

## Access to cash

FlexLife II offers the potential for cash surrender value growth that is tax-deferred and can be used during your lifetime through policy loans and withdrawals.<sup>13</sup>

You have the potential to access cash to:

- Help your children pay for college
- Take advantage of opportunities
- Meet unexpected emergencies
- Supplement your retirement income

## Income for life

Once the qualifications are met, the Lifetime Income Benefit Rider (LIBR)<sup>14</sup> provides:

- A guaranteed stream of tax-free income for life
- Money you can't outlive

LIBR is automatically added to policies when they are issued. A portion of the death benefit protection will always be retained.



Since 1950, the average life expectancy in the US has increased;<sup>15</sup>

**+9.1 Years** for men

**+7.1 Years** for women

1950

men 73.5 years | women 79.3 years

2016

men 82.6 years | women 86.4 years

You should plan for  
**20+ years**  
in retirement

<sup>13</sup> 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 policy values and scheduled premiums are insufficient, additional out-of-pocket payments may be needed to keep the policy in force. Surrender charges may reduce the policy's cash value in early years.

<sup>14</sup> 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.

<sup>15</sup> USA Today 2014

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# Growing Cash Value

Indexed products credit interest based on the changes in value of a major market index. However, your policy can never lose value due to market changes because there is a 0% floor built in which allows you to take advantage of the upside potential of the index while also having downside protection in the event the index drops below 0%.

## 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.

### Let's keep it simple.

**Step 1:** You pay a premium to the insurance company.

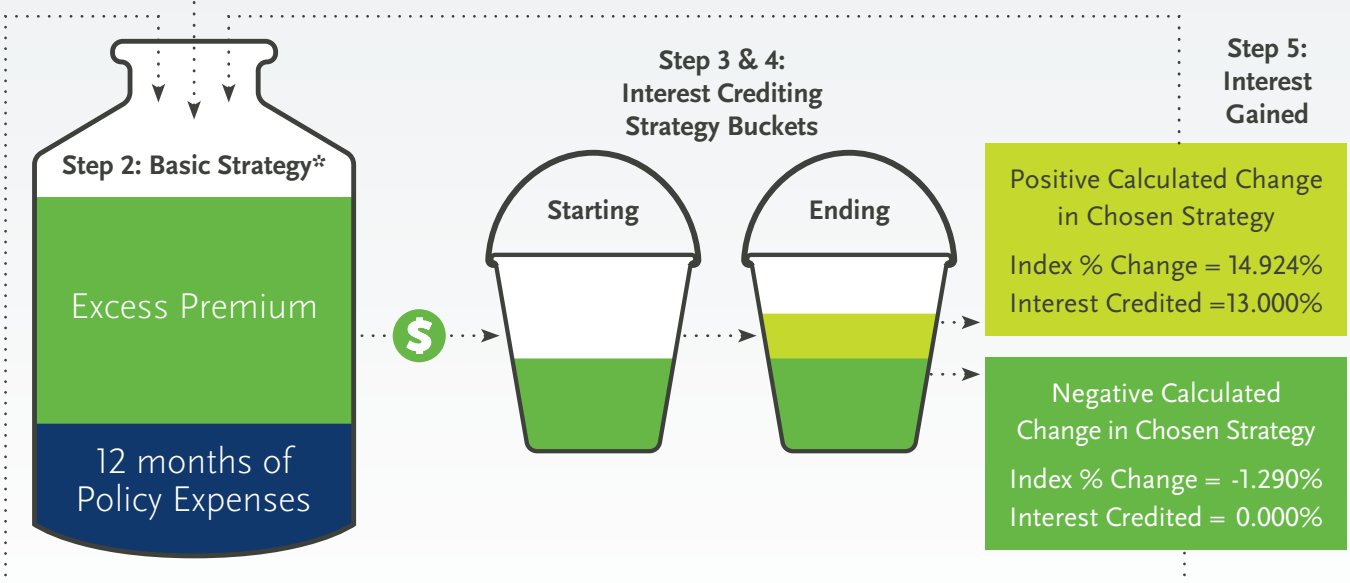
**Step 2:** Your premiums are put into an account called the Basic Strategy and stay there until there is enough to cover the policy expenses for the coming year.

**Step 3:** Premium dollars paid in excess of the twelve months of policy expenses go into the interest crediting strategies of your choice. You have six interest crediting strategies to choose from including a fixed interest strategy.

**Step 4:** After one year, we calculate the change in your chosen strategies.

**Step 5:** 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%.

### Step 1: Premium



\* The guaranteed interest rate paid on the funds in the Basic Strategy is 2.5%.

Participation Rate 100%, Cap 13%

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## Calculating Earnings

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 earned.

If the Participation Rate is 80%, 8% is used in the calculation of interest earned [10% x 80% = 8%].

