# NWL® Income+ Frequently Asked Questions

## 1. How is the future Income Payment determined?

Any Income Payment increase is based on three key components.

- CPI-U index — This index measures the cost of goods and services in urban areas. A rise in the CPI-U is an indicator that prices of goods and services are becoming more expensive and your cost of living may increase. This is the inflation component.
- S&P MARC 5% — Increases, if any, in this index over each three-year Option Term Period can contribute to increases to future Income Payments. This is the index component.
- Surplus Amount — In periods where the CPI-U rises at a rate higher than that of the Option Growth Rate based on the S&P MARC 5% Excess Return calculated performance rate, a portion of the funds within the Surplus Amount, if greater than zero, may be used to help increase payments and offset the impact of cost of living increases. The Surplus Amount will grow when the index component calculation is greater than the inflation component.

## 2. How is the Annual Income Payment calculated?

In Years 1-3, the initial Income Payment is determined at issue and will be level for the first three policy years.

Beginning in Year 4, NWL will review your account annually to determine your new Income Payment. The floor each year is the prior year's Income Payment. If your Annual Income Payment increases over the previous year, this becomes your new guaranteed Annual Income Payment. This payment will never decrease, it can only increase.

Steps for determining the Annual Income Payment:

**Step 1 - Calculating the Index Component**

I. Determine the New Calculated Payment
*Equation:* Previous Year's Calculated Payment x (1+ Option Growth Rate)

II. Add Surplus Amount
*Equation:* New Calculated Payment + (Prior Year Surplus Amount x Surplus Amount Percentage / Payment Mode)

**Step 2 - Calculating the Inflation Component**

I. *Equation:* Prior Year Income Payment x (1 + Current Year Inflation Rate)

**Step 3 - Compare new Index Component to new Inflation Component**

- If the index component happened to be less than the inflation component, the Annual Income Payment would be the index component and if the inflation component happened to be less than the index component, the Annual Income Payment would be the inflation component
- The index component and the inflation component must be higher than the current Income Payment for an increase in Income Payments to occur
- The Surplus Amount will increase or decrease each year based on the difference of the new Calculated Payment and the new Income Payment

## 3. What happens if the Consumer Price Index (CPI-U) is greater than index performance?

The Income Payment will grow at the Option Growth Rate plus a percentage of the Surplus Amount, if any, but again only if greater than the current Income Payment.

### 4. What is the Surplus Amount?

The greater of the sum of the Calculated Payments minus the sum of the Income Payments or zero.

### 5. Can I withdraw the index gains at any time?

No, you cannot withdraw the index gains. The index gains are used to determine if and how future payments will increase.

### 6. What happens if I die, what does my beneficiary receive?

Upon death of the sole annuitant or last surviving Joint Annuitant, the beneficiary will receive the single premium less the sum of income payments, as long as this difference is greater than zero.

### 7. Can the Owner surrender the contract and what would they receive if they did?

Yes, the Owner can surrender the contract. The Cash Surrender Value will be determined by a surrender value calculation plus a Market Value Adjustment (MVA). This is only applicable if the contract is surrendered during the Surrender Charge Period, which is five years.

### 8. What are the payout options?

The payout Options for NWL Income+ are:

- Life Only
- Joint and Last Survivor

Payment modes are:

- Monthly
- Quarterly
- Semi-Annually
- Annually

However, the payment start date can be no sooner than 30 days from purchase and no later than one year from the Issue Date depending on the payment mode elected at issue.

### 9. Can I do a Joint and Last Survivor?

Yes, you can do joint life. The payment options are: Life Only, or Joint and Last Survivor.

### 10. Can I take partial withdrawals on the surrender value?

No, the contract does not allow for partial withdrawals because it has been annuitized for the purposes of generating a stream of income. The value of your cash payment upon surrender is determined based on the state of policy issue.

- Cash Surrender Value with an MVA is used to calculate your cash payment for most states
- Cash Surrender Value without an MVA is used in TX and CA
- Commuted Value is used in MN and NJ

#### Cash Surrender Value

The greater of (1) the Single Premium less the sum of Income Payments and less the Surrender Charge, plus or minus the MVA (if applicable), or (2) zero.

#### Commuted Value

During the Commutation Period, as defined in your Policy, the present value of the current Income Payment over the expected life of the Annuitant(s), discounted at interest and mortality, but not greater than the Single Premium less the sum of Income Payments. The Commuted Value is no longer available after the Commutation Period ends or if the sum of Income Payments paid is at least as great as the Single Premium.

#### Market Value Adjustment (MVA) Rider

An MVA may increase or decrease the amount of the Cash Surrender Value. In general, as the MVA Index increases, the Cash Surrender Value amount decreases. As the MVA Index decreases, the Cash Surrender Value amount increases. The MVA is only applied if the policy is terminated in years one through five.

### Surrender Charge*

| Policy Year | 1 | 2 | 3 | 4 | 5 | 6+ |
|---|---|---|---|---|---|---|
| 5-Year Surrender Charge Period | 5.00% | 4.00% | 3.00% | 2.00% | 1.00% | 0.00% |

*Surrender charges will not apply in states that use the commuted value.

## 11. What will my client see on their annual statement?

NWL will prepare a report at the end of each Policy Year that the Contract is in force. NWL will provide this report within 60 days of the end of each Policy Year. The report will show at least the following information:

- Beginning and end dates of the report
- Single Premium received at the Policy Date
- Sum of Income Payments paid by us
- Income Payment for the previous Policy Year
- Income Payment for the Policy Year
- Option Growth Rate of the Policy Year
- Inflation Rate as of the two months prior to the Policy Anniversary month
- Surplus Amount, if any, at beginning and end of the Policy Year
- Death Benefit at the end of the Policy Year

## 12. How is the trail compensation calculated and how often is it paid?

The trail compensation is based on a unique approach of using the present value of future Policyholder income flows, where increasing payments offset the passage of time to create a more stable balance that drives greater all-in compensation. After the first year, the trail will be paid out on a quarterly basis at the end of each quarter.

## 13. Can I elect an all-up-front commission option and not get a trail?

No, you cannot elect to get an all-up-front commission option with the NWL Income+.

## 14. What is the difference between the Consumer Price Index for All Urban Consumers (CPI-U) and the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)?

The CPI-U is a more general index that seeks to track retail prices as they impact all urban consumers. It accounts for about 93% of the United States population. The CPI-W is a more specialized index and seeks to track retail prices as they impact urban wage earners and clerical workers. It makes up about 29% of the U.S. population and is a subset of the CPI-U group.

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