

Lifetime Income Benefit Rider™ (LIBR)

QUICK REFERENCE GUIDE

Growing old in America isn't what it used to be, and in many ways, that's a good thing. People are not only living longer, they have better educations – resulting in better health, higher income and a higher standard of living in retirement. But there is a flip side to the coin. As Americans continue to live longer a new challenge presents itself: **“How do I make sure my retirement income lasts?”**

The life insurance companies of National Life Group provide life insurance products that help provide your clients and their families security if they Die Too Soon. But what if they Live Too Long? The Lifetime Income Benefit Rider, once exercised, guarantees your clients income for life – that's money they cannot outlive.

Consumer Profile

- LIBR may be ideal for your clients who want death benefit protection in case they die prematurely, but also want the option to use their policy to supplement their retirement income when survivor protection is no longer a concern.
- Plus, your clients still retain a portion of the death benefit protection with LIBR – even if they exercise their lifetime income benefit, they will always maintain at least a \$15,000 death benefit.

Specifications

Product Availability

Available on all FlexLife and PeakLife policies. LIBR is automatically added to all new eligible policies and is available for eligible inforce policies upon policy holder's request.

Issue Ages

Issue ages 0-75 for FlexLife and PeakLife IUL products. Insured cannot be rated more than 250%.

Exercise Age Limits

Cannot be exercised before age 60 or after age 85.

Benefit Amount

A defined income base is used in determining the benefit payments available. Benefit payments may be monthly, quarterly, semi-annually or annually.

Waiting Period

10 years. Any face amount increases during this period will trigger the start of a new waiting period.

Death Benefit Option

Available for both Death Benefit Option A and B. If Option B is elected, it will automatically be switched to Option A when LIBR is exercised, as long as the policy still qualifies as life insurance under the Internal Revenue Code. Otherwise, the policy will remain under option B and the benefit payments will be based on a lower base payout percentage.

Definition of Life Insurance

Only available with GPT, not available for CVAT policies

LIBR is available for both MEC and Non-MEC policies.

How does LIBR work?

LIBR is automatically added to eligible policies at issue. LIBR gives the insured an option to exercise the rider once certain conditions have been met, and receive a lifetime stream of income – guaranteed. There is no additional charge to add the rider to the policy, but there is a monthly charge from the accumulated value during the income payment period. The guaranteed lifetime income is deducted from the policy's account value through policy loans, consequently reducing the policy's cash value and death benefit. The policy owner retains full rights, and control over, the accumulated value until a minimum threshold criterion is obtained. Once the minimum threshold of the cash surrender value is met,

the amount of each subsequent benefit payment will be credited into the policy as a bonus to the basic strategy, and the benefit payments will continue to be funded as fixed net cost loans for the life of the insured. Because the benefit payments are funded as fixed net cost loans, they will not be taxable if the policy is not a Modified Endowment Contract. The death benefit will never be reduced to less than \$15,000 and the cash surrender value not less than \$1,000.

Are Benefit Amounts Guaranteed?

The benefit is not guaranteed until LIBR is exercised. Once exercised, the income base is set equal to the cash surrender value and is used to calculate benefit payments.

Are Benefits Taxable?

For Non-MEC policies, benefit payments are taken as policy loans and policy loans are not taxable. For MEC policies, benefit payments are subject to income tax. Policy owners may want to consult with their tax advisors.¹

What are the eligibility requirements to exercise LIBR?

In addition to meeting issue ages, exercise age limits and the waiting period, conditions include, but are not limited to, the following:

- Any outstanding policy loans must be repaid in full;
- The policy's death benefit ratio is less than or equal to the maximum death benefit ratio, where the death benefit ratio is equal to the death benefit divided by the cash surrender value at the time of exercise;
- Benefit payments are greater than or equal to \$100.

Are premium payments still required once LIBR is activated?

No, once the rider is exercised additional premiums cannot be paid, unless the policy holder has decided to temporarily suspend income payments.

Can Income Payments be Stopped and Restarted?

Yes, income payments can be suspended temporarily and can be resumed at any time up to and including the insured's attained age 85. However, income payments may only be suspended or resumed once per policy year.

While income payments are suspended, no LIBR rider charge will be deducted from the policy. Policy holders can make premium payments, loan repayments, request face amount increases or decreases or take partial withdrawals and policy loans - but only while income payments are suspended. Death benefit option changes cannot be requested.

Once income payments are restarted, the new benefit payments will be guaranteed to be at least as much as the prior benefit payments, as long as the policy holder has not requested face amount increases, partial withdrawals or policy loans. If income payments are not restarted before the insured reaches age 85, the rider will terminate.

How are benefits paid and can they change?

This rider includes a ratchet feature which resets the income base at the end of every fifth LIBR anniversary during the income period. At that time if the cash surrender value is higher than it was on the previous recalculation date, the income base will be increased to equal the higher cash surrender value. The benefit payments will then be recalculated using the adjusted income base. If the cash surrender value is lower than it was on the previous recalculation date, the income base will not be reduced.

Policyholders may choose, at the end of the accumulation period, between a level payout option or an increasing payout option. The payout option selected may not be changed after the rider has been exercised.

Level Payout Option: provides benefit payments that remain level, subject to the ratchet feature increases. Payments start at a higher amount than the Increasing Payout Option but are not subject to an annual increase.

Increasing Payout Option: benefit payments increase on every rider anniversary, by an adjustment amount equal to the benefit payment for the prior year multiplied by the Annual Increase Percentage currently at 3.0%. This increase will continue until the minimum threshold value is reached and the cash surrender value is exhausted, after which the annual Guaranteed Income Payment will remain level at the value of the payment at the last anniversary. The Increasing Payout Option is also subject to the ratchet feature increases.

For more information on the Lifetime Income Benefit Rider, call the National Life Group Sales Desk at 1.800.906.3310 or visit NationalLife.com

Policies and riders are issued and underwritten by National Life Insurance Company and Life Insurance Company of the Southwest. National Life Group® is a trade name of National Life Insurance Company, Montpelier, VT, Life Insurance Company of the Southwest (LSW), Addison, TX and their affiliates. Each company is solely responsible for its own financial condition and contractual obligations. LSW is not an authorized insurer in NY and does not conduct insurance business in NY.

Guarantees are dependent upon the claims-paying ability of the issuing company. Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. The companies of National Life Group® and their representatives do not offer tax or legal advice. Please encourage your clients to seek tax or legal advice from their appropriate professional advisor.

1. In New York, during the years that a non-MEC policy has cash value, the Lifetime Income Benefit will be received income-tax free. Once the policy cash surrender value has been exhausted, lifetime income will continue; however, the income benefit will be subject to ordinary income taxes.