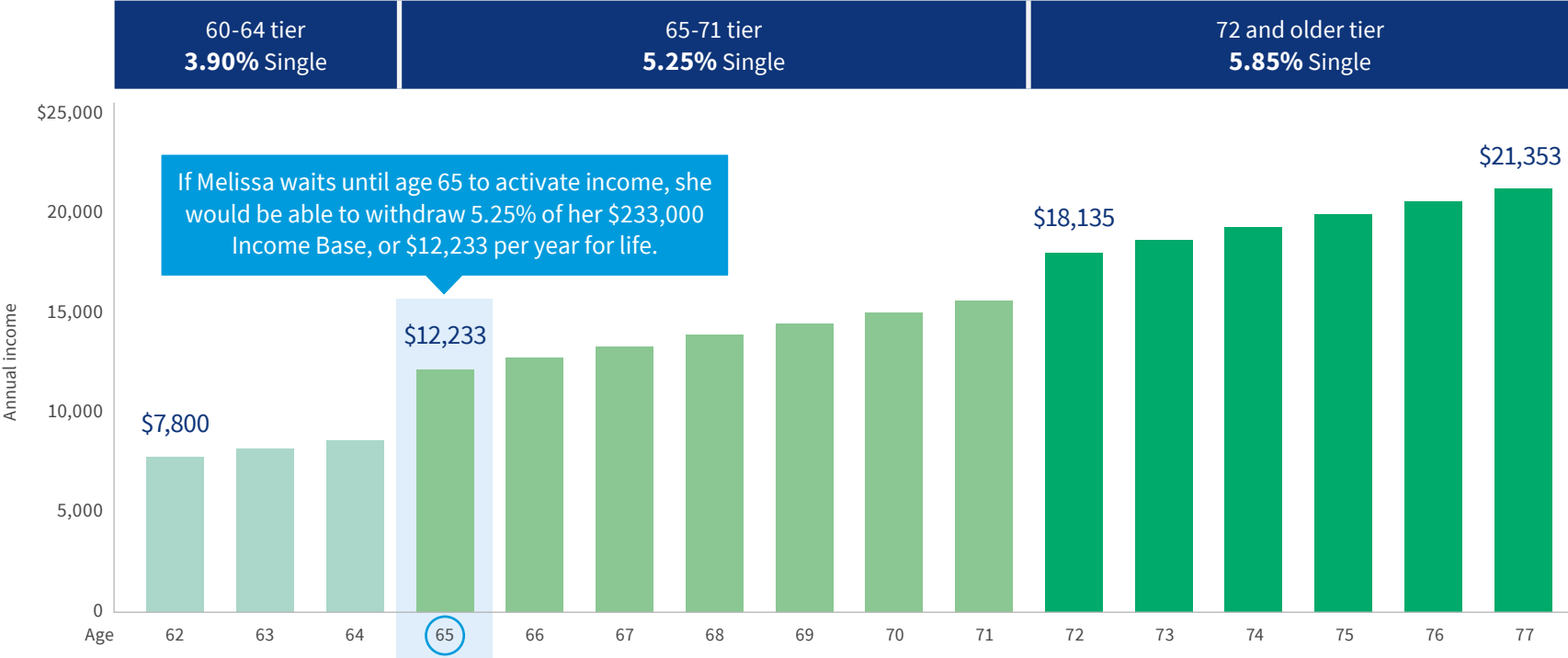
**Income Credit Base:** A component of the rider solely used to calculate the amount of the income credits. It is initially equal to the premium.

# Level Income of up to 5.85% per year for life

The Level Income Option is designed to provide a consistent stream of lifetime income, regardless of market performance. Depending on when she activates her income, Melissa can withdraw up to 5.85% of her Income Base every year for as long as she lives. For example, if she were to begin lifetime withdrawals at age 65, Melissa would be able to withdraw 5.25% of her \$233,000 Income Base, or \$12,233 per year for life.

## The longer Melissa waits to begin lifetime income, the more she can take out each year

**Hypothetical example assumptions:** \$200,000 initial premium, issue age 62, 5.5% (\$11,000) annual income credits and 0% interest earned net of fees. The chart below shows the maximum percentage that Melissa can take out at each age if she postpones lifetime withdrawals until that age. Once income is activated, Melissa will no longer receive any income credits and her retirement income will stop growing.



### Key Terms and Definitions

**Excess Withdrawals:** Withdrawals that exceed the Maximum Annual Withdrawal Percentage (MAWP) once Lifetime Income Choice is activated. Excess Withdrawals 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 rider will terminate and clients will no longer be eligible to take withdrawals or receive lifetime income payments.

