Income solutions from AIG

Helping you build a brighter financial future

INDEX ANNUITY

A hypothetical case study on maximizing income during the early years of retirement

Meet Stephen and Joan

- Stephen and Joan (both age 60) have been married for 32 years.
- They plan to retire in 5 years and look forward to an active retirement filled with trips and fun adventures.
- They want a source of income that can provide them with more money during the next stage of their lives.

Stephen and Joan's retirement income solution

- Stephen and Joan use $250,000 of their retirement assets to purchase a **Power Series Index Annuity with the Lifetime Income Choice℠ Max Income Option** because it protects the assets from market downturns, provides opportunities to earn interest and offer income for life.
- Lifetime Income Choice's Income Base (see Key Terms and Definitions below) is guaranteed to grow with 6.5% income credits each year that lifetime withdrawals are not taken.
- When they're ready, Stephen and Joan can withdraw up to 7.60% (age 72+, joint life) of their Income Base to help maximize their income early in retirement.

Index annuities are issued by American General Life Insurance Company, a member company of AIG. Not available in New York.

Key Terms and Definitions

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which guaranteed withdrawals and the annual rider fee are based; it is not a part of the contract value and cannot be withdrawn partially or in a lump sum.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

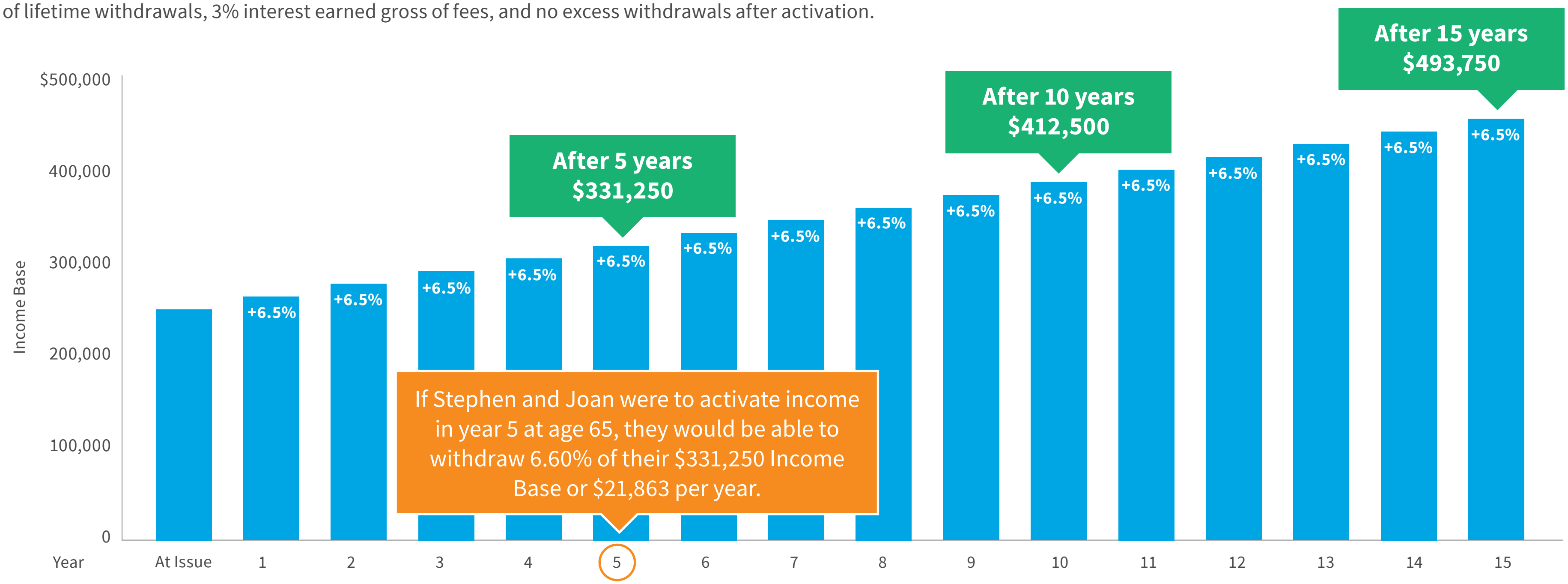
The Lifetime Income Choice guaranteed living benefit rider is automatically included in select Power Series Index Annuities for an annual fee of 1.10% of the Income Base. Max Income is one of two income options available with Lifetime Income Choice.

