

The Calculations of Innovation

How NWL® Income+ works

The innovation of NWL® Income+ lies in the unique opportunity clients have to receive guaranteed lifetime income **PLUS** the potential to increase income in the future.

During the first three policy years, the initial Income Payment is determined at issue and will be level.

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

Steps for determining the Annual Income Payment beginning in Year 4.

Step 1 Calculate the Index Component

- **Determine the New Calculated Payment**

The equation to find this amount is:

Previous Year's Calculated Payment x (1+Option Growth Rate)

EXAMPLE:

$\$22,044 \times (1 + 1.96\%) = \mathbf{\$22,476}$

- **Add Surplus Amount**

The equation to find this amount is:

New Calculated Payment + (Prior Year Surplus Amount x Surplus Amount Percentage / Payment Mode)

EXAMPLE:

$\$22,476 + (\$402.31 \times 10\%/1) = \mathbf{\$22,516}$

New Index Component = \$22,516

Step 2 Calculate the Inflation Component

The equation to find this amount is: Prior Year Income Payment x (1 + Current Year Inflation Rate)

EXAMPLE:

$\$21,642 \times (1 + 2.70\%) = \mathbf{\$22,226}$

New Inflation Component = \$22,226

Step 3 Compare Index Component to Inflation Component

New Index Component **\$22,516**  New Inflation Component **\$22,226**

The lesser of the two components is used.

The New Annual Income Payment = \$22,226

This example is hypothetical only and does not reflect specific outcomes. Returns are not guaranteed.

Annual Income Payment Calculations Explained

Detailed explanation

- The Annual Income Payment equals \$22,226 because the index component is greater than the inflation component
- If the index component happened to be less than the inflation component, the Annual Income Payment would have been the index 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. In this example, the Surplus Amount at the end of this policy year (\$402.31) will increase by \$250 to become \$652.31.

Key assumptions

- Initial Premium = \$500,000
- Payment Mode = 1 (Annual)
- Surplus Amount Percentage = 10%
- Current Year Inflation CPI-U = 2.70%
- Participation Rate = 35% (Minimum guaranteed Participation Rate is 10%)
- Year 1-3 Index Change = 16.81%
- Option Return Rate = 5.88%
- Option Term = 3 years
- Option Growth Rate = 1.9608%
- Prior Year Income Payment = \$21,642
- Prior Year Calculated Payment = \$22,044
- Prior Year Surplus Amount = \$402.31

Find out how NWL Income+ could work for your clients.

Contact us at: 1-800-760-3434 or email SalesDesk@nwlic.com

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