



# FlexLife

## INDEXED UNIVERSAL LIFE – BUYER'S GUIDE

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Products issued by  
**National Life Insurance Company®**

National Life Group® is a trade name of National Life Insurance Company, Montpelier, Vermont and its affiliates.

No bank or credit union guarantee | Not a deposit | Not FDIC/NCUA insured | May lose value | Not insured by any federal or state government agency

Guarantees are dependent upon the claims-paying ability of the issuing company.



# FlexLife

## Indexed Universal Life (IUL)

Flexibility for Life, Protection for Peace of Mind

FlexLife offers you:



Permanent death benefit protection for your loved ones



Flexible coverage and premiums<sup>1</sup>



Living benefits to provide resources in the event of a qualifying terminal illness, chronic illness, or critical illness<sup>2</sup>



Optional rider provides the potential for guaranteed income for life<sup>3</sup>



Multiple index crediting strategies offer diversified choices for cash values



Cash value accumulation potential



Protection from market losses<sup>4</sup>







# Protect What Matters Most

FlexLife provides an income tax-free benefit<sup>5</sup> to your beneficiaries plus access to cash value during your lifetime.

## Flexible Coverage

Compared to other permanent life insurance products, flexible universal life is perhaps the most flexible. That's because it lets you adjust the amount of insurance you own<sup>6</sup> – and the level of premiums you pay – to best suit your changing needs.

There is also the potential to build cash value in your policy on a tax-deferred basis, which you can use during your lifetime. For example, you have the potential to take policy loans and withdrawals<sup>7</sup> for sudden emergencies or later for retirement income.

And because FlexLife is an Indexed Universal Life product, your policy values can be credited interest based in part on crediting strategies tied to major market indexes, such as the S&P 500<sup>®</sup>.

## Flexible Death Benefits

FlexLife offers two death benefit options:

- Level Death Benefit, where the death benefit stays constant.
- Increasing Death Benefit, where the protection increases as your policy's cash value grows.

Should your needs change after you've selected a death benefit option, you may switch options.<sup>8</sup> For example, as your family grows you may feel the need for additional protection. By switching to an increasing death benefit amount your death benefit increase will occur as your cash value increases, which is much more convenient than buying additional insurance policies. Or, if your protection needs diminish and you want to focus on growing cash value only, you can choose to lower your death benefit so that more of your premiums are directed to building cash value.





## **FLEXIBILITY**

to embrace the changes in your life







# Helping Meet Lifetime Needs

## Illness

Accelerated Benefits Riders<sup>9</sup> are optional, no-additional cost riders that can allow you to access all or part of the death benefit while you are living if you experience a qualifying terminal, chronic, or critical illness.

You can choose how to use your benefit, including for:

Household  
Expenses



Home  
Modifications



Nursing Home/  
Adult Day Care



Regular  
Bills



## Income for Life

Retirement is about more than what you save. It's also important to make your income last a lifetime. FlexLife, with the Lifetime Income Benefit Rider,<sup>10</sup> can help you turn your policy's cash value into retirement income that you can never outlive.

The Lifetime Income Benefit Rider is automatically added to your policy at issue. Once conditions are met to exercise the rider, your income is guaranteed for life. Income payments will lower the death benefit and cash value of your policy, but a portion of both is retained for your lifetime.

## Access to Cash Value<sup>11</sup>

Your FlexLife policy's cash value has the potential to grow, tax-deferred, over time. Cash value is different than your death benefit. If sufficiently funded, cash value can be accessed through policy loans and withdrawals to help meet a wide range of financial needs, including:

Financial Emergencies



Home Down Payment



College Tuition



Retirement Income





# Your Safety Net for the Unexpected

## Coverage in case of:

### Terminal Illness

If you are diagnosed with a terminal illness with a life expectancy of 12 months or less, you can elect to receive a discounted payment of your death benefit. There is no waiting period to be eligible for a payment which will be made to you as a lump sum. While there is not an annual limit, there is a lifetime limit of benefits you can receive from all ABRs. There is no additional charge for this rider.

