

THE BENEFITS OF AN INDEX ANNUITY



CREATING A FINANCIAL FUTURE

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NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE

## THE BENEFITS OF AN INDEX ANNUITY

**Choosing the right accumulation vehicle for retirement can be difficult. With so many choices, which product will be right for you? On one hand, you want the safety and guarantee of principal and past earnings. On the other hand, most people prefer the potential of higher returns by being linked to the market—the return potential that a fixed-rate investment cannot offer.**



## THAT WAS THEN, THIS IS NOW

This was the decision that retirement savers had in the past:

- Receive the guarantee of principal and a minimum amount of interest, or
- Take advantage of the ability to receive higher returns by linking funds to the market while understanding that there is a potential for downside risk.<sup>1</sup>

Now you can have the best of both worlds—guarantee of principal with minimum interest rate guarantee *and* the potential for market-linked growth. This cutting-edge idea—called the **Index Annuity Concept**—is designed to help you reach your retirement goals.

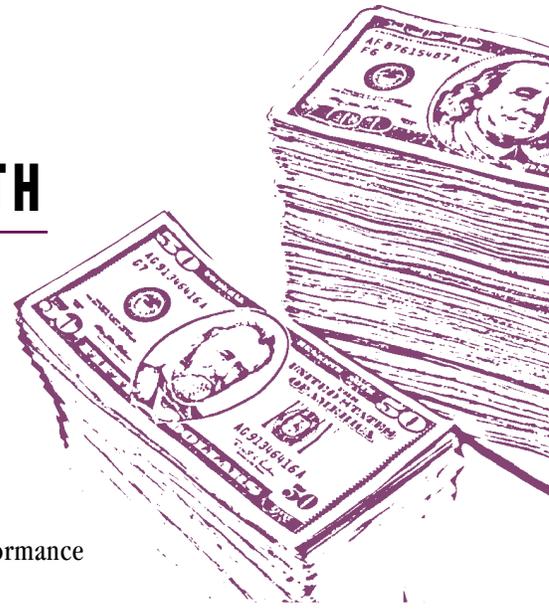
## SAFETY & GUARANTEE OF PRINCIPAL

An Index Annuity provides you with all of the best features of a traditional fixed annuity . . . .

- **Guarantee of Principal:** Unlike most securities or mutual funds, where your account balance can fluctuate due to market performance, premium deposited into an Index Annuity is guaranteed to never go down due to market downturns. This means that you can participate in market-related growth without market-type loss.
- **Minimum Interest Guarantee:** In addition to guaranteeing your principal, Index Annuities offer a minimum amount of interest that is credited regardless of market performance. Thus, in a worst case scenario where the stock market made a downturn or achieved no growth during the entire surrender period, you would be guaranteed to receive your original amount of premium back plus a minimum amount of interest.
- **The Power of Tax Deferral:** All annuity values accumulate on a tax-deferred basis until withdrawn. Therefore, your money can grow faster by earning interest on dollars that would otherwise be paid out as taxes. Your principal earns interest and the interest compounds, allowing you to accumulate more money over a shorter period of time. Thus, earning a greater return on your investment.
- **Liquidity Features:** North American provides you with opportunities to withdraw funds at any time (subject to any applicable surrender charges and IRS penalties). Index Annuity contracts generally allow for some form of penalty-free withdrawals, up to 10% of the full accumulation value, once each contract year after the first contract anniversary. In addition, North American offers certain riders<sup>2</sup> that increase liquidity in certain instances.
- **Guaranteed Lifetime Income:** Purchasing an Index Annuity from North American can provide you with a guaranteed income stream. You also have the ability to choose from several different income options, including payments for a specified number of years or income for life, no matter how long you live. With nonqualified plans, a portion of each income payment represents a return of premium that is not taxed, thereby reducing your tax liability from your income payments.
- **Strength:** All North American Index Annuities are backed by the financial strength of the Company and its investment portfolio, which emphasizes high-quality bonds that provide safety, liquidity and competitive rates.

# POTENTIAL OF STOCK MARKET GROWTH

While the **Index Annuity concept** is similar to a traditional fixed annuity, it is unique because it offers the promise of stock market-linked growth without the potential of any market-type loss. In contrast to a securities type product or mutual fund where the investor bears the market risk, the Index Annuity concept insulates the contractholder from any risk of market downturns.



## What is Indexing?

Earnings on an Index Annuity from North American are based on stock market-like performance from certain indices. **But what is indexing?**

Indexing is simply an investment strategy to mirror the performance of select securities, such as the S&P 500® (Standard & Poor's 500 Index®). The S&P 500® is a collection of 500 select industry leaders and thus a benchmark for U.S. Stock Market performance. An Index Annuity is based on the performance of this type of market index. With indexing, we can participate in a diversified passive investment strategy: a link to the market and its potential gains without subjecting ourselves to the potential downfalls of the market.

## Index Annuity vs. Mutual Fund/Variable Annuity Comparison

The following is a comparison of how features are treated within a North American Index Annuity and most mutual funds or Variable Annuities (VAs) in the marketplace today. Although both concepts are similar, there are some unique features:

INDEX ANNUITY VS. MUTUAL FUND/VARIABLE ANNUITY		
Feature	Mutual Fund/VA	IA
Management Fees	YES	NO
Downside Market Risk	YES	NO
Past Earnings Locked-In	NO	YES
Principal Guaranteed	NO	YES

# EXPECTATIONS FOR THE INDEX ANNUITY CONCEPT

The concept of an Index Annuity from North American is a simple one: allow the potential for market-linked gains without the market risk. While contractholders enjoy the guarantee and safety of principal while being linked to market growth, they should not expect Index Annuities to mirror the exact performance of any stock market indices. Since an Index Annuity concept is truly a fixed annuity with guarantees using a passive investment strategy, it will not mirror the exact return of the stock market index. The Index Annuity is a powerful financial tool designed to meet your long-term retirement needs. Get the best of both worlds with an Index Annuity Concept from North American today!

# PORTRAIT OF FINANCIAL SECURITY

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Since 1886, Chicago-based North American Company for Life and Health Insurance has established a tradition of producing quality insurance products. North American Company's product lines are marketed in 48 states and the District of Columbia.

Independent rating agencies are an important source of information on an insurance company's ability to meet its obligations. Based on its financial strength and operating performance, North American continues to receive high ratings from the most well-respected ratings services, including:

## **A (Excellent) from A.M. Best**

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 contractholders. (A is the third highest rating out of 15).

## **AA (Very Strong) from Standard & Poor's Corporation (S&P)**

Standard & Poor's rate companies on the basis of capitalization, earnings, and asset risk. (North American's AA rating is the second highest rating out of eight total ratings, which range from AAA to CC.)

<sup>1</sup> North American Company does not give tax or legal advice. Please consult your tax or legal advisor. <sup>2</sup> Riders are not available in all states or for all products. "Standard and Poor's®," "S&P®" and "Standard & Poor's 500 Index" are trademarks of the McGraw-Hill Companies, Inc. and have been licensed for use by North American Company for Life and Health Insurance, Chicago, Illinois. The product(s) are not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of any product.