

# Retirement Planning

## SALES KIT



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# Preparing clients for the challenges of a longer retirement

## Conversation guide



You know that retirements spanning 30-plus years may present unique planning considerations. But are your clients getting the message? While 93% of advisors say they help clients set a realistic retirement planning horizon, only 52% of clients report receiving this guidance.<sup>1</sup>

With advances in healthcare and lifestyle, one in four of your clients can expect to live until age 97.<sup>2</sup> However, consumers have a hard time taking these facts to heart, with almost 50 percent incorrectly predicting they will not live to age 75.<sup>3</sup> Even when they can understand the statistics, clients may not always understand the daily realities that accompany a longer retirement.

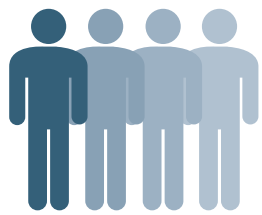
Insurance and annuities can play an important role in longevity planning. We've put together our top tips for engaging clients on the challenges of making income last, accessing cash flow, funding long-term care expenses, and growing and protecting their retirement principal. Use these resources to make longevity a fundamental retirement planning topic for clients and their families.

### The challenge: Making income last

Without a plan to make income last, clients could find themselves curtailing their lifestyle as they age—or living in fear of running out of money. By adding an annuity that offers guaranteed lifetime income to clients' portfolios, you can transfer some of this longevity risk to an insurance company and help clients feel comfortable about maintaining their standard of living.

### Your talking points:

- With today's health advances, you may live to be much older than your grandparents or parents.
- To enjoy your retirement, you'll need to have a monthly income you can depend on—no matter how long you live.
- Adding a guaranteed income stream to your retirement plan is an important part of ensuring you never run out of money—not just for basic expenses, but for the lifestyle extras that you're looking forward to in retirement.



**1 IN 4**

of your clients can expect to live until age 97.<sup>2</sup>

<sup>1</sup> Lincoln Financial Group and Hanover Research, Inc., "Wealth Protection Survey, 2015." For questions regarding this survey, please call 877-ASK-LINCOLN.

<sup>2</sup> Society of Actuaries, Individual Annuitant Mortality Tables, 2012.

<sup>3</sup> Abraham, K.G. and B.H. Harris. "Better Financial Security in Retirement? Realizing the Promise of Longevity Annuities." The Brookings Institution, November 2014. p. 10. [http://www.brookings.edu/~media/research/files/papers/2014/11/06%20retirement%20longevity%20annuities%20harris/06\\_retirement\\_longevity\\_annuities\\_harris.pdf](http://www.brookings.edu/~media/research/files/papers/2014/11/06%20retirement%20longevity%20annuities%20harris/06_retirement_longevity_annuities_harris.pdf).

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**48%** of consumers  
feel likely to run out  
of retirement savings.<sup>4</sup>



**\$83/hr.**

is the average national  
cost for an in-home  
registered nurse.<sup>6</sup>

## The challenge: Accessing cash flow for unexpected expenses

A good retirement plan doesn't just consider life's smooth patches—it prepares clients to comfortably live through the unexpected. And the longer your clients live, the more likely they are to encounter expenses like a major repair on a paid-off home, a ballooning tax bill, or even a child or grandchild who needs financial support.

Dipping into clients' principal can be risky, with consequences for their tax bill and future income potential. Consider introducing them to life insurance solutions for asset accumulation and as a source of income-tax-free policy loans. Loans and withdrawals will reduce the policy's cash value and death benefit, may cause the policy to lapse, and may have tax implications.

### Your talking points:

- Once you retire, you'll want to feel comfortable enough to handle any unexpected expense that may arise without endangering your overall investment plan or incurring taxes by selling an investment asset.
- Having the financial freedom to help your children through a difficult time, contribute to a grandchild's education, make a luxury purchase, or access cash for emergencies is an important component of your emotional well-being during this stage of life.
- You may not have thought of your life insurance this way, but it can be an effective way to access tax-free loans from the value of your policy. A range of policies exist, including those tied to indexes to potentially increase in value along with the market.

## The challenge: Staying ahead of long-term care expenses

**Consider this:** Of Americans over age 85, 32% suffer from Alzheimer's, and a 65-year-old woman without dementia has a 20% chance of developing dementia during the remainder of her life.<sup>5</sup> Now consider that the average yearly cost of a private room in a nursing home is \$99,645, and in-home care from a registered nurse averages \$83 per hour.<sup>6</sup> Your clients can't afford to ignore the relationship between longer lives and the increased chances of facing a long-term care need.

Long-term care may involve recoverable events, like strokes and falls, or unrecoverable ones, like dementia. Planning ahead with clients can help ease the emotional and financial impacts.

### Your talking points:

- Planning ahead for long-term care funding may make the situation easier and less painful for your entire family. Should the need arise, you'll want your family to know that you've planned ahead financially for a home healthcare worker or nursing home and don't expect them to shoulder the financial and emotional burden of care alone.
- Self-funding long-term care costs comes with risks—such as the possibility of drawing down your retirement principal during a down market and incurring a significant tax bill when selling assets.
- Long-term care funding solutions are more flexible than ever. In addition to traditional long-term care insurance policies, hybrid solutions based on life insurance and annuities may allow policyholders to repurpose benefits for heirs, avoid rising premiums, and use funds for either reimbursement of care expenses or lifestyle needs such as help with home maintenance or errands.

<sup>4</sup>Lincoln Financial Group and Hanover Research, Inc., "Wealth Protection Survey, 2015." For questions regarding this survey, please call 877-ASK-LINCOLN.

<sup>5</sup>Hebert LE, Weuve J, Scherr PA, Evans DA. Alzheimer disease in the United States (2010–2050) estimated using the 2010 Census. *Neurology* 2013;80(19):1778–83; Seshadri S, Beiser A, Kelly-Hayes M, Kase CS, Au R, Kannel WB, et al.

<sup>6</sup>Long Term Care Group, Inc., "What Care Costs," <https://www.whatcarecosts.com/Lincoln> (access code: LTC).

## The challenge: Growing and protecting clients' retirement principal over time

When clients spend 30 or more years in retirement, the effects of inflation, taxes, and market volatility may be magnified. Consider that an inflation rate of just 3% would cause consumers' purchasing power to decline 45% within 20 years.<sup>7</sup> Living longer leaves clients more exposed to experiencing dips in the market value of their equity portfolio when they need the funds most. Add to that the ability of taxes to chip away at their wealth over time, and the need to protect and grow clients' retirement principal in light of longevity becomes clear.

### Your talking points:

- During a long retirement, you'll need to make sure you have enough money to live comfortably and keep up with prices that rise with inflation. That means thinking about ways to grow your retirement principal while protecting it from market swings and taxes.
- Some types of annuities and life insurance solutions offer the opportunity for potential growth, either with actively managed or indexed funds, while offering a guaranteed minimum payout no matter how those investments perform. They're a tax-efficient way to grow your wealth. They also let you stay invested in the equities market, which may help your assets keep pace with inflation.



**3% inflation rate would cause consumers' purchasing power to decline 45% over 20 years.<sup>7</sup>**

## Consider these Lincoln solutions



### Retirement income

- Variable annuities with income benefit riders
- Fixed indexed annuities with guaranteed lifetime withdrawal benefits
- Immediate and deferred annuities



### Insurance solutions with potential cash value

- Indexed universal life insurance
- Variable universal life insurance



### Long-term care funding

- Hybrid long-term care funding solutions
- Life insurance with accelerated benefit riders for long-term care funding
- Indexed and variable universal life insurance with accelerated benefits riders for long-term care funding
- Annuities with riders for long-term care funding



### Protecting and growing principal

- Indexed universal life insurance
- Variable universal life insurance
- Variable annuities
- Fixed indexed annuities

<sup>7</sup>Lincoln Financial Group, "Understanding the Financial Challenges: Take Charge of your Future," 2014. For questions regarding this survey, please call 877-ASK-LINCOLN.

Some features and benefits available for an additional cost. Guarantees are subject to the claims paying ability of the issuing company.

Put Lincoln Wealth Protection Expertise to work for you. Contact your Lincoln Financial representative or call 855-831-7067 for further information.

### The value of partnering with Lincoln Financial Group

Lincoln Financial Group delivers sophisticated strategies and products for the creation, protection, and enjoyment of wealth. We are committed to helping Americans plan for retirement, prepare for the unexpected and protect their wealth from five key financial challenges: taxes, long-term care expenses, longevity, inflation, and market risk.

Rely on Lincoln for the knowledge and experience to help you address these challenges. Lincoln Wealth Protection Expertise combines state-of-the-art products, seasoned wholesalers and specialists, and powerful visualization tools to assist you in protecting client wealth and planning financial outcomes.

**For more information about protecting client wealth from the risks of longevity, contact your representative.**

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# Take the next step for tomorrow

## Lincoln MoneyGuard<sup>®</sup> II

### CASE STUDY



### Meet Nancy

Married, age 60, good health

Nancy likes to be in control. She wants to prepare for retirement by protecting her portfolio with a solution that gives her options.

Nancy's advisor recommends that she purchase a \$100,000 flexible premium Lincoln MoneyGuard II policy. She'll make annual payments of \$10,000 for 10 years. She can have a minimum of six years of long-term care benefits because her policy has a 2-year Long-Term Care Acceleration of Benefits Rider and a 4-year Long-Term Care Extension of Benefits Rider. If she needs care, she'll have benefits worth much more than her premium payments.

Help protect your assets from long-term care expenses with a solution that gives you options—Lincoln MoneyGuard II. This universal life policy with an optional qualified long-term care insurance rider provides benefits to reimburse long-term care expenses and gives you a choice of premium payment options to fit your financial needs. Here's how it works.

Ten \$10,000 annual premiums	Benefits if she needs long-term care			A legacy if she doesn't	Return of premium options		
	1			OR	2	OR	3
	Income tax-free reimbursements for qualified long-term care expenses <sup>1</sup>			An income tax-free death benefit for her beneficiaries <sup>2</sup>	A choice of more long-term care benefits or more liquidity <sup>3</sup>		
Return of premium options:	Total LTC benefit	Annual LTC benefit (for 6 years)	Monthly LTC benefit				
Option one <sup>4</sup> (more LTC coverage)	\$447,531	\$74,589	\$6,216	\$149,177	\$80,000		
Option two <sup>5</sup> (more liquidity)	\$412,272	\$68,712	\$5,726	\$137,424	\$100,000		

Hypothetical example only. Benefit amounts will vary by client's age and gender. Assumes no inflation protection purchased.

<sup>1</sup>LTC reimbursements are generally income tax-free under IRC Section 104(a)(3).

<sup>2</sup>Beneficiaries may receive an income tax-free death benefit under IRC Section 101(a)(1). The death benefit is reduced by loans, withdrawals, and benefits paid.

<sup>3</sup>Through the Value Protection Rider available at issue. Once selected, the return of premium option choice cannot be changed. Rider contains complete terms and conditions. If surrendered before the planned premiums are paid, the surrender value will be paid. There may be tax implications when the return of premium feature is exercised. Please consult your tax advisor.

<sup>4</sup>A return of 80% of paid premiums is available once all planned premiums are paid.

<sup>5</sup>100% return of premium is available after year 5 provided all planned premiums are paid; additional cost applies.

Option two Vesting schedule	
Year 1: 80%	Year 4: 92%
Year 2: 84%	Year 5: 96%
Year 3: 88%	Year 6+: 100%

The purpose of this communication is the solicitation of insurance. Contact will be made by a licensed insurance agent/producer or insurance company.

# Discover how you can help protect your savings with a hybrid life/long term care product that gives you options. Talk with your advisor about your future.

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Lincoln *MoneyGuard*® II is a universal life insurance policy with a Long-Term Care Acceleration of Benefits Rider (LABR) that accelerates the specified amount of death benefit to pay for covered long-term care expenses. Long-Term Care Extension of Benefits Rider (LEBR) is available to continue long-term care benefit payments after the entire specified amount of death benefit has been paid. The return of premium options are offered through the Value Protection Rider (VPR) available at issue; Base option (1) is included in the policy cost; Graded option (2) is available at an additional cost. Any additional surrender benefit provided will be adjusted by any loans/loan interest/loan repayments, withdrawals taken, and claim payments made; and may have tax implications. The cost of riders will be deducted monthly from the policy cash value. The insurance policy and riders have limitations, exclusions and/or reductions; and are subject to medical underwriting. Long-term care benefit riders may not cover all costs associated with long-term care costs incurred by the insured during the coverage period. All contract provisions, including limitations and exclusions, should be carefully reviewed by the owner. For costs and complete coverage details, contact your agent or producer.

**Issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, on Policy Form ICC13LN880 with the following riders: Value Protection Rider (VPR) on form ICC15LR880 Rev; Long-Term Care Acceleration of Benefits Rider (LABR) on form ICC13LR881; optional Long-Term Care Extension of Benefits Rider (LEBR) on form ICC13LR882.**

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## General exclusions and limitations

This rider will not provide benefits for: a. treatment for alcoholism or drug addiction (unless the drug addiction is a result of medication taken in doses as prescribed by a physician); b. treatment arising out of an attempt (while sane or insane) at suicide or an intentionally self-inflicted injury; c. treatment provided in a Veteran's Administration or government facility, unless the Insured or the Insured's estate is charged for the confinement or services or unless otherwise required by law; d. loss to the extent that benefits are payable under any of the following: 1. Medicare (including that which would have been payable but for the application of a deductible or a coinsurance amount). This means that this rider does not pay for the Insured's Medicare deductible or coinsurance; 2. other governmental programs (except Medicaid); 3. state or federal workers compensation laws; 4. employer's liability laws; 5. occupational disease laws; and 6. any motor vehicle no-fault laws; e. confinement or care received outside the United States, other than benefits for Nursing Home Care Services and Assisted Living Facility Services as described in the International Benefits provision; f. services provided by a facility or an agency that does not meet the definition for such facility or agency as described in the Covered Services provision of the Long-Term Care Acceleration of Benefits Rider (LABR); and g. services provided by a member of the Insured's or Owner's Immediate Family or for which no charge is normally made in the absence of insurance, unless: 1. the Immediate Family member is a regular employee of the service or care provider furnishing the service or care; 2. the service or care provider receives the payment for the service or care; and 3. the Immediate Family member receives no compensation other than the normal compensation for an employee in his or her job category.

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POD 10/15 Z01

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# Tax-efficient retirement planning

Supplement your client's income strategy with life insurance

## Lincoln WealthAdvantage® Indexed UL

### CASE STUDY



### Meet Elaine, age 43 and John, age 44

Elaine and John are married working professionals with two adolescent sons. They're concerned about current and future tax risk. A few years ago, they never expected their taxes to rise significantly. Because they have nonqualified assets invested in corporate bond funds, their dividend and capital gains tax exposure increased.

Since Elaine and John want their sons to go to college, they need sufficient financial protection for income replacement. John has a 162 Executive Bonus Plan at his firm, so he feels he has enough coverage. But Elaine needs more death benefit protection.

<sup>1</sup> Source: Lincoln Financial Group, "2017 Consumer Tax Study," [http://newsroom.lfg.com/sites/lfg.newshq.businesswire.com/files/doc\\_library/file/Lincoln\\_Financial\\_Group\\_2017\\_Consumer\\_Tax\\_Study.pdf](http://newsroom.lfg.com/sites/lfg.newshq.businesswire.com/files/doc_library/file/Lincoln_Financial_Group_2017_Consumer_Tax_Study.pdf), January 2, 2018.

<sup>2</sup> Loans and withdrawals reduce a policy's cash surrender value and death benefit and may cause the policy to lapse. Loans are not considered income and are tax free. Withdrawals and surrenders are tax-free up to the cost basis, provided the policy is not a modified endowment contract (MEC).

<sup>3</sup> Excluding dividends.

<sup>4</sup> Lincoln WealthAdvantage Indexed UL assumes female, age 43, preferred plus nontobacco, increasing death benefit, switching to a level death benefit in year 21. \$25,000 annual premium paid for 15 years, monthly participating loans taken in years 23 through 47, 6% assumed rate state of MA. **Assuming minimum crediting rate of 1%, the policy would lapse after 43 monthly loans of \$5886.67 at age 69**

2007656

Did you know that 3 in 4 people feel concerned about how changes in taxes could impact their retirement savings?<sup>1</sup> Life insurance can be a tax-efficient financial resource to complement a client's retirement income strategy. Policy cash values grow tax-deferred and allow for income tax-free distributions in the form of policy loans and withdrawals.<sup>2</sup> These distributions do not affect a client's income bracket, Social Security tax, or increase Medicare premiums. And if early retirement is a goal, policy loans and withdrawals taken prior to age 59½ are not subject to IRS penalties.

### Elaine and John's challenges

Conservative investors in the 37% tax bracket, who need:

- Death benefit protection while their sons are dependent upon them
- A tax-efficient resource for their retirement

### The wealth protection strategy

Their advisor recommends that Elaine purchase a *Lincoln WealthAdvantage* IUL policy. It offers tax-deferred growth opportunities from three indexed account options tied to S&P 500 performance and downside protection with a 1% guaranteed return.<sup>3</sup> Elaine will pay \$25,000 annual premiums to age 58, a total premium of \$375,000.

If her family needs income replacement, the policy provides

- \$880,800 of initial death benefit that can grow to \$1,345,041 at age 60<sup>4</sup>

In retirement, she can supplement her income

- Starting at age 66, she can take annual distributions of \$70,640 for 25 years, which is a total of \$1,766,000 from income tax-free policy loans.<sup>4</sup>

She can leave a legacy for her children

- At age 90, she will still have a \$551,825 income tax-free death benefit, even after taking distributions for 25 years.<sup>4</sup>

### The value of *Lincoln WealthAdvantage* IUL as a retirement supplement

Tax-efficient retirement resource	Taxable asset
Policy loans taken	
\$70,640 pretax annualized policy loans	\$70,640 pretax annualized distribution
– \$0 tax	– \$26,137 tax*
<b>\$70,640 net annual cash flow</b>	<b>\$44,503 net after-tax annual cash flow</b>
<b>Tax advantages:</b>	<b>Tax disadvantages:</b>
Does not affect your client's tax bracket, Social Security tax or Medicare premiums.	Could increase your client's tax bracket, and reduce their Social Security benefits and increase their Medicare premiums.
<b>To equal the \$70,640 tax-free cash flow, the taxable asset would need to distribute \$112,127 per year.*</b>	

\*Assumes 37% tax.

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## Tax code provisions make life insurance a tax-efficient portfolio asset

Tax advantages of life insurance	Tax code provision
Death proceeds are generally income tax-free.	IRC Sec. 101(a)(1)
The inside build-up of cash surrender values is generally not taxed.	IRC Sec. 7702(a)
Policy loans are not includable in income if the policy is not a modified endowment contract (MEC).	IRC Sec. 72(e)(5)
No penalties for distributions prior to age 59½. No requirements for a minimum distribution at any age.	IRC Sec. 72(v)
Life insurance can even be exchanged, income tax-free, into an annuity.	IRC Sec. 1035(a)

### Plan to protect wealth by reducing tax risk in retirement.

Contact your representative for more information about planning with life insurance.

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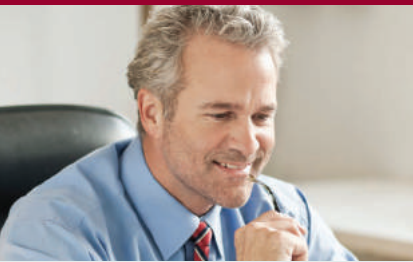
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# Protect your income-producing assets

Plan to create income options for your retirement

## CASE STUDY



### Meet Jim

**He's age 45**

**A single father with one daughter, Abigail**

Many Americans are aware that they need to take charge of their financial future. Today, younger generations wonder what their Social Security and Medicare benefits will be when they retire.

Because the responsibility of saving for retirement has shifted from employers and the government to you, the impact of market volatility, rising taxes, and longevity risk can be significant. A market downturn in the early years of your retirement can rapidly deplete your savings. This is why your retirement plan should help protect your portfolio by giving you income options for your future.

In the following example, we are not addressing a required minimum distribution (RMD). Each situation will differ. Keep in mind that the IRS can impose a 50% tax on RMDs not withdrawn. Please consult your advisor to determine if this plan makes sense for you.

Jim feels uncertain about the amount of Social Security benefits he'll receive when he retires. Years ago, his eligibility for full benefits advanced from age 66 to 67. And he thinks that could change again.

But Jim is a take-charge guy who wants to prepare for the future. He makes contributions to his retirement account every year, and if his investments do well, he expects to accumulate \$1 million in the next 20 years. He's just not sure he's doing enough and is concerned about a potential market downturn.

Jim's retirement plan has seen great returns the last couple of years, but he realizes the bull market won't last.

He's concerned what will happen to his retirement account, especially with extreme volatility, when he needs it for income. Jim also wants to have enough financial protection for Abigail if something should happen to him.

### Jim's current retirement plan

- He hopes to have \$1 million in the next 20 years.

### Jim's goals

- Portfolio protection from volatility and tax erosion
- Sufficient retirement income to enjoy his lifestyle
- Financial protection so that Abigail can complete her education

### Volatility risk in retirement

Market downturns can have a significant impact on the value of Jim's portfolio when he retires and begins to take annual withdrawals. If he doesn't plan ahead, he could potentially outlive his savings.

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# The wealth protection plan design

Because no one can predict if the market will be up or down when they retire, Jim’s advisor recommends that he supplement his retirement account with a *Lincoln WealthAdvantage*® Indexed UL policy. In addition to his Social Security benefits, Jim will have another potential source of income that can protect his retirement savings when market conditions are volatile. He can tap into his policy’s cash value to give his retirement account the opportunity to recover from negative returns.

Jim will pay an annual premium of \$9,500 until he’s age 65. And his policy will give him:

- A \$600,000 income tax-free death benefit for Abigail if Jim dies before he takes policy distributions
- Tax-deferred growth opportunities with reduced market volatility
- A potential source of tax-efficient retirement income that can help protect his savings

## The challenge

When he retires, Jim wants to start taking annual distributions of \$50,000.\* Without a *Lincoln WealthAdvantage* IUL policy, market downturns could have an erosive effect on the value of his nonqualified retirement account as he takes distributions. In this hypothetical example, he will run out of money at age 82, before his life expectancy age of 85.

## The solution

With *Lincoln WealthAdvantage* IUL, Jim has sufficient retirement income.

### Jim’s nonqualified retirement account

Jim’s total after-tax distributions from retirement account

**\$878,412**

Jim’s total after-tax distributions

**\$878,412**

Jim’s portfolio value at age 85

**\$0**

**Jim’s retirement account value drops to \$0 at age 82, before his life expectancy**

Jim’s total benefit at age 85

**\$878,412**

**Without *Lincoln WealthAdvantage* IUL his retirement plan fails.**

### Jim’s retirement account supplemented by his *Lincoln WealthAdvantage* Indexed UL policy

Jim’s total after-tax distributions from retirement account

**\$775,578**

from his policy

**\$335,372**

Jim’s total after-tax distributions

**\$1,110,950**

Jim’s retirement account value at age 85

**\$1,068,927**

Death benefit at age 85

**\$345,451**

Jim’s total benefit at age 85

**\$2,525,328**

**With *Lincoln WealthAdvantage* IUL his retirement plan succeeds.**

## How the idea works

Jim retires at age 66 with income options. He plans to take annual withdrawals from his nonqualified retirement account, but will rely on tax-free participating loans\* from his *Lincoln WealthAdvantage*® Indexed UL policy the year following a negative return. This gives his retirement account the chance to recover from market downturns.

Jim likes that his policy gives him financial protection and income that's sheltered from market and tax risk. His policy offers indexed account options tied to S&P 500 Index performance<sup>1</sup> to cover a wide range of returns a guaranteed 1% minimum interest rate and a guaranteed persistency bonus starting in the 16th policy year that credits interest regardless of S&P performance. And because the index accounts never earn a negative interest rate, his policy gains are locked in and Jim will never have to recover from S&P 500 Index losses before seeing positive interest credited to his account. He feels confident about his future because this plan design helps him move toward his goal of having enough income to enjoy the years ahead.

### How it's designed to work

What if the stock market falls from all-time highs? What if we return to the volatility and bouts of negative returns we saw in the 1970s and 80s? In the years following a negative stock market return (indicated by the orange bars in the table below), Jim takes annual participating loans from his *Lincoln WealthAdvantage* Indexed UL policy instead of his retirement account, thus allowing the retirement account to potentially rebound when the stock market rebounds.