### Chronic Illness

If a doctor has certified, within the past 12 months, that you are permanently unable to perform two out of six “activities of daily living” (ADLs) or become permanently cognitively impaired, you will be eligible to receive a benefit. There is an annual IRS per diem limit and lifetime benefit limit. There is no additional charge for this rider.

### Two of Six ADL Dependency

If a doctor certifies you unable to permanently perform two of the six ADLs (listed below) without assistance for a period of 90 days, you will become eligible for the benefit.

### Activities of Daily Living include:

- Bathing
- Continence
- Dressing
- Eating
- Toileting
- Transferring

### Cognitive Impairment

If a doctor certifies you have become permanently cognitively impaired within the last 12 months, you will become eligible for a benefit.

Cognitive impairment requires substantial supervision to protect oneself due to:

- Short or long term memory impairment
- Loss of orientation to people, places, or time
- Deductive or abstract reasoning impairment

In either situation, you do not have to be in a licensed facility to be eligible for benefits. Normally benefits are applied for and paid annually until the death benefit is depleted. Monies may be used for any reason; they do not have to be used solely for medical expenses.

### Critical Illness

After the rider has been in force for 30 days, if you are diagnosed with a qualifying condition, you will be eligible to receive a discounted portion of your death benefit. You may take all or part of the amount offered. The benefit paid is based on the impact the condition has had on your life expectancy. While there is not an annual limit, there is a lifetime limit of benefits you can receive from all ABRs. There is no additional charge for this rider.



Covered critical illnesses:

- ALS (Lou Gehrig's Disease)
- Cancer
- End-Stage Renal Failure
- Heart Attack
- Major Organ Transplant
- Stroke

Any claim for benefits for a given Qualifying Event must be filed within 365 days following the occurrence of such Qualifying Event.





# Life Insurance with Upside Potential and Downside Protection

## Important Terms to Know

### Accumulated Value

A portion of your premium payments that can grow tax-deferred over time and may be used throughout your lifetime.

### Basic Strategy

A fixed interest crediting account where any unallocated premium is held until it is moved into your chosen index crediting strategies on the 14th of every month.

### Cap

The maximum interest or upper limit that may be credited. A Cap of 10% means that 10% is the most the chosen index crediting strategy will be credited.

### Cash Value

The part of your Accumulated Value that can be accessed for policy loans and withdrawals.

### Death Benefit

Money beneficiaries receive upon the death of the insured.

### Floor

The minimum interest or bottom limit that may be credited. Most crediting options provide a 0% floor. A 1% Floor Strategy is also available (*see page 11*).

### Fixed-Term Strategy

Earns a specific rate of interest declared by the company that is credited on a daily basis and guaranteed for one year.





### Interest Bonus\*\*

There will be an annual Interest Bonus equal to a bonus of 0.35% of Accumulated Value, beginning in Policy Year 6. This bonus will be calculated based on the average monthly Accumulated Value and added to the policy at the end of the policy year. The Interest Bonus will be credited to the Basic Strategy.

### Interest Crediting Strategy

Strategies you choose for the excess premium.

### Indexed Strategies

Interest crediting may be tied to performance of a market index.

### Participation Rate

The maximum percentage that an index account shares in the positive changes of the chosen index.

### Policy Expenses

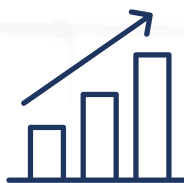
The cost of insurance and administering the policy, taken out of the policy's Accumulated Value every month.

### Premiums

The regular payments you make on your policy.

### S&P 500® Index

The S&P 500® is widely regarded as the best single gauge of the U.S. equities market. This world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500® focuses on the large-cap segment of the market, it is also an ideal proxy for the total market.



### Upside Potential

Based on the positive growth of a market index.



### Downside Protection

Guaranteed 0% or 1% interest crediting floors in the event of a decline in the index.

## What is a market index?

While an investment cannot be made directly into a market index, it is used to track the performance of a group of stocks or other investments over time to give an indication of the overall performance of the market.

An investment cannot be made directly into an index.

\*\*The interest bonus is referred to as the Annual Accumulated Value Enhancement (AAVE) rider in your contract.