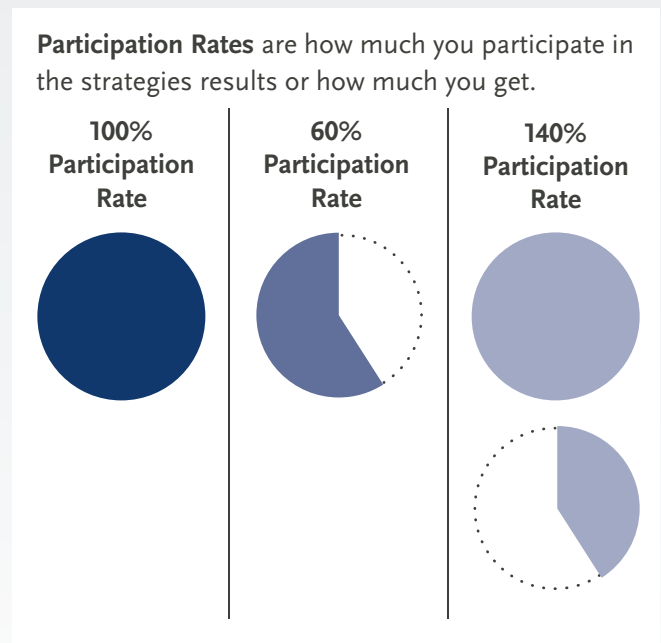
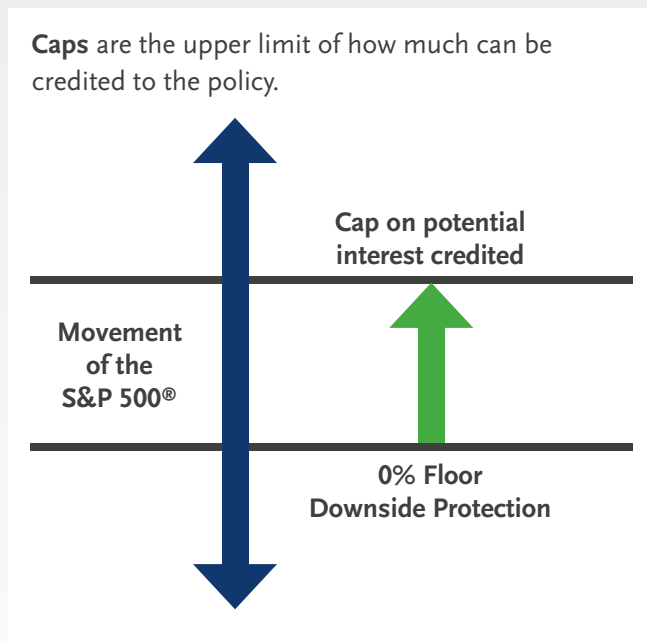
The Cap is the maximum earnings percent that will be credited. For example, if the Index Growth is 10% and the Participation Rate is 100%, but the Cap is set at 6%, 6% is credited.

The Indexed Strategy earnings are credited and locked in annually. Once interest is credited it can never be lost due to a decline in the Index. **No Indexed Strategy earnings are credited for funds allocated to the Index Strategies for periods shorter than a full year.**

Current fixed interest rates, caps and participation rates are subject to change by the insurer at any time, but will not drop below guaranteed values.

## Caps and Participation Rates

Caps and Participation Rates are the “cost” of the 0% floor downside protection.



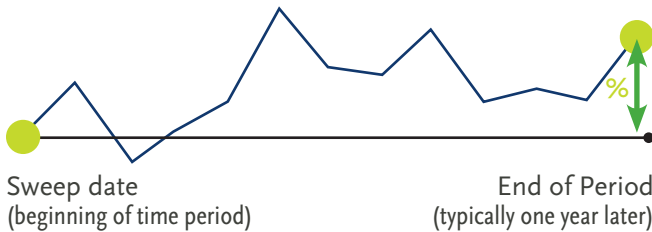
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# Understanding Indexing

## Index strategies are measured in two different ways

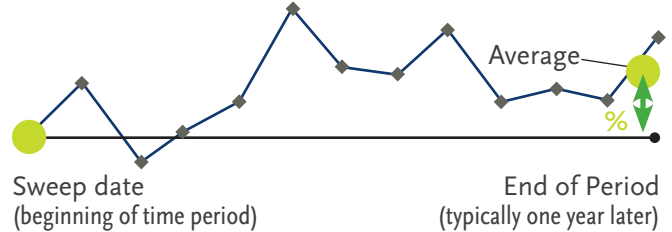
### Point-to-Point

Compares the value of the index at the beginning and the ending date.



### Point-to-Average

Takes an average of the index values from the beginning date and every day the market is open during the term.



If the value is lower, no interest will be credited and the policy is protected from losing any cash value with a 0% floor.

## Strategy Performance 2007–2016<sup>16</sup>

Beginning Date	End Date	Point to Point Cap Focus		Point to Average	
		S&P 500® Index Growth Rate	Interest Credited	S&P 500® Index Growth Rate	Interest Credited
5/21/07	5/21/08	-8.812%	0.000%	-5.227%	0.000%
5/21/08	5/21/09	-36.124%	0.000%	-27.062%	0.000%
5/21/09	5/21/10	22.442%	14.000%	20.196%	16.156%
5/21/10	5/21/11	22.578%	13.500%	10.871%	10.328%
5/21/11	5/21/12	-1.296%	0.000%	-3.716%	0.000%
5/21/12	5/21/13	26.837%	13.000%	10.374%	11.931%
5/21/13	5/21/14	13.113%	13.000%	5.466%	6.286%
5/21/14	5/21/15	12.859%	12.859%	6.968%	8.710%
5/21/15	5/21/16	-3.684%	0.000%	-4.772%	0.000%

<sup>16</sup> 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. Guarantees are dependent upon the claims-paying ability of the issuing company. 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 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 II because it used the same interest crediting methods but has a longer history. LSW Secure Plus Paragon is no longer available for sale.

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