Creating a rising source of guaranteed income

Stephen and Joan's Income Base is initially equal to their $250,000 premium and will grow by 6.5% of the Income Credit Base or $16,250 (6.5% x $250,000 = $16,250) every year prior to lifetime income activation. After 5 years, the Income Base is guaranteed to increase to **$331,250**; after 10 years, **$412,500**; and after 15 years, **$493,750**. When they decide to take income, Stephen and Joan can withdraw up to 7.60% of their Income Base (joint life), depending on their age at the time of activation. For example, if Stephen and Joan were to activate their income in the 5th year at age 65, they would be able to withdraw 6.60% of the $331,250 Income Base, or **$21,863** per year (see next page for more information on how this percentage is determined).

Stephen and Joan's Income Base is guaranteed to grow with 6.5% income credits every year prior to activation

Hypothetical example assumptions: $250,000 initial premium, issue age 60, 6.5% ($16,250) annual income credits, no withdrawals or activation of lifetime withdrawals, 3% interest earned gross of fees, and no excess withdrawals after activation.



Key Terms and Definitions:

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

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

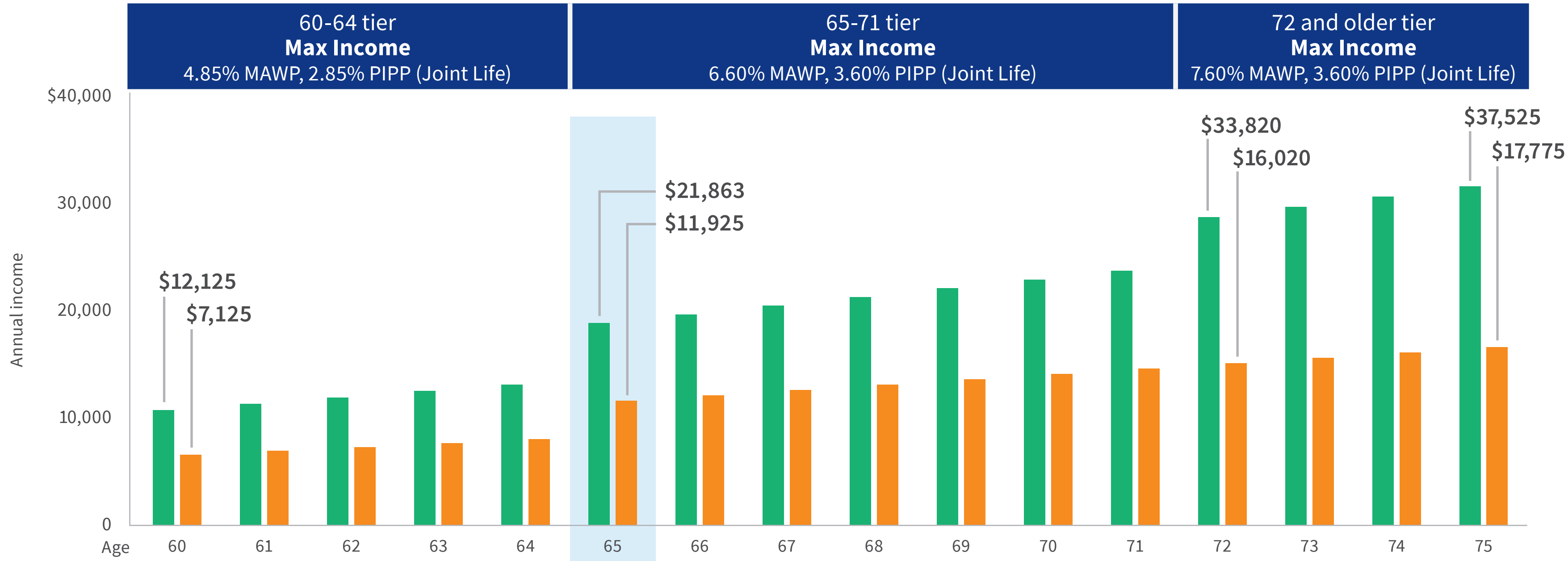
Income Credit Base: A component of the rider solely used to calculate the amount of the income credits. It is initially equal to the premium.

