

Single Premium Immediate Annuity (SPIA) funded with life insurance

The concept

Midland National is pleased to offer a “turn-key process” for funding life insurance contracts using annual distributions from a Single Premium Immediate Annuity (SPIA). This simplified process allows you to send all the paperwork to one location and let us handle it from there. This strategy also creates a variety of benefits for your client including:

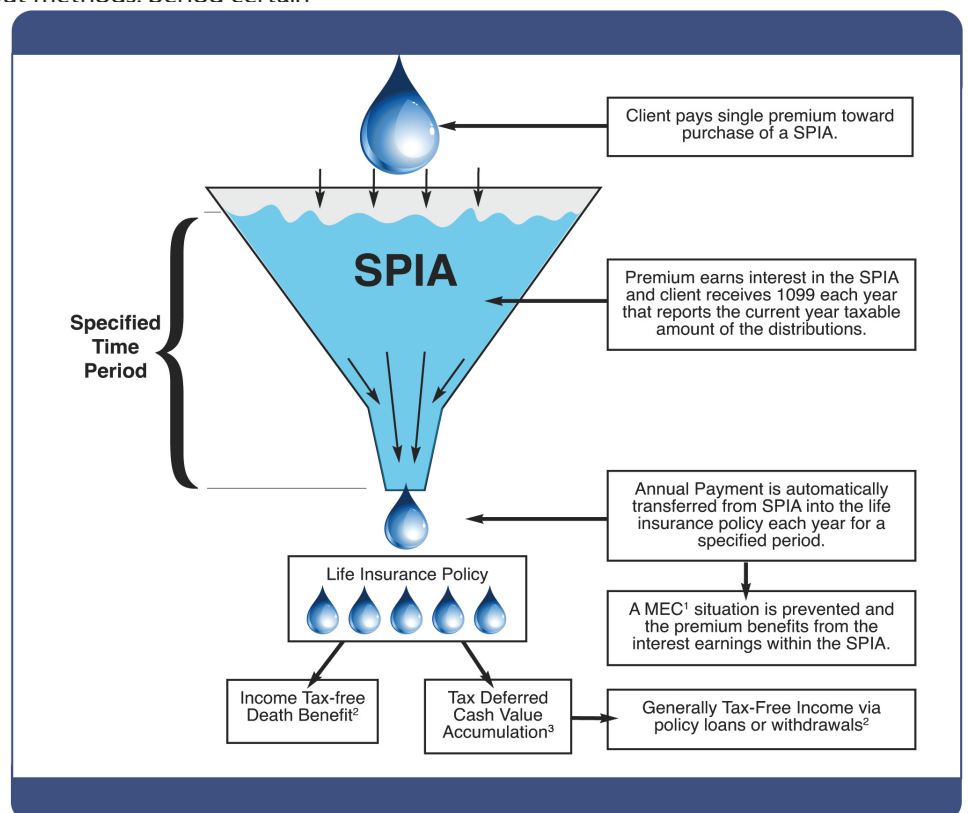
- Protection against a Modified Endowment Contract¹ (MEC) status in the life insurance policy
- A larger legacy for beneficiaries through a death benefit
- Ability to reposition assets to provide an enhanced life insurance strategy to help augment retirement

How it works

- 1) The client first chooses the appropriate Midland National life insurance product to provide for their needs.
- 2) The client pays a single premium purchasing a Midland National SPIA and determines the most effective way to fund the life policy through one of two payout methods, period certain (7-20 years), or amount certain.
- 3) All paperwork for both the life and SPIA policies are sent to the Midland National life division.
- 4) Upon approval and acceptance of the life policy, the SPIA is placed in force and the first annual payment is made to the life policy.
- 5) Each year the annual annuity payment is automatically transferred from the SPIA to pay the premium for the life policy.

Ideal client profile

- Individuals or couples between the ages of 40 and 70
- Has liquid assets
- Want to maximize their money's potential
- Looking for generally tax-free income to help support retirement
- Have a need for the protection living benefits afford⁴
- Looking for estate preservation and wealth transfer solutions



Common questions and answers:

Do I need to be contracted with both Life and Annuity divisions?

Yes, you are required to be contracted with both divisions. Be sure to check your appointment status prior to submitting the application.

What life products can be funded by a SPIA?

