North American Company
for Life and Health Insurance

MULTI-GENERATIONAL DISTRIBUTION OPTION

CREATING A FINANCIAL FUTURE.

MULTI-GENERATIONAL DISTRIBUTION OPTION

Many people spend much of their working life building their retirement savings through the use of **INDIVIDUAL RETIREMENT ACCOUNTS (IRAs)**. This savings can become a significant part of the income used throughout the retirement years. When retirement time arrives, the plan is simple: utilize these accounts for a steady and dependable source of income, which will help supplement other sources of income. For many individuals, this is exactly what they will do.

For others, **IRAs** are a source of potential income that may not be needed. Converting these accounts into income often means a **TAX BURDEN** that is not necessary. One would rather pass this power of income with tax-deferral onto their heirs, essentially creating a **LEGACY OF GROWTH AND INCOME** for multiple generations.

For anyone who has an **IRA**, qualified distributions are required to begin by age 70½ over the owner's life expectancy. The owner may always choose to take out more if they need, but they have to take out a minimum based on their life expectancy. If you are fortunate enough to need only the **REQUIRED MINIMUM DISTRIBUTION (RMD)**, you may find yourself in the position to leave a significant amount to your heirs. Prior to tax law changes this would mean an additional tax burden on those you care about the most. Before these changes, a complex, and often costly plan was used to pass on the legacy you wanted to leave your beneficiary(ies). Your beneficiary's only other option was taking the full distribution spread out over a maximum of five years. This may have caused unwanted tax liability and severely limited the future growth potential of the inheritance.

AN EXCITING ALTERNATIVE

The Internal Revenue Service (IRS) has made significant changes to the tax law, making it easier to set up and pass on an **IRA** to your heirs. They have also defined how the wealth may be distributed once you pass on. Due to the structuring of the payout process, the beneficiaries are allowed to "STRETCH" the distributions over their own life expectancy. This will allow them to spread out their tax liability as long as possible, which allows that legacy to continue to grow tax-deferred and provide income for a number of years.

This concept is called a **MULTI-GENERATIONAL DISTRIBUTION OPTION**, and it can be provided to you and your heirs by North American.

FEATURES

- Help to ensure an income stream to you and your heirs, while offering continued tax deferral on your IRA. This creates a legacy for your retirement savings.
- You have the ability to name multiple primary and contingent beneficiaries. These can be changed at anytime until death of the contract owner.
- Gives the beneficiary the ability to spread out the taxable liability over a number of years, as well as take additional amounts of income from the account if needed.

THE TIME IS NOW

The old saying is "there is no time like the present", and in this case it is very true. No one knows what tomorrow may bring, and for that reason it is important to start planning now. Why delay making a decision that may profoundly affect not only you, but also those dearest to you? While it may seem impossible to know where to start, there are a few simple steps you can make to begin. All of the items listed below are important things to consider. Addressing these now will help make the rest of the process easier.

1. Think about who you want your beneficiaries to be, and in what percentages you wish them to benefit. While these choices are not irrevocable, it is still wise to have a clear idea about how this should be structured.
2. Gather records for all your retirement accounts. This will help gain a more comprehensive picture of your needs.
3. Contact your North American Agent in order to set up the Multi-Generational Distribution Option plan for your future.

While most of the ideas and information are reasonably easy to understand, it may seem overwhelming to put all of the pieces together. That is why we recommend you work closely with a representative of North American. This person can help with the paperwork, further explanation of the concepts, as well as produce a customized illustration for you to review. Together you will find out that a Multi-Generational Distribution Option from North American will assist in your preservation of wealth, and creation of an income legacy for you and your future generations.

UNIFORM RMD TABLE

AGE	LIFE EXP DIVISOR
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8
75	22.9
76	22.0
77	21.2
78	20.3
79	19.5
80	18.7
81	17.9
82	17.1
83	16.3
84	15.5
85	14.8
86	14.1
87	13.4
88	12.7
89	12.0
90	11.4
91	10.8
92	10.2
93	9.6
94	9.1
95	8.6
96	8.1
97	7.6
98	7.1
99	6.7
100	6.3
101	5.9
102	5.5
103	5.2
104	4.9
105	4.5
106	4.2
107	3.9
108	3.7
109	3.4
110	3.1
111	2.9
112	2.6
113	2.4
114	2.1
115	1.9