Max Income of up to 7.60% (joint life) per year

The Max Income Option is designed to provide more income early in retirement, when spending is generally the highest. Depending on when they activate their income, Stephen and Joan can withdraw up to 7.60% of their Income Base every year for as long as contract value remains. Once their contract value is depleted, they'll receive the Protected Income Payment for life. For example, if Stephen and Joan were to activate their income at age 65, Stephen and Joan would be guaranteed $21,862.50 per year (6.60% withdrawal x $331,250 Income Base). This income will last until the contract value goes to zero, at which point the Protected Income Payment of $11,925 (3.60% withdrawal x $331,250 Income Base) will be paid for life.

The longer Stephen and Joan wait to begin lifetime income, the higher their initial withdrawal amount

Hypothetical example assumptions: $250,000 initial premium, issue age 60, 6.5% ($16,250) annual income credits, and 3% interest earned gross of fees. The chart below shows the Maximum Annual Withdrawal Percentage (MAWP) and the Protected Income Payment Percentage (PIPP) that Stephen and Joan can take out at each age if they postpone activation until that age. Once income is activated, income credits will no longer be available and Stephen and Joan's income will no longer increase.



Maximum Annual Withdrawal Percentage (MAWP): This is the amount that can be withdrawn each year at time of rider activation based on the Income Base values on the previous page.

Protected Income Payment Percentage (PIPP): This is the amount of lifetime income that will be paid when the contract value is depleted.

Key Terms and Definitions

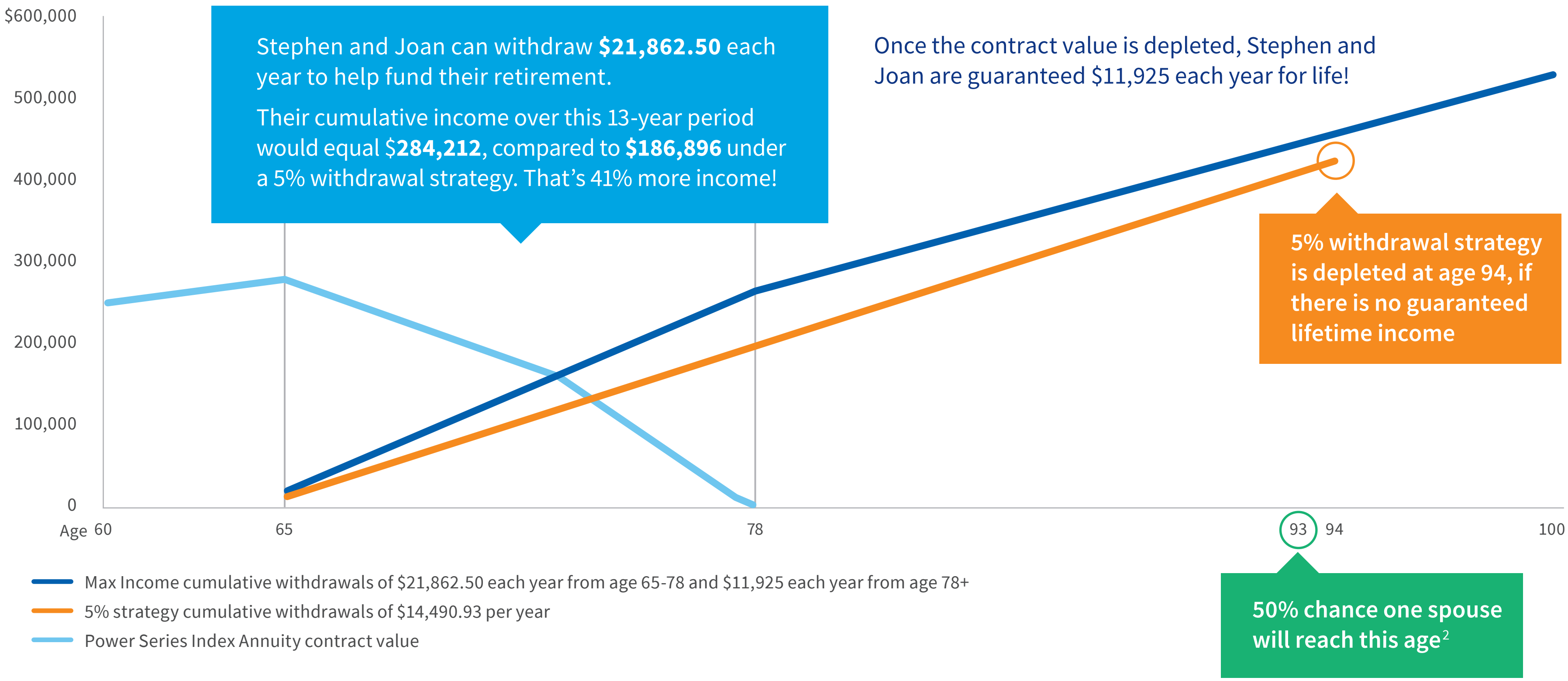
Excess Withdrawals: Withdrawals that exceed the Maximum Annual Withdrawal Percentage (MAWP) once Lifetime Income Choice is activated. Excess Withdrawals will reduce the Income Base and Income Credit Base in the same proportion by which the contract value is reduced by the Excess Withdrawal. If an Excess Withdrawal reduces the contract value to zero, the rider will terminate and clients will no longer be eligible to take withdrawals or receive lifetime income payments.

