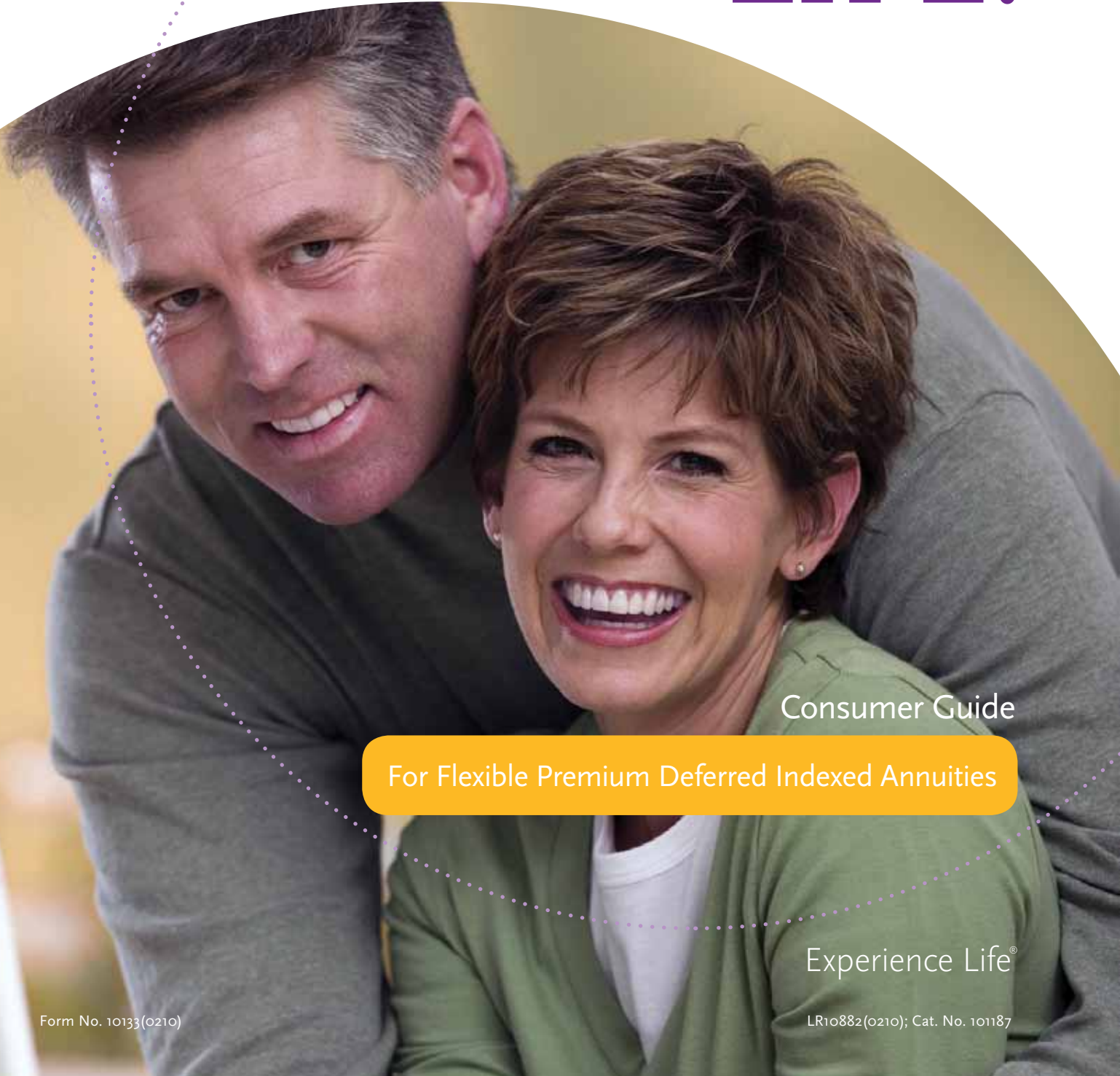




Life Insurance Company of the Southwest™

# Get Guaranteed Income for **LIFE!**



Consumer Guide

For Flexible Premium Deferred Indexed Annuities

Experience Life®

# Income for LIFE!

## Make Your Money Last... Guaranteed Income for Life!

Growing old in America isn't what it used to be, and in many ways, that's a good thing. People are not only living longer, they have better educations – resulting in better health, higher income, and a higher standard of living in retirement.