# Flexibility to make changes when life changes

Lifetime Income Choice offers Melissa the flexibility to make changes to her income benefit in response to varying needs or life events.

## Single or joint life

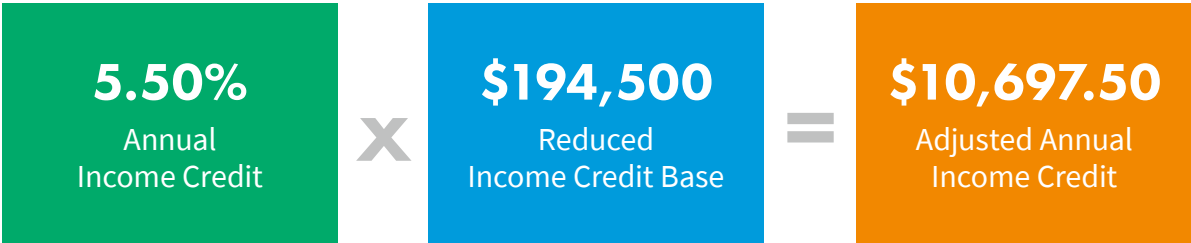
If Melissa decides to get married, she can add her spouse any time before she activates Lifetime Income Choice. She also has a one-time opportunity to change her coverage from single to joint life (or vice versa if applicable) at the time of activation. No changes are allowed after the feature is activated.<sup>2</sup>

## Pre-activation withdrawals

If Melissa needs money, she can make withdrawals prior to activating her lifetime income benefit. These withdrawals will not reduce the 5.5% income credit rate or lock-in her withdrawal rate for life. However, pre-activation withdrawals will reduce the Income Base and Income Credit Base in the same proportion the contract value is reduced by the withdrawal, therefore reducing the amount of future income credits and guaranteed lifetime income.

### Hypothetical example assumptions:

\$200,000 contract value, \$200,000 Income Credit Base and \$5,500 withdrawal



If Melissa were to make a \$5,500 pre-activation withdrawal, her Income Credit Base would be reduced to \$194,500 calculated as follows  $\$200,000 \times (1 - \$5,500 / \$200,000) = \$194,500$ . This would result in an adjusted income credit of \$10,697.50.

<sup>2</sup>Policyholders do not have the ability to change between the Level Income Option and the Max Income Option once the contract is issued.

# Build a brighter financial future with The Power Series of Index Annuities®

Talk to your financial professional today for more information on how a Power Series Index Annuity can help:

- **Protect** principal and interest earned from market downturns
- **Grow** potentially more assets for retirement
- **Guarantee** income for life

## Understanding a Fixed Index Annuity

A fixed index annuity (FIA) is a contract issued by an insurance company. It is not a direct investment in the stock market or any particular index. An FIA works in two stages:

- **Accumulation:** In exchange for your money (premium), the annuity provides you with the opportunity to earn interest based in part on the performance of a particular index and/or based on a fixed rate.
- **Income:** When you need income, the issuing company promises to make regular income payments that can last for life or for a time period you choose using a process known as annuitization (for no additional cost).

In addition, some FIAs like the Power Series of Index Annuities have features (known as guaranteed living benefit riders) that can provide guaranteed income for life and access to your money during the payout stage (unlike annuitization, which permanently converts your contract into an income stream). These guarantees are backed by the claims-paying ability of the issuing insurance company and are subject to annual fees. Only one rider may be issued per contract and cannot be changed thereafter. Other restrictions and limitations apply.

Withdrawals may be subject to withdrawal charges and federal and/or state income taxes. An additional 10% federal tax may apply if you make withdrawals or surrender your annuity before age 59½. Please consult your tax advisor regarding your specific situation.

All contract and benefit guarantees, including any fixed account crediting rates or annuity rates, are backed by the claims-paying ability of the issuing insurance company. They are not backed by the broker/dealer from which this annuity is purchased.

The Power Series of Index Annuities are issued by **American General Life Insurance Company** (AGL), 2727-A Allen Parkway, Houston, Texas 77019. Power Series Modified Single Premium Deferred Fixed Index Annuity (Single Premium Only in Oregon), Contract numbers: AG-800 (12/12), AG-801 (12/12), AG-800-ID (12/12), AG-801-ID (12/12), ICC18-AG-800-NWC (10/18) and A201-05.

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We see the future in you.™ — 