# How Interest Crediting Works

If the index goes up, you may earn interest, but if the index goes down, the values of your interest crediting strategies are protected from loss due to the market decline.<sup>12</sup> Indexed interest accounts calculate interest using a Participation Rate or a Cap.

## How Your Cash Value Grows

Take advantage of positive changes in the stock market (upside) without the risk of market volatility (downside) with a 0% floor. FlexLife also offers a 1%, Floor Option that guarantees your policy will always earn at least 1%, no matter how much the market declines.



**STEP 1.**  
Pay your premium.



**STEP 2.**  
Premium is allocated to the crediting strategies of your choice.



**STEP 3.**  
After 1 year, we calculate the change in your chosen interest crediting strategies.

- If the change is **positive**, your policy is credited interest after applying any caps and participation rates.
- If the change is **negative**, your policy is credited 0%, unless you elected the 1% Floor Strategy, in which case your policy would receive a 1% credit.

### Positive Calculated Change in Chosen Strategy

|                     |         |
|---------------------|---------|
| Index % Change =    | 14.924% |
| Interest Credited = | 10.000% |

### Negative Calculated Change in Chosen Strategy

|  |         |
|--|---------|
| Index % Change =                           | -1.290% |
| Interest Credited with 0% Floor Strategy = | 0.000%  |
| Interest Credited with 1% Floor Strategy = | 1.000%  |

Assumes Participation Rate 100%, Cap 10%



**STEP 4.**  
Any credited interest is added to your chosen interest crediting strategies based on the accumulated value at the end of the year.

- This means you have the potential to earn compound interest, further growing your cash value.
- Monthly policy expenses will be deducted from the accumulated value prior to the calculation of interest credits.

## Annual premiums

If you choose to pay your premiums annually, you can opt to add the Systematic Allocation Rider. This allows you to spread out your net annual premium over a 12-month period to help capitalize on more potential interest rate crediting dates and reduce risk associated with one annual crediting anniversary. Systematic allocation does not, however, guarantee an advantage over the annual crediting method. Premiums will earn interest in a fixed interest crediting account until allocated into a monthly crediting strategy.

Monthly deductions, withdrawals, and the initiation of certain types of loans, may require that funds be removed from the systematic allocation account. When this happens, funds will continue to be transferred until the account is depleted and the number of remaining months of transfers will be reduced.



## Calculating Indexed Interest

Once the change in the index is known, the Participation Rate and Cap will be applied to determine how much interest will be credited to account values.

