Annuity

Income EXPEDITION

Issued by North American Company for Life and Health Insurance®

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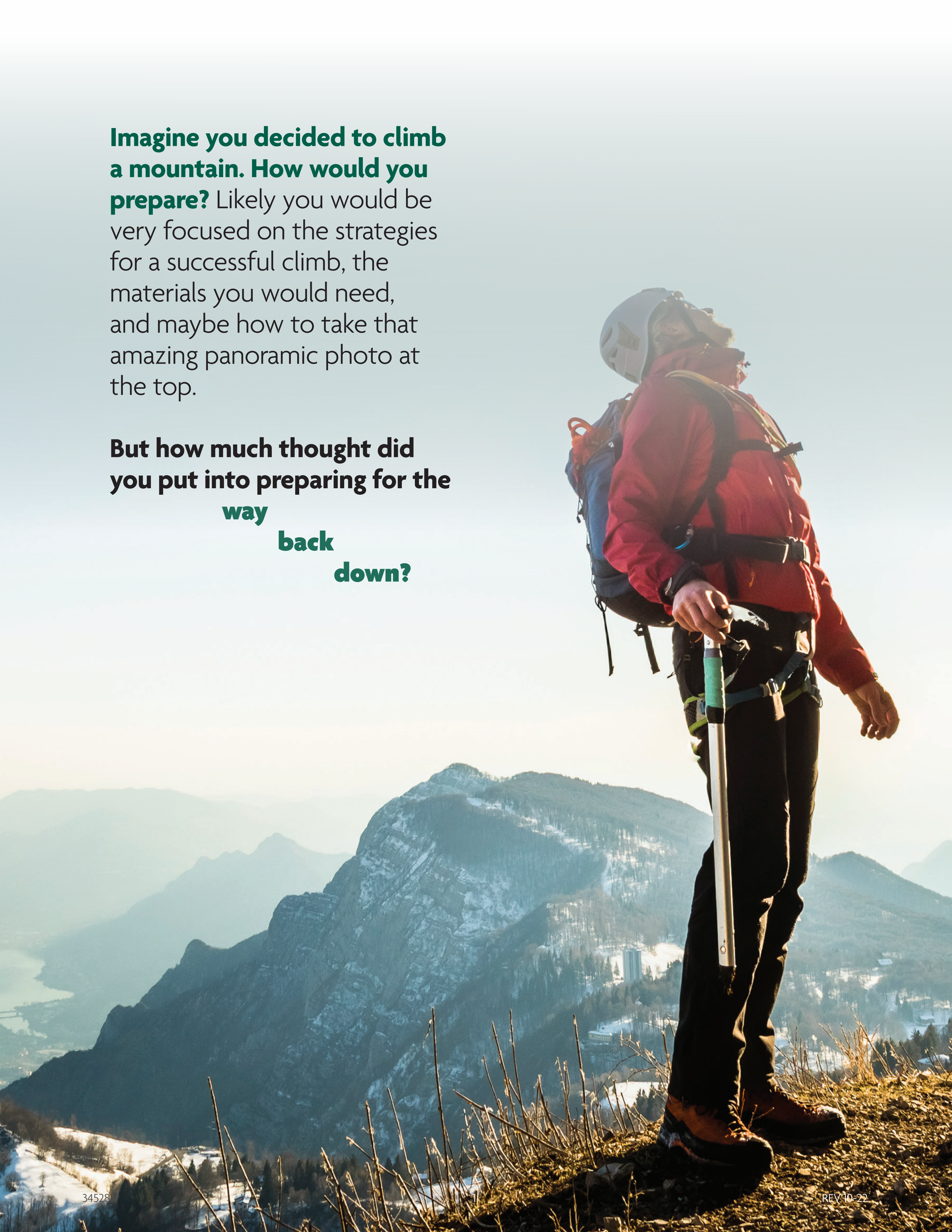
A Sammons Financial Company

Imagine you decided to climb a mountain. How would you prepare? Likely you would be very focused on the strategies for a successful climb, the materials you would need, and maybe how to take that amazing panoramic photo at the top.

But how much thought did you put into preparing for the way back down?



