PALLADIUM® SINGLE PREMIUM IMMEDIATE ANNUITY (SPIA)

Income Stream Case Studies

AMERICAN NATIONAL®

Plan For Life's Adventures

What is a Single Premium Immediate Annuity (SPIA)?

A contract between you and an insurance company that allows you to convert a lump sum into a steady stream of guaranteed annuity payments, providing a guaranteed income for as long as you need it.

SINGLE PREMIUM

Fully funded with a single premium payment upfront.

IMMEDIATE

Payments to the contract owner begin on or up to a year from the issue date. This is different than a deferred annuity that would begin making payments after waiting for a period of time.

ANNUITY

A contract that provides the account owner a payment of money monthly, quarterly, or annually for the rest of their life (or for a set term of years).

Retirement Planning with Immediate Annuities

Immediate annuities provide one of the best ways to generate an income stream for retirement because it is predictable and, depending on the income option, cannot be outlived.

Inflation Concerns

If inflation concerns you, a Cost of Living Adjustment (COLA) can be added at purchase or another smaller annuity can be purchased later to keep pace with inflation. American National's SPIA allows you to add a Cost of Living Adjustment (COLA) to certain income options to allow your SPIA income payments to increase by 3%, compounded annually, alongside increasing costs of living as you age.

Cover Fixed Expenses

Using an immediate annuity to cover expenses that recur each month, not covered by social security, pension, or other source of income provides a sense of well-being. It eliminates the need to continuously review assets to determine where to draw income for that month. Covering all fixed expenses helps protect against the need to sell securities during down markets and risking your nest egg. Instead, you have the option to wait until the market recovers.

Will you have unmet fixed expenses?

Monthly Expense/Income	**Housing**	$
	Food	$
	Transportation	$
	Healthcare	$
	Personal Insurance	$
	Family Care	$
	Entertainment	$
Minus	**Social Security Income**	$
	Pension/Other Income	$
Equals	**Unmet Fixed Expenses**	$

Payout Options™ from American National

American National's Palladium® SPIA provides a guaranteed income based on a number of choices you make: how often you want to receive income payments, whether you want to receive them for a specific period of time or for life, whether you want to share the income payments with a spouse, or perhaps provide income payments to a joint annuitant after you die. There are many income options—the choice is yours.

	Payment duration:	When the FIRST annuitant dies:	When the SECOND annuitant dies:	COLA available
Period Certain	Set number of years, (5–30)	Payments continue to beneficiaries until the end of the period selected	N/A	Yes
Life Only	Life of the annuitant	Payments stop	N/A	Yes
Life with Period Certain	Life of annuitant with a guarantee for a set number of years (5–20)	Payments continue to beneficiaries until the end of the period selected. If that period ended before death, payments stop at death	N/A	Yes
Joint to Survivor	Income payments are made for the life of the two annuitants	Payments continue to survivor at 50%, 60%, 66.67%, 75%, or 100% (Percentage chosen at issue)	Payments stop	Yes
Joint to Survivor with Period Certain	For the life of the two annuitants with a guarantee for a set number of years (5–20)	Payments continue to survivor at 50%, 60%, 66.67%, 75%, or 100% (Percentage chosen at issue)	Payments stop if the set period of years have passed. If the set period of years have not passed, payments will continue to beneficiaries until the period is complete.	Yes
Joint to Spouse	For the life of two spouses	100% of the payment is paid while the primary annuitant is alive. If the primary annuitant dies first, the payment is reduced to 50%, 60%, 66.67%, or 75% or remains as 100% (percentage chosen at issue). If the spouse who is the secondary annuitant dies first, payments remain at 100%.	Payments stop	Yes
Joint to Spouse with Period Certain	For the life of two spouses with a guarantee for a set number of years (5–20)	Similar to the Joint to Spouse option. The difference being that the payments continue at 100% for the certain period chosen. After this period has ended, payments are adjusted as needed if one of the annuitants have died.	Payments stop if the set period of years have passed. If the set period of years have not passed, payments will continue to beneficiaries until the period is complete.	Yes
Installment Refund	Life of the annuitant	Payments continue to beneficiaries until the amount of the income payments equals the initial premium paid.	N/A	No
Cash Refund	Life of the annuitant	Payments continue to beneficiaries until the amount of the income payments equals the initial premium paid.	N/A	No

For any of the payments mentioned above that continue to a beneficiary after death, your beneficiary may elect, in lieu of continuing to receive income payments, a lump sum death benefit. The lump sum death benefit would be equal to the commuted value of the remaining income payments.