If you are 40 or older and you are healthy, you should consider planning for life after 90. According to the 2008 U.S. Census Bureau's 65+ Report, within the next 25 years, the population aged 65 and over in the U.S. is expected to double in size. By 2030, almost one out of every five Americans — some 72 million people — will be 65 years or older. The age group 85 and older is now the fastest-growing population segment in the U.S.

Your expectation of living longer in retirement means more years of money going out and no paycheck (or only a small one) coming in. That's why you need to save more now, so you will not outlive your money.

In today's volatile stock market, a poorly-performing investment can set you back many years if you retire at the wrong time. Even if such an investment performs well in the future, you may not have enough time to recover. That is why it is extremely important to have a financial strategy that will:

1. Guarantee a steady stream of income for your lifetime,
2. Leave you in control of your money, so you have access to it when you need it the most, and
3. Protect your retirement savings and transfer as much of it as possible at death to your beneficiaries.

## Dignity in Retirement...

If you want an excellent solution to these income and retirement needs, Life Insurance Company of the Southwest (LSW) has the answer for you!

The solution is the Guaranteed<sup>1</sup> Lifetime Income Rider<sup>2</sup> combined with an LSW indexed annuity, a solution that is all about freedom, choices, and dignity...having your money available when you may need it the most.

## LSW's Guaranteed Lifetime Income Rider and an LSW Indexed Annuity

LSW's Guaranteed Lifetime Income Rider is an optional living benefit that can be added to your annuity Policy at issue.<sup>3</sup> The Rider allows you to take lifetime payments from your annuity in the form of a Guaranteed Withdrawal Payment.<sup>4</sup> The minimum issue age for the Guaranteed Lifetime Income Rider is age 40. As the Annuitant, you can begin taking payments when:

- The Policy has been in force for at least one year,
- You are at least age 60, and
- All Policy loans<sup>5</sup>, if any, have been repaid.

**Income for Life** – You have the right to have a guaranteed income for the rest of your life...income you cannot outlive.

**Control and Access** – You decide when and how much retirement income you receive. You continue to have control of your money and access through free partial, systematic and lump-sum withdrawals.

**It's Your Money** – At death, LSW will pay the remaining Accumulation Value of your Policy to your beneficiaries.

<sup>1</sup> Guarantees are based on the claims paying ability of the issuing Company.

<sup>2</sup> The Guaranteed Lifetime Income Rider is Rider Form No. 7964.

<sup>3</sup> There are issue age restrictions depending on the use of the annuity to which the Guaranteed Lifetime Income Rider is attached.

<sup>4</sup> These payments are taxed as withdrawals under the Internal Revenue Code and not as annuitization payments.

<sup>5</sup> You may not take a Policy loan after Rider payments begin.

Please Note: Neither LSW nor any of its agents or representatives give legal, tax, or accounting advice. The information provided here is a summary of our understanding of the current tax laws and regulations as they relate to annuities. All prospective purchasers should consult with their own attorneys, accountants, and tax advisors.

## The Guaranteed Withdrawal Payment

At the time of election, the Guaranteed Withdrawal Payment is determined by multiplying a Guaranteed Withdrawal Percentage by the greater of the Income Calculation Base or the Policy's Accumulation Value.

## The Income Calculation Base

The Income Calculation Base is a measure, not a Policy benefit or value. Its sole purpose is to compute the initial Guaranteed Withdrawal Payment. Once you begin receiving the payments, the Income Calculation Base ceases to exist. The Income Calculation Base is determined by applying a Rollup Rate to each premium payment (net of any state premium tax).

