

Lifetime Income Benefit Rider

with Wellbeing Benefit



For use with
Fixed Indexed Annuities



The one who works for you!™



Lifetime Income Benefit Rider

Lifetime Income Benefit Overview

- Provides a lifetime income (subject to certain restrictions)
- You control money remaining in your Contract (annuitization not required)
- You choose the Rate/Benefit option that best suits your needs
- Spousal income benefit available

Lifetime Income Benefit Features

The Lifetime Income Benefit Rider (LIBR) allows you to take a lifetime income from your annuity without losing control of your retirement assets. This is possible because lifetime income is in the form of regular withdrawals from your Contract rather than annuitized payments. The amount of your Lifetime Income Benefit (LIB) is determined by multiplying your Income Account Value (IAV) (described below) by a benefit payout percentage. The benefit payout percentage is based upon your gender and age at the time you elect payments and is described in more detail on page 4. You may start and stop LIB payments at any time. If restarted, we resume LIB payments based on original benefit payout percentage applied to the greater of your current Contract Value or your current IAV.

Income Account Value Calculation

The IAV is a value used solely to determine the amount of income you will receive under the LIBR. It is not a traditionally accessible value; rather, it serves as a measuring value tool for purposes of the Rider only. At any one time, your IAV equals the total premiums paid (plus any premium bonus, if applicable) accumulating at the IAV rate (whichever option you choose at the time of application). The accumulation of the IAV will continue at the predetermined percentage until the end of the IAV Period, the date LIB payments begin, or either the Rider or the Contract to which it is attached terminates – whichever occurs first.

PLEASE NOTE: The IAV is NOT a part of your Contract Value as defined in the base Contract—it is not part of your cash Surrender Value and cannot be accessed by Surrender or withdrawal. While your LIB payment will be based upon the value of your IAV, all withdrawals, LIB Payments, Surrenders and lump sum distributions are deducted from your Contract Value. The IAV serves as a factor for calculating the LIB only.



American Equity *The one who works for you!™*

"When you purchase one of our innovative insurance products, you are buying a promise - our promise that American Equity will be there when you need us. We have been fulfilling that promise since we were founded."

-David Noble

Founder and Executive Chairman of the Board



Reset of IAV Period

You may reset your IAV Period for the 6.0% IAV Options once, on any Contract Anniversary between the second and fifth Contract Anniversaries. You may reset your IAV Period for the 3.0% IAV Options or the 5.5% IAV Options once, on any Contract Anniversary between the fifth and tenth Contract Anniversaries. You may reset your IAV Period by submitting your request in writing. Your new IAV Period will be for the same duration as the original IAV Period. Your IAV then becomes the greater of your IAV or your Contract Value at the time of reset.

Lifetime Income Benefit Options

American Equity offers five choices with our LIBR. Your lifestyle will determine which option suits your needs.

Option 1: Lifetime Income Benefit Rider¹

-Available for all issue ages.

This lifetime income option offers a compounding IAV rate of 3.0%. Your IAV Period with this option is 10 years. You will have the option to reset your IAV period. If you choose to reset, your IAV could grow for up to 20 years. There is no Rider Fee associated with this option at issue. The Company may, at the time of reset, implement a Rider Fee.

Option 2: Lifetime Income Benefit Rider¹

-Available for issue ages 50+

This lifetime income option offers a compounding IAV rate of 5.5%. Your IAV Period with this option is 10 years. You will have the option to reset your IAV period. If you choose to reset, your IAV could grow for up to 20 years. There is a Rider Fee of 0.75% of your Contract Value. This fee is deducted from your Contract Value each year as long as the LIBR remains active. The Company may, at the time of reset, change the Rider Fee.

Option 3: Lifetime Income Benefit Rider¹

-Available for issue ages 50+.

This lifetime income option offers a compounding IAV Rate of 6.0%. Your IAV Period with this option is five years. You will have the option to reset your IAV period. If you choose to reset, your IAV could grow for up to 10 years. There is a rider fee of 0.90% of your Contract Value. This fee is deducted from your Contract Value on each Contract Anniversary as long as the Rider remains active. The Company may, at the time of reset, change the Rider Fee.

Lifetime Income Benefit Rider

Option 4: Lifetime Income Benefit & Wellbeing Rider¹

-Available for issue age 50+.

