

# ANICO STRATEGY 7 INDEXED ANNUITY

## LIFETIME INCOME RIDER

The Lifetime Income Rider (LIR) guarantees an income equal to a percentage of the Income Base. It further guarantees that an income will be available for life, even if the annuity value declines to zero.

The income percentage depends upon the age at which the Owner elects to begin receiving income and will remain the same in all years until the Rider terminates. The Owner can elect to begin receiving income on or after the owner's age 60 (*in cases of Joint Owner, the younger Owner's age 60.*)

Age	Income Percentage
0-69	5%
70-79	6%
80+	7%

The owner of the contract, decides when income payments start, but they cannot start until on or after their 60th birthday. On the date income payments start, the Income Base is equal to the annuity value. The income payment for the first year is an amount determined by multiplying the income percentage times the annuity value. In subsequent years, the Income Base, and therefore the income amount, will be adjusted downward if the owner has taken withdrawals during the year that exceed the Rider income amount. The reduction is calculated using a pro rata method. The Rider income payments also reduce the contract's annual 10% Free Withdrawal Privilege.

Once income payments start, the amounts received under the Rider reduce the annuity value, surrender value and death benefit. Income payments will, however, continue even if the annuity value is zero.

There is a premium charge for the Lifetime Income Rider. The charge is taken directly from the annuity value each year. The fee is payable from the date the annuity contract is issued and is guaranteed at 0.40% of the annuity value per year.

The owner can only apply for the Lifetime Income Rider at the same time they apply for the **ANICO Strategy 7 Indexed Annuity** contract. The owner can drop the Rider at any time and the cost will be prorated. The Rider generally terminates when the annuity contract terminates.

**The following example assumes no withdrawals are taken except for the Lifetime Income Payments and as specifically provided in the example. Additional withdrawals would affect the results. Amounts have been rounded to the nearest dollar.**

**ANICO Strategy 7 Indexed Annuity** is issued at owner's age 58 with a premium of \$10,000 allocated entirely to the Indexed Crediting Method.

Anniversary	Index Change	Annuity Value*	Attained Age
1st	6.50%	10,607	59
2nd	6.50%	11,252	60
3rd	2.95%	11,537	61
4th	2.46%	11,774	62
5th	4.50%	12,254	63
6th	6.20%	12,962	64

\*These values are after the deduction of the premium for the Lifetime Income Rider.

Lifetime Income Payments are requested at age 64 on the 6th contract anniversary. The Lifetime Income Payments are requested in one annual payment. The Lifetime Income Percentage will be 5%. The initial Income Base used to determine the 1st Lifetime Income Payment is equal to the current annuity Value of \$12,962.

**1st Payment – The Rider Income amount for that year will be 5% of \$12,962 = \$648 and future annual income cannot go below this amount as long as no other withdrawals are taken from the annuity.**

After the income is paid on the 6th contract anniversary, the annuity value will be \$12,962 - \$648 = \$12,314. Assume that the index change on the 7th contract anniversary is 6.50%; then the \$12,314 Annuity Value grows to \$13,062 (after deduction of Rider premium) on the 7th contract anniversary. The new Income Base will be \$13,062.00, since this is now the highest annuity value since Lifetime Income Payments began.

**2nd Payment – The Rider Income amount for that year will be 5% of \$13,062 = \$653 and future annual income cannot go below this amount as long as no other withdrawals are taken from the annuity.**

After the income is paid on the 7th contract anniversary, the annuity value will be \$13,062 - \$653 = \$12,409. Assume that the index change on the 8th contract anniversary is zero (0); then the \$12,409 Annuity Value stays level on the 8th contract anniversary. (However, a debit of \$50 for the Rider premium is established. The Rider premium is then collected from the future interest crediting). The Income Base will continue to be \$13,062, since this is still the highest annuity value since Lifetime Income Payments began.

**3rd Payment – The Rider Income Amount for that year will be 5% of \$13,062.00 = \$653 and future annual income cannot go below this amount as long as no other withdrawals are taken from the annuity.**

After the income is paid on the 8th contract anniversary, the annuity value will be \$12,409 - \$653 = \$11,756. Assume that six months later the client withdraws an additional \$300. Withdrawals in excess of the Rider Income Amount result in a pro-rata reduction to the Income Base. The Income Base after an excess withdrawal is equal to the Income Base prior to withdrawal, times the annuity value after the withdrawal divided by the annuity value prior to withdrawal.

$$\frac{\$13,062 \times (\$11,756 - \$300)}{\$11,756} = \$12,729$$

**The minimum Rider Income Amount for future years will now be 5% of \$12,729 = \$636 as long as no other withdrawals are taken from the annuity.**

The Lifetime Income Rider is an optional Rider and may not be available in all states.