- Accumulation Years** – A Rollup Rate will be applied to each premium until the earlier of (a) the first Guaranteed Withdrawal Payment or (b) the 20th Policy anniversary (the end of the “Accumulation Years”). After the Accumulation Years, no Rollup Rate is applied. Rollup Rates are set individually for the portion of the Income Calculation Base that is established by each premium payment.
- Initial Rollup Rates** – The initial Rollup Rate for each premium will be the rate in effect at the time the premium is received and will apply for 10 years from receipt (or to the end of Accumulation Years if earlier).
- Renewal Rollup Rates** – Beginning in the 11th year after a premium is received the Rollup Rate for that premium will be set annually in advance for the remaining Accumulation Years.
- Rollup Rate Guarantee** – All Rollup Rates during the Accumulation Years are guaranteed never to be less than three (3) percent.
- Partial Withdrawals** – The Income Calculation Base is reduced in the same proportion as the Policy's Accumulation Value is reduced for any Partial Withdrawals (including any Withdrawal Charges). For example, if you take a free withdrawal of 10 percent of the Accumulation Value, the Income Calculation Base will also be reduced by 10 percent.
- Income Calculation Base Adjustment** – On the 5th, 10th, 15th, and 20th Policy Date anniversaries, the Income Calculation Base will be automatically increased to equal the Accumulation Value, if higher. The Policy's Accumulation Value will not change because of the Income Calculation Base Adjustment.

## The Guaranteed Withdrawal Percentage

Guaranteed Withdrawal Percentages are offered based on the following options:

- A Single Life Income (based on the life of the Annuitant)
- A Joint Life Income (based on the lives of the Annuitant and the Annuitant's spouse)

For the Single Life Income the Guaranteed Withdrawal Percentage is determined by the attained age of the Annuitant at the time of election. The Annuitant must be at least age 60 for payments to begin.

For the Joint Life Income, the Guaranteed Withdrawal Percentage is determined by the attained age of the younger of the Joint Annuitants. The Annuitant and the Annuitant's spouse must both be at least age 60 for payments to begin.

## Guaranteed Withdrawal Percentage Table

Annuitant's Attained Age at Time of Election	Single Life Income Percentage	Joint Life Income Percentage
60	4.5%	4.0%
61	4.6%	4.1%
62	4.7%	4.2%
63	4.8%	4.3%
64	4.9%	4.4%
65	5.0%	4.5%
66	5.1%	4.6%
67	5.2%	4.7%
68	5.3%	4.8%
69	5.4%	4.9%
70	5.5%	5.0%
71	5.6%	5.1%
72	5.7%	5.2%
73	5.8%	5.3%
74	5.9%	5.4%
75	6.0%	5.5%
76	6.1%	5.6%
77	6.2%	5.7%
78	6.3%	5.8%
79	6.4%	5.9%
80	6.5%	6.0%
81	6.6%	6.1%
82	6.7%	6.2%
83	6.8%	6.3%
84	6.9%	6.4%
85	7.0%	6.5%
86	7.1%	6.6%
87	7.2%	6.7%
88	7.3%	6.8%
89	7.4%	6.9%
90 and above	7.5%	7.0%

Subsequent to election, the Guaranteed Withdrawal Payment can be adjusted for certain events:

- **Excess Withdrawals** – If the total withdrawals you make during a Policy Year exceed the Guaranteed Withdrawal Payment, then on the next Policy anniversary your Guaranteed Withdrawal Payment will be reduced in the same proportion that the Policy’s Accumulation Value was reduced by such Excess Withdrawals.
- **Guaranteed Withdrawal Payment Step-Up** – On each Policy Date anniversary after the Guaranteed Withdrawal Payments start, a step-up amount is calculated by multiplying the then-applicable Guaranteed Withdrawal Percentage by the Policy’s Accumulation Value. The Guaranteed Withdrawal Payment is increased to the step-up amount, if greater.

## Spousal Continuation

If you die before you begin Guaranteed Withdrawal Payments, your spouse (if listed as the Policy’s beneficiary) may continue the Policy and Rider. These benefits will then be determined as if your spouse were the Annuitant since issue. If you die after beginning Guaranteed Withdrawal Payments (Single Life), the Rider Charges will end. Your spouse (as beneficiary) will have all the benefits provided by the annuity Policy only and may continue taking distributions in any amount not to exceed the Guaranteed Withdrawal Payments without incurring Withdrawal Charges until the Policy’s Accumulation Value is reduced to zero.

## Rider Charges

When this Rider is added to your Policy, a Rider Charge is made on each Interest Account anniversary. The Rider Charge equals the Rider Charge Rate times the Interest Account Value. The Rider Charge is deducted from both the Interest Account’s Value and the Policy Value.