This lifetime income option offers a compounding IAV rate of 5.5%. Your IAV Period with this option is 10 years. You will have the option to reset your IAV period. If you choose to reset, your IAV could grow for up to 20 years. In addition to the LIB you also receive a wellbeing benefit. There is a Rider Fee of 0.85% of your Contract Value. This fee is deducted from your Contract Value each year as long as the LIBR remains active. The Company may, at the time of reset, change the Rider Fee. The Wellbeing Rider is not available in all states.

Option 5: Lifetime Income Benefit and Wellbeing Rider¹

-Available for issue ages 50+.

This lifetime income option offers a compounding IAV Rate of 6.0%. Your IAV Period with this option is 5 years. You will have the option to reset your IAV period. If you choose to reset, your IAV could grow for up to 10 years. There is a rider fee of 1.0% of your Contract Value. This fee is deducted from your Contract Value on each Contract Anniversary as long as the Rider remains active. The Company may, at the time of Reset, change the Rider Fee. The Wellbeing Rider is not available in all states.

What is the Wellbeing Benefit?

A benefit that increases the amount of your LIB payment by the enhanced LIB withdrawal factor (currently 200% for single, or 150% for joint) if you or your spouse (if joint life payout is selected) meet all seven of the eligibility requirements outlined below:

1. The Rider must be in force;
2. The Enhanced LIB Waiting Period (currently 2 years) has elapsed;
3. You (and your spouse, if applicable) are at least age 50 at election;
4. The current Contract Value is greater than zero;
5. You (or your spouse, if applicable) were able to perform all six Activities of Daily Living (ADL) on the Effective Date of the Rider;
6. The Enhanced LIB has not been previously elected; and
7. You (or your spouse, if applicable) provide a licensed doctor's statement, on a form we provide, certifying that you (or your spouse) are now no longer able to perform two of the six ADL's without substantial assistance due to a permanent loss of functional capacity.

The six ADL's included: bathing, dressing, transferring, toileting, continence and eating. Your LIB payment will be increased for the duration of the enhanced LIB period (currently 5 years). The enhanced LIB period will elapse and no further Enhanced LIB will be payable after the expiration of the enhanced LIB period.

Lifetime Income Benefit Election

You may elect to receive LIB payments any time after your first Contract Anniversary or after you reach age 50, whichever is LATER. At the time you choose to begin LIB payments you may select either the single life or joint life payout option. Once your LIB payments begin, these choices are locked in and may not be changed. Your LIB payments will be based on that selection, multiplied by the benefit payout percentage as shown in the table below.

Payout Factors*

	Single		Joint
	Payout %		Payout %
Age	Female	Male	Joint
50	3.10%	3.40%	3.00%
51	3.20%	3.50%	3.10%
52	3.30%	3.60%	3.20%
53	3.40%	3.70%	3.30%
54	3.50%	3.80%	3.40%
55	3.60%	3.90%	3.50%
56	3.70%	4.00%	3.60%
57	3.80%	4.10%	3.70%
58	3.90%	4.20%	3.80%
59	4.00%	4.30%	3.90%
60	4.10%	4.40%	4.00%
61	4.20%	4.50%	4.05%
62	4.30%	4.60%	4.10%
63	4.40%	4.70%	4.15%
64	4.50%	4.80%	4.20%

	Single		Joint
	Payout %		Payout %
Age	Female	Male	Joint
65	4.60%	4.90%	4.25%
66	4.70%	5.00%	4.30%
67	4.80%	5.10%	4.35%
68	4.90%	5.20%	4.45%
69	5.00%	5.30%	4.55%
70	5.10%	5.40%	4.65%
71	5.20%	5.50%	4.75%
72	5.30%	5.60%	4.85%
73	5.40%	5.70%	4.90%
74	5.50%	5.80%	4.95%
75	5.60%	5.90%	5.00%
76	5.70%	6.00%	5.05%
77	5.80%	6.10%	5.10%
78	5.90%	6.20%	5.15%
79	6.00%	6.30%	5.20%
80	6.10%	6.40%	5.25%

* Montana residents will be issued on a gender neutral basis. Both Males and Females will be issued using Female payout factors. Joint factors remain the same.

Lifetime Income Benefit Rider

Single Life and Joint Life Payout

At the time you elect to start receiving LIB payments, you may choose either a Single Life or a Joint Life payout. With the Single Life option, payout factors are determined based on your gender and age at time of payout election. With the Joint Life payout option, the Joint Payee must be a legal spouse as defined under federal law and be at least 50 years old. We base LIB payment amounts on the age of the younger Joint Payee. We will make LIB payments until the death of the last surviving spouse.