Hypothetical Example

What Could a $250,000 SPIA Pay?

The amount you can expect to receive each month will depend on prevailing interest rates and the options you choose.

Single Life

Male, age 67

Life Only: payment guaranteed until death

$1,297.79 monthly

Life with 10 Year Period Certain: payment until death, with 10-year minimum guarantee

$1,274.69 monthly

Cash Refund: payment guaranteed for life with any remaining initial premium paid to beneficiary at death

$1,119.84 monthly

Joint Life

Male, age 67 | Female,age 67

Joint to Spouse: 100% payment guaranteed until both deaths

$1,100.79 monthly

Joint to Spouse with 10 Year Period Certain: 100% payment until both deaths, with 10-year minimum guarantee

$1,099.95 monthly

The Case Study for Buying Cash Flow

Palladium® Single Premium Immediate Annuities provide something every family needs – cash flow. The declining availability of pension plans in this country has left more and more individuals nearing retirement wondering where the cash flow will come from to fund their everyday living expenses. Other individuals worry about their ability to manage their money and yet others are worry they will run out of money too soon.

As you will see from the Single Premium Immediate Annuity case studies that follow, there are many ways to convert some of your assets to monthly income that you cannot outlive.

THE CHALLENGE

Convert retirement assets to cash flow that will last for the lives of married couples

THE SOLUTION

Joint and Survivor Immediate Annuity

Creating Monthly Cash Flow

Lisa and Steve spent their careers accumulating assets for retirement. They had CDs, mutual funds, sizable 401(k)s, life insurance cash value, and annuities, mostly in qualified assets. As they approached retirement they became concerned about how to turn those assets into monthly cash flow. Other than their social security payments, they had no idea how to take money from their various assets to fund recurring monthly expenses. They were fearful to retire and lose the security of paychecks that provided income on a regular basis.

Though they had a comfortable amount saved, they also were concerned about using too much of their savings too quickly and running out of money.

They met with their financial advisor and shared their concerns. He took out two sheets of paper and on the first sheet he listed and categorized all of their investment assets (qualified or non-qualified; liquid or non-liquid) and on the second he helped them list all their recurring monthly expenses. From the recurring expenses he subtracted any recurring income sources, such as social security. What was left were the recurring expenses not covered by cash flow.

Their two largest assets were their 401(k) plans. Since a majority of their assets were in the 401(k) plans and their other non-qualified assets were a minority of their savings, he recommended they take a portion of the smaller 401(k) plan and fund a Joint and Survivor Immediate Annuity. This would allow them to cover their unmet cash flow needs while maintaining the liquidity of their non-qualified accessible assets.

Lisa and Steve liked the monthly income an immediate annuity would provide but wanted to make sure they would be prepared in case their expenses increased in the future. Their advisor explained that they could purchase an immediate annuity now and plan to purchase an additional annuity in later years if they needed it. Alternatively, they could choose to purchase an immediate annuity with an inflation factor built in to increase the monthly income each year to cover the increases in costs.

The immediate annuity would provide income that would continue for both of their lives. If markets were good they could access their other assets to take a vacation, purchase a new car, or other financial outlay and be able to pull back and not touch these assets when in a down market when their asset values were declining.

THE CHALLENGE

Unprepared to manage assets after death of a spouse and leaving a legacy

THE SOLUTION

Lifetime Immediate Annuity with a Cash Refund Option

Suddenly on Your Own Without a Guide

Christine was 69 years old when her husband Darrell died. The kids were out on their own with their own families. Darrell had always managed their money himself and Christine had never worried about finances or investments. When their insurance agent, Gavin, delivered the death benefit check from Darrell's life insurance she related that she had never been involved in managing their money and didn't know what to do with the money. There were savings in the bank but once that was gone Christine worried how she would manage and what assets she would need to liquidate to provide money to pay her bills. She knew her social security survivor benefits would not be enough to pay all the bills.

Gavin introduced a product that would provide her monthly income for the rest of her life. This was a Palladium® Single Premium Immediate Annuity. He told her that once she purchased this product, income would begin the next month and pay her monthly throughout her life. She could not outlive this income even if she outlived her life expectancy or the account value went to zero.