The Rider Charge Rate is 0.65%.

You may terminate the Rider (and any future charges) after the Rider has been in force for five (5) years by giving us written notice at least thirty (30) days prior to the Policy anniversary on which the termination is to take effect.

## OVERVIEW: How the Rider and the Policy Interact

	<i>LSW Indexed Annuity Policy</i>	<i>Guaranteed Lifetime Income Rider</i>
<b>Accumulation Period</b>	<p>The Accumulation Value is increased by the amount of any premiums paid (less any applicable premium taxes). The Accumulation Value is credited with interest as described in the Policy.</p> <p>The Accumulation Value is decreased by the amount of any Partial Withdrawals (including any applicable Withdrawal Charges) and by Rider Charges.</p>	<p>The Income Calculation Base is increased by the amount of any premiums paid (less any applicable premium taxes). The Income Calculation Base increases daily at Rollup Rates applicable to each separate premium.</p> <p>The Income Calculation Base is decreased in the same proportion as the Accumulation Value is reduced for any Partial Withdrawals (including any applicable Withdrawal Charges).</p>
<b>Withdrawal Period</b>	<p>The Accumulation Value is reduced by Guaranteed Withdrawal Payments, Excess Withdrawal Payments (including any applicable Withdrawal Charges), and Rider Charges.</p> <p>The Guaranteed Withdrawal Payments will continue for a lifetime even if the Accumulation Value reaches zero because of the Guaranteed Withdrawal Payments and Rider Charges.</p>	<p>When elected, the Guaranteed Withdrawal Payment is determined by multiplying a Guaranteed Withdrawal Percentage by the greater of the Income Calculation Base or the Accumulation Value.</p> <p>The Guaranteed Withdrawal Payment is reduced in the same proportion as the Accumulation Value is reduced by any Excess Withdrawal (including any applicable Withdrawal Charges).</p>

This document reviews important points to consider before You buy the Flexible Premium Guaranteed Lifetime Income Rider from Life Insurance Company of the Southwest (“LSW”). The Guaranteed Lifetime Income Rider, LSW Rider Form 7964, is tailored for use with flexible premium indexed annuities issued by LSW.

### SECTION I — The Rider

When You<sup>1</sup> choose to purchase a Guaranteed Lifetime Income Rider (“the Rider” or “GLIR”) from Life Insurance Company of the Southwest, it will be attached to and become an integral part of the annuity Policy (“annuity” or “Policy”) which You purchase at the same time.

By having the Rider attached to the annuity, You may receive specified withdrawal payments from the annuity that extend for the Annuitant’s lifetime or for the joint lifetime of the Annuitant and his or her spouse, even if the withdrawal payments completely deplete the values in the annuity. Without the Rider attached, when the values of the annuity reduce to zero, the annuity terminates. The Rider does not affect the benefits of your Policy<sup>2</sup>, including benefits such as a death benefit and/or annuitization benefit. Please consult your Policy for details.

This document does not alter or modify the terms of the Rider or of the annuity or any of their provisions, benefits, or costs.

### SECTION II — Standard Benefits

As the Annuitant, you can begin taking payments when:

- The Policy has been in force for at least one year,
- You are at least age 60, and
- All Policy loans<sup>3</sup>, if any, have been repaid.

The maximum amount of the annual benefit, termed the Guaranteed Withdrawal Payment, is determined at the time of the first payment and remains level except as We explain later. You can request that the Guaranteed Withdrawal Payment be paid in monthly, quarterly, semi-annual, or annual installments. You can stop, re-start, or change the size of the payment to a maximum of the Guaranteed Withdrawal Payment at any time without terminating the Rider. All withdrawals, whether elected under the GLIR or the terms of the Policy itself, reduce the values of the annuity.

How much is the Guaranteed Withdrawal Payment? It is as easy as **A** times **B**.

**A** is the Income Calculation Base. The Income Calculation Base is a measure, not a Policy benefit or value. Its sole purpose is to compute the initial Guaranteed Withdrawal Payment. Once you begin receiving the payments, the Income Calculation Base ceases to exist. The Income Calculation Base is determined by applying a Rollup Rate to each premium payment (net of any state premium tax).