Excess Withdrawals

Any partial withdrawals taken from the Contract Value after LIB payments have started are considered Excess Withdrawals (EW) and will reduce future LIB payment amounts and your IAV on a pro-rata basis. For example an additional withdrawal of 5% of your Contract Value reduces your next LIB payment by 5%. If an EW plus LIB payment exceeds the Penalty-free Withdrawal amount allowed in any Contract Year surrender charges will be applied to any amount in excess of the Penalty-free Amount. Should EW's reduce your Contract to below the minimum value, as outlined in your Contract, the Rider terminates and your LIB payments stop.

How do excess withdrawals IMPACT my benefits?

Withdrawals taken in addition to your LIB payments are EW's. EW's reduce subsequent annual LIBR payments on a pro-rata basis, and reduce your IAV on a pro-rata basis.

For example: If your annual LIB is \$5,000, you take an EW of \$5,000 which is 5% of your Contract and IAV of \$100,000 at the time of your EW, the new annual LIB is reduced by 5% to \$4,750 and your Contract Value and IAV are reduced by \$5,000 to \$95,000.



Are You Prepared?

- 46% of Americans have less than \$10,000 saved for retirement. (Employee Benefit Research Institute, 2013)
- 40% of baby boomers now plan on working until they die. (AARP, 2010)
- 36% of Americans say they don't contribute anything at all to their savings. (Careerbuilder.com, 2009)
- 87% of adults say they are not confident about having enough money for a comfortable retirement. (Lifehappens.org, 2014)



Required Minimum Distributions

The LIBR is Required Minimum Distribution (RMD) friendly. If the LIB payment does not satisfy the RMD amount in your Contract for that year, then any amount for that year will not be considered an EW.

Death of Owner

The Rider terminates at the death of Owner/Annuitant. The Rider continues if the spouse is the primary beneficiary and meets the following conditions:

- If the Owner/Annuitant dies before LIB payments begin, the spouse may step in to the Contract and the rider will continue with the Contract; or
- If LIB payments have already begun, the surviving spouse is eligible to receive:
 - a. The current Contract Value in a lump sum or any other payout option available; or
 - b. The remaining IAV in a series of payments of up to 6% of the IAV based on spouse's gender and age at date of step-in, until IAV is depleted to zero; or
 - c. May stop LIB payments and choose to restart them later based on the spouse's gender and age at date of restart, up to a maximum of 6% of the remaining IAV annually, until the IAV is zero.

Tax Treatment

All LIB payments are considered a withdrawal from the Contract Value. Any withdrawal is subject to income taxation as outlined by the Internal Revenue Code. Additionally, the taxable portion of any withdrawal taken prior to age 59½ may be subject to a 10% penalty by the Internal Revenue Service for early withdrawal of deferred interest. Please contact your tax professional for additional information.

A Case Study

Let's explore a hypothetical case to see how the Rider can provide for a lifetime income.

Stan White

- 55 year old male
- Savings: \$200,000
- Company sponsored pension starts age 65
- Expecting Social Security payments age 65
- No major expenses—no mortgage payments—daily living costs only

Goals

- Wants to retire at age 62 without his money running out
- Doesn't want to start Social Security payments until age 65
- Have enough income to supplement his savings, which he plans to live on from age 62 until Social Security and his pension payments start at age 65

Assumptions for all scenarios:

- No EW's are taken;
- \$100,000 single premium plus 10% premium bonus;
- No withdrawals prior to electing income; and
- Income is elected at the end of year 7 when Stan turns age 62.
- For 6.0% compounding IAV rate, assumes reset year 5 with no fee change.

Lifetime Income Benefit Rider

Scenario #1

After completing a fact-finding analysis of Stan's financial situation and goals, Stan's agent recommends taking \$100,000 of his savings to purchase an annuity with the LIBR, explaining that the guaranteed lifetime income he can receive starting at age 62, coupled with his remaining savings should be enough to get him to age 65. After that the guaranteed income the LIBR provides will help supplement his pension and Social Security income.

Stan listens to what his agent says and feels this may be a good solution for his needs. However, he wants to see how the LIBR works.

Stan's agent explains how LIB payments are calculated. Stan's potential income is based on the increase in the IAV and his age at election of lifetime income. Stan's agent reminds him that the IAV is not an actual value in the traditional sense, rather a value used to determine the amount of his LIB payment. Stan's IAV is calculated by taking:

- \$100,000 single premium plus 10% premium bonus; compounding at
- 3.0%, 5.5%, or 6.0% annually until payments begin.