Age	After-tax distributions from retirement account	Tax-free fixed loans from policy	Hypothetical S&P 500 Index annual return	Policy death benefit at year end	Retirement account value at year end
66	\$50,000	\$0	-0.97%	\$600,000	<b>\$924,262</b>
67		\$50,500	9.90%	\$549,500	<b>\$1,015,801</b>
68	\$51,005	\$0	20.01%	\$546,975	<b>\$1,137,469</b>
69	\$51,515	\$0	-21.57%	\$544,324	<b>\$838,234</b>
70		\$52,030	-28.35%	\$489,510	<b>\$600,637</b>
71		\$52,551	32.55%	\$431,434	<b>\$796,119</b>
72	\$53,076	\$0	19.36%	\$423,006	<b>\$865,744</b>
73	\$53,607	\$0	-11.02%	\$414,156	<b>\$706,713</b>
74		\$54,143	1.90%	\$350,721	<b>\$720,160</b>
75	\$54,684	\$0	14.69%	\$338,257	<b>\$742,301</b>
76	\$55,231	\$0	18.40%	\$325,170	<b>\$791,713</b>
77	\$55,783	\$0	-4.99%	\$311,429	<b>\$681,538</b>
78		\$56,341	9.96%	\$240,659	<b>\$749,420</b>
79	\$56,905	\$0	19.54%	\$253,444	<b>\$805,129</b>
80	\$57,474	\$0	1.21%	\$275,033	<b>\$737,285</b>
81	\$58,048	\$0	29.59%	\$298,184	<b>\$855,139</b>
82	\$58,629	\$0	17.07%	\$322,987	<b>\$909,589</b>
83	\$59,215	\$0	-2.18%	\$349,534	<b>\$812,564</b>
84		\$59,807	12.96%	\$318,115	<b>\$917,878</b>
85	\$60,405	\$0	27.66%	\$345,451	<b>\$1,068,927</b>

\*Assumes a 1% annual growth rate.

<sup>1</sup>Excluding dividends.

Hypothetical annual returns based on the performance of the S&P 500 Index without dividends for annual periods from December 15 to December 15 from 1970 through 1989. Examples are for illustrative purposes only and do not represent the returns for any investment.

This example does not include any required minimum distributions taken after the age of 70½.

*Lincoln WealthAdvantage* Indexed UL assumes male, age 45, standard nontobacco, \$600,000 level death benefit, \$9,500 annual premium paid for 20 years. Assumed rate 6%. State of Pennsylvania. **Assuming 1%, guaranteed charges, and no distributions, policy lapses at age 86.** Assumed 25% tax rate on retirement account distributions.

## Get ready for your future

Ask your advisor how a Lincoln wealth protection plan design can help you reach your retirement income goals.

## The value of *Lincoln WealthAdvantage*<sup>®</sup> Indexed UL

**One solution for protection and income** because you want to reduce your exposure to market volatility

**Guaranteed minimum 1% return**—When the index percentage change is less than 1%, your account is still credited 1%. Policy charges remain in effect and could reduce the policy value.

**Tax-advantaged growth potential**—When the index percentage change is positive for the 1-year indexed period, your account is credited a positive rate.

**Locked-in gains**—The indexed accounts never earn a negative interest rate, and you never have to recover from S&P 500 Index losses.

**Persistency bonus**—You're rewarded for your long-time policy ownership with a guaranteed bonus in policy years 16 and beyond.

**Participating loans for greater income potential** by including all of your policy cash value, even the amount you borrow, in indexed account growth\*

**A fixed loan option** with a guaranteed loan charge rate for more predictability\*

\*Distributions are taken through loans and withdrawals, which reduce your policy's cash value and death benefit and may cause the policy to lapse. Loans are not considered income and are tax free. Withdrawals and surrenders are tax-free up to your cost basis, provided your policy is not a modified endowment contract (MEC). A MEC policy is one in which the life insurance limits exceed certain high levels of premium or the cumulative premium payments exceed certain amounts specified under the Internal Revenue Code. For policies that are MECs, distributions during the life of the insured, including loans, are first treated as taxable to the extent of income in the contract, and an additional 10% federal income tax may apply for withdrawals made prior to age 59½.

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Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

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You're In Charge<sup>®</sup>

# Income for all markets

## Keep the effects of volatility in check with Lincoln variable annuities

Volatility and low interest rates may be troublesome for those of you nearing or in retirement. The good news is that you can be prepared. Variable annuities are a valuable consideration for retirement planning because they offer:

- Options for guaranteed lifetime income in all markets
- Ability to diversify and potentially grow underlying investment options
- Tax-deferred growth until income is withdrawn
- Death benefits for beneficiaries

Variable annuities are long-term investment products designed for retirement purposes and are subject to market fluctuation, investment risk, and possible loss of principal. Variable annuities contain both investment and insurance components and have fees and charges, including mortality and expense, administrative, and advisory fees. Optional features are available for an additional charge. Guarantees are subject to the claims-paying ability of the issuing insurance company.



### Meet Doris

Doris retired in 1995 with \$500,000 in retirement savings, which is spread across an IRA and a trust.

After a decade of taking systematic withdrawals combined with poor market performance, her savings had depleted to \$150,000.

When Doris met with her advisor, she was concerned she wouldn't be able to maintain her lifestyle.

### Doris needed a solution to:

- Protect her retirement income from market risk
- Provide predictable, guaranteed income she can't outlive

### 2005

Her advisor recommended she invest the \$150,000 into a variable annuity with an optional guaranteed minimum withdrawal benefit (for an additional cost) that guaranteed 5% annual income equaling monthly payments of \$625.

### 2008

After the crash in 2008, the account value fell to \$122,000. However, her guaranteed monthly income payments of \$625 continued because they were based on her higher initial investment and not on the account value.

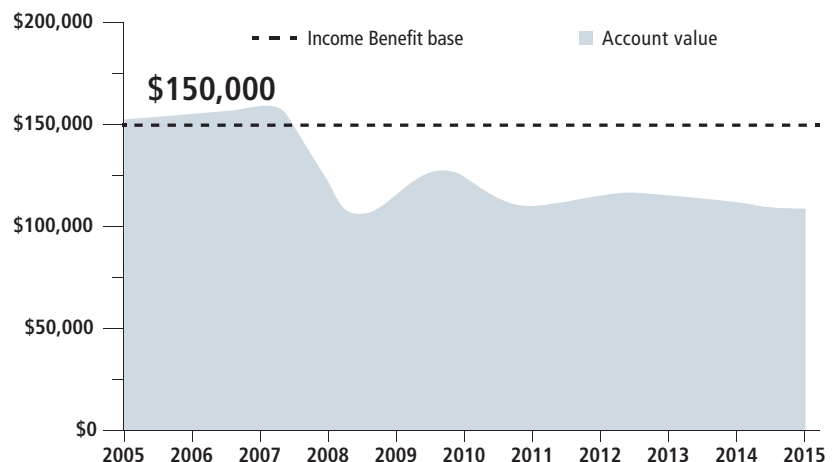
### Today

Doris continues to receive \$625 each month and will do so for life—no matter how the market performs.

## Protecting income from market declines

With a variable annuity and the elected guaranteed minimum withdrawal benefit, the amount of Doris' initial investment (\$150,000) is used to calculate her lifetime income guarantee (\$625/month). Because her income is based on this amount, we call this the Income Benefit base. This income amount is guaranteed, and will not go down, even if her account value drops. The account value is based on the performance of the underlying investments, which will fluctuate with the market.

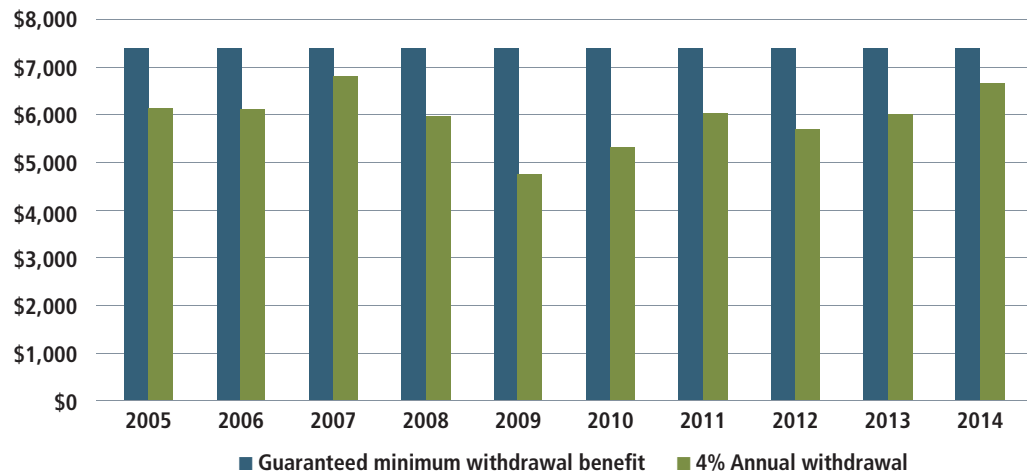
Excess withdrawals will reduce the account value dollar for dollar, will reduce the Income Benefit base and guaranteed monthly income proportionally, and are subject to ordinary income tax to the extent of the gain. Withdrawals taken before age 59½ may be subject to an additional 10% federal income tax.



## What if?

If Doris relied on 4% systematic withdrawals for income from an annuity without a guaranteed minimum withdrawal benefit, her exposure to market risk and the large fluctuations of her account value would have created an unpredictable flow of income that would have been less than what she received from a guarantee.

## Annuity guarantee vs. systematic withdrawals



**Ask your advisor how to help protect retirement income from market risk.**

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

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Variable annuities are long-term investment products designed for retirement purposes and are subject to market fluctuation, investment risk, and possible loss of principal. Variable annuities contain both investment and insurance components and have fees and charges, including mortality and expense, administrative, and advisory fees. Optional features are available for an additional charge.

**Investors are advised to consider the investment objectives, risks, and charges and expenses of the variable annuity and its underlying investment options carefully before investing. The applicable prospectuses for the variable annuity and its underlying investment options contain this and other important information. Please call 888-868-2583 for free prospectuses. Read them carefully before investing or sending money. Products and features are subject to state availability.**

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There is no additional tax-deferral benefit for an annuity contract purchased in an IRA or other tax-qualified plan.

Insurance products issued by:

The Lincoln National Life Insurance Company  
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# Bridging the Retirement Gap



*Annuity*

An income strategy for a more confident retirement.



## Is there a **gap** in your plans?

You have much to consider in your retirement planning. Rising inflation, extended life expectancy, increasing health care costs, and the uncertainty of Social Security income. To help reduce any uncertainty in your plans, it's a good idea to explore the difference in your projected retirement income and your retirement expenses. This difference represents the gap you may have in your retirement plans. Fortunately, North American can provide solutions to help you bridge that gap.





# What Challenges Will You Face in Retirement?

## Lack of Guarantees

*“Do I want my retirement income guaranteed?”*

What once was a tried and true source of income during retirement is now subject to uncertainty. Recent market downturns and market volatility have been a wake up call for many investors. Even with regular contributions and sensible allocations, market downturns can cause problems for many retirement portfolios. And, once upon a time, workers could count on receiving a pension after you worked with a company long enough. But now pension plans are cutting back or failing. State and local governments are cutting budgets and are raising retirement ages. Coupled with the uncertainty of Social Security income these inevitabilities need to be considered.

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## Longevity

*“When I retire, how long do I want my retirement income to last?”*

Increasing life spans may create the risk that you'll outlive your savings. According to the 2012 US Department of Health and Human Services, United States report, at birth, a male born in 1950 was expected to live to age 66 and a female to age 71. At age 65, that male born in 1950, is expected to live to age 78 and the female to age 86.

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## Rising Costs

### *“How much will my retirement cost?”*

The cost of basic expenses; food, utilities, etc., tend to increase. In planning, it's wise not to underestimate the impact these costs can have on your standard of living. Inflation and health-care costs can erode your retirement nest egg. For instance, in the last 10 years, inflation has risen an average of 2.36% per year<sup>1</sup>. And, health care cost inflation has increased an average of 3.70% per year.<sup>2</sup>

## Lack of Savings

### *Do I have enough saved for retirement?*

While Americans' may have a lack of confidence in their ability to secure a comfortable retirement, people often overlook the need to take steps to compensate for the shortcomings by improving their preparation. Let's explore some statistics from the 2015 Retirement Confidence Survey (RCS) report.

- More than half of workers report they and/or their spouse have less than \$25,000 in total savings and investments (excluding their home and defined benefit plans), including twenty-eight percent who have less than \$1,000 in total savings.
- Twenty-five percent of all workers think they need to accumulate at least \$500,000 by the time they retire to live comfortably in retirement. Nineteen percent feel they need between \$250,000 and \$499,999, while twenty-five percent think they need to save less than \$250,000 for a comfortable retirement.
- Thirty-nine percent of workers “guess” how much retirement savings they need to accumulate.