1. **Accumulation Years** – A Rollup Rate will be applied to each premium until the earlier of (a) the first Guaranteed Withdrawal Payment or (b) the 20th Policy anniversary (the end of the “Accumulation Years”). After the Accumulation Years, no Rollup Rate is applied. Rollup Rates are set individually for the portion of the Income Calculation Base that is established by each premium payment.
2. **Initial Rollup Rates** – The initial Rollup Rate for each premium will be the rate in effect at the time the premium is received and will apply for 10 years from receipt (or to the end of Accumulation Years if earlier).
3. **Renewal Rollup Rates** – Beginning in the 11th year after a premium is received the Rollup Rate for that premium will be set annually in advance for the remaining Accumulation Years.
4. **Rollup Rate Guarantee** – All Rollup Rates during the Accumulation Years are guaranteed never to be less than three (3) percent.

<sup>1</sup> In this document, “You” means the Owner of the annuity Policy. “We” means Life Insurance Company of the Southwest. The Owner may also be the Annuitant.

<sup>2</sup> The Policy’s Accumulation Value is charged with the cost of the Rider; see Section V.

<sup>3</sup> You may not take a Policy loan after Rider payments begin.

I have read and the agent has explained the information presented on this page. \_\_\_\_\_ (initial)

5. **Partial Withdrawals** – The Income Calculation Base is reduced in the same proportion as the Policy’s Accumulation Value is reduced for any Partial Withdrawals (including any Withdrawal Charges). For example, if you take a free withdrawal of 10 percent of the Accumulation Value, the Income Calculation Base will also be reduced by 10 percent.
6. **Income Calculation Base Adjustment** – On the 5th, 10th, 15th, and 20th Policy Date anniversaries, the Income Calculation Base will be automatically increased to equal the Accumulation Value, if higher. The Policy’s Accumulation Value will not change because of the Income Calculation Base Adjustment.

**B** is the Guaranteed Withdrawal Percentage. This value is determined by the age of the Annuitant on the date We make the first payment. If You elect the Joint Option, the amount of the Guaranteed Withdrawal Payment depends on the age of the younger of the Joint Annuitants. The Guaranteed Withdrawal Percentages are available for ages 60 and higher, the ages at which payments can begin. For every year of age thereafter, the Guaranteed Withdrawal Percentages increase by 0.1% until age 90. The table below shows the percentages at several ages:

Age at Election	Single Life Percentage	Joint Life Percentage
60	4.5%	4.0%
75	6.0%	5.5%
90 or higher	7.5%	7.0%

**Hypothetical Example 1, Single Life Income:** Ellen Winslow bought an LSW annuity with the Guaranteed Lifetime Income Rider at age 45 with monthly premiums of \$700. LSW has applied a 7.0% Rollup Rate to all premiums for all periods. She decides, at age 60, to start her Guaranteed Withdrawal Payments. At the time the payments are to begin, LSW determines the Income Calculation Base to be 219,005 (the sum of each \$700 premium increased at an assumed Rollup Rate of 7.0% per year through the end of the 15th year). The Income Calculation Base is greater than her Policy’s Accumulation Value. Mrs. Winslow elects income on her life only. Multiplying the age 60 Single Life Percentage of 4.5% times the Income Calculation Base of 219,005 results in an annual Guaranteed Withdrawal Payment of \$9,855. If LSW had applied the guaranteed 3.0% Rollup Rate to all premiums for all periods, the Income Calculation Base would be 158,758 and the Guaranteed Withdrawal Payment would be \$7,144.

Had Mrs. Winslow decided to wait another five years before starting payments, she would be 65 years of age. During this five-year period, she paid no additional premiums, and LSW continued to increase the 15 years of premiums in the Income Calculation Base by 7.0% each year. The Income Calculation Base would be 307,165 (219,005 increased at a compound 7.0% per year for five more years). This is greater than the Policy’s Accumulation Value. Multiplying the age 65 Single Life Percentage of 5.0% times the Income Calculation Base of 307,165 results in an annual Guaranteed Withdrawal Payment of \$15,358. If LSW had applied the guaranteed 3.0% Rollup Rate to all premiums for all periods, the Income Calculation Base would be 184,044 and the Guaranteed Withdrawal Payment would be \$9,202.