The longer Stan waits to start LIB payments, the greater the accumulation of the IAV. Of course, if LIB payments are not elected, and the IAV period is reset, the IAV will continue to accumulate until the end of the IAV period. Stan's agent also explains to him that the IAV is only accessible if Stan elects to start taking a lifetime income; Stan will not be able to withdraw a lump sum based on the IAV.

Years IAV Compounding	IAV @ 3.0%	IAV @ 5.5%	IAV @ 6.0%
1	\$113,300	\$116,050	\$116,600
2	\$116,699	\$122,433	\$123,596
3	\$120,200	\$129,167	\$131,012
4	\$123,806	\$136,271	\$138,872
5	\$127,520	\$143,766	\$147,205
6	\$131,346	\$151,673	\$156,037
7	\$135,286	\$160,015	\$165,399

Stan wanted to see what options the LIBR provide him at his expected retirement at age 62. He also wants to know what the difference is between the Accumulation Options. He asked his agent to show him his:

- Income Account Value;
- LIB payments
- Contract Value; and
- Rider Fees paid for the IAV Accumulation Options 5.5% and 6.0%

Scenario #1

Option #1 –

- End of seventh Contract Year
- IAV accumulation option 3.0%
- No Rider Fee
- Contract Value compounding at 3% annually²

IAV	Cumulative Rider Fee Charged	Contract Value	Guaranteed Income %	Annual LIB Payment (IAV x 4.60%)
\$135,286	\$0	\$135,286	4.60%	\$6,223

Option #2 –

- End of seventh Contract Year
- IAV accumulation option 5.5%
- Rider Fee 0.75% of Contract Value annually³
- Contract Value compounding at 3% annually²

IAV	Cumulative Rider Fee Charged	Contract Value	Guaranteed Income %	Annual LIB Payment (IAV x 4.60%)
\$160,015	\$5,391	\$129,311	4.60%	\$7,361

Option #3 –

- End of seventh Contract Year
- IAV accumulation option 6.0%
- Rider Fee 0.90% of Contract Value annually³
- Contract Value compounding at 3% annually²

IAV	Cumulative Rider Fee Charged	Contract Value	Guaranteed Income %	Annual LIB Payment (IAV x 4.60%)
\$165,399	\$6,444	\$128,143	4.60%	\$7,608

Lifetime Income Benefit Rider

Scenario #2 – Wellbeing Option

Stan then thought that the income from this portion of his money was important and wondered what would happen if he needed more income because of additional medical costs. Stan's agent then explained the LIB and wellbeing option. This option gives Stan the IAV growth at 5.5% as well as an increase in his LIB payments if certain requirements were met. This option has an annual fee of 0.85% of the Contract Value. Stan must weigh the cost with the benefits.

Stan's agent explains to him that if sometime after the waiting period of 2 years, if Stan is unable to do two of the six activities of daily living, his LIB payment percentage will increase 200% for up to 5 years (the enhanced LIB period). After 5 years, or if his eligibility requirements are no longer met, Stan's LIB payments will go back to the original calculation. Stan's agent showed him an example of what those enhanced LIB payments could look like if turned on at various ages. (Assumes IAV period is reset)

End of Contract Year	Age	IAV	Guaranteed Annual Payment	Wellbeing Payment
5	60	\$143,766	\$6,326	\$12,651
10	65	\$187,896	\$9,207	\$18,414
15	70	\$245,572	\$13,261	\$26,522
20	75	\$320,953	\$18,936	\$37,872

Notes:



- Liabilities as of 12/31/2014 are \$34 Billion.



⁶ Standard and Poor's rating service has recognized American Equity Investment Life Insurance Company® with an "A-" rating. An insurer rated "A" has strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings. Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. Rating effective 8/5/15.

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American Equity Gold Standard for a Secure Retirement

American Equity is committed to your retirement years and your financial security. We design our products with your future in mind, and customized service to assist you in leading the life you have planned. All of our employee-owners are committed to ensuring your retirement-planning peace of mind.

Our commitment to quality service and strong Contract Owner benefits is unsurpassed in our industry. Our steadfast focus on our Contract Owners has led us to record growth in our industry, and we are the number three producer of fixed indexed annuities in the market.⁴

When you purchase an American Equity annuity, you are buying more than a product – you are buying a promise. We guarantee that we will be there for you when you need us. If you want an annuity that can offer you **safety of principal, flexibility, tax advantages, access when you need it** and a chance to have a **lifetime income** – we are the one who works for you.



Ron Grensteiner, President



life.american-equity.com

Call us at **888-221-1234**

6000 Westown Pkwy, West Des Moines, IA 50266