



National Life
Group®

How Fixed & Indexed Annuities Work

1.



We (National Life's insurance carrier) collect a premium and invest it in the company's General Account.

We determine the interest rate – see the next step using hypothetical rates.

2.



→ 1.5%

We receive an investment return on these “fixed income assets”.

Yield from the portfolio:	3.5%
Retention to cover expenses, profit, and provide guarantees:	2.0%
Amount available for interest crediting:	1.5%

Continued on reverse

Products issued by

National Life Insurance Company® | Life Insurance Company of the Southwest®

National Life Group® is a trade name of National Life Insurance Company (NLIC), Montpelier, VT, Life Insurance Company of the Southwest (LSW), Addison, TX and their affiliates. Each company of National Life Group is solely responsible for its own financial condition and contractual obligations. Life Insurance Company of the Southwest is not an authorized insurer in New York and does not conduct insurance business in New York.

3.

The 1.5% additional yield could be used in one of the following two ways:

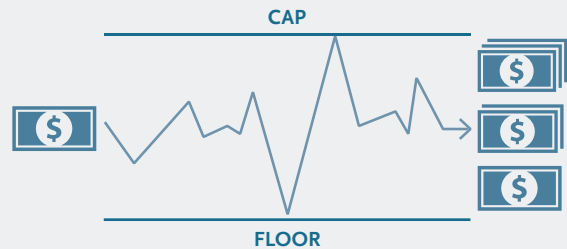
Traditional Fixed Annuity

We declare the current credited rate for the policy to be 1.5% interest credited daily.



Fixed Indexed Annuity

We declare an index rate of 100% and a cap of 3%. This means that in the indexing strategy you choose, if the index went up you would be credited interest equal to 100% of the change in the index, but only up to a limit of 3%.



How do we credit 3% for an indexed strategy, but only 1.5% for a traditional fixed account?

4.

For money allocated to an indexing account in a fixed indexed annuity we could use the 1.5% interest to purchase a financial product called an option. This allows us the right to buy a security that tracks the index if it goes up, but we're not obligated to buy it if the index goes down.

- The option will pay 100% of the index gain
- We'll choose an option that matches the terms we're offering in the indexed annuity so the most the option will pay is 3%. If the index goes down, we don't exercise the option, so there is no loss due to the index. This is referred to as the **0% floor**.

5.

At the end of the year, we determine the change in the index:

- **If up** – we credit the index rate of the index gain up to 3% cap
- **If down** – the customer is not credited any interest during that period

A fixed indexed annuity may limit the amount of interest that may be credited in certain rising markets but always guarantees¹ against loss of premiums paid and interest earned in a market that declines over the measuring period.²

Fixed Index Annuities offer the potential to earn more interest than traditional Fixed annuities.

Indexed annuities do not directly participate in any stock or equity investments. This is not a solicitation of any specific annuity contract. The examples shown are hypothetical and do not represent a specific product.

¹ Guarantees are dependent upon the claims-paying ability of the issuing company.

² Assuming no withdrawals made during the surrender charge period and no rider charges.

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