The road to retirement is a similar adventure. Many consumers are focused on **accumulating** money for retirement, but may not have planned for the **decumulation** phase of retirement. Have you put as much planning into the descent as you did on the ascent?

If you feel like you need to prepare more for the climb down, you're not alone. This is a great time to start your income expedition.

Income EXPEDITION

What are the risks on your journey?

Setbacks in life are almost inevitable, ranging from job-loss and market recessions to health events and major unexpected expenses. While working through the accumulation phase of retirement planning, you can typically adapt to these roadblocks and setbacks with time.

On the way down the mountain, however, it can be more difficult to overcome some of the risks you may face. Let's take a look at two of the most common risks you may encounter on your income expedition.

Market volatility risk

"The drawdown dilemma"

Ensuring your retirement assets still have growth potential is a smart choice as inflation and other factors can erode the purchasing power of your money. However, if all of your assets are subject to market volatility, you can run into the drawdown dilemma. In this scenario, you can run out of money sooner than anticipated simply based on the timing of when you begin withdrawing retirement income.

Longevity risk

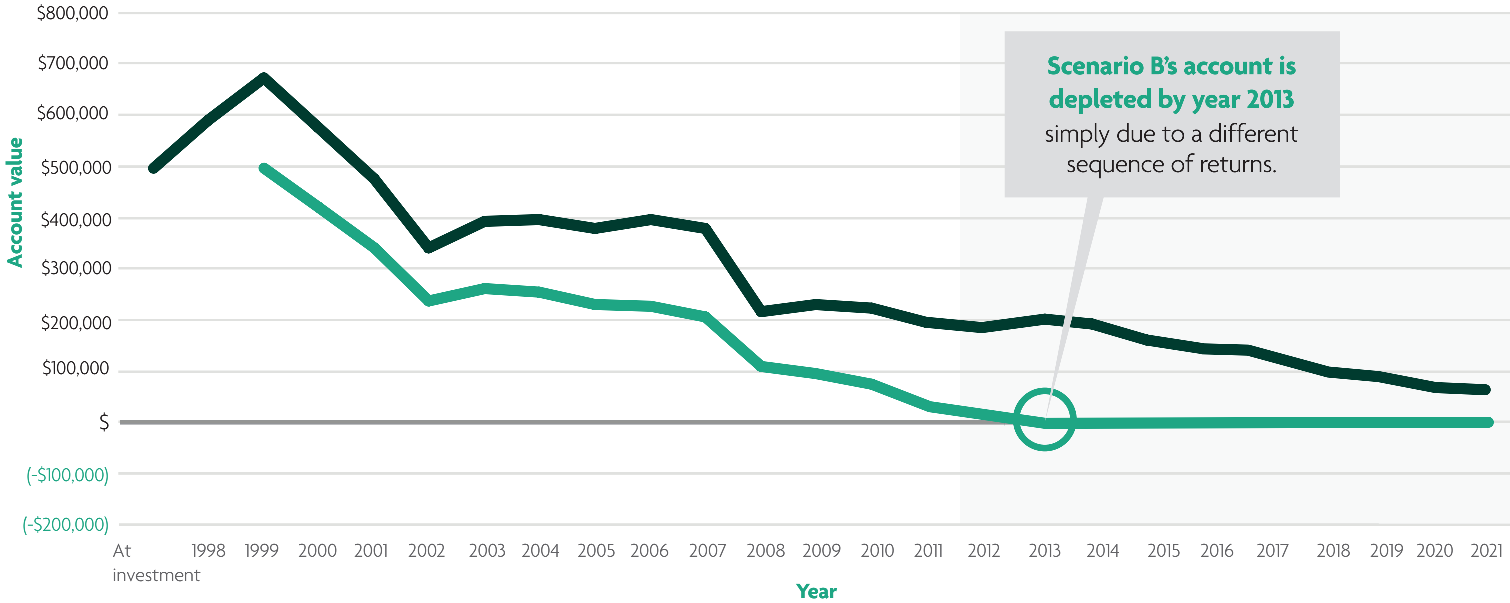
"Outliving your money"

It's no secret people are living longer, which means retirement is often longer, too. Regardless of whether your retirement assets have a high, medium, or low growth potential, can you guarantee that you won't outlive your money?