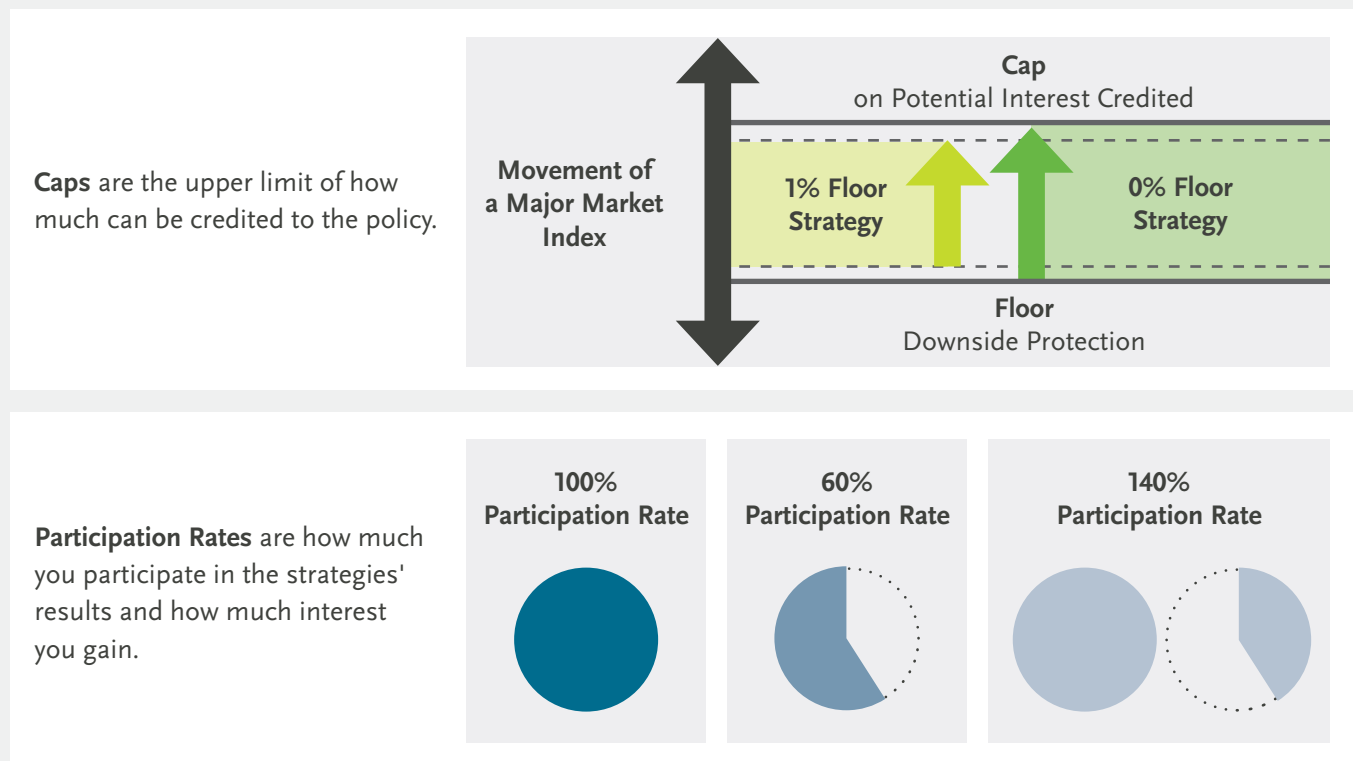
For example, if the Index Growth is 10% and the Participation Rate is 100%, the full 10% may be used to determine interest credited. But, if the Participation Rate is 80%, 8% is used in the calculation of interest credited ( $10\% \times 80\% = 8\%$ ).

The Cap is the maximum earnings percent that will be credited. For example, if the Index Growth is 10% and the Participation Rate is 100%, but the Cap is set at 6%, 6% is credited.

The index strategy credits are locked-in annually. Once interest is credited, it can never be lost due to a future decline in the Index. **Keep in mind, no index strategy earnings are credited for funds allocated to the index strategies for periods shorter than a full year.**

## Caps and Participation Rates

Guarantees to protect from market loss (i.e, 0% and 1% Floors) are not without some *cost*. Our Caps and Participation Rates are part of that *cost*.





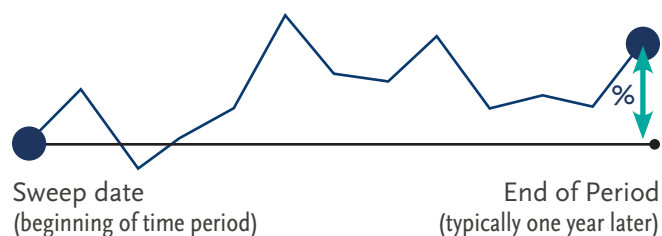
# Understanding Indexing

## Measuring a Point-to-Point Index Strategy

### Point-to-Point

Compares the value of the index at the beginning and the ending date, typically one year later.

If the value is lower, the strategy is protected from losing any cash value with a 0% Floor Strategy or could gain 1% interest with the optional 1% Floor Strategy.



