National Life Group®

403(b) Myths and Realities

Myth	**Surrender charge periods and amounts on annuity products sold within 403(b) plans are adverse to the interests of the policyowner.**	
Reality	**Longer and higher surrender charge periods/ amounts equal higher interest credits to policyholders.**	**The length and amount of the surrender charge period does not limit a 403(b) policyholder's access to savings.**

Insurers that issue indexed annuities invest the collected premium in corporate bonds or similar investments in order to credit interest, cover expenses and make a profit. A longer and higher surrender charge enables the insurer to invest longer which usually results in higher investment earnings than lower yielding short-term fixed investments, thus allowing the insurer to credit higher interest rates.

403(b) plans are tax-deferred, retirement savings vehicles that are regulated by IRS rules. While employed, withdrawals from 403(b) plans primarily come from:

- Loans against the accumulation value — which do not trigger a surrender charge when a fixed indexed annuity is used to fund the 403(b) plan
- Death Benefit — no surrender charges occur on distribution of policy values resulting from death of the policy holder.
- Even if a participant were to buy an annuity close to their retirement date such that it would still have withdrawal charges after they retired, the annuity would allow withdrawals of 10% of the accumulated value each year without withdrawals charges.

Myth	**Agents are motivated solely by commissions; my best interests are not considered.**
Reality	**Agents achieve success by having repeat customers and referrals from satisfied clients.**

Contributions to 403(b) plans are made with monthly salary deferrals. The average monthly contribution to a 403(b) plan is $225, totaling $2,700 per year. At an 8% commission for policy's with long surrender periods, an agent would earn $216 in first year commissions. Commissions on renewal premiums are significantly less. Because compensation from each individual 403(b) on-going premium sale is small, recommending the wrong products to clients in order to maximize first year commission is a losing approach that both the agent and the company understand.

Successful representatives recommend retirement solutions that meet the needs of their client, because their entire livelihood is based upon individual client satisfaction and referrals. Their long-term income is dependent on the policy owner continuing to contribute on a consistent basis. A favorable reputation in the schools in which they work, which is a result of happy clients, is critical to the success of the agent and the insurance company.

Products issued by:

Life Insurance Company of the Southwest

National Life Group® is a trade name representing various affiliates, which offer a variety of financial service products. Life Insurance Company of the Southwest, Addison, TX, is a member of National Life Group.

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Myth	**The cost of an annuity is so much higher than the cost of a mutual fund.**
Reality	**Annuities and Mutual Funds both have distribution costs, and those costs are fairly comparable between the products.**

Annuities and Mutual Funds are fundamentally different financial products, but both have costs and expenses associated with them. These costs and expenses are fairly comparable in the short-term and generally less for annuities in the long term; the true differentiator is how the products are structured.

Mutual Funds charge ongoing asset management fees, transaction fees, and annual marketing and distribution fees. Monies invested into a Mutual Fund are subject to market risk and that risk is shouldered fully by the consumer. If the market goes up, the gains are added to the fund balance; if the market goes down, funds are deducted from the balance. Regardless of market performance, fees are paid by the consumer on the total account balance and reduce the amount of your investment in the fund.

Fixed and fixed indexed annuities, which are issued by insurance companies, also have costs and expenses but they are not paid by the consumer. The issuing company factors the costs and expenses into their interest crediting formula. These costs and expenses are not deducted from your contributions or your policy value. The insurer bears all market risk and guarantees the premiums contributed to the policy and the interest credited thereto will not lose value from a downturn in the market.[1]

1 Assuming no withdrawals during the withdrawal charge period. Rider charges continue to be deducted regardless of whether interest is credited.