BENEFICIARY LIFE EXPECTANCY TABLE

AGE	LIFE EXP DIVISOR	AGE	LIFE EXP DIVISOR
0	82.4	58	27.0
1	81.6	59	26.1
2	80.6	60	25.2
3	79.7	61	24.4
4	78.7	62	23.5
5	77.7	63	22.7
6	76.7	64	21.8
7	75.8	65	21.0
8	74.8	66	20.2
9	73.8	67	19.4
10	72.8	68	18.6
11	71.8	69	17.8
12	70.8	70	17.0
13	69.9	71	16.3
14	68.9	72	15.5
15	67.9	73	14.8
16	66.9	74	14.1
17	66.0	75	13.4
18	65.0	76	12.7
19	64.0	77	12.1
20	63.0	78	11.4
21	62.1	79	10.8
22	61.1	80	10.2
23	60.1	81	9.7
24	59.1	82	9.1
25	58.2	83	8.6
26	57.2	84	8.1
27	56.2	85	7.6
28	55.3	86	7.1
29	54.3	87	6.7
30	53.3	88	6.3
31	52.4	89	5.9
32	51.4	90	5.5
33	50.4	91	5.2
34	49.4	92	4.9
35	48.5	93	4.6
36	47.5	94	4.3
37	46.5	95	4.1
38	45.6	96	3.8
39	44.6	97	3.6
40	43.6	98	3.4
41	42.7	99	3.1
42	41.7	100	2.9
43	40.7	101	2.7
44	39.8	102	2.5
45	38.8	103	2.3
46	37.9	104	2.1
47	37.0	105	1.9
48	36.0	106	1.7
49	35.1	107	1.5
50	34.2	108	1.4
51	33.3	109	1.2
52	32.3	110	1.1
53	31.4	111	1.0
54	30.5	112	0.8
55	29.6	113	0.7
56	28.7	114	0.6
57	27.9	115	0.5

REASONS WHY

1. The calculations themselves have been **SIMPLIFIED. IRA** owners are required to use the new Uniform Minimum Distribution Table to calculate their Required Minimum Distribution.

   In most cases the use of the new table means that the required distributions will be less than they would have been under the old rules, allowing for more long-term growth potential. The only exception to using the new table comes if the spouse is more than ten years younger. In this situation, a joint life expectancy table is allowed.

2. There is a significant change to beneficiary rules. No longer are the beneficiary designations irrevocable. Now, **IRA** owners may change their beneficiary designation(s) at any point during their lifetime without negatively affecting their RMD amount. This allows the beneficiary designation to change as the contract owner's family needs change.

3. As for those owners who are already taking distributions, they may also change beneficiaries and use the new table. This is significant because existing **IRAs** can, in effect, become a multi-generational distribution. In some cases the addition of the new rules may dramatically slow down the payout of an existing **IRA**, while **PRESERVING THE BENEFITS** of tax-deferred growth.

HOW IT WORKS

Let's say that you are the owner of an **IRA** in which your daughter is the primary beneficiary. Once you reach age 70½, if you elect to take only the RMD each year, you in effect choose to stretch out the retirement account. At the time your daughter inherits the account she would be able to resume taking the RMD, but the distributions would now be based on her life expectancy instead of yours. The calculation in future years remains simple. Since the life expectancy of the beneficiary is not recalculated, the factor is simply reduced by one each year. The new factor is then divided by the account balance, which gives the amount of the annual RMD.

The result is a substantially lower distribution to your daughter, spread out over a longer period of time, which could lower her potential tax burden. Also, because there is no annuitization required, the **IRA** may continue to earn tax-deferred interest while these distributions are taken. If your daughter had been forced into a lump sum settlement, more than one-third may have been consumed in taxes.

Below is an example of how a payout might work under the Multi-Generational Distribution Option. We will assume that a husband is 65 and has an IRA. His wife is age 56 and their daughter is age 22 at the time. Additionally, we will also assume that the husband will live to be age 73 and the wife will live to be age 72. Let's also assume that over the entire period the IRA is paying out, it will be earning a 6% interest rate. These examples are hypothetical and before taxes. Actual results may be higher or lower.