### Strategy Performance 2012–2022<sup>13</sup>

Interest credited represents a 100% participation rate and the cap that was in effect at the time.

| Beginning Date | End Date | S&P 500® Index Growth Rate | Interest Credited |
|----------------|----------|----------------------------|-------------------|
| 5/21/12        | 5/21/13  | 26.837%                    | 13.000%           |
| 5/21/13        | 5/21/14  | 13.113%                    | 13.000%           |
| 5/21/14        | 5/21/15  | 12.859%                    | 12.859%           |
| 5/21/15        | 5/21/16  | -3.684%                    | 0.000%            |
| 5/21/16        | 5/21/17  | 16.051%                    | 12.000%           |
| 5/21/17        | 5/21/18  | 14.749%                    | 12.500%           |
| 5/21/18        | 5/21/19  | 4.806%                     | 4.806%            |
| 5/21/19        | 5/21/20  | 2.938%                     | 2.938%            |
| 5/21/20        | 5/21/21  | 40.948%                    | 9.750%            |
| 5/21/21        | 5/21/22  | -6.124%                    | 0.000%            |



# Account Strategies

## Standard & Poor's Composite Index of 500 Stocks (S&P 500®)

### Cap Focus Strategy (Point-to-Point)

- Higher Cap Rate than our other strategies.
- Participation Rate will always be equal to or greater than 100%.
- Guaranteed Minimum Cap 3.1%.
- Guaranteed 0% Floor.

### Participation Focus Strategy (Point-to-Point)

- Higher Participation Rate than our other strategies.
- Participation Rate will be at least 110% or greater.
- Guaranteed Minimum Cap 3.0%.
- Guaranteed 0% Floor.

### 1% Floor Strategy (Point-to-Point)

- Guarantees a Floor of 1%.
- Participation Rate will always be equal or greater than 100%.
- Guaranteed Minimum Cap is 2.1%.

## Fixed Accounts

### Fixed Term Strategy

- Credited daily, a fixed interest rate declared by the company and guaranteed for one year.
- 2.0% Guaranteed

## Historical Values\*

| Dec. 14th of Year | S&P 500® Index | 1 Year Change |
|-------------------|----------------|---------------|
| 2014              | 2,002.33       | 12.79%        |
| 2015              | 2,021.94       | 0.98%         |
| 2016              | 2,253.28       | 11.44%        |
| 2017              | 2,652.01       | 17.70%        |
| 2018              | 2,599.95       | -1.96%        |
| 2019              | 3,168.80       | 21.88%        |

\* Historical performance is not indicative of future results.

## The total return on stocks comprising the indices has two components:

- **Price changes** on the underlying stocks
- **Dividends paid** on the underlying stocks

Changes in the indices reflect only the price changes on the underlying stocks and do not reflect dividends paid on those underlying stocks. Interest credit that your policy receives is based on changes in the indices, and does not reflect any dividends paid.



# Which Index Strategy Is Best?

This is based on you!

No one can predict how the market will perform and just because a strategy performed a certain way in the past does not mean it will perform that way in the future.

Interest is credited to your policy based on how the strategy performed over the previous year. By knowing how the strategies work you can better decide which to choose.

## You can change strategies.

Don't worry — you're not locked in. New premiums can be redirected before they go into an index account and premiums that are already in a strategy can be changed on the strategy anniversary. Remember, the strategy anniversary is the date the funds were put into the index strategy buckets.

## You can pick more than one strategy.

Choose one or a combination — it's up to you.

## If you want a growth-oriented strategy and believe the growth of the S&P 500® will be:

- At or near the Caps — Consider the S&P 500® Cap Focus Indexed Strategy.
- Below the Caps — Consider the S&P 500® Participation Focus Strategy.

## Here's Our History

As you consider ways to diversify your policy's crediting strategy, it's important to know how your options have performed in the past.

|                                    | 5 Year Average<br>10/21/15 – 9/21/2020 | Lifetime Average<br>5/21/2008 – 6/21/2019 |
|------------------------------------|--|---|
| <b>Fixed Account</b>               | 3.038%                                 | 4.433%                                    |
| <b>S&amp;P 500® Index</b>          |  |   |
| Point-to-Point Cap Focus           | 7.44%                                  | 8.036%                                    |
| Point-to-Point Participation Focus | 6.69%                                  | 7.541%                                    |

Past performance is not indicative of future index performance nor past or hypothetical performance of our indexed universal life products. There are administrative, cost of insurance, and other charges associated with these IUL policies. The hypothetical crediting rates based on changes in the S&P 500® shown in this exhibit do not reflect these charges. The Hypothetical Participation Rates shown are not guaranteed and subject to change.