Suppose Mrs. Winslow had instead decided to wait until age 70 — 25 years after issue — before starting payments under similar assumptions of no further premiums. The Income Calculation Base would remain at 307,165 since this is after the 20th anniversary. This is again greater than the Policy’s Accumulation Value. Multiplying the age 70 Single Life Percentage of 5.5% times the Income Calculation Base of 307,165 results in an annual Guaranteed Withdrawal Payment of \$16,894. If LSW had applied the guaranteed 3.0% Rollup Rate to all premiums for all periods, the Income Calculation Base would be 184,044 and the Guaranteed Withdrawal Payment would be \$10,122.

**Hypothetical Example 2, Joint Life Income:** Mrs. Winslow elected to use the flexibility of the GLIR to guarantee the withdrawal payments for the longer of her or her husband’s lifetime. Her husband is three years older. Fifteen years after the purchase of the Rider, when she is 60, her husband is 63. Assume LSW has applied a 5.5% Rollup Rate to all premiums for all periods. The Income Calculation Base is 193,795, (158,758 assuming the guaranteed 3.0% Rollup Rate) which is greater than the Policy’s Accumulation Value. Multiplying the age 60 Joint Life Percentage of 4.0% times the Income Calculation Base of 193,795 results in an annual Guaranteed Withdrawal Payment of \$7,751 (\$6,350 assuming the guaranteed 3.0% Rollup Rate).

Again, if Mrs. Winslow were to decide to wait another five years before starting payments, she would be 65 years of age, and her husband would be 68. The Income Calculation Base would be 253,282 (184,044 assuming the guaranteed 3.0% Rollup Rate), which exceeds the Policy’s Accumulation Value. Multiplying the age 65 Joint Life Percentage of 4.5% times the Income Calculation Base of 253,282 results in an annual Guaranteed Withdrawal Payment of \$11,397 (\$8,281 assuming the guaranteed 3.0% Rollup Rate).

I have read and the agent has explained the information presented on this page. \_\_\_\_\_ (initial)

Finally, if Mrs. Winslow and her husband were to wait 25 years after issue before starting payments, she would be 70 and he would be 73. The Income Calculation Base was determined to be 253,282 (184,044 assuming the guaranteed 3.0% Rollup Rate), and we note again that this is an amount greater than the Accumulation Value. Multiplying the age 70 Joint Life Percentage of 5.0% times the Income Calculation Base of 253,282 results in an annual Guaranteed Withdrawal Payment of \$12,664 (\$9,202 assuming the guaranteed 3.0% Rollup Rate).

*These examples are hypothetical only and are meant for educational purposes. Your Policy Accumulation Value may be higher or lower. The Rollup Rates for your Rider may be higher or lower than the Rollup Rates shown in these hypothetical examples. Rollup Rates that apply to premiums received at different times may be different. The particulars of Your annuity Policy and Your situation will determine benefits available.*

### SECTION III — Effects of Other Withdrawals on Rider Benefits

Any withdrawals You take from your Policy before You begin to receive Guaranteed Withdrawal Payments are controlled by the provisions of the Policy. Any withdrawals from the Policy before the Guaranteed Withdrawal Payments begin decrease the Income Calculation Base proportionately: for instance, a 10% withdrawal from the Policy's Accumulation Value will reduce the Income Calculation Base by 10% as well.

After You begin to receive Guaranteed Withdrawal Payments, all withdrawals in a Policy Year are first applied against the Guaranteed Withdrawal Payment. Generally speaking, Guaranteed Withdrawal Payments are not subject to the Withdrawal Charges set forth in the Annuity Policy.<sup>4</sup> If You request withdrawals during a Policy Year that exceed the Guaranteed Withdrawal Payment, the excess amount is termed an Excess Withdrawal and will cause a proportional reduction in the Guaranteed Withdrawal Payment in future Policy Years. *It is important for You to understand the effect of Excess Withdrawals on your future Guaranteed Withdrawal Payments.* Excess Withdrawals may be subject to the Withdrawal Charges specified in the Policy; refer to the Rider for details.

