Managing Taxes with Income Power

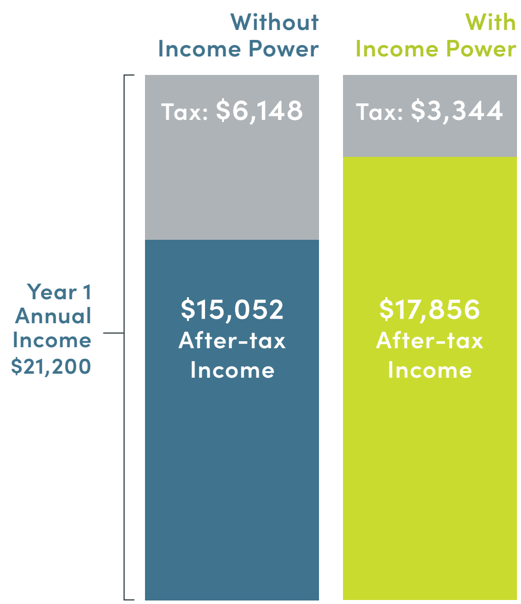
Income Power within the Rising Income Rider

For non-qualified contracts, ClearLine Annuity offers the Income Power election within the optional Rising Income Rider. This election may provide higher after-tax Annual Income earlier in retirement. Typically, income payments are withdrawn first from an annuity's gains, which are taxed, and then from an annuity's cost basis, which is not taxed. This means an annuity owner typically incurs a large initial tax burden that decreases over time as he or she receives income payments.

With Income Power, each Annual Income payment is comprised of a portion of your cost basis (non-taxable) and a portion of the annuity's gains (taxable).[1] This spreads out the income tax on your Annual Income payments over a period of time.[2] Keep in mind that the Income Power election may not be appropriate for every person or provide beneficial tax treatment in every situation.

On this page, we show a hypothetical example of what a first Income Year's Annual Income could be with and without Income Power.

Hypothetical Income Power Assumptions | First Income Year	
Age at Income Calculation (Male)	67
Income Calculation Date	January 1
Anticipated Federal Income Tax Rate	24%
Anticipated State Tax Rate	5%
Cost Basis (tax-free: after-tax dollars used to purchase contract)	$250,000
Gain (taxable amount)	$150,000
Account Value	$400,000
Base Annual Income Rate	5.3%
Initial Annual Income ($400,000 x 5.3% Base Annual Income Rate)[3]	$21,200