FlexLife Indexed Universal Life Insurance is designed to be held for a long period of time. Holding the product for a short period of time is not in your best interest, or in the best interest of the company.





## Other Policy Enhancements

FlexLife offers additional optional riders that can be added to provide an extra safety net for you and your loved ones. Availability may vary by state. Your financial professional can help you determine which riders may be right for you.



### Charitable Matching Gift Death Benefit

If an IRS-qualified charitable beneficiary is named, we will match the amount allocated to the charity up to 2% of your policy's base face amount, up to \$30,000.



### Guaranteed Insurability Option

You're allowed to add more death benefit coverage at certain points during your lifetime regardless of insurability.



### Qualified Plan Exchange Privilege

For Qualified Pension and Profit Sharing Plan trust-owned life insurance, it allows the policy to be surrendered while owned under the qualified plan and to elect to have a new policy written outside of the qualified plan.



# FlexLife

## Indexed Universal Life Insurance

A financial solution in case you...





### **Lifetime Protection**

Protecting who and what you love as a top priority.

### **Living Benefits**

Helping you and your budget survive a qualifying illness.<sup>14</sup>

### **Potential for Income for Life Guaranteed**

So you can make the most of your retirement.<sup>15</sup>

<sup>1</sup> It is possible that coverage will expire when either no premiums are paid following the initial premium, or subsequent premiums are insufficient to continue coverage.

<sup>2</sup> Living benefits are provided by optional Accelerated Benefits Riders.

<sup>3</sup> Riders are optional, may be available at additional cost, and may not be available in all states or on all products.

<sup>4</sup> Monthly deductions continue to be taken from the accumulated value, including a monthly policy fee, monthly expense charge, monthly accumulated value charge, cost of insurance charge, and applicable rider charges, regardless of interest crediting. Indexed universal life insurance policies do not directly participate in any stock or equity investments.

<sup>5</sup> Internal Revenue Code § 101(a)(1). There are some exceptions to this rule. Please consult a qualified tax professional for advice concerning your individual situation.

<sup>6</sup> Increasing the death benefit will require additional underwriting approval.

<sup>7</sup> Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Surrender charges may reduce the policy's cash value in early years.

<sup>8</sup> Switching from increasing death benefit to level death benefit when the policy has significant cash value may cause the policy to become a Modified Endowment Contract. Distributions other than death proceeds from a Modified Endowment Contract (MEC), including policy loans and partial surrenders of funds will be treated as taxable gain received first and recovery of premium second. In addition to regular income tax, a 10% federal tax penalty is applicable to any taxable distribution from the MEC before the insured reaches age 59½. Your agent can help you decide if changing death benefit options will negatively impact your policy. Increasing the death benefit will require additional underwriting approval.

<sup>9</sup> Accelerated Benefit Riders are optional and may not be available in all states. Critical Injury is not available in NY. Receipt of Accelerated Benefits will reduce the Cash Value and Death Benefit otherwise payable under the policy, may result in a taxable event, and may affect your eligibility for public assistance programs.



- 10 The Lifetime Income Benefit Rider provides a benefit for the life of the insured if certain conditions are met, including but not limited to the insured's attained age being between age 60 and 85, and that the policy has been in force at least 10 years. Insufficient policy values, outstanding policy loans and other considerations may also restrict exercising the rider. Receipt of income benefits will reduce the policy's cash value and death benefit and may terminate other riders or reduce their benefits. There is a monthly charge from the accumulated value during the income payment period. The Lifetime Income Benefit Rider is optional and available at policy issue. Benefit payments are funded via tax-free policy loans, which will reduce the policy's cash value and death benefit. The policyholder cannot make additional premium payments or request additional withdrawals or policy loans during the benefit payment period or the rider will terminate. Terminating the rider may result in a lapsed policy and substantial tax consequences.
- 11 The ability of a life insurance contract to accumulate sufficient cash value to help pay expenses or meet accumulation goals will be dependent upon the amount of extra premium paid into the policy, and the performance of the policy, and is not guaranteed. Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. If remaining cash value and scheduled premiums are insufficient, additional out-of-pocket payments may be needed to keep the policy. Surrender charges may reduce the policy's cash value in early years.
- 12 Monthly deductions continue to be taken from the accumulated value, including a monthly policy fee, monthly expense charge, monthly accumulated value charge, cost of insurance charge, and applicable rider charges, regardless of interest crediting. Indexed universal life insurance policies do not directly participate in any stock or equity investments.
- 13 Numbers shown represent the performance of our strategies, which are based on the growth of the S&P 500® index, excluding dividends, without direct market participation and with guaranteed protection against negative returns. Policy values may decline if premiums paid out-of-pocket are insufficient to cover insurance costs and other charges. Interest credited represents 100% participation rate and the cap that was in effect at the time. The interest credited to the indexing strategy is limited by a "cap," which is the maximum amount of the increase that will be credited as interest.