HUSBAND

Year	Age	Beg. Account Value	RMD Life Exp.	Interest	RMD WD	End Account Value
1	65	200,000		12,000		212,000
2	66	212,000	N/A	12,720	-	224,720
3	67	224,720	N/A	13,483	-	238,203
4	68	238,203	N/A	14,292	-	252,495
5	69	252,495	N/A	15,150	-	267,645
6	70	267,645	27.4	16,059	9,768	273,936
7	71	273,936	26.5	16,436	10,337	280,035
8	72	280,035	25.6	16,802	10,939	285,898
9	73	285,898	24.7	17,154	11,575	291,477

The husband leaves $291,477 at his death to his wife. The wife inherits the IRA account and begins RMDs based upon her life expectancy at age 70½.

WIFE

Year	Age	Beg. Account Value	RMD Life Exp.	Interest	RMD WD	End Account Value
10	64	291,477		17,489		308,966
11	65	308,966	N/A	18,538	-	327,504
12	66	327,504	N/A	19,650	-	347,154
13	67	347,154	N/A	20,829	-	367,983
14	68	367,983	N/A	22,079	-	390,062
15	69	390,062	N/A	23,404	-	413,466
16	70	413,466	27.4	24,808	15,090	423,184
17	71	423,184	26.5	25,391	15,969	432,605
18	72	432,605	25.6	25,956	16,889	441,663

The wife leaves $441,663 at her death to her daughter. She continues RMDs based on her life expectancy using the beneficiary life expectancy table following the year of her mother's death.

DAUGHTER

Year	Age	Beg. Account Value	RMD Life Exp.	Interest	RMD WD	End Account Value
19	40	441,663	43.6	26,500	10,130	458,033
20	41	458,033	42.6	27,482	10,752	474,763
21	42	474,763	41.6	28,486	11,413	491,836
22	43	491,836	40.6	29,510	12,114	509,232
23	44	509,232	39.6	30,554	12,859	526,927
24	45	526,927	38.6	31,616	13,651	544,891
25	46	544,891	37.6	32,693	14,492	563,093
26	47	563,093	36.6	33,786	15,385	581,494
27	48	581,464	35.6	34,890	16,334	600,049
28	49	600,049	34.6	36,003	17,342	618,710
29	50	618,710	33.6	37,123	18,414	637,418
30	51	637,418	32.6	38,245	19,553	656,111
35	56	729,127	27.6	43,748	26,418	746,457
40	61	808,238	22.6	48,494	35,763	820,970
45	66	854,610	17.6	51,277	48,557	857,329
50	71	834,905	12.6	50,094	66,262	818,737
55	76	694,483	7.6	41,669	91,379	644,772
60	81	340,304	2.6	20,418	130,886	229,836
61	82	229,836	1.6	13,790	143,648	99,979
62	83	99,979	0.6	5,999	105,977	-

Payments will continue to the daughter for the remainder of her life, or until the account balance is depleted. At the daughter's death, payments can continue to her named beneficiary based upon the above table. In summary, the husband's initial premium of $200,000 totaled a payout of **$2,267,458** "stretched" over multiple generations. This can be compared to the daughter electing to take a lump sum settlement at the wife's death, which would have resulted in a payout of **$532,240** (Accumulation Value at the wife's death including previous RMDs).

Now let's assume that the daughter, instead of inheriting the IRA, chooses to disclaim it. It would then pass on to the next in line, which for this illustration is the daughters son, or the husband's grandson. At the time of inheritance the grandson is 20, and he is the sole contingent beneficiary. Again we will assume the IRA is paying a 6% interest rate. These examples are hypothetical and before taxes. Actual results may be higher or lower.