Gavin and Christine went through the family accounts to determine what she had spent on recurring expenses for the last year. They totaled everything up and subtracted off the social security income to find the amount needed in order to meet her recurring expenses.

Gavin's first illustration for a lifetime immediate annuity would be enough to cover Christine's unmet cash flow needs but she was concerned that if something happened to her in the first few years, her children would not receive any benefits from the money. Gavin then ran an illustration for a lifetime immediate annuity with a cash refund option.

Since the immediate annuity would provide enough income to cover Christine's cash flow, Gavin pointed out that Darrell's untouched investments could continue to grow and provide funds to use for vacations, new cars, gifts to children and grandchildren, and, eventually, pass on to her children.

THE CHALLENGE

Reduce risk of liquidating assets during a downturned market

THE SOLUTION

Joint and Survivor Immediate Annuity

Calming Market Fears

Now that Lulu and Kent were retired and no longer receiving paychecks, they frequently reviewed their finances to try and avoid investment mistakes. They had not saved as much as they had liked prior to retirement so, during the last 10 years leading up to retirement, they had invested a majority of their assets in the stock market because it had the best returns.

Although they still did not think they had enough for their retirement, they were becoming increasingly worried that a significant market downturn, like the one that occurred in 2008, could cause them to run out of money. When the investments started causing Lulu to lose sleep at night, they knew it was time to reduce their stock exposure to prepare them to better handle a downturn in the market.

Lulu and Kent knew exactly how much they needed each month to pay their recurring expenses and had used gains in their stocks to make up the difference between what was needed and what they had from social security. They decided to meet with their insurance agent, Alma, to review their current life insurance needs in retirement and to ask her what she thought they could do to reduce their market risk in retirement.

Alma, a registered representative, confirmed that they had too large a percentage of their assets in the stock market for the retirement stage of their lives. She stated that reducing their stock market holdings and increasing their monthly retirement income with the purchase of an immediate annuity would lessen their risk. They would then be able to have the option of liquidating stock investments only in up markets and not in down markets.

By keeping enough liquidity to meet emergencies and increasing monthly income to cover fixed expenses, Lulu and Kent were able to reduce their market risk. They would not have to rely as much on taking gains from stocks to fund their lifestyle. With the immediate annuity, Lulu and Kent instantly had the monthly income they previously were piecing together each month from their stock portfolio.

The Single Premium Joint and Survivor Immediate Annuity they purchased reduced their risk of ever running out of money since the annuity would go on until the second spouse passed.

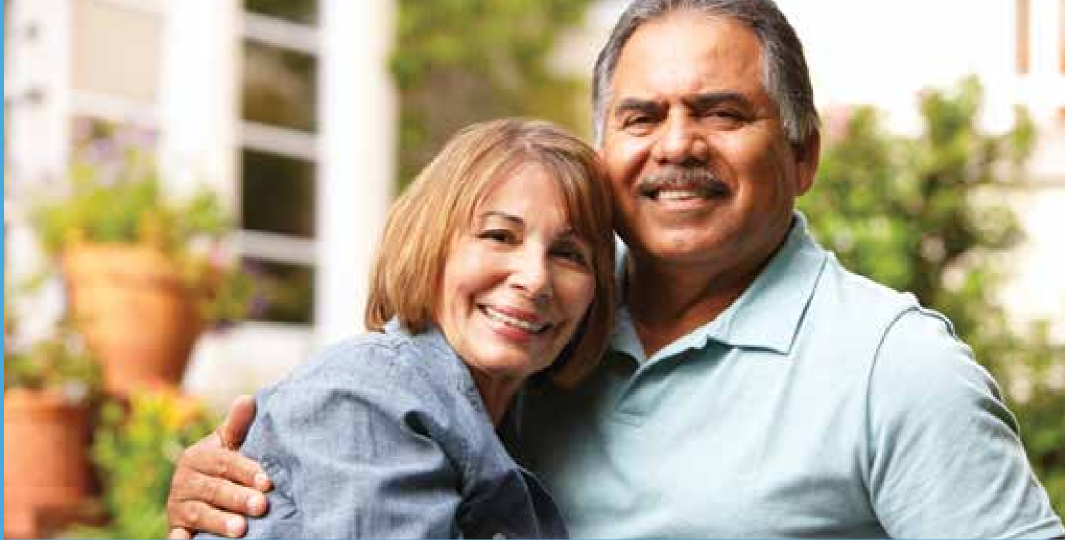
Lulu was comforted knowing that each month they would receive an income, and Lulu and Kent felt a heavy weight lifted off their shoulders as they repositioned sufficient assets to meet their lifestyle needs.