1. *Usinflationcalculator.com, Table of Historical Inflation rates by month and year (2005-2015)*

2. *Forbes.com, U.S. Health Care Costs Rise Faster Than Inflation*



# Let's Look a Little Closer

Now that we have identified the factors that may impact your retirement planning, let's put pencil to paper. A critical step in building a retirement strategy is an assessment of your anticipated expenses and income. The following exercise will give us an idea of any gaps you may have in your future plans.

Let's explore your needs, your wants and your wishes. Needs are expressed as those things you'll need for basic living expenses. Your wants are those things on top of your normal expenses that you would like to factor in. And finally, your wishes are those things that, in a perfect world, you'd be able to afford to do.

## ***Let's estimate the following on a monthly basis:***

Needs:        \$ \_\_\_\_\_  
(Example: housing, living expenses)

Wants:        \$ \_\_\_\_\_  
(Example: recreation, charitable giving)

Wishes:       \$ \_\_\_\_\_  
(My dream is: \_\_\_\_\_)



## ***Now, let's examine your projected income on a monthly basis:***

Guaranteed Income:    \$ \_\_\_\_\_  
(Example: guaranteed income such as pensions, Social Security)

Working Income:    \$ \_\_\_\_\_  
(Example: part time job)

# And the answer is....

Now that we have identified your expenses and income, let's calculate a simple projection on where you may fall in your retirement spending needs, assuming only your basic needs in the equation.

Total Monthly Needs: \$ \_\_\_\_\_  
(Example: housing, living expenses)

Total Monthly Income: \$ \_\_\_\_\_  
(Example: guaranteed and working income totals)

Monthly Income Gap: \$ \_\_\_\_\_  
Total monthly needs minus total monthly income)

Annual Gap: \$ \_\_\_\_\_  
(Monthly gap multiplied by 12)

*Is there a gap  
in your plans?*





# Building a Bridge to a Better Retirement starts today.

**It's not too late to find solutions to bridge the gap.**

Would you be interested in a product for your retirement money with no downside risk to your premium, some upside potential and offers you the ability to generate a guaranteed income for the rest of your life? Your Licensed Insurance Agent can help you identify predictable lifetime income options, such as North American's Income Pay® Plus optional Guaranteed Lifetime Withdrawal Benefit (GLWB) rider, along with a fixed index annuity that grows tax-deferred<sup>1</sup> and may provide a death benefit for your beneficiaries.

***Ask your agent for more details today!***

# Protect Your Assets and Those You Love With an Industry Leader

North American Company for Life and Health Insurance® is a leading insurance company in the U.S. Throughout our 100+ year history, we've focused on providing growth, income, and financial protection to the clients we serve. Our insurance and annuity products have consistently provided value to our clients - in all types of market and economic environments.

For nearly 30 years, North American has continued to earn high ratings, based on our financial strength, operating performance, and ability to meet obligations to our policyholders and contract holders. North American currently holds the following ratings:

A.M. BEST <sup>A,B</sup>	S&P GLOBAL RATINGS <sup>B,C</sup>	FITCH RATINGS <sup>D</sup>
<p><b>“A+”</b> (Superior) (2nd category of 15) Superior ability to meet ongoing obligations to policyholders</p>	<p><b>“A+”</b> (Strong) (5th category of 22) Very strong financial security characteristics</p>	<p><b>“A+”</b> (Stable) (5th category of 19) Strong business profile, low financial leverage</p>

A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to policyholders. S&P Global Ratings is an independent, third-party rating firm that rates on the basis of financial strength. Ratings shown reflect the opinions of the rating agencies and are not implied warranties of the company's ability to meet its financial obligations. The ratings above apply to North American's financial strength and claims-paying ability. **a)** A.M. Best rating affirmed on July 6, 2017. For the latest rating, access [www.ambest.com](http://www.ambest.com). **b)** Awarded to North American as part of Sammons® Financial Group Inc., which consists of Midland National® Life Insurance Company and North American Company for Life and Health Insurance®. **c)** Standard & Poor's rating assigned February 26, 2009 and affirmed on October 19, 2016. **d)** Fitch Ratings, a global leader in financial information services and credit ratings, on May 2, 2017, assigned an Insurer Financial Strength rating of A+ Stable for North American. This rating is the fifth highest of 19 possible rating categories. The rating reflects the organization's strong business profile, low financial leverage, very strong statutory capitalization and strong operating profitability supported by strong investment performance. For more information access [www.fitchratings.com](http://www.fitchratings.com).

The Income Pay® Plus is an optional guaranteed lifetime withdrawal benefit (GLWB) rider available for an additional charge at the time of application on certain fixed index annuities on form AE575A, ICC15-AE575A (rider) and SP575B, ICC15-SP575B (spec page) or appropriate state variation by North American Company for Life and Health Insurance®, West Des Moines, IA. This rider may not be available in all states, on all products, or appropriate for all clients. See rider brochure for further details, limitations and specific rider change. Neither North American, nor any agents acting on its behalf, should be viewed as providing legal, tax or investment advice. Consult with and rely on a qualified advisor.

This brochure is for solicitation purposes only. Please refer to your contract for any other specific information. With every contract that North American issues there is a free-look period. This gives you the right to review your entire contract and if you are not satisfied, return it and have your premium returned.

Please Note: A surrender during the surrender charge period could result in a loss of premium.

Fixed Index Annuities are not a direct investment in the stock market. They are long term insurance products with guarantees backed by the issuing company. They provide the potential for interest to be credited based in part on the performance of specific indices, without the risk of loss of premium due to market downturns or fluctuation. Although Fixed Index Annuities guarantee no loss of premium due to market downturns, deductions from your Accumulation Value for additional optional benefit riders could under certain scenarios exceed interest credited to your Accumulation Value, which would result in loss of premium. They may not be appropriate for all clients.

1. Neither North American, nor any agents acting on its behalf, should be viewed as providing legal, tax or investment advice. Consult with and rely on your own qualified advisor. Under current law, annuities grow tax deferred. Annuities may be subject to taxation during the income or withdrawal phase. The tax-deferred feature is not necessary for a tax-qualified plan. In such instances, you should consider whether other features, such as the Death Benefit, lifetime annuity payments and optional riders make the contract appropriate for your needs.

**For purposes of this rider, "Income" refers to the contractual guarantee provided by election of lifetime payment amounts (LPA). It is not the same as and does not refer to interest credited to the annuity contract. Consult your own tax advisor regarding tax treatment of LPAs, which will vary according to your individual circumstances.**



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A critical step in building a retirement strategy is an assessment of your anticipated expenses and income. The following exercise will give us an idea of potential gaps you may have and it will help to shape your future plans.

**Let's explore your needs and wants for monthly expenses. Needs are those things you'll need for basic living expenses. Wants are those things on top of your normal expenses that you would like to account for.**

**Please note: This list reflects common expenses you may encounter during retirement.**

Expenses					
Housing Expenses	Needs	Wants	Health Care Expenses	Needs	Wants
Mortgage/Rent	\$	\$	Health Insurance Premiums	\$	\$
Home Insurance	\$	\$	Prescriptions	\$	\$
Real Estate Taxes	\$	\$	Co-pays/Co-insurance	\$	\$
Utilities (phone, electric, water, gas, etc.)	\$	\$	Long-term Care Insurance	\$	\$
Other	\$	\$	<b>Living Expenses</b>		
<b>Living Expenses</b>			Taxes	\$	\$
Groceries	\$	\$	Life Insurance Premiums	\$	\$
Clothing	\$	\$	Charitable Contributions	\$	\$
Auto Payments	\$	\$	Recreation (hobbies, dining out, movies, etc.)	\$	\$
Auto Insurance	\$	\$	Gifts to Family and Others	\$	\$
Additional Car Expenses (gas, registration, etc.)	\$	\$	Other	\$	\$
Travel	\$	\$			
Other Living Expenses (home improvements, pets, etc.)	\$	\$			
<b>A) Total Monthly Expenses (Needs + Wants)</b>				\$	

Income	
Income Sources	Estimated Monthly Income
Pension Plan	\$
Social Security	\$
Investments	\$
Part-time Employment	\$
Other _____	\$
<b>B) Estimated Monthly Income</b>	\$

**Compare your total monthly expenses to your potential sources of retirement income to identify potential gaps in your retirement income.**

<b>Total Monthly Expenses (A)</b>	\$
<b>Total Estimated Monthly Income (B)</b>	\$
<b>Monthly Retirement Income Gap (A—B)</b>	\$



# How Much Premium Will it Take to Generate \$1,000 a Month at Retirement?

In your retirement planning, you may discover a gap, or shortfall, between your retirement income and your planned retirement expenses. Therefore, you'll need to supplement your current plans to fill that gap.

When you choose the Income Pay®, Optional Guaranteed Minimum Withdrawal Benefit Rider, along with a Fixed Index Annuity<sup>1</sup>, you are able to guarantee an income you can't outlive. And, you can plan exactly how much income you would like to have at your desired retirement age.

In the example highlighted below, a single person, current age 57, who would like to plan for \$1,000 in monthly income starting at

retirement age 67, would need \$133,870.11 in premium today. While the initial premiums shown below do not include premium bonuses, the actual calculation used to plan for the \$1,000 in monthly income includes a 2.50% premium bonus on the initial premium at issue and a Rider Bonus Credit of 5.75% applied at contract anniversary for 10 years<sup>2</sup>. It also assumes no GMWB Value Step-ups and that no withdrawals are taken prior to age 67. This is a hypothetical example, so please check with your Independent Insurance Agent for current rates and rider details.

*(See reverse for additional examples and disclosures.)*

## Income Pay Premium Chart

## Income Age (60-70)

Note: Chart assumes no Interest Credits or withdrawals are taken prior to desired retirement age.

	60	61	62	63	64	65	66	67	68	69	70
55	\$196,717.50	\$186,021.27	\$175,906.64	\$166,341.98	\$157,297.38	\$133,870.11	\$133,870.11	\$133,870.11	\$133,870.11	\$133,870.11	\$121,700.10
56	\$208,028.75	\$196,717.50	\$186,021.27	\$175,906.64	\$166,341.98	\$141,567.64	\$133,870.11	\$133,870.11	\$133,870.11	\$133,870.11	\$121,700.10
57	\$219,990.40	\$208,028.75	\$196,717.50	\$186,021.27	\$175,906.64	\$149,707.78	\$141,567.64	\$133,870.11	\$133,870.11	\$133,870.11	\$121,700.10
58	\$232,639.85	\$219,990.40	\$208,028.75	\$196,717.50	\$186,021.27	\$158,315.98	\$149,707.78	\$141,567.64	\$133,870.11	\$133,870.11	\$121,700.10
59	\$246,016.64	\$232,639.85	\$219,990.40	\$208,028.75	\$196,717.50	\$167,419.15	\$158,315.98	\$149,707.78	\$141,567.64	\$133,870.11	\$121,700.10
60	\$0.00	\$246,016.64	\$232,639.85	\$219,990.40	\$208,028.75	\$177,045.75	\$167,419.15	\$158,315.98	\$149,707.78	\$141,567.64	\$121,700.10
61	\$0.00	\$0.00	\$246,016.64	\$232,639.85	\$219,990.40	\$187,225.88	\$177,045.75	\$167,419.15	\$158,315.98	\$149,707.78	\$128,697.85
62	\$0.00	\$0.00	\$0.00	\$246,016.64	\$232,639.85	\$197,991.36	\$187,225.88	\$177,045.75	\$167,419.15	\$158,315.98	\$136,097.98
63	\$0.00	\$0.00	\$0.00	\$0.00	\$246,016.64	\$209,375.87	\$197,991.36	\$187,225.88	\$177,045.75	\$167,419.15	\$143,923.61
64	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$221,414.98	\$209,375.87	\$197,991.36	\$187,225.88	\$177,045.75	\$152,199.22
65	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$221,414.98	\$209,375.87	\$197,991.36	\$187,225.88	\$160,950.68
66	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$221,414.98	\$209,375.87	\$197,991.36	\$170,205.34
67	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$221,414.98	\$209,375.87	\$179,992.15
68	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$221,414.98	\$190,341.70
69	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$201,286.35
70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
71	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
72	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
73	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
74	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Building a Bridge to a Better Retirement Starts Today





**Ask Your  
Independent  
Insurance Agent  
for Details**



**Income Pay Premium Chart**

**Income Age (71-80)**

Note: Chart assumes no Interest Credits or withdrawals are taken prior to desired retirement age.