The drawdown dilemma

Could a sequence of returns deplete your savings?

When it comes to generating sustainable retirement income, many people only think of an average rate of return needed on their assets. However, what might be more important is not the "average" return but the order of the returns. Let's take a look at two different hypothetical scenarios, in which one begins taking withdrawals in 1998, and another that begins taking withdrawals just two years later in 2000. Both have $500,000 at the time they begin withdrawals. 21 years later, with just a difference of two years from when withdrawals started, one scenario still has over $100,000 while the other's account is depleted by year 15.



	Scenario A Withdrawals begin in 1998		Scenario B Withdrawals begin in 2000	
Year	**Gain/Loss**	**Account value**	**Gain/Loss**	**Account value**
At issue	-	$500,000	-	-
1998	26.67%	$595,342	-	
1999	19.53%	$675,731	-	$500,000
2000	-10.14%	$580,259	-10.14%	$422,346
2001	-13.04%	$478,491	-13.04%	$341,173
2002	-23.37%	$343,697	-23.37%	$238,465
2003	26.38%	$396,451	26.38%	$263,459
2004	8.99%	$399,408	8.99%	$254,455
2005	3.00%	$380,494	3.00%	$231,190
2006	13.62%	$398,229	13.62%	$228,591
2007	3.53%	$381,226	3.53%	$205,601
2008	-38.49%	$216,054	-38.49%	$108,019
2009	23.45%	$229,691	23.45%	$96,318
2010	12.78%	$225,217	12.78%	$74,796
2011	0.00%	$195,211	0.00%	$44,794
2012	13.41%	$187,359	13.41%	$16,777
2013	29.60%	$203,939	29.60%	**$0**
2014	11.39%	$193,751	11.39%	**$0**
2015	-0.73%	$162,562	-0.73%	**$0**
2016	9.54%	$145,201	9.54%	**$0**
2017	19.42%	$137,573	19.42%	**$0**
2018	-6.24%	$100,864	-6.24%	**$0**
2019	28.88%	$91,328	28.88%	**$0**
2020	16.26%	$71,299	16.26%	**$0**
2021	26.89%	**$52,406**	26.89%	**$0**

Assumptions: Initial account value $500,000, annual withdrawal $30,000, S&P 500® index. The gain/loss column is the annual percentage change of the S&P 500 index. The performance is calculated as the percentage change from the last trading day of each year from the last trading date of the previous year.

Source: Financial data sourced from Bloomberg 1/3/22.

Longevity risk
Outliving your money

Consumers who hope to avoid market volatility might be tempted to put their retirement assets in a vehicle with little risk of loss, but also little growth, possibly missing out on any upside potential. In our hypothetical example, a person retires at age 65 with $500,000. Their money continues to grow at 3%, and they withdraw an annual income of $30,000. Even with a sturdy starting balance of $500,000, this person's assets run out by age 87. If they live until age 95, they will go almost 8 years without a retirement paycheck.

Assumptions:
Initial value $500,000, 3% annual growth rate, $30,000 annual withdrawal

Year	Age	Retirement assets
		$500,000
1	65	$485,000
2	66	$469,550
3	67	$453,637
4	68	$437,246
5	69	$420,363
6	70	$402,974
7	71	$385,063
8	72	$366,615
9	73	$347,613
10	74	$328,042
11	75	$307,883
12	76	$287,120
13	77	$265,733
14	78	$243,705
15	79	$221,016
16	80	$197,647
17	81	$173,576
18	82	$148,783
19	83	$123,247
20	84	$96,944
21	85	$69,853
22	86	$41,948
23	87	$13,207
24	88	$0
25	89	$0
26	90	$0
27	91	$0
28	92	$0
29	93	$0
30	94	$0
31	95	$0
32	96	$0
33	97	$0
34	98	$0
35	99	$0
36	100	$0

Will you or your spouse outlive your retirement paycheck?

Source: www.macrotrends.net/2526/sp-500-historical-annual-returns

Income needs review

A critical step in building a retirement strategy is an assessment of your anticipated expenses and income. The following exercise can give us an idea of potential gaps you may have.