A cumulative retirement income advantage

The following graph shows how a Power Series Index Annuity with the Lifetime Income Choice Max Income Option can provide Stephen and Joan with a cumulative income advantage in retirement when compared to a 5% withdrawal strategy with no guaranteed income for life. As the chart below shows, Stephen and Joan would receive more income than the 5% withdrawal strategy during the early years of retirement. Even after the contract value is depleted, Stephen and Joan's payments from Max Income would continue for life, while the 5% withdrawal strategy would run out of money at age 94.

Max Income can provide Stephen and Joan with 41% more income than a 5% withdrawal strategy in the first 13 years of retirement

Hypothetical example assumptions: $250,000 premium, issue age 60, 6.5% ($16,250) income credits, lifetime income activation after 5 years at age 65, $250,000 principal, 3% rate of return less of fees (1.10% of the Income Base), and 5% withdrawals beginning at age 65 for the retirement savings vehicle with a 5% withdrawal strategy.



Important note: The growth rates used in the above chart are hypothetical, do not reflect the returns of any specific investment and are not guaranteed. The Max Income Option is one of two lifetime income options offered by the feature. The other option is the Level Income Option that provides the same percentage of income even when the contract value is depleted to $0. Max Income Option's high withdrawal percentages will deplete the contract value quicker than a lower level withdrawal rate. The name Max Income does not imply that this option will provide more income over the life of the annuity than the Level Income Option. Please consult with your financial professional or agent to discuss your personal circumstances.

[2]Source: Society of Actuaries 2012 Individual Annuity Mortality Tables for a 65-year-old couple.

Flexibility to make changes when life changes

Lifetime Income Choice offers Stephen and Joan the flexibility to make changes to their income benefit in response to varying needs or life events.

Single or joint life

In the event of certain life events such as divorce or death of a spouse, Stephen and Joan can change their coverage from joint to single life, or vice versa. They also have a one-time opportunity to change their coverage at the time of activation. No changes are allowed after the feature is activated.[3]

Pre-activation withdrawals

If Stephen and Joan need money, they can make withdrawals prior to activating their lifetime income benefit. These withdrawals will not reduce the 6.50% income credit rate or lock-in the withdrawal rate for life. However, pre-activation withdrawals will reduce the Income Base and Income Credit Base in the same proportion the contract value is reduced by the withdrawal, therefore lowering the amount of future income credits and guaranteed lifetime income.

Hypothetical example assumptions:

$250,000 value, $250,000 Income Credit Base and $5,500 withdrawal

6.50%
Annual Income Credit

x

$244,500
Reduced Income Credit Base

=

$15,892.50
Adjusted Annual Income Credit

If Stephen and Joan were to make a $5,500 pre-activation withdrawal, their Income Credit Base would be reduced to $244,500, calculated as follows $250,000 x (1-$5,500/$250,000) = $244,500. This would result in an adjusted income credit of $15,892.50.

[3] Policyholders do not have the ability to change between the Max Income Option and the Level Income Option once the contract is issued.

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

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

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

Understanding a Fixed Index Annuity

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

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

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

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

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

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

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