Current Age at Issue	Income Age (71-80)									
	71	72	73	74	75	76	77	78	79	80
55	\$121,700.10	\$121,700.10	\$121,700.10	\$121,700.10	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
56	\$121,700.10	\$121,700.10	\$121,700.10	\$121,700.10	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
57	\$121,700.10	\$121,700.10	\$121,700.10	\$121,700.10	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
58	\$121,700.10	\$121,700.10	\$121,700.10	\$121,700.10	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
59	\$121,700.10	\$121,700.10	\$121,700.10	\$121,700.10	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
60	\$121,700.10	\$121,700.10	\$121,700.10	\$121,700.10	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
61	\$121,700.10	\$121,700.10	\$121,700.10	\$121,700.10	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
62	\$128,697.85	\$121,700.10	\$121,700.10	\$121,700.10	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
63	\$136,097.98	\$128,697.85	\$121,700.10	\$121,700.10	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
64	\$143,923.61	\$136,097.98	\$128,697.85	\$121,700.10	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
65	\$152,199.22	\$143,923.61	\$136,097.98	\$128,697.85	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
66	\$160,950.68	\$152,199.22	\$143,923.61	\$136,097.98	\$117,973.03	\$111,558.42	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
67	\$170,205.34	\$160,950.68	\$152,199.22	\$143,923.61	\$124,756.48	\$117,973.03	\$111,558.42	\$111,558.42	\$111,558.42	\$102,977.01
68	\$179,992.15	\$170,205.34	\$160,950.68	\$152,199.22	\$131,929.98	\$124,756.48	\$117,973.03	\$111,558.42	\$111,558.42	\$102,977.01
69	\$190,341.70	\$179,992.15	\$170,205.34	\$160,950.68	\$139,515.95	\$131,929.98	\$124,756.48	\$117,973.03	\$111,558.42	\$102,977.01
70	\$201,286.35	\$190,341.70	\$179,992.15	\$170,205.34	\$147,538.12	\$139,515.95	\$131,929.98	\$124,756.48	\$117,973.03	\$102,977.01
71	\$0.00	\$201,286.35	\$190,341.70	\$179,992.15	\$156,021.56	\$147,538.12	\$139,515.95	\$131,929.98	\$124,756.48	\$108,898.18
72	\$0.00	\$0.00	\$201,286.35	\$190,341.70	\$164,992.80	\$156,021.56	\$147,538.12	\$139,515.95	\$131,929.98	\$115,159.83
73	\$0.00	\$0.00	\$0.00	\$201,286.35	\$174,479.89	\$164,992.80	\$156,021.56	\$147,538.12	\$139,515.95	\$121,781.52
74	\$0.00	\$0.00	\$0.00	\$0.00	\$184,512.48	\$174,479.89	\$164,992.80	\$156,021.56	\$147,538.12	\$128,783.96
75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$184,512.48	\$174,479.89	\$164,992.80	\$156,021.56	\$136,189.04

This rider and its features, is issued by North American Company for Life and Health Insurance®, West Des Moines, IA and may not be available in all states. Income Pay® GMWB Rider, is an optional guaranteed lifetime withdrawal benefit (GLWB) available for an additional cost and deducted annually from the annuity contract Accumulation Value and issued on form AE513A (rider) and SP513B (spec page) or appropriate state variation. Accumulation Value and GMWB Value differ in that the GMWB Value is only available for income payments and not available for partial withdrawal, surrender or as the contract death benefit.

Please Note: A surrender or withdrawal during the surrender charge period could result in a loss of premium.

Neither North American, nor any agents acting on its behalf, should be viewed as providing legal, tax or investment advice. Consult with and rely on a qualified advisor.

1. Fixed Index Annuities are not a direct investment in the stock market. They are long term insurance products with guarantees backed by the issuing company. They provide the potential for interest to be credited based in part on the performance of specific indices, without the risk of loss of premium due to market downturns or fluctuation. Although Fixed Index Annuities guarantee no loss of premium due to market downturns, deductions from your Accumulation Value for additional optional benefit riders could under certain scenarios exceed interest credited to your Accumulation Value, which would result in loss of premium. They may not be appropriate for all clients. 2. Products that have premium bonuses may offer lower credited interest rates, lower Index Cap rates, lower Participation Rates and/or greater Index Margins than products that don't offer a premium bonus. Over time and under certain scenarios the amount of the premium bonus may be offset by the lower interest rates, lower Index Cap Rates, lower Participation Rates and/or greater Index Margins.

## The Benefits of a Fixed Index Annuity

Fixed Index Annuities (FIA) can be a valuable planning vehicle for retirement savings<sup>1</sup>. They offer the safety and guarantees that you expect along with growth opportunity to help build your retirement savings. North American's Fixed Index Annuities help provide peace of mind by offering:

- Tax-Deferral<sup>2</sup>
- Annuity Payout Options
- Ability to Avoid Probate
- Liquidity Options
- Full Accumulation Value at Death
- Fixed Account Option



These important features can be found in each North American Fixed Index Annuity. Fixed Index Annuities also offer a unique opportunity to earn interest linked to the growth of various stock market indices without experiencing the downside risk. The Interest Credits for a Fixed Index Annuity will not mirror the actual performance of the index itself, but rather the index closes (whether it be daily, monthly, annually, etc.) are used as a basis for determining what the Interest Credits will be.

It's important to understand how the components work within a Fixed Index Annuity. Fixed Index Annuities are not an investment in the stock market or applicable indices. There are two main aspects that factor in to determining the Interest Credits, the Index Account (Crediting Method) option and the index itself.

### CREDITING METHODS

North American offers several crediting methods that can be used to calculate Interest Credits, including:

- Annual Point-to-Point
- Daily Average
- 3-year Monthly Average
- Monthly Point-to-Point
- Monthly Average
- Two-Year Point-to-Point
- Biennial Point-to-Point
- Inverse Performance Trigger
- Threshold Participation Strategy

For specific details on how each of the crediting methods work, please reference the product-specific brochure and "How It Works: Crediting Methods" brochure (13091Z) for additional details.

### INDEXES

Along with the crediting methods, the other important aspect in determining your Interest Credits is the index itself. North American offers multiple index options that allow you to remain in the driver's seat with your retirement dollars. As previously mentioned, the Interest Credits that are derived from a FIA will not mirror the actual performance of the index itself. The Interest Credits are determined based on the Index Account option chosen, the performance of the index, and will be subject to an Index Cap Rate, Index Margin and/or a Participation Rate depending on the product. Please refer to the product specific brochure for specific details.

North American prides itself on being a leader in choices and flexibility. We feel it's important to offer choices in an effort to provide opportunity to maximize your retirement savings.

**Choosing the right accumulation vehicle for retirement is important. With so many choices, Make sure to ask your independent insurance agent about fixed index annuities today.**

# Protect Your Assets and Those You Love With an Industry Leader

North American Company for Life and Health Insurance® is a leading insurance company in the U.S. Throughout our 100+ year history, we've focused on providing growth, income, and financial protection to the clients we serve. Our insurance and annuity products have consistently provided value to our clients - in all types of market and economic environments.

For nearly 30 years, North American has continued to earn high ratings, based on our financial strength, operating performance, and ability to meet obligations to our policyholders and contract holders. North American currently holds the following ratings:

A.M. BEST <sup>A,B</sup>	S&P GLOBAL RATINGS <sup>B,C</sup>	FITCH RATINGS <sup>D</sup>
<b>"A+"</b> (Superior) (2nd category of 15) Superior ability to meet ongoing obligations to policyholders	<b>"A+"</b> (Strong) (5th category of 22) Very strong financial security characteristics	<b>"A+"</b> (Stable) (5th category of 19) Strong business profile, low financial leverage

A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to policyholders. S&P Global Ratings is an independent, third-party rating firm that rates on the basis of financial strength. Ratings shown reflect the opinions of the rating agencies and are not implied warranties of the company's ability to meet its financial obligations. The ratings above apply to North American's financial strength and claims-paying ability. **a)** A.M. Best rating affirmed on July 6, 2017. For the latest rating, access [www.ambest.com](http://www.ambest.com). **b)** Awarded to North American as part of Sammons® Financial Group Inc., which consists of Midland National® Life Insurance Company and North American Company for Life and Health Insurance®. **c)** Standard & Poor's rating assigned February 26, 2009 and affirmed on October 19, 2016. **d)** Fitch Ratings, a global leader in financial information services and credit ratings, on May 2, 2017, assigned an Insurer Financial Strength rating of A+ Stable for North American. This rating is the fifth highest of 19 possible rating categories. The rating reflects the organization's strong business profile, low financial leverage, very strong statutory capitalization and strong operating profitability supported by strong investment performance. For more information access [www.fitchratings.com](http://www.fitchratings.com).

1. Fixed Index Annuities are not a direct investment in the stock market. They are long term insurance products with guarantees backed by the issuing company. They provide the potential for interest to be credited based in part on the performance of specific indices, without the risk of loss of premium due to market downturns or fluctuation. Although Fixed Index Annuities guarantee no loss of premium due to market downturns, deductions from your Accumulation Value for additional optional benefit riders could under certain scenarios exceed interest credited to the Accumulation Value, which would result in loss of premium. They may not be appropriate for all clients.

2. Under current law, annuities grow tax -deferred. An annuity is not required for tax deferral in qualified plans. Annuities may be subject to taxation during the income or withdrawal phase. Please note that neither North American, nor any agents acting on its behalf, should be viewed as providing legal, tax or investment advice. Consult with and rely on your own qualified advisor.



*Annuity*

# Benefits of a Split Annuity

GIVE YOUR CLIENTS AN AFTER TAX RAISE BY UTILIZING THE SPLIT ANNUITY CONCEPT WITH NORTH AMERICAN.

Assume: • \$200,000 for client to receive monthly income under two scenarios--Non-Tax Deferred Vehicle or Tax Deferred with the Split Annuity example below.

- 3.00% interest rate on the Non-Tax Deferred Vehicle and Multi-Year Guarantee Annuity (MYGA)\*
- 28% tax bracket

This assumption applies to both the non-tax deferred vehicle and the split annuity.

NON-TAX DEFERRED VEHICLE		OR	SPLIT ANNUITY	
MONTHLY INCOME	Premium Multiplied by Interest Rate $\$200,000 \times 3.00\%$ (paid monthly) = \$493.25		IMMEDIATE ANNUITY NORTH AMERICAN INCOME®	MULTI-YEAR GUARANTEE ANNUITY NORTH AMERICAN GUARANTEE CHOICE <sup>SM</sup>
TAXES DUE	Monthly Income Multiplied by Tax Rate $\$493.25 \times 28\%$ (tax rate) = \$138.11		5-Year Period Certain Premium <b>\$27,478.24</b>	5-Year Guarantee Period Premium <b>\$172,521.76</b>
AFTER TAX MONTHLY INCOME	Monthly Income Less Taxes Due $\$493.25 - \$138.11 = \$355.14$		Monthly Income <b>\$480.82</b>	Tax Deferred <sup>2</sup> Interest Earned <b>\$27,478.24</b>
			Exclusion Ratio <sup>1</sup> 95.2% <b>4.8% Taxable Portion</b>	Accumulation Value <b>\$200,000</b>
			Taxable Portion $\$480.82 \times 4.8\% = \$23.08$	*Interest rate examples are not current and may be lower than the current interest rates. Please review the current interest rates.
			Taxes Due $\$23.08 \times 28\% = \$6.46$	
			After Tax Monthly Income $\$480.80 - \$6.46 = \$474.36$	



*Annuity*

**Give Your Clients an After Tax Raise\*  
\$355.14 vs. \$474.36**

\* When the tax deferred interest earned from the MYGA is withdrawn it will be taxed as ordinary income.

1. The exclusion ratio is the amount or portion of each annuity payment that is not subject to income tax since it is considered to be a return of the original premium.
2. The tax-deferred feature is not necessary for a tax-qualified plan. For purchase as a qualified plan, you should obtain competent tax advice and consider whether other features, such as the Death Benefit, lifetime annuity payments and riders make the contract appropriate and suitable for your needs. Neither North American Company for life and Health Insurance®, nor any agents acting on its behalf, should be viewed as providing legal, tax or investment advice.

The North American Income® annuity is issued on form LS116A or appropriate state variation issued by North American Company for life and Health Insurance, West Des Moines, Iowa. The North American Income® and its features may not be available in all states. The North American Guarantee Choice<sup>SM</sup> is issued on NC/NC1000A, LR427A, LR433AM LR441A, AE515A and AE516A or appropriate state variations by North American Company for life and Health Insurance®, West Des Moines, IA. This product and its features may not be available in all states.

The rates used in the calculation of these values are not intended to predict or project performance. The split annuity concept may not be appropriate for all clients.