Past performance is not indicative of future index performance and historical interest rates should not be construed as interest rates to be paid in the future on any product offered by the insurance companies of National Life Group. There are administrative, cost of insurance and other charges associated with indexed universal life policies. The rates shown in this exhibit do not reflect these charges. All historical interest rates are based on Life Insurance Company of the Southwest (LSW) SecurePlus Paragon indexed universal life insurance, form series 8387/83871D (04/07), underwritten by Life Insurance Company of the Southwest. Paragon's interest crediting history is being provided as a proxy for FlexLife because it used the same interest crediting methods but has a longer history. LSW SecurePlus Paragon is no longer available for sale.

- 14 Provided by the optional Accelerated Benefit Riders and may not be available in all states. Receipt of Accelerated Benefits will reduce the Cash Value and Death Benefit otherwise payable under the policy, may result in a taxable event, and may affect your eligibility for public assistance programs.
- 15 Provided by the optional Lifetime Income Benefit Rider once qualifications are met to exercise the rider. There is a cost to activate this rider. Riders may not be available in all states.

FlexLife, Indexed Universal Life Insurance, form series 20607/20658, Accumulated Value Enhancement (AVE) rider, form series 20654, Lifetime Income Benefit Rider, form series 20152/20235/20412(0616), Charitable Matching Gift Death Benefit Rider, form series 20403/ICC16-20403(0616), Children's Term Rider, form series 20404(0616), Guaranteed Insurability Options Rider, form series 6564(0493), Qualified Plan Exchange Privilege Rider, form series 20629/ICC19-20629, and Accelerated Benefits Riders, form series 7490(0200)/7493(0200)/8591NY(0108)/8765(0609)/9744 (0204)/ICC10-8843(0310)/20803(0222)/ICC22-20803(0222)/20804(0222)/ICC22-20804(0222) are underwritten by National Life Insurance Company.

The ABR Chronic II Accelerated Benefit Rider for Covered Chronic Illness (form 8591NY(0108)) is optional and only available in New York. Death Benefits and cash values will be reduced if an Accelerated Benefit is paid. There is no restriction placed on the use of the benefit received. The maximum amount, over the entire lifetime of the Insured, that will be accelerated or converted to reduced paid-up insurance under all contracts made on the life of the Insured is \$2,000,000 when benefits paid are due to a chronic illness in NY. For terminal and critical accelerated benefit riders, the maximum \$1,000,000 lifetime benefit applies. Receipt of Accelerated Benefits may be taxable and may affect eligibility for public assistance programs such as medical assistance (Medicaid), Aid to Families with Dependent Children, and Supplemental Security Income. Prior to applying for Accelerated Benefits, policy owners should seek assistance from a qualified tax advisor and consult with the appropriate social services agency concerning how receipt will affect the eligibility of the recipient and/or the recipient's spouse or dependents.

**This product is a life insurance policy with a rider that accelerates the death benefit on account of chronic illness and is not a health insurance policy providing long-term care insurance subject to the minimum requirements of New York Law, does not qualify for the New York State Long-Term Care Partnership program and is not a Medicare supplement policy.**

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One National Life Drive, Montpelier, Vermont 05604 | 1-800-732-8939 | [www.NationalLife.com](http://www.NationalLife.com)