THE CHALLENGE

Create cash flow from the sale of a family business

THE SOLUTION

Joint and Survivor Immediate Annuity



Create a Do-It-Yourself Pension Plan

Ernie and his wife Isabella had saved their money and purchased a dump truck so Ernie could go into business for himself hauling materials. As the years went by, Ernie and Isabella bought a second and then a third truck. Isabella booked the jobs and kept the books and Ernie hired drivers for the other two trucks. They kept investing in the business until they had five trucks and six employees.

Eventually Ernie had a heart attack and could no longer work. He and Isabella sold their business to a competitor. At that time Ernie was 67 and Isabella was 62. They were concerned about how they would live even though they received several hundred thousand for their business.

They had never taken big salaries so they did not have much from social security. Once they received the check for the business, they visited their insurance advisor to discuss what he thought they should do. The advisor talked to them about what assets they had accumulated. Ernie and Isabella had never been in a pension plan or a 401(k) plan so they had very little assets outside of a nice home they had built and paid for and their business.

Their advisor talked to them about creating a "Do-it-Yourself Pension Plan" to provide them the retirement assets they would need. Since they had poured all of their money into the business rather than establishing a retirement plan, their advisor said they could take some of the money from the sale of their business and create a joint and survivor immediate annuity to fund their retirement.

They discussed their retirement needs and reviewed how much of the sales price should be placed in safe liquid assets in the event of an emergency vs. how much should be placed in the SPIA.

They decided to place 50% of the funds in the immediate annuity and 50% they decided to keep fairly liquid. The immediate annuity income along with their social security provided them sufficient funds to meet their lifestyle needs while still retaining half the money from the sale of the business to meet liquidity needs and provide them assets to leave to their children.

THE CHALLENGE

Provide for a financially irresponsible adult child

THE SOLUTION

Inheritance paid into an Immediate Annuity with COLA

Providing for Adult Children

Many times when planning our estates, we worry about how our children or more specifically one of our children will deal with an inheritance. When we have children that continually demonstrate that they cannot meet their obligations or save any money, handing them an inheritance can be a troubling thought. All of the hard work the parents spent saving their money can go for naught if the child goes out and spends all of the money within a few months of receiving an inheritance.

A spendthrift is defined as someone who spends money in an extravagant, irresponsible way. One way to deal with a spendthrift child is to limit what they can access while providing them monthly income they cannot outlive. One way to do that is to direct under your last will and testament that the spendthrift child's inheritance or a majority of it must be invested in a lifetime SPIA with a Cost of Living Adjustment (COLA). In that way, each year the annuity payout will increase based upon a pre-set inflation factor. American National's Immediate Annuity offers the option of a 3% compounding cost of living adjustment. That means the income payment will automatically increase 3% each year compounded annually. The amount of the initial payment would be less with a cost of living adjustment than it would be with a set fixed payment but it would grow with inflation and help the individual keep pace with increasing costs over the years. Cost of living adjustments or COLA is not available on the Life with cash refund or Life with Installment Refund income options.

Additionally, the SPIA contract could have an endorsement added so that the ability to surrender the contract is eliminated so the child could not convert the annuity to a lump sum distribution. By using an immediate annuity with an endorsement, it allows the child to receive payments for their lifetime which they cannot outlive. Each month they will receive the payment that can cover their rent, food, car etc. so that the child has a "retirement plan" the parents can leave them knowing they will receive monthly income long after the parents are gone.

Divorce with a Term of

THE CHALLENGE

Cover child support payments for a set number of years.

THE SOLUTION

Immediate Annuity with a Period Certain Payout

Years Obligation

Joe and Meg had been married fifteen years and had one child Ann, age eight, when they got divorced. Joe was an attorney and Meg stayed home to take care of their daughter. By the time they went to court Meg had landed a job in her field. The couple agreed to an amount to be paid for child support until Ann was out of school. Meg's attorney asked the judge to impose a requirement that Joe carry life insurance on himself to insure that the child support was paid if anything happened to him.