# The Benefits of a Tax-Deferred Annuity

## WHAT IS A TAX-DEFERRED ANNUITY?

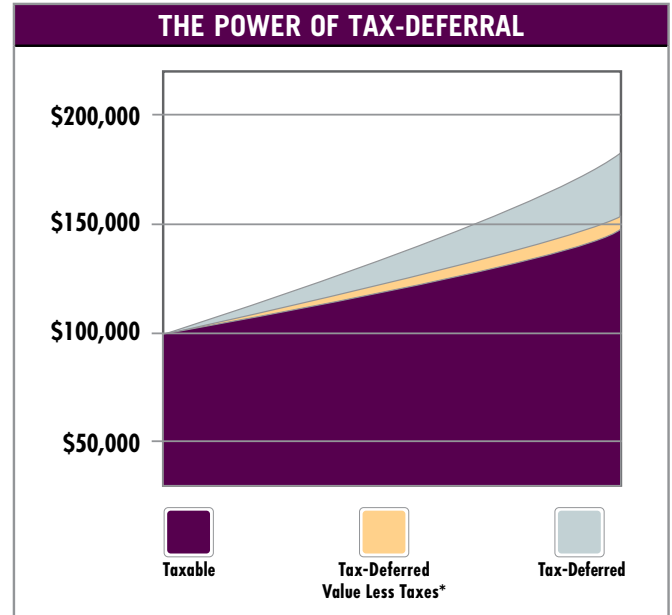
A tax-deferred annuity is a contract between you and an insurance company for a guaranteed interest bearing contract. The Company credits interest, and you don't pay taxes on the earnings until you make a withdrawal or begin receiving an annuity income.

## WHAT IS TAX-DEFERRAL?

Tax-deferral means that you are postponing paying taxes on interest earned until a future date. During that "deferral" time you are earning interest on dollars that would otherwise be paid as taxes. Leaving you the potential to accumulate more money over a shorter period of time, which ultimately can provide you with a greater return.

## TAX-DEFERRAL

Tax-deferred growth allows your money to grow faster because you earn interest on dollars that would otherwise be paid in taxes. Your premium earns interest, the interest compounds within the contract and the money you would have paid in taxes earns interest. This chart details the potential of a tax-deferred annuity.



The chart is a hypothetical example of tax-deferral and assumes an initial premium of \$100,000 earning 4.00% compounded annual rate of return for 15 years. It is not intended to predict or project performance. \*The tax-deferred value less taxes represents the increase in value, due to tax-deferral, less taxes at an assumed rate of 33% with no surrender charge or Market Value Adjustment (also referred to as Interest Adjustment in some contracts/endorsements) applied.

**The following additional benefits make an annuity an attractive way to set aside retirement income—for yourself and your loved ones.**

## ABILITY TO AVOID PROBATE

Passing along the value in your annuity to a named beneficiary can avoid the delays and costs of probate—making for a simplified way to transfer assets during a difficult time.

## LIFETIME INCOME

Annuities can provide you with a guaranteed income stream with the purchase of a tax-deferred annuity. You can convert an annuity into payments based on your needs—whether that be payments for life or over a specified period.

We encourage you to consult with and rely on your legal or tax advisor to fully understand the tax effects annuities can have for you and your estate.

*(continued)*



| *Annuity*

# Protect Your Assets and Those You Love with an Industry Leader

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For nearly 30 years, North American has continued to earn high ratings, based on our financial strength, operating performance, and ability to meet obligations to our policyholders and contract holders. North American currently holds the following ratings:

A.M. BEST <sup>A,B</sup>	STANDARD & POOR'S <sup>B,C</sup>
<p style="text-align: center;"><b>A+</b></p> <p style="text-align: center;"><i>(2nd category of 15)</i> Superior ability to meet ongoing obligations to policyholders</p>	<p style="text-align: center;"><b>A+</b></p> <p style="text-align: center;"><i>(5th category of 22)</i> Very strong financial security characteristics</p>

A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to policyholders. Standard & Poor's Corporation is an independent, third-party rating firm that rates on the basis of financial strength. Ratings shown reflect the opinions of the rating agencies and are not implied warranties of the company's ability to meet its financial obligations. The ratings to the left apply to North American's financial strength and claims-paying ability. **a)** A.M. Best rating affirmed on June 3, 2015. For the latest rating, access [www.ambest.com](http://www.ambest.com). **b)** Awarded to North American as part of Sammons® Financial Group Inc., which consists of Midland National® Life Insurance Company and North American Company for Life and Health Insurance®. **c)** Standard & Poor's rating assigned February 26, 2009 and affirmed on July 2, 2015.

Neither North American Company for Life and Health Insurance® nor any agents acting on its behalf, should be viewed as providing legal, tax or investment advice. Consult with and rely on a qualified advisor. Annuities may be subject to taxation during the income or withdrawal phase. The tax-deferred feature is not necessary for a tax-qualified plan. In such instances, you should consider whether other features, such as the Death Benefit, lifetime annuity payments and optional riders make the Contract appropriate for your needs.



*Annuity*

Not FDIC/NCUA Insured	Not A Deposit Of A Bank	Not Bank Guaranteed
May Lose Value	Not Insured By Any Federal Government Agency	

Individual retirement using life insurance

# Help your clients do more in retirement

Marketing guide





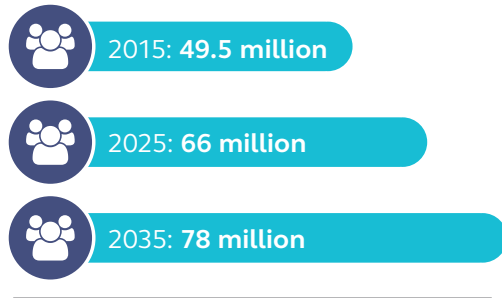
# Meet the needs of a growing market

The retirement income landscape is changing. There are fewer pension plans and much uncertainty about Social Security, tax legislation and market performance.

The ability to maintain a comfortable standard of living is on Americans' minds, as more and more of them head towards retirement.



## Number of retirees<sup>2</sup>



<sup>1</sup> 2017 Insurance Barometer Study, LIMRA

<sup>2</sup> LIMRA Secure Retirement Institute analysis of U.S. Census Bureau's *Current Population Survey*, March 2015 Supplement, *National Population Projection*, 2015, and 2013 *Survey of Consumer Finance*, Federal Reserve Board, 2014.

## What does all of this tell us?

It's a crucial time in the retirement income market – and you play a big role in helping pre-retirees get prepared. In this guide, we'll cover how to:

Introduce your clients to a unique retirement asset. . . . .	page 3
Know who you should talk to. . . . .	4
Start the conversation. . . . .	5
Deliver three retirement income strategies . . . . .	6
Offer a powerful solution, the Power of 3 . . . . .	11



## Ready to get started?

We're here to help. Get the tools and support you need to provide solutions to help your clients build a brighter future.

# Introduce your clients to a unique retirement asset

Do your clients view life insurance as a valuable asset or as just another expense to be paid? Many aren't aware that life insurance can be an important part of a diversified retirement strategy providing valuable death benefit protection<sup>3</sup> for their family, plus unique attributes and tax treatment.

Consider what makes life insurance different from other top retirement assets in key areas:

	401(k)/ Traditional IRA	Roth IRA	Taxable Investment	Life Insurance <sup>4</sup>
Tax-deductible contribution	●			
No tax on asset growth	●	●		●
No tax on money withdrawn		●		●
Withdrawals available prior to age 59 ½ without penalty		● <sup>5</sup>	●	●
No required minimum distribution		●	●	●
No income-based funding limit			●	●
Income tax-free to heirs		●	●	●
Contribution/premium made for participant/insured due to disability				●

This table depicts only federal tax treatment. It is not intended to compare the features, fees, expenses or benefits of specific products.

<sup>3</sup> In exchange for the death benefit, life insurance products charge fees such as mortality and expense risk charges and surrender fees.

<sup>4</sup> Assumes policy is not a Modified Endowment Contract (MEC) and has a waiver of premium/monthly charges rider.

<sup>5</sup> Contributions made can be withdrawn penalty-free. However, earnings withdrawn, may be subject to penalty and tax.



## Help your clients bolster their retirement portfolio.

Adding a life insurance policy can help them save more, diversify taxes and provide a contingency plan to keep savings intact.

# Who you should talk to

It's a big market, but there are certain characteristics to look for. A good prospect is:

- In need of life insurance coverage
- Age 30-55 and has at least 10 years until retirement
- In good health
- Good income earner (at least \$100,000 annual income)
- Limited by or has no access to a qualified plan
- Looking to diversify his/her tax portfolio

**One segment in the market that offers great opportunity is what we call HENRY.**

## Get to know HENRY

HENRY, or High Earner Not Rich Yet, refers to an individual with high earning potential but due to high education, family and housing expenses doesn't have a lot of accumulated wealth. HENRYs are just one segment of the market — but one that offers significant opportunity.

### What makes HENRYs a fit?

HENRYs need to protect their family and to save more. But federal income tax limits restrict how much they can save to qualified retirement plans. As their income goes up, the percentage they're able to contribute goes down. This, along with income-based limits on Roth IRAs, makes putting enough money away in tax-advantaged vehicles difficult for those making a higher income. Life insurance offers a solution. With no income-based funding limits, it provides a great way to save additional dollars.

### Where do you find HENRYs?

Professions like attorney, doctor and engineer.

Effective 401(k) Savings Rate*	
Income	Savings Rate
\$100,000	18.0%
\$250,000	7.2%
\$500,000	3.6%

\* Based on 2017 contribution limit for individual under age 50



### HENRYs know a lot of other HENRYs.

Investing in this segment of the market, demonstrating expertise and developing trust will pay big dividends.

# Start the conversation

## 1 Understand the goals by asking questions

- At what age would you like to retire?
- What are the things you would like to do in retirement?
- How much income would you like to have in retirement?

## 2 Determine the Retirement Wellness Score

Identify assets set aside for retirement. Include Social Security as a source of guaranteed income. Add any personal savings they have in place, such as:

- Employer-sponsored retirement plans
- Personal savings
- Mutual funds, stocks or bonds

Then, use the interactive retirement wellness planner at [principal.com/yourfuture](https://principal.com/yourfuture). A score “in the green” means the savings plan is on track. Yellow or red means your client has some work to do yet.

### Common goals

- Meeting basic expenses
- Living a desired lifestyle
- Leaving inheritances and/or charitable donations



## 3 Discuss the options

How could your client improve their score? They could save more or work longer. Or, they might add a cash-value life insurance policy which can help to:

- Meet the retirement income needs of their spouse should they die before retirement
- Provide a tax-free income stream in retirement<sup>6</sup>
- Diversify their tax portfolio
- Offer a liquid source of funds for expenses due to a chronic illness
- Self-fund in the event of a disability

### Your clients may benefit from other Principal® products for retirement

- Annuities
- Individual disability insurance
- Mutual funds

<sup>6</sup> Distributions from a life insurance policy are generally received income tax-free. If the policy is considered a modified endowment contract, distributions in excess of the policy's principal may be subject to current income taxes.



### Focus on understanding your client's needs.

Then, leverage the tools and resources available to drive your conversations about the solutions available.

# Three retirement income strategies

Proper retirement income planning takes into consideration things that could jeopardize a secure retirement, including taxes, market volatility and access of guaranteed income early. Life insurance can be used in strategies that can help clients meet these challenges.



## Tax diversification

Create more diversified tax treatment of retirement income.



## Down market buffer

Provide a non-correlated income alternative when the market declines



## Social Security bridge

Maximize Social Security payouts by waiting to take benefits at a later age.

# Tax diversification

Tax diversification is a strategy based on holding assets with different tax treatments to make sure that not all retirement income has the same income tax impact.

By diversifying among retirement assets, clients have the flexibility to take income in the most tax-friendly way and potentially lower their tax bill.

## Hypothetical example

Assume you have a client in the following scenario:

- Is in retirement and plans to withdraw \$100,000 from retirement assets for the year
- Has both a 401(k) account and a cash-value life insurance policy
- Is in a 25% tax bracket

In this example, tax diversification provided \$12,500 more than the 401(k) strategy.

Here's what the withdrawal could look like using two different strategies:

### Strategy 1

Using 401(k) account money only

<b>401(k) account</b>	
Withdrawal amount	\$100,000
Tax amount	- \$25,000
Retirement income	<u>\$75,000</u>

### Strategy 2

Using a tax-diversified strategy

<b>401(k) account</b>	<b>+</b>	<b>Life insurance policy</b>
Withdrawal amount	\$50,000	\$50,000
Tax amount	- \$12,500	- \$0
Retirement income	<u>\$37,500</u>	<u>\$50,000</u>

Retirement income – \$87,500



**Show your clients the power of tax diversification.**

Adding life insurance to their portfolio can result in more retirement income for them and their families, and less going to the IRS.



