American Equity’s
Gold standard
for a secure Retirement

Lifetime Income Benefit Rider

With Enhanced Death Benefit
or Wellbeing Rider

Frequently Asked Questions

*Form number and availability may vary by state.
LIFETIME INCOME BENEFIT (LIB)

What is LIB?
It is the payment that is guaranteed as long as the annuitant is alive.

How is it calculated?
The initial Lifetime Income Benefit payment is calculated by multiplying the benefit payout percentage by the income account value (IAV).

Can the payment decrease?
Only by taking an excess withdrawal over and above the Lifetime Income Benefit payment.

Can the payment increase?
There are two ways your payment can increase.
A) Increasing Payment Option: If you choose this option, your initial annual LIB payment equals the IAV multiplied by the benefit payout percentage for your age. On each anniversary of the initial LIB date, your LIB payment amount increases by the increasing payment percentage of 3%. This occurs every year until your base contract value decreases to zero. At that point your LIB payment is locked in and remains level for the rest of your life.
B) Automatic Step Up: It is possible for the lifetime income benefit payment to increase even without choosing the increasing payment option. At each anniversary, after payments have begun, if the contract value of the base contract is greater than the income account value, the IAV will be “stepped-up” to the base contract value. Then the benefit payout percentage that was in effect when the initial LIB payment was calculated is multiplied by the new income account value. If the result is greater than the current lifetime income benefit payment, the LIB payment is increased.

Do LIB payments have to begin during the IAV Period?
No. Lifetime income benefit payments may begin at any time after the first contract year as long as the individual is at least 50 years old. (In case of joint annuitants, after the youngest annuitant reaches age 50)

INCOME ACCOUNT VALUE (IAV)

What is the Income Account Value (IAV)?
The IAV is an accounting value only used to determine Lifetime Income Benefit payments. IAV is determined by taking premiums paid plus any bonus credited, if applicable, compounded by the appropriate IAV rate chosen - either 4.5% or 6.5%*. The IAV is not associated with the base contract value.

Can funds be withdrawn from the IAV?
No. The Income Account Value is only used to determine what Lifetime Income Benefit payments would be at a specific point in time. The IAV is not available for cash surrender or in a lump sum.

Will partial withdrawals stop the IAV from accumulating?
No. You may take partial withdrawals from your contract prior to election of LIB payments and your IAV will continue to grow. Withdrawals will reduce the Base Contract’s contract value and Income Account Value on a pro-rata basis.

*4.5% version available at all owner issue ages. 6.5% version available only to owners issue age 50+. Please see Lifetime Income Benefit Rider disclosure for details.
INCOME ACCOUNT VALUE (IAV) PERIOD

What is the IAV period?
It is the period of time during which the IAV is credited the IAV rate (currently either 4.5% or 6.5%). Currently, the IAV period is 10 Years.

What does it mean to “reset” the IAV period, and why would someone reset the IAV period?
The IAV period may be reset once, after the 5th contract anniversary, but before the 10th contract anniversary. LIB payments must not have begun in order to request a reset of the IAV period.

There are two situations when it might be advantageous to reset an IAV period.

• At the end of the initial IAV period, if lifetime income benefit payments have not begun, the IAV stops growing. It would make sense to reset the IAV at this point.
• If the base contract’s contract value is higher than the IAV, resetting would set the IAV to the base contract’s contract value.

This new, higher IAV would grow at the IAV rate for another 10 years, or until Lifetime Income Benefit Payments are elected, whichever comes first.

INCOME ACCOUNT VALUE (IAV) RATE

What is an IAV Rate?
It is the annual effective interest rate that is applied to the IAV. The rate is chosen by the customer at issue and cannot be changed during the IAV period. It ceases to apply at the earlier of the date IAV period ends or the date lifetime income benefit payments begin.

Does the IAV rate continue to be applied after LIB payments have started?
No. The IAV rate is only used during the IAV period. At the end of the IAV period the IAV is locked in unless the customer chooses to reset a new IAV period or until lifetime income benefit payments begin.

Is switching from any of the IAV Accumulation/Benefit Options allowed?
No. Once an income account value accumulation option is chosen, that is the IAV option. It is not possible to switch to another IAV option.

Can you switch from any of the IAV Accumulation/Benefit Options at reset?
No, even at reset, the IAV option chosen at contract issue is the set rate used to determine the IAV.
**RIDER FEE**

Is there a rider fee, and if yes, what is it? Currently, there is no charge for the IAV accumulation option 4.5%. There is a 0.60% fee for the IAV accumulation option 6.5%. There is a 0.70% fee for the Enhanced Death Benefit Option. There is also a 0.75% fee for the Wellbeing Benefit Option. These fees are guaranteed to remain level unless the owner resets the IAV period.

Can the rider fee ever change? Yes. However, the initial rider fee is guaranteed until/unless the owner requests to reset the IAV period. If the owner chooses to reset the IAV period, we may at that time change the rider fee rate for any of the IAV accumulation/benefit options. The new rider fee rate will then be guaranteed to never change for as long as the base contract or the Lifetime Income Benefit Rider are in-force.

Is the rider fee deducted from the income account value and the base contract’s contract value? No. The rider fee is deducted from base contract’s value only, on each contract anniversary.

Please Note: Your base contract’s contract value may lose money in years where no interest is credited and a fee is applied. However, fees will not reduce the income account value at any time.

Does the rider fee cease when lifetime income benefit payments begin? No. The rider fee continues as long as the rider is in-force.

Is the rider fee considered a distribution by the IRS? We do not give tax advice, so customers should check with their personal tax advisor. However, it is our opinion that the rider fee is part of the base contract’s contract value calculation. As such, we believe that there is no distribution from the annuity. The owner does not receive any funds, nor do they ever take possession of funds. Based on this, we believe that the rider fee is not a distribution. Again, each individual should seek the advice of his or her individual tax advisor on this issue, and act accordingly.

**DEATH BENEFIT OPTIONS**

What happens if the Owner/Annuitant dies before lifetime income benefits start? That depends on who is the named beneficiary. A surviving spouse+ can step in and take over the contract and the rider will continue. However, if the named beneficiary is anyone other than a spouse, then the rider would terminate and the beneficiary will receive the death benefit from the contract or Enhanced Death Benefit if applicable.

What happens if the Owner/Annuitant dies after lifetime income benefits start? Again, that depends on who the named beneficiary is. If the payout option is based on the joint life of both spouses, and the surviving spouse continues the base contract, then the payments will continue until both spouses are deceased. If the payout option is based on a single life then a surviving spouse can step in and take over the base contract and the rider will continue. The surviving spouse will have a couple of options:

A) take the current base contract’s contract value as a lump-sum payment; or  
B) receive a series of payments based on the current income account value at the interest rate based on the spouse’s age at step-in, until the income account value is zero. The spouse will not be guaranteed a lifetime income.

If the named beneficiary is anyone other than a spouse the rider will terminate at the owner/annuitant’s death and the beneficiary will receive the death benefit from the contract or Enhanced Death Benefit if applicable.

+ Surviving spouse as defined under Federal Law.

Provisions of the Lifetime Income Benefit Rider, such as Income Account Value Accumulation Rates, may change prior to issue. Please look over your Lifetime Income Benefit Rider closely for your specific provisions.