Midland National Universal Life or Indexed Universal Life products may be funded with a SPIA.

What annuity product(s) is available?

Midland National's Direct Income® SPIA is available for this concept. Direct Income has 7-20 year period certain options available.

How do I know what the SPIA payouts will be?

Illustrations for the SPIA can be obtained from midlandnational.com or the Annuity Sales Support Team. The life insurance premium from a Direct Income SPIA can also be calculated within ExactIllustrations.

Do I get paid commission on the annuity?

Yes, you are compensated exactly like you would if the life and annuity products were sold separately.

Can a 1035 from another annuity or life policy be used to fund the SPIA?

Yes, the forms will not be sent to the other carrier until the life application is approved. The transfer processing time varies by company but may take up to 30-45 days. Once the transfer funds are received, the annuity contract is issued within 48 hours and funds will be sent to fund the first annual life policy payment if desired.

Can a 1035 exchange from another life company or other payments in addition to the SPIA funds be used to fund the life policy?

Yes, they may be used as long as they do not violate premium guidelines.

Will my client be sent a 1099 every year for interest income on the annuity payout?

Yes, the 1099 will be sent to the annuity contract owner. Midland National does not withhold taxes so those need to be paid by the client.



A Sammons Financial Company

What happens if SPIA interest rates change during the process?

For all annuity rate locks, if the annuity rates change after the application is received, we will honor the higher/better rate as long as the funds are received within 45 days from when we receive the paperwork in the administrative office.

Can I bind the coverage when the application is submitted?

If the application includes one month's premium and a completed Temporary Insurance Agreement (TIA), temporary coverage will be provided during the underwriting period, pursuant to the terms of the TIA and the payment that is to fund the SPIA may be included with the application.

Do I need to complete both life and annuity applications?

Yes, send all the paperwork to the Life Division.

Note: Please remember to have the client complete the payout election form choosing either period certain or amount certain options.

Where do I get the necessary forms for the annuity and life applications?

Forms for both the life and annuity products are located in ExactIllustrations. In addition, the forms for the annuity and life applications are located on midlandnational.com. The respective Sales Support Teams can get you the forms you need.

Should I include the life and annuity illustrations when mailing the paperwork?

A life illustration or form 6293 should always accompany the application submitted to the administrative office. A SPIA illustration is not required, however, if an illustration has been presented to the client, it should accompany the paperwork submitted.

Who should I contact if I have questions through this process?

Your case manager at the Life Division will be the point of contact for the pending life application. This individual will forward the annuity application to the Annuity Division and the Annuity New Business team will be the point of contact for the pending annuity application.

1. For most policies, withdrawals are free from federal income tax to the extent of the investment in the contract, and policy loans are also tax-free so long as the policy does not terminate before the death of the insured. However, if the policy is a Modified Endowment Contract (MEC), a withdrawal or policy loan may be taxable upon receipt. Further, unpaid loan interest on a MEC may be taxable. A MEC is a contract received in exchange for a MEC or for which premiums paid during a seven-year testing period exceed prescribed premium limits (7-pay premiums).

2. A life insurance death benefit is not generally subject to income tax for beneficiaries. Loans on life insurance policies are generally income tax free as long as the policy remains in force until death and the policy is not a Modified Endowment Contract (MEC). In some situations loans and withdrawals may be subject to federal taxes. Midland National Life Insurance Company nor its agents give tax or legal advice. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation.

Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

3. The tax-deferred feature of the universal life policy is not necessary for a tax-qualified plan. In such instances, your client should consider whether other features, such as the death benefit and optional riders make the policy appropriate for your client's needs. Before purchasing this policy, your client should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

4. Living benefits are subject to eligibility requirements.

Midland National's Single Premium Immediate Annuity (SPIA) is issued on form number IC18-AS154A/AS154A (individual contracts) or appropriate state variations by Midland National Life Insurance Company, Des Moines, IA and life insurance products are issued by Midland National Life Insurance, One Sammons, Plaza, Sioux Falls, SD 57193. These products, their features and their riders may not be available in all states.

Sammons Financial® is the marketing name for Sammons® Financial Group, Inc.'s member companies, including Midland National® Life Insurance Company. Annuities and life insurance are issued by, and product guarantees are solely the responsibility of, Midland National Life Insurance Company.