# Down market buffer

A secure retirement depends not only on a plan for accumulating assets, but also a strategy for distributing them so savings can last throughout retirement.

When retirement assets are invested in the market, clients face a risk of their savings being eroded by market declines as they take distributions. While your clients can't control the market, they can control the types of assets they hold. With cash-value life insurance as part of a diversified retirement portfolio, they have an additional option to draw from when the market is down. This can help prevent outliving retirement savings.

## Here's how it works

Assumptions in the following hypothetical example:

- Retirement portfolio of \$1 million
- 65 years old and ready to retire
- Needs \$30,000 supplemental income per year
- Pays 25% income tax
- Hypothetical rates of return shown in the table on the following page

## Scenario 1

### Traditional retirement portfolio

In years where the market declines, taking a withdrawal is like selling low. It effectively locks in the loss and doesn't give the portfolio an opportunity to recover before the next withdrawal.

In this example, \$40,000 is withdrawn to net the \$30,000 needed after taxes.

➤ **Portfolio balance of \$515,752 after 10 years**

## Scenario 2

### Diversified retirement portfolio with life insurance

Distributions are taken like normal when the market is up, but when the market declines, take distributions from the life insurance policy the following year. It provides a buffer against the down market and helps to avoid having to sell low, so the portfolio has time to recover.

In this example, a \$500,000 IUL policy was purchased at age 50, with annual premiums of \$12,500 for 15 years<sup>7</sup>, as shown on the following page. A policy loan of \$30,000 is used three times in years following a down market. Since policy distributions are tax-free, the \$30,000 is equivalent to the \$40,000 taken from the taxable asset.

➤ **Portfolio balance of \$672,420 after 10 years**

Scenario 2 delivers \$156,668 more.

Using life insurance when the market is down retains **\$156,668** of the traditional retirement portfolio.

Plus, the client also has an additional death benefit and accumulated value left on the table.

<sup>7</sup> Assumptions: Principal Indexed Universal Life Accumulation policy, \$500,00 face amount, male, age 50, preferred non-tobacco, \$12,500 annual premium.

# Scenario 1

## Traditional retirement portfolio

Year	Hypothetical rate of return	Amount withdrawn	Year-end portfolio balance
1	-13.04%	\$40,000	\$834,816
2	-23.37%	\$40,000	\$609,067
3	26.38%	\$40,000	\$719,187
4	8.99%	\$40,000	\$740,246
5	3.00%	\$40,000	\$721,253
6	13.62%	\$40,000	\$774,040
7	3.53%	\$40,000	\$759,952
8	-38.49%	\$40,000	\$442,842
9	23.45%	\$40,000	\$497,308
10	12.78%	\$40,000	<b>\$515,752</b>

Adding life insurance to the retirement savings portfolio pays off.

### In this example:

Scenario 1 = \$515,752 (year 10 value)

Scenario 2 = \$672,420 (year 10 value)

The portfolio balance is **increased by more than \$150,000 by using life insurance** as another income source.

# Scenario 2

## Diversified retirement portfolio with life insurance

Policy loans taken the year after market decline.

Retirement account			Principal IUL				
Hypothetical rate of return	Amount withdrawn	Year-end portfolio balance	Policy year	Annual premium	Death benefit	Loan	Accumulated value
-13.04%	\$40,000	\$834,816	1 - 15	\$12,500	\$500,000	\$0	\$7,266 (yr 1)
-23.37%	\$0	\$639,720	16	\$0	\$500,000	\$0	\$239,244
26.38%	\$0	\$808,478	17	\$0	\$469,100	\$30,000	\$222,088
8.99%	\$40,000	\$837,564	18	\$0	\$437,273	\$30,000	\$203,592
3.00%	\$40,000	\$821,491	19	\$0	\$435,391	\$0	\$215,834
13.62%	\$40,000	\$887,930	20	\$0	\$433,453	\$0	\$228,900
3.53%	\$40,000	\$877,862	21	\$0	\$431,457	\$0	\$242,885
-38.49%	\$40,000	\$515,369	22	\$0	\$429,400	\$0	\$257,894
23.45%	\$0	\$636,223	23	\$0	\$427,282	\$0	\$274,045
12.78%	\$40,000	<b>\$672,420</b>	24	\$0	\$394,201	\$30,000	\$259,318
			25	\$0	\$391,027	\$0	\$275,834



### Stretch retirement income with life insurance

Strategic withdrawals from life insurance in the year following a market loss helps minimize the impact of the decline on your clients' retirement savings.





# Social Security bridge

The timing of when your clients start receiving Social Security impacts how much they receive in a monthly maximum benefit. The longer they wait, the greater the monthly benefit, which can make a significant difference over their lifetime.

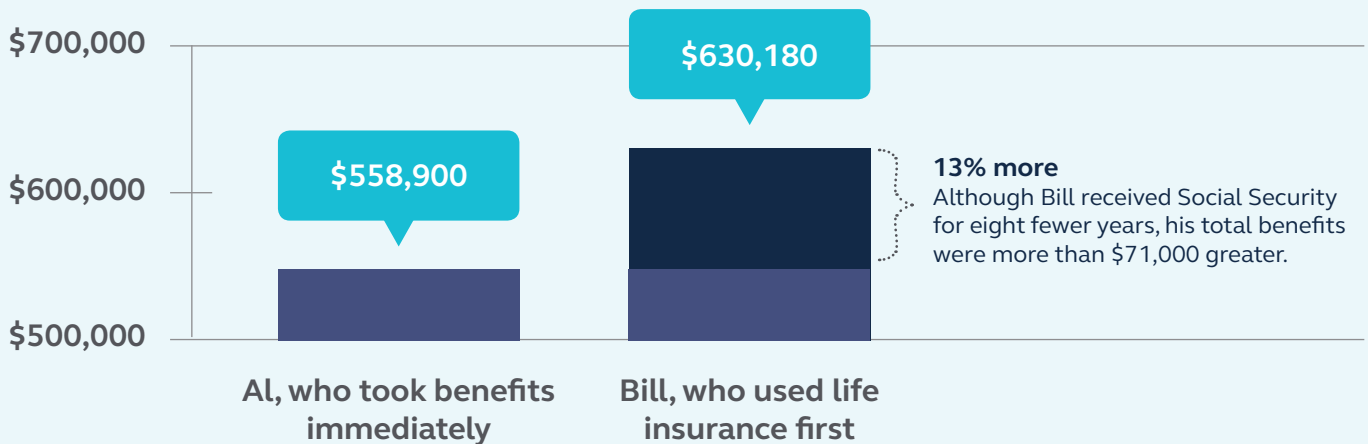
## Consider twins Al and Bill and how life insurance as a social security bridge makes a difference.

- Both retire at age 62 and are eligible for the maximum Social Security benefit.
- Al elects to receive Social Security immediately and gets a benefit of \$2,025 per month.
- Bill defers his Social Security benefit to age 70 at which time he receives \$3,501 monthly. To make up the difference for the Social Security he's not receiving, he takes distributions of \$2,025 a month from his cash-value life insurance policy from age 62 to 70.

Benefit age	Monthly maximum benefit
62	\$2,025
67	\$2,663
70	\$3,501

## Lifetime Social Security benefit

Received prior to death at age 85



### Help maximize Social Security benefits.

Use a life insurance policy to provide income in early retirement and defer Social Security until later, creating more income over a lifetime.

# Offer a powerful solution

Now that you've seen some ways that cash-value life insurance can help your clients up to and through retirement, it's time to put it all together. Give them a turn-key supplemental retirement solution called the Power of 3. This unique concept can help boost your sales when you:

Shorten the underwriting process on the front-end

1

## Principal Accelerated Underwriting<sup>SM</sup>

Get speed and convenience with this innovative program.<sup>8</sup>

- No medical exams or blood work.
- Medical questions handled via our in-house TeleApp interview.
- Underwriting decisions in as little as 48 hours and payment in 10 days or less
- Easy qualification checklist helps you identify candidates.

Provide a choice of accumulation products to meet any risk tolerance

2

## Accumulation-focused life insurance

Talk about the cash value advantage.

- **Competitive product choices<sup>9</sup>:**
  - Variable universal life offering market-based performance
  - Indexed universal life featuring index-linked potential
  - Universal life with fixed rate growth and protection from market volatility
- **Tax-favored benefits:**
  - Tax-free survivor benefit
  - No income taxes on accumulation or distribution
  - No penalty for pre-age 59½ withdrawals
  - No income-based funding limits

Simplify auto income process on the back-end

3

## Automated income

Benefit from “set it and forget it” process.

- **Easy** – Complete a single form to start income.
- **Efficient** – Automated events that get the most from distributions:
  - Death benefit option switches from increasing to level to maximize income amount.
  - Withdrawal method changes from surrenders to loans when cost basis is gone to prevent an unwelcome Form 1099.
  - Amount re-calculates annually to ensure target-ending cash value goal is met.
- **Ends properly** – Over-loan protection automatically triggers to prevent policy lapse and resulting tax liability.

<sup>8</sup> Accelerated Underwriting is an expedited underwriting program offered by Principal Life Insurance Company. Applicants may qualify based on age, face amount and personal history. To monitor quality and ensure solid mortality results, a small, random sample of applicants who qualify for Principal Accelerated Underwriting will go through full, traditional underwriting.

<sup>9</sup> Products: Principal IUL Flex<sup>SM</sup>, Principal IUL Accumulation<sup>SM</sup>, Principal UL Accumulation II<sup>SM</sup>, Principal UL Flex II<sup>SM</sup>, Principal Benefit VUL II (NY), Principal VUL Income III<sup>SM</sup> and Principal VUL-Business.



**Stand out in the retirement income market.**

Offer an easy, simplified approach with unique services and high-value products.



### Still want more?

Get additional resources to help your clients build a brighter retirement at [advisors.principal.com](http://advisors.principal.com)  
Or contact the National Sales Desk at 800.654.4278, or your life RVP.



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Retirement plans, such as 401(k) plans, offer many benefits, but they can pose challenges for high income earners with limitations on how much they can contribute and distributions that are generally taxable when taken. A solution? You know that life insurance first and foremost offers death benefit protection but did you know that supplemental retirement plans can also use cash-value life insurance to offer asset, income and tax diversification with no funding limits. This can make it an ideal complement to existing retirement plans.

### Client profile

- Ages 35-55, Preferred or Super-Preferred
- Annual income of \$100,000+
- Business owners, executives, high-earning professionals

### Talk the “Power of 3” with clients

Our powerful package of top-notch products and time-saving features can help clients quickly and easily acquire a life insurance death benefit, build income potential and access what they have accumulated as supplemental retirement income.

## 1

### Principal Accelerated Underwriting<sup>SM</sup>

Offer clients the speed and convenience of our innovative program.<sup>1</sup>

- No medical exams or blood work required.
- Medical questions asked for you via our in-house TeleApp interview.
- Underwriting decisions in as little as 48 hours and payment in 10 days or less
- Easy qualification checklist helps you identify candidates.

## 2

### Accumulation-focused life insurance

Talk about the cash value advantage.

- **Competitive product choices:**
  - Variable universal life offering market-based performance
  - Indexed universal life featuring index-linked potential
  - Universal life with fixed rate growth and protection from market volatility
- **Tax-favored benefits:**
  - Tax-free survivor benefit
  - No income taxes on accumulation or distribution
  - No penalty for pre-age 59½ withdrawals
  - No income-based funding limits

Note: Over-fund the policy to maximize potential. Rule of thumb = \$1,000 premium x client’s age.

## 3

### Automated income

Benefit from “set it and forget it” process.

- **Easy** – Income received as frequently as monthly with completion of a single form.
- **Efficient** – Automated events to help your clients get the most from policy distributions:
  - Death benefit option switches from increasing to level to maximize income amount.
  - Withdrawal method changes from surrenders to loans when cost basis is gone to prevent an unwelcome Form 1099.
  - Amount re-calculates annually to ensure target-ending cash value goal is met.
- **Ends properly** – Over-loan protection automatically triggers to provide a safety net against policy lapse and resulting tax liability.



**Sales  
idea**

**Principal Term &  
Universal Life Insurance**



# Combine life policies to meet short- and long-term needs

Diversification doesn't just work for your clients' investments. It can be just as important for their insurance coverage. A mix of term and universal life insurance offers flexibility to meet both short- and long-term needs and balance risk. See how it works.