HUSBAND						
Year	Age	Beg. Account Value	RMD Life Exp.	Interest	RMD WD	End Account Value
1	65	200,000		12,000		212,000
2	66	212,000	N/A	12,720	-	224,720
3	67	224,720	N/A	13,483	-	238,203
4	68	238,203	N/A	14,292	-	252,495
5	69	252,495	N/A	15,150	-	267,645
6	70	267,645	27.4	16,059	9,768	273,936
7	71	273,936	26.5	16,436	10,337	280,035
8	72	280,035	25.6	16,802	10,939	285,898
9	73	285,898	24.7	17,154	11,575	291,477
The husband leaves $291,477 at his death to his wife. The wife inherits the IRA account and begins RMDs based upon her life expectancy at age 70½.						
WIFE						
Year	Age	Beg. Account Value	RMD Life Exp.	Interest	RMD WD	End Account Value
10	64	291,477		17,489		308,966
11	65	308,966	N/A	18,538	-	327,504
12	66	327,504	N/A	19,650	-	347,154
13	67	347,154	N/A	20,829	-	367,983
14	68	367,983	N/A	22,079	-	390,062
15	69	390,062	N/A	23,404	-	413,466
16	70	413,466	27.4	24,808	15,090	423,184
17	71	423,184	26.5	25,391	15,969	432,605
18	72	432,605	25.6	25,956	16,899	441,663
The wife leaves $441,663 at her death to her daughter.Her daughter disclaims the retirement account,and it passes to the wife's contingent beneficiary, her grandson.The grandson continues RMDs based on his life expectancy using the beneficiary life expectancy table following the year of the grandmother's death.						
GRANDSON						
Year	Age	Beg. Account Value	RMD Life Exp.	Interest	RMD WD	End Account Value
19	20	441,663	63.0	26,500	7,011	461,152
20	21	461,152	62.0	27,669	7,438	481,384
21	22	481,384	61.0	28,883	7,892	502,375
22	23	502,375	60.0	30,143	8,373	524,145
23	24	524,145	59.0	31,449	8,884	546,710
24	25	546,710	58.0	32,803	9,426	570,086
25	26	570,086	57.0	34,205	10,002	594,290
26	27	594,290	56.0	35,657	10,612	619,335
27	28	619,335	55.0	37,160	11,261	645,234
28	29	645,234	54.0	38,714	11,949	672,000
29	30	672,000	53.0	40,320	12,679	699,640
30	31	699,640	52.0	41,978	13,455	728,164
35	36	851,153	47.0	51,069	18,110	884,113
40	41	1,024,432	42.0	61,466	24,391	1,061,506
45	46	1,216,517	37.0	72,991	32,879	1,256,630
50	51	1,419,758	32.0	85,185	44,367	1,460,576
55	56	1,618,832	27.0	97,130	59,957	1,656,005
60	61	1,786,171	22.0	107,170	81,190	1,812,152
65	66	1,874,883	17.0	112,493	110,287	1,877,089
70	71	1,807,542	12.0	108,453	150,628	1,765,366
75	76	1,457,127	7.0	87,428	208,161	1,336,394
80	81	604,320	2.0	36,259	302,160	338,419
81	82	338,419	1.0	20,305	358,724	-

Payments will continue to the grandson for the remainder of his life, or until the account balance is depleted. At the grandson's death, payments may continue to his named beneficiary based upon the above table. In this example, the husband's initial premium of $200,000 totaled a payout of **$5,100,160** "stretched" over multiple generations. This can be compared to the grandson electing to take a lump sum settlement at his grandmother's death, which would have resulted in a payout of **$532,240** (Accumulation Value at the wife's death including previous RMDs).

PORTRAIT OF FINANCIAL STABILITY

A.M. Best	A+ (Superior)*, °	2nd highest out of 15 categories	A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to contract holders.
Standard & Poor's Corporation	A+ (Strong)°, §	5th highest out of 22 categories	Standard & Poor's Corporation is an independent third-party rating firm that rates on the basis of financial strength.

* A.M. Best rating affirmed on May 24, 2012. For the latest rating, access www.ambest.com.
° Awarded to North American as part of Sammons Financial Group, which consists of Midland National Life Insurance Company and North American Company for Life and Health Insurance®.
§ Standard and Poor's awarded its rating on February 26, 2009 and affirmed on April 23, 2012.
Ratings shown reflect the opinions of the rating agencies and are not implied warranties of the company's ability to meet its financial obligations. Ratings are current as of the date of this brochure.

Premium Taxes: Contract holder values will be reduced for premium taxes as required by the state of residence.
Neither North American, nor any agents acting on its behalf, should be viewed as providing legal, tax or investment advice. Consult with and rely on your own qualified advisor. Under current law, annuities grow tax deferred. Annuities may be subject to taxation during the income or withdrawal phase. The tax-deferred feature is not necessary for a tax-qualified plan. In such instances, you should consider whether other features, such as the Death Benefit and lifetime annuity payments are appropriate for your needs.

www.nacannuity.com

NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE®
Annuity Service Center
4350 Westown Parkway
West Des Moines, IA 50266

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