If you started taking a maximum Guaranteed Withdrawal Payment of \$15,000 and, three years later, you request an additional \$120,000 withdrawal from the Policy, your Guaranteed Withdrawal Payment would be reduced. The Policy's Accumulation Value before the Excess Withdrawal of the additional \$120,000 might be, say, \$200,000. The Excess Withdrawal is 60% of the Accumulation Value. The future Guaranteed Withdrawal Payment would be reduced by 60%, to \$6,000. You would continue to receive \$6,000 annually for life, assuming there were no future Excess Withdrawals. In this example, in the year of the Excess Withdrawal, your total withdrawal benefits are \$135,000.

If, instead of withdrawing an excess \$120,000, you decided you needed all of the Accumulation Value, We would pay You \$15,000 plus the remaining \$200,000, for a total of \$215,000. However, the Guaranteed Withdrawal Payments would stop completely, and the Policy and Rider would cease.

### SECTION IV — Benefit Increases

After You start receiving Guaranteed Withdrawal Payments, We will determine on each Policy Date anniversary if the Guaranteed Withdrawal Payment should be increased based on the appropriate percentage at the Annuitant's attained age and the Policy's Accumulation Value at that time. If the result is higher than the Guaranteed Withdrawal Payment in effect, the Guaranteed Withdrawal Payment will be increased to the recalculated value for future years. This is termed the "Guaranteed Withdrawal Payment Step-up" in the Rider form.

### SECTION V — Cost of the Rider

When this Rider is added to your Policy, a Rider Charge is made on each Interest Account anniversary. The Rider Charge equals the Rider Charge Rate times the Interest Account's Value. The Rider Charge is deducted both the Interest Account's Value and the Policy Value.

The Rider Charge Rate is 0.65%.

You may terminate the Rider (and any future charges) after the Rider has been in force for five years by giving us written notice at least thirty (30) days prior to the Policy anniversary on which the termination is to take effect.

<sup>4</sup> This may not be true in the Policy Year that You begin receiving payments under the Rider if You have already taken other withdrawals during that year.

I have read and the agent has explained the information presented on this page. \_\_\_\_\_ (initial)

# Disclosure Understanding/Rider Request

## 1. Rider Rollup Rates, Guaranteed Withdrawal Percentages, and Rider Charge Rates

*I understand that my Guaranteed Lifetime Income Rider ("Rider") will be issued with the Rollup Rate, Guaranteed Withdrawal Percentages, and Rider Charge Rates in effect at the time the Rider is issued and that such rates may be different from the Rollup Rates, Guaranteed Withdrawal Percentages, and Rider Charge Rates shown in any Consumer Guide, Rider Summary, or Rider Calculation Analysis.*

*The Rollup Rate applicable to the initial premium is set at issue and is guaranteed for 10 years. The Rollup Rate applicable to subsequent premium will be the rate in effect at the time any such premium is received and will apply for 10 years after premium receipt (or to the end of the Accumulation Years if earlier).*

Beginning in the 11th year after a premium is received the Rollup Rate for that premium will be set annually in advance for the remaining Accumulation Years.

The Guaranteed Withdrawal Percentages and Rider Charge Rates are guaranteed at the time the Rider is issued for all years the Rider is in force. The actual Guaranteed Withdrawal Percentages and Rider Charge Rates for my Rider will be the rates in effect at issue.

\_\_\_\_\_  
Owner Initial Here

## 2. Rider Calculation Analysis

Owner has been provided a Rider Calculation Analysis which was calculated based on input from Owner.

\_\_\_\_\_  
Owner Initial Here

Note: This is required and must be submitted with the application.

## 3. Rider Request and Understanding

My signature as Owner below acknowledges that:

1. I request that the Rider be issued with my Policy; and
2. I have read and the agent has explained the contents of this Summary.

I initialed each page as it was reviewed. I understand this original Summary will be enclosed with my application and a copy of it will be sent with my Policy.

\_\_\_\_\_  
Print Owner Name

\_\_\_\_\_  
Owner Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Agent Name

\_\_\_\_\_  
Agent No.

\_\_\_\_\_  
Agent Signature

\_\_\_\_\_  
Date

GLIR18