## A case study



John (age 45) needs \$1.5 million of life insurance coverage to financially protect his family at his death. He is also interested in leveraging the benefits of life insurance to accumulate additional supplemental retirement income. John has a budget and would like to keep his annual premiums under \$12,000.

Death benefit needs for the next 30 years include:

- > **Years 1–10:** Income replacement, mortgage coverage, college tuitions and short-term debt
- > **Years 11–20:** Income replacement, mortgage and college tuitions
- > **Years 21–30:** Supplemental retirement income, final expenses and estate planning

Income replacement (1–10 years: \$1 million; 11-20 years: \$400,000)	\$1 million/\$400,000
Mortgage coverage (20 years)	\$300,000
College tuitions and other short-term obligations (10 years)	\$200,000
<b>Total needed today (inflation not considered)</b>	<b>\$1.5 million</b>

## Maximize benefits with a flexible strategy

John purchases a \$200,000 universal life policy for both death protection and cash value accumulation benefits. For the additional death benefit needs, he purchases an \$800,000 10-year term policy and a \$500,000 20-year term policy.

### Diversification strategy 1

#### John's universal life policy

Supplemental retirement income, final expenses, estate planning

- Face amount: \$200,000
- Annual planned premium: \$9,600 for 20 years



#### John's 20-year term

Income replacement, mortgage

- Face amount: \$500,000
- Annual planned premium: \$715



#### John's 10-year term

Income replacement, mortgage, college, short-term debt

- Face amount: \$800,000
- Annual planned premium: \$651



#### John's total planned premium: \$10,966

Assumptions: Male, Age 45, Preferred Non-Tobacco. Rates based on Principal Term and Principal Universal Life Accumulation II<sup>SM</sup>.

The term policies add flexibility in meeting the total death benefit need during the time of John's peak financial responsibilities, while helping to manage the cost of insurance. If the term policies are not needed in the future, they can be allowed to lapse. If death benefit coverage is needed beyond its expiration, the term policies can be converted to a permanent life insurance policy.

## Another way to think about it and still benefit

While the first strategy provides a great deal of flexibility, if John seeks a simpler solution, he may consider an alternative strategy:

John purchases a \$200,000 universal life policy for both death protection and cash value accumulation benefits. For the additional death benefit needs, he purchases a \$1.3 million 20-year term policy.

### Diversification strategy 2

#### John's universal life policy

Supplemental retirement income, final expenses, estate planning

- Face amount: \$200,000
- Annual planned premium: \$9,600 for 20 years



#### John's 20-year term

Income

- Face amount: \$1,300,000
- Annual planned premium: \$1,706.50



#### John's total planned premium: \$11,306.50

Assumptions: Male, Age 45, Preferred Non-Tobacco. Rates based on Principal Term and Principal Universal Life Accumulation II<sup>SM</sup>.

## Combining provides flexible coverage

To help meet his retirement goals, John could over-fund the universal life policy using an increasing death benefit and switching to a level death benefit at the end of the premium paying period. He would be able to maximize the potential of his policy by providing the death benefit to meet his needs and also create a supplemental income flow of \$21,540 for 15 years. By having more than one life insurance policy, John is able to leverage the policies to meet his changing needs.

# Help clients put a little life in their retirement



With more and more people headed toward retirement, the importance of retirement readiness has never been greater. Indexed universal life (IUL) insurance can play a key role for your clients with its valuable life insurance protection for their family or business, and benefits that make it a strong complement to other assets in a retirement portfolio.

## Share the index advantage

Tell clients how Principal IUL Accumulation can help them be more ready for retirement as they:

### Save more to build a bigger nest egg

- IUL insurance offers index-linked growth potential without direct participation in the market.
- Cash value builds faster because there is no tax on growth.
- IUL insurance has no income-based funding limit.

### Enhance retirement cash flow with tax diversification

- Policy withdrawals and loans are received income tax-free and help offset taxable distributions from other assets.<sup>1</sup>
- The client is in control of when to take distributions—not the IRS. Income can be taken before age 59½ without penalty and after age 70½ without restriction.
- With a mix of taxable and non-taxable assets, clients have the opportunity to take income in the most tax-efficient way for their current situation.

### Keep a retirement plan healthy

- Gain access to a portion of the policy's death benefit to cover increased expenses from a chronic or terminal illness while keeping other retirement assets intact.
- Or, if the client becomes too sick or hurt to work, the Waiver of Monthly Policy Charge Rider helps to cover policy costs and protect the cash value buildup.
- Our “set it and forget it” automated income platform makes receiving distributions easier.

See IUL Accumulation in action! .....>



## The tax efficiency of IUL insurance

### IUL Accumulation example

- John purchases a policy for current death benefit protection and future supplemental income.
- He's contributing the maximum to his employer's 401(k) plan and is able to save an additional \$10,000 per year to supplement it.
- By overfunding the policy (75%+ of MEC premium), he maximizes growth potential.
- Good health allows him to take advantage of time-saving Principal Accelerated Underwriting<sup>SM</sup>.
- Target premium is \$3,946.

### Summary of benefits

Age	Total premium	Death benefit	Total tax-free income
45	\$10,000	\$208,322	NA
66	\$200,000	\$573,944	\$31,444
85	\$200,000	\$26,819	\$628,889

Assumptions: Male, age 45, \$10,000 annual premium for 20 years, minimum non-MEC face amount, 6.9% illustrated rate, DBO 2 to DBO 1 at age 65, 20-year annual income using withdrawals of cost basis and then switching to standard loans.

This is a hypothetical scenario used for illustrative purposes only. Actual results may be more or less favorable.

### Tax efficiency

To receive an equivalent net amount from a taxable asset, John would need to withdraw an additional \$338,633 to account for taxes.<sup>2</sup>

Check out IUL Accumulation for your next case, and see how it can help clients put a little life in their retirement.



Call the National Sales Desk today at 800-654-4278, or your Life RVP. Visit us at [advisors.principal.com](http://advisors.principal.com).

<sup>1</sup> When structured properly distributions taken from a life insurance policy are not taxable. Surrender charges and other policy charges may apply to distributions taken from the policy. Policy loans and withdrawals may decrease the amount of death benefit and cash accumulation value. If the policy is a Modified Endowment Contract (MEC), policy distributions in excess of the policy's principal may be subject to current income taxes.

<sup>2</sup> Assumes a 35% tax rate, and no additional fees or charges that could make results more or less favorable.

All guarantees are subject to the claims-paying ability of the issuing insurance company. Some policy provisions and riders are subject to state variation and additional charges.

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# Offer easy access to cash value



Your clients purchase life insurance with an accumulation focus for the valuable protection it provides and the supplemental income potential it offers. Like you, clients are busy, so when the time comes and they're ready to access the cash value they've built, they don't want to get caught up in details and paperwork. Our automated income platform<sup>1</sup> is built with a series of actions that once started take care of details so you and your clients don't have to.

Here's what we mean:

Automated event	What happens	What happens without automated event
1 Income begins.	Client completes one form to receive payments as frequently as monthly.	A new request is needed each time up to 12 times per year.
2 Death benefit switches from increasing to level.	An increasing death benefit helps build values during accumulation, then switching to a level death benefit when income starts helps maximize payments.	Client notifies the carrier when to change the option. Failure to time it correctly reduces the amount of income received.
3 Distributions switch from surrenders to loans. <sup>2</sup>	After cost basis has been removed using withdrawals, policy loans begin.	Client identifies when to switch. Failure to time it correctly results in withdrawal of taxable gain.
4 Income amount is re-calculated annually.	Ensures the current situation aligns with the original goal, i.e., income will last for the number of years desired.	If the policy underperforms projections, the client could be left short of meeting the goal.
5 Over-loan protection is activated. <sup>3,4</sup>	Policy is automatically converted to a paid-up status when qualifying conditions are met, thus preventing policy lapse.	Policy lapses due to over-loan and the client receives a Form 1099 for the taxable gain.

Automated distributions help clients turn accumulated values into a tax-free<sup>5</sup> income stream!

## Automation may be worth more than you think

Policy illustrations assume that the five actions outlined on the previous page take place as illustrated. You might assume that given the importance of these actions the insurer automatically takes care of them. The reality is few carriers automate these actions, leaving it to you and your client to ensure things happen how and when they should. In the following hypothetical story of Max, see what happens when reality differs from assumptions.

### Surprise tax leads to a mad Max

- Max needed life insurance protection for his family and also wanted an option to supplement his retirement income.
- His advisor prepared illustrations of a couple of policies. Max felt the one showing the greatest income would be the best choice, and at age 45, he purchased a policy from Fictional Life Insurance Company (Fictional Life).
- His illustration showed:
  - \$1,000 per month premium payment for 20 years
  - Monthly income (\$36,624 annually) starting at age 66 and going for 15 years, with partial surrenders happening first and then switching to policy loans

### All went well until age 72...

How distributions looked in Max’s scenario:

Age	Partial surrender (\$)	Annual loan (\$)	Taxable income (\$)
66	36,624	0	0
...	...	...	...
<b>72</b>	<b>36,624</b>	<b>0</b>	<b>16,368</b>
<b>73</b>	<b>12,208</b>	<b>24,416</b>	<b>12,208</b>
74	0	36,624	0
...	...	...	...
80	0	36,624	0

Cost basis was gone by July. Unfortunately for Max, Fictional Life doesn’t have an automated switch from surrenders to loans, so withdrawals continued to be made for the remainder of the year.

**Result:** \$16,368 of taxable gain withdrawn.

Max got a surprise when he received a Form 1099 for the previous year’s gain. By the time he got advice from his tax advisor and switched surrenders to loans, it was April.

**Result:** additional \$12,208 of taxable gain withdrawn.

### Fast forward a few years...

- Max is now age 81, and having received his final payment it’s time for the over-loan protection rider.
- Fictional Life doesn’t automatically start the rider. They mail a letter to notify Max it can be activated—for a fee.
- Although Max is still sharp-minded, he doesn’t recognize the impact of failing to initiate the rider—he ignores the letter and the policy lapses at age 90 with a loan of nearly \$473,000.

How Max’s policy ended:

Age	Death benefit (\$)	Taxable income (\$)
81	35,519	0
...	...	...
<b>90</b>	<b>0</b>	<b>472,844</b>

Max faces a “double-whammy” as the policy lapses with an outstanding loan leaving him with **no coverage** and a **\$165,495<sup>6</sup> tax bill**

## Choose a smart option for a better outcome

Max and his advisor assumed Fictional Life would handle the income administration, but its lack of automation resulted in tax liabilities for Max that took a big bite out of what he received. See the true worth of an automated income platform when you compare Max's final outcome with how it could have been with income automation such as Principal® features.

	Max's final outcome (\$)	Alternative with income automation (\$)
15-year income received	549,600	549,600
Less taxes paid		
For gain withdrawn at age 72/73	7,144 <sup>7</sup>	
For gain at policy lapse	+ 165,495 <sup>6</sup> = 172,639	0
<b>Net proceeds</b>	<b>376,961</b>	<b>549,600</b>

## Take service to another level with income reality check

How can Max's fate be avoided? When comparing products, look beyond illustrated values and use the income reality check to understand how assumed actions in a policy illustration are actually administered. Run the products you're considering through the check—it can help protect the client and you from unwelcome surprises.

Principal	Competitor	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Automatically continues income payments without additional requests?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Automatically changes death benefit from increasing to level when income starts?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Automatically switches from withdrawals to policy loans when cost basis is gone?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Automatically re-calculates income annually when maximum amount is requested?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Automatically initiates over-loan protection rider when triggering events occur?

**With Principal accumulation products,** you get a comprehensive platform that helps turn illustration assumptions into reality—automatically managing actions to help maximize income, prevent a surprise tax bill and offer convenience for you.



Let's connect.

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[principal.com](https://principal.com)

Guarantees are based on the claims-paying ability of the issuing insurance company

- <sup>1</sup> Automated distributions available on all cash-value products from Principal, except Principal Universal Life Provider Edge<sup>SM</sup>.
- <sup>2</sup> Policy loans and surrenders may reduce the face amount of the policy, and surrender charges may apply.
- <sup>3</sup> Rider availability varies by state.
- <sup>4</sup> This is a free rider until activated. There is a charge for this rider when it is used.
- <sup>5</sup> Distributions are generally tax-free if cost basis is withdrawn first, then loans are taken and the policy is in force until death.
- <sup>6</sup> Assumes 25% income tax rate.
- <sup>7</sup> Assumes 35% income tax rate.

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# PINNEY

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Providing All the Tools for Your Success<sup>sm</sup>

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