After a discussion with Joe, his attorney proposed that Joe would purchase a ten year term immediate annuity that would pay Meg for Ann's child's support until Ann reached age 18 and graduated from high school. The annuity would not be refundable and would be for a ten year term to satisfy the obligation for Ann. Meg, through her attorney, agreed to the settlement and Joe fully funded his future obligation.

Using a term of years immediate annuity can be done with many different financial obligations whether it is alimony, child support, paying off a loan, paying for life insurance or paying an employee retirement income.

In each case, there is a financial obligation that needs to be met on a regular basis for a term of years or for a lifetime. A Palladium® Single Premium Immediate Annuity is a way to provide for this recurring obligation thereby avoiding the need to search for dollars each month. The payment can be direct deposited into an account that can be drafted each moth to satisfy the obligation.

See the next story for another example of a term of years need.

THE CHALLENGE

Bridging the income gap between retirement and social security payments.

THE SOLUTION

Immediate Annuity with Period Certain Payout

Early Retirement Gap Funding

With full retirement benefits from social security gradually increasing to age 67, someone age 62 who retires will be tempted to access social security early at age 62. That would be a mistake as they would sacrifice significant future retirement income.

What would be a more sound retirement strategy would be to take out a five year Palladium® Single Premium Immediate Annuity to fund the retirement gap between 62 and 67. If they retired at age 57–60 they could take a ten year immediate annuity to cover their shortfall. That way they preserve benefits and could delay taking benefits until age 70 when they could maximize the social security benefit they could have for the remainder of their retirement.

If they take benefits at age 62, they will live with 75% of the benefit they can receive at full retirement. The decrease in benefits for a non-working spouse would be dramatically reduced to 35% of the spouse's benefit at full retirement.

By using an immediate annuity to avoid taking social security benefits, the increased benefit will pay off for years to come with the significantly higher social security benefit for both spouses. The penalties for taking social security early are substantial for both spouses and should be avoided at all costs.

THE CHALLENGE

Balancing charitable donations with retirement cash flow.

THE SOLUTION

Charitable Gift Annuity

Gifts to Charity

Many individuals are charitably inclined later in life. They want to benefit their school alma mater or they want to benefit their church, synagogue or temple. They want to give away assets while they are living but would still like some form of income from those assets while they are still alive.

The Charitable Gift Annuity can satisfy the desire to make gifts while still living with the desire to improve retirement cash flow. A charitable gift annuity is a concept whereby a donor makes a gift of money or property to charity and the charity gives back an agreed upon income stream to the donor for the remainder of their life or joint lives. Many charitable and religious organizations will accept gifts for charitable gift annuities and then purchase an immediate annuity to fund the cash flow promised on a charitable gift annuity. The charity benefits, the donor benefits and the donors receive lifetime cash flow and an income tax deduction based upon the value of the gift remaining with the charity. This makes for a win-win situation for everyone.

Partial withdrawals and full surrender options and commuted value is not available in MN, NE, NJ, OR, and WA. The interest rate used to determine the death benefit's commuted value will vary by state. A commutation charge will also be assessed on partial withdrawals and full surrenders of a commuted value. All withdrawal and surrender amounts are determined as the present value of future Annuity Payments using our current SPIA pricing rate plus 0.50%. Any partial surrender must be for at least $2,000, and a commutation charge is assessed based on the following schedule:

Year:	1	2	3	4	5	6	7	8	9	10	11 +
%	No Surrenders			10	9	7	5	4	3	2	0
NY %	No Surrenders			8	7	6	5	4	3	2	0

The purchase of an immediate annuity is permanent other than the conditions mentioned for partial or full surrender options and commuted value. The annuity owner will no longer have access to the premium, which converts into a stream of income payments. The terms of the annuity, such as the choice of income payment option, payment amounts and timing, and the rates of return cannot be changed.

This contract has limitations. You should also read and understand the disclosure before completing your purchase. For specific provisions, refer to Contract Form Series: NSPA; ANY-NSPA. (Forms may vary by state). American National Insurance Company, headquartered in Galveston, Texas is licensed to conduct business in all states except New York. Business is conducted in New York by American National Life Insurance Company of New York, headquartered in Glenmont, New York. Each company has financial responsibility only for the products and services it issues.

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