This list reflects common expenses (needs and wants) you may encounter during retirement.

Monthly expenses					
Housing expenses	**Needs**	**Wants**	**Health care expenses**	**Needs**	**Wants**
Mortgage/rent	$	$	Health insurance premiums	$	$
Home insurance	$	$	Prescriptions	$	$
Utilities (phone, electric, water, gas, etc.)	$	$	Long-term care insurance	$	$
Other housing expenses	$	$	Other health expenses	$	$
Living expenses	**Needs**	**Wants**	**Living expenses**	**Needs**	**Wants**
Groceries	$	$	Taxes	$	$
Clothing	$	$	Life insurance premiums	$	$
Auto payments	$	$	Charitable contributions	$	$
Auto insurance	$	$	Recreation (hobbies, dining out, movies, etc.)	$	$
Additional car expenses (gas, registration, etc.)	$	$	Gifts to family and others	$	$
Travel	$	$	Other living expenses (home improvements, pets, etc.)	$	$
A) Total monthly expenses (needs + wants)				$	

Monthly income	
Predictable income sources	**Estimated monthly income**
Pension plan	$
Social Security	$
Guaranteed income	$
Other ____________________	$
B) Estimated monthly income	$

Compare your total monthly expenses to your potential sources of retirement income to identify potential gaps in your retirement income.

Total monthly expenses (A)	$
Total estimated monthly income (B)	$
Monthly retirement income gap (A—B)	**$**

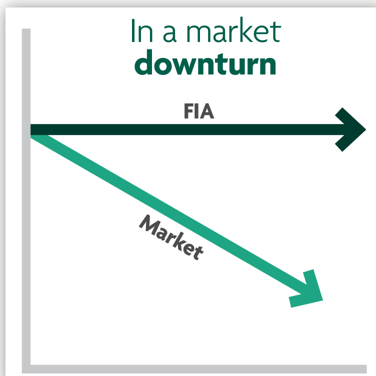
Fixed index annuities with lifetime income

How do they work?

A fixed index annuity (FIA) is a unique type of annuity that credits interest to your annuity's value based upon the movement of an underlying market index. FIAs are not a direct investment in the stock market. Growth of a FIA is calculated based on the index it is linked to and how that index performs. Each FIA product generally credits a portion of the total index gain based on the crediting method chosen but does not lose value due to market downturns.

Market-linked interest

0% floor



	Types of lifetime income	Overview	Pros	Cons
Lifetime income The most common method of generating lifetime income from a fixed index annuity is through an income rider. The rider is either embedded within the annuity or is an optional "add-on." The rider may or may not have an annual charge.* Generally, there are two primary varieties of lifetime income:	**Guaranteed**	Amount of income is based on growth which does not change	Guarantees provide greater confidence of knowing in advance the income that can be generated	Compared to other options, upside potential of your income is limited to the guarantees
	Participating	Amount of income is based on the growth potential of interest-crediting strategies	Higher upside potential	Lower guarantees
Other options Some income riders offer additional features on their income offerings to help address outside forces such as inflation or nursing home costs.	**Increasing income**	Income amount can increase by a specified amount each year	May help address the rising costs of goods and services	Income amount typically starts at a lower amount than if a level income option was chosen
	Income multiplier	Income amount can be doubled in the event of nursing home confinement or due to inability to perform 2 of 6 activities of daily living	Greater access to assets when you may need it most	Can deplete accumulation value that may have otherwise been planned for other purposes

** While certain included features may have no explicit cost, a product with a built-in income rider feature may offer lower credited interest rates, lower index cap rates, lower participation rates and/or greater index margins than products that don't have these built-in features.*

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Strength in numbers

We're a company built on a foundation of financial strength.

Our roots go back more than 130 years with the 1886 founding of North American Accident Association.

North American has consistently earned high ratings based on our financial strength, operating performance and ability to meet obligations to our policyholders and contract holders.

North American has grown and is a member company of Sammons Financial® Group.

