Index Crediting Made Easy
How does IUL protect against market volatility?

Presented by

Policies issued by American General Life Insurance Company ("AGL")
How does **Index Crediting** work?

**Here’s how:**

1. **IUL** cash value growth is tied to a **performance index** (e.g. S&P500®)
How does **Index Crediting** work?

**Here’s how:**

2. **An index** is subject to market ups and downs – **volatility**

Greater growth opportunity can mean greater volatility
How does **Index Crediting** work?

Here’s how:

3. **IUL** provides safeguards, **reducing volatility**
How does **Index Crediting** work?

**Here’s how:**

4. **IUL accounts** share in index’s up years and none of the down ones.

The share of the upside will depend on the **crediting strategy**.
How does Index Crediting work?

Here’s how:

**Upside potential with downside protection!**
How do **insurances companies** do this?

Imagine a typical savings account...

- **MONEY MARKET Instruments**
  - Value of investments can grow or shrink

- **BANK**
  - Credits account with **monthly** interest
  - Amount credited can increase or decrease

- **SAVINGS ACCOUNT**
  - Protected against volatility
  - Value of account can never shrink

**Note**: This is not intended to suggest that an IUL policy and the index interest crediting accounts are equivalent to a savings account. See the Notes section for more information.
How do **insurances companies** do this?

Imagine a typical savings account...

**EQUITY MARKET** Instruments

- Value of investments can grow or shrink

**INSURANCE**

- Invests in Equities Seeking **Returns from Positive Performance**
- Credits account with **annual** interest
- Amount credited can increase or decrease

**INDEX INTEREST ACCOUNT**

- Protects against volatility
- Value of account can NEVER SHRINK

**MONEY MARKET** Instruments

- Credits account with **monthly** interest
- Value of account can **NEVER SHRINK**

**Note**: This is not intended to suggest that an IUL policy and the index interest crediting accounts are equivalent to a savings account. See the Notes section for more information.
Watch index crediting in action!

Let's look at a hypothetical index crediting example: 1994 - 2009
Markets were impacted by 9/11, the Dotcom Bubble Burst, and the Great Recession

If you had $100,000 invested in the stocks listed in the S&P 500®

Original Investment

<table>
<thead>
<tr>
<th>Year</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>6%</td>
</tr>
<tr>
<td>1999</td>
<td>24%</td>
</tr>
<tr>
<td>2004</td>
<td>35%</td>
</tr>
<tr>
<td>2009</td>
<td>33%</td>
</tr>
</tbody>
</table>

These are the returns for those years

This is a hypothetical scenario. No fees or charges are reflected and, if they were, they would reduce the amount shown and the rate of return. Dividends were not included or reinvested. Past performance is not indicative of future results. You cannot invest directly in an index.
Watch **index crediting in action!**

**Let’s look at a hypothetical index crediting example: 1994 -2009**

Markets were impacted by 9/11, the Dotcom Bubble Burst, and the Great Recession!

**Original Investment**
- Beginning Value: $100,000
- Ending Value: $145,041
- Rate of Return: 25%

**S&P 500® Index**

Instead, let’s share in 60% of the good years and none of the bad...

This is a hypothetical scenario. No fees or charges are reflected and, if they were, they would reduce the amount shown and the rate of return. Dividends were not included or reinvested. Past performance is not indicative of future results. You cannot invest directly in an index.
Watch index crediting in action!

There are, generally, two methods of index crediting:

1. **Participation Rate Method** (shown in the previous example)
   - Share in a percentage (e.g., 60%) of the positive years
   - Negative years are protected by a “floor” (e.g., 0%)

2. **Cap Rate Method**
   - Share in 100% of the positive years’ return up to a “cap” (e.g., 9%)
   - Negative years are protected by a “floor” (e.g., 0%)

<table>
<thead>
<tr>
<th>Sample Index Return</th>
<th>Participation Rate (60%) Amount</th>
<th>Cap Rate (9%) Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.5%</td>
<td>4.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>15.0%</td>
<td>9.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>30.0%</td>
<td>18.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>-10.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
Watch **index crediting in action!**

There are, generally, two methods of index crediting:

<table>
<thead>
<tr>
<th>Original Investment</th>
<th>Index Interest Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Value: $100,000</td>
<td>Ending Account: $284,000</td>
</tr>
<tr>
<td>Ending Value: $145,041</td>
<td>Rate of Return: 7.2%</td>
</tr>
<tr>
<td>Rate of Return: 2.5%</td>
<td>Rate of Return: 5.5%</td>
</tr>
</tbody>
</table>

This is a hypothetical scenario. No fees or charges are reflected and, if they were, they would reduce the amount shown and the rate of return. Dividends were not included or reinvested. Past performance is not indicative of future results. You cannot invest directly in an index.
Index account strategy options

Various crediting strategies may be available:

- Participation Rate and Cap Rate blends
- Multiple indices (e.g. an equity index and a bond index)
- Some indices are domestic; others are international

But they all have one thing in common…

Upside potential with downside protection!
AIG offers two innovative IUL options

Max Accumulator+ IUL
Accumulation-focused

Value+ Protector IUL
Protection-focused

Visit one of our producer sites:

www.aig.com/iul
for IUL-specific sales support, product information, and training

www.aig.com/generationmatters
for generation-specific information and sales concepts

www.retirestronger.com
to provide retirement support and supplemental income to your clients
A parting thought … remember this!

ZERO is your HERO!

Thank you!