First Income Year Annual Income After-tax Amount Calculation

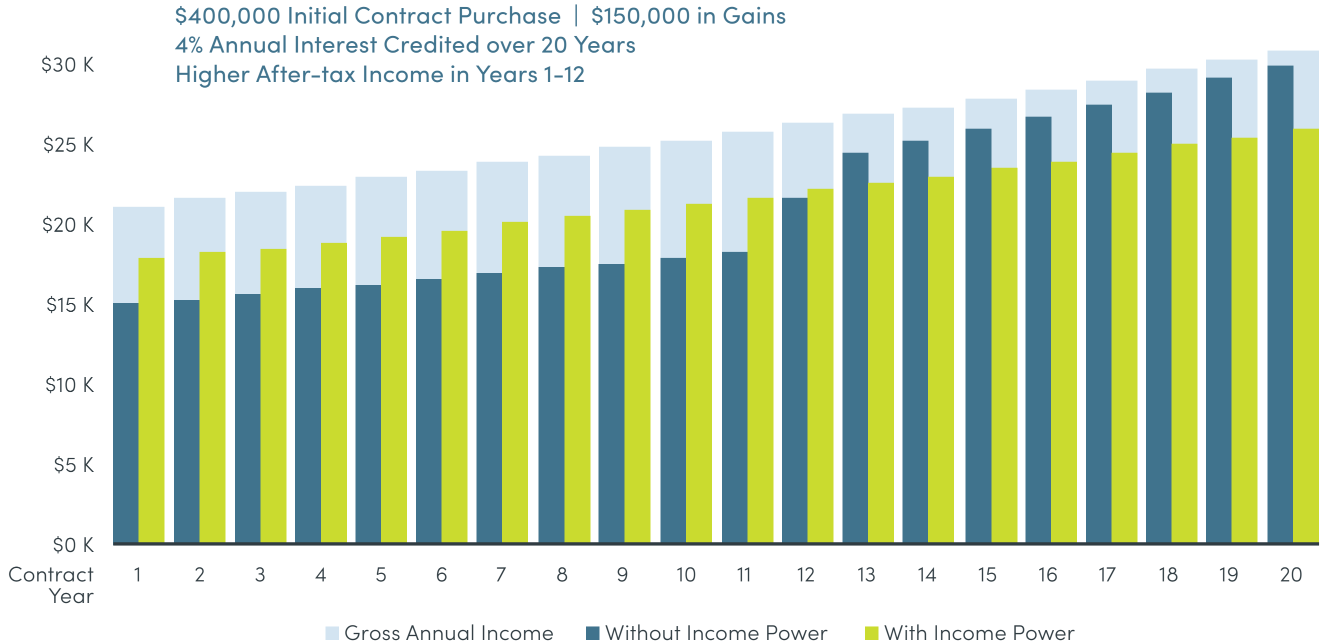
	Without Income Power	With Income Power
Taxable Portion	$21,200	$11,532
Tax Rate	x 29%	x 29%
Annual Income Tax	= $6,148	= $3,344
Annual Income	$21,200	$21,200
- Annual Income Tax	-$6,148	-$3,344
After-tax Amount	**= $15,052**	**= $17,856**

[1] Based on SBL's understanding of the current federal tax laws, this election may allow you to treat part of an Annual Income payment as a non-taxable return of the cost basis in your annuity. However, once your cost basis has been fully recovered, all Annual Income payments will be fully taxable. This treatment is the same as for an annuity payment and may provide tax advantages in some cases. In making the Income Power Election you should note: (1) Once payments of Annual Income begin, they may not be stopped, and the frequency and amount of the payments may not be changed; (2) If a death benefit applies, it is paid in a lump sum; and (3) A transfer or change in ownership, an assignment of the contract or any benefits under the contract, and a change of annuitant are not permitted.

[2] This example does not discuss all tax consequences applicable to receipt of payments under the ClearLine Annuity. Please consult your own tax advisor regarding your personal situation and the applicable tax consequences of purchasing, owning, and receiving payments under the ClearLine Annuity and the Income Power Election.

[3] Your first Income Year's Annual Income will be prorated based on the period of time from the Income Calculation Date to the end of that first calendar year unless your payments start on January 1.

In the chart below, we take the same assumptions from our previous example and extend them over a period of 20 years. During this time, we assume 4% interest credit applied each year to the account value, as well as the 2% increase applied to each year's Annual Income payment. Distributing Annual Income payments across both the cost basis and gains over this 20-year period allows for higher after-tax Annual Income payments for the first 12 years of retirement.[4]



The Income Power Election is intended to lessen your initial tax burden by spreading out the gains in your annuity over time so you are only taxed on a portion of your gains each year.

Cumulative After-tax Payments

	Without Income Power	With Income Power
After 5 Years	$78,331	$92,922
After 10 Years	$164,815	$195,514
After 15 Years	$280,393	$308,785
After 20 Years	$422,141	$433,846

[4] To determine the portion of the Annual Income that may be treated as a tax-free return of the cost basis in the annuity, SBL applies an exclusion ratio, as determined based on SBL's current understanding of how the exclusion ratio is computed under the federal tax law. The actual tax impact of the Income Power Election will be based upon the following: the actual cost basis in your annuity contract; the actual interest credited to your ClearLine Annuity; the actual tax rates applicable to you; the actual length of time you receive Annual Income; and the actual tax laws and regulations applicable at the time you receive Annual Income. It is likely many of these factors will differ from the assumptions used in the hypothetical example. Withdrawals in excess of your Annual Income, including those to pay advisory fees, are fully taxable.

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