Over $109.6 billion[1] Total assets under Sammons Financial Group Management	**Over $102.4 billion**[1] Sammons Financial Group total liabilities
Over $35.3 billion[2] North American life and annuity total assets	**Over $33.3 billion**[2] North American life and annuity total liabilities

Sammons FINANCIAL
Member companies

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Over 1.7 million[3]

Life and annuity policy holders

Sammons FINANCIAL
Member companies

130+ years

North American Company for Life and Health Insurance®

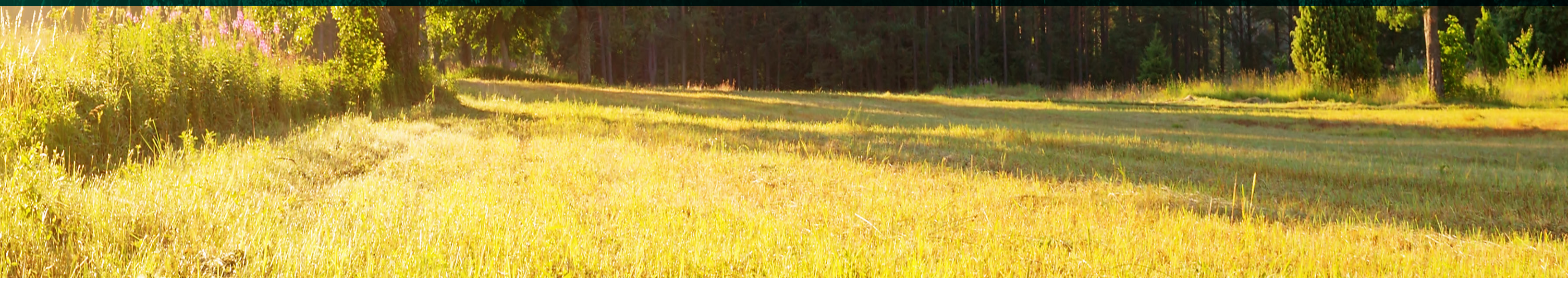
Currently "A+" rated by:

A.M. Best (Superior)[A,B] – (Second category out of 15)
Superior ability to meet ongoing obligations to policyholders

S&P Global Ratings (Strong) [B,C] – (Fifth category out of 22)
Very strong financial security characteristics

Fitch Ratings (Stable)[D] – (Fifth category out of 19)
A strong business profile, low financial leverage, very strong capitalization, and strong operating profitability supported by strong investment performance

The above ratings apply to North American's financial strength and claims paying ability. These ratings do not apply to the safety or performance of the variable accounts, which will fluctuate in value.



1. As of December 31, 2021. Source: Statutory Annual Statements of the Sammons Financial Group member companies as filed with the National Association of Insurance Commissioners.
2. Source: North American Balance Sheet as of 12/31/2021.
3. Policy count, assets under management, per statutory basis, as of December 31, 2021.

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Fixed index annuities are not a direct investment in the stock market. They are long term insurance products with guarantees backed by the issuing company. They provide the potential for interest to be credited based in part on the performance of specific indices, without the risk of loss of premium due to market downturns or fluctuation. Although fixed index annuities guarantee no loss of premium due to market downturns, deductions from your accumulation value for additional optional benefit riders or strategy fees associated with allocations to enhanced crediting methods could exceed interest credited to the accumulation value, which would result in loss of premium. They may not be appropriate for all clients. Interest credits to a fixed index annuity will not mirror the actual performance of the relevant index.

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This allocation provides the potential for interest to be credited based in part on the performance of the index without risk of loss of premium due to market fluctuations.

The "S&P 500®", "S&P Multi-Asset Risk Control 5% Excess Return Index", "S&P 500® Low Volatility Daily Risk Control 5% Index", "S&P 500® Low Volatility Daily Risk Control 8% Index", "S&P MidCap 400®", and "DJIA®", Indices ("Indices") are products of S&P Dow Jones Indices LLC or its affiliates ("SPDJI") and have been licensed for use by North American Company for Life and Health Insurance® ("the Company"). Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by the Company. Products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, or their respective affiliates and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the Indices.

"Income" or "lifetime income" refers to guaranteed payment of lifetime payment amounts ("LPAs"). It does not refer to interest credited to the contract. You should consult your own tax advisor regarding tax treatment of LPAs, which will vary according to individual circumstances.

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