

# HIGHLANDER 7<sup>®</sup> Fixed Indexed Annuity

*Guiding Your Financial Future.*



## Clear Spring

Life and Annuity Company

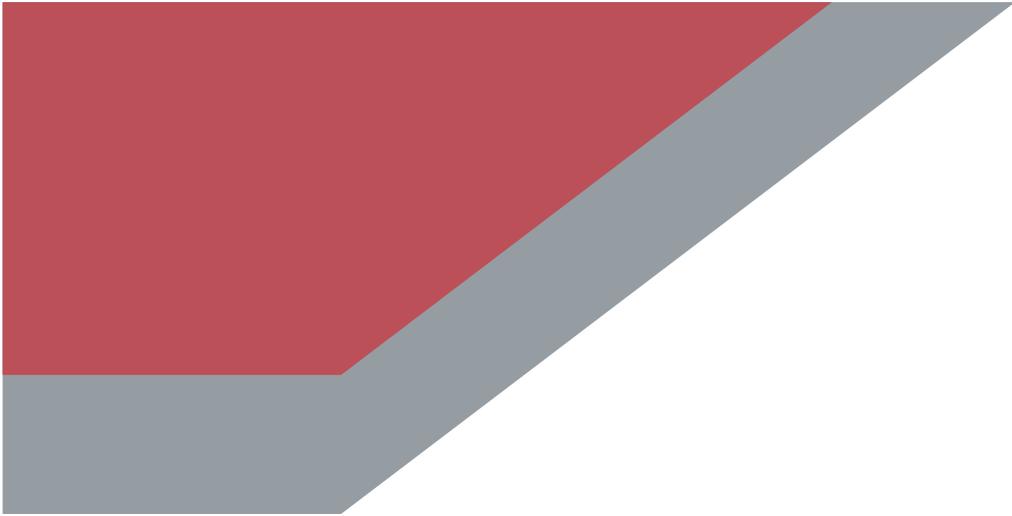
a **GROUP1001** company

 PO Box 80509  
Indianapolis, IN 46280

 800.767.7749

 [ClearSpringLife.com](http://ClearSpringLife.com)





There are many stages in life ranging from graduation, to family, to living in retirement. Clear Spring Life and Annuity Company is here to help you prepare for today and all the possibilities of tomorrow. See how we can bring peace of mind by guiding your financial future.

# Sounds Complicated? Let's Simplify.

## Single Premium

The easiest piece. The contract is purchased with a single sum of money. However, additional funds may be deposited to the fixed account, within the first 12 months of the contract. At the end of the contract year, funds may be reallocated into the indexed account.

## Deferred

This relates to the fact that the annuity is designed to accumulate money over time, with income tax being deferred until withdrawn. Income tax deferral is allowed by the Internal Revenue Service on interest earnings until they are distributed, allowing your money to compound and accumulate more quickly.

## Fixed Indexed

This simply means that the earnings in your annuity contract are linked to an external market index. The value of the index is tied to a particular equity or multi-asset index. This gives you the ability to enjoy the growth in a market index, without exposing your principal to the risk of market fluctuations found in variable annuities.

## Have a Purpose for Every Dollar.

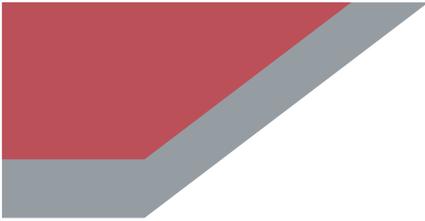
In the investing landscape, there are a wide variety of options. It is important to understand what purpose you have for each dollar and apply them to the correct investment option. Often diversifying your assets across multiple investment options is the best way to achieve your goals.

The Highlander 7 Fixed Indexed Annuity has many features that make it a great option which include:

- ✓ Limiting the risk of market fluctuation
- ✓ Helping you avoid poor market timing
- ✓ Providing guaranteed income for the rest of your life <sup>1</sup>
- ✓ Better potential to keep pace with inflation
- ✓ Tax deferral on interest and index gains
- ✓ Simplified index strategies
- ✓ No up-front or annual fees <sup>2</sup>

<sup>1</sup> This Benefit is available under the Life Annuity Settlement Option. Please refer to the Contract for full details.

<sup>2</sup> The Account Value may be subject to Withdrawal or Surrender Charges. Please refer to the Contract for full details.



Annuities are an important tool in planning and sustaining income for the future. Deferred annuities accumulate money tax-free for a period of time. Your premium will be credited earned interest and will receive income tax deferral, which results in a secure and dependable account balance. Clear Spring Life and Annuity Company offers these tools with your future in mind.

The Highlander 7 is a single premium, deferred, fixed indexed annuity that allows you to accumulate funds, benefit from tax deferral, and maintain a simplified allocation.

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# HIGHLANDER 7<sup>®</sup>

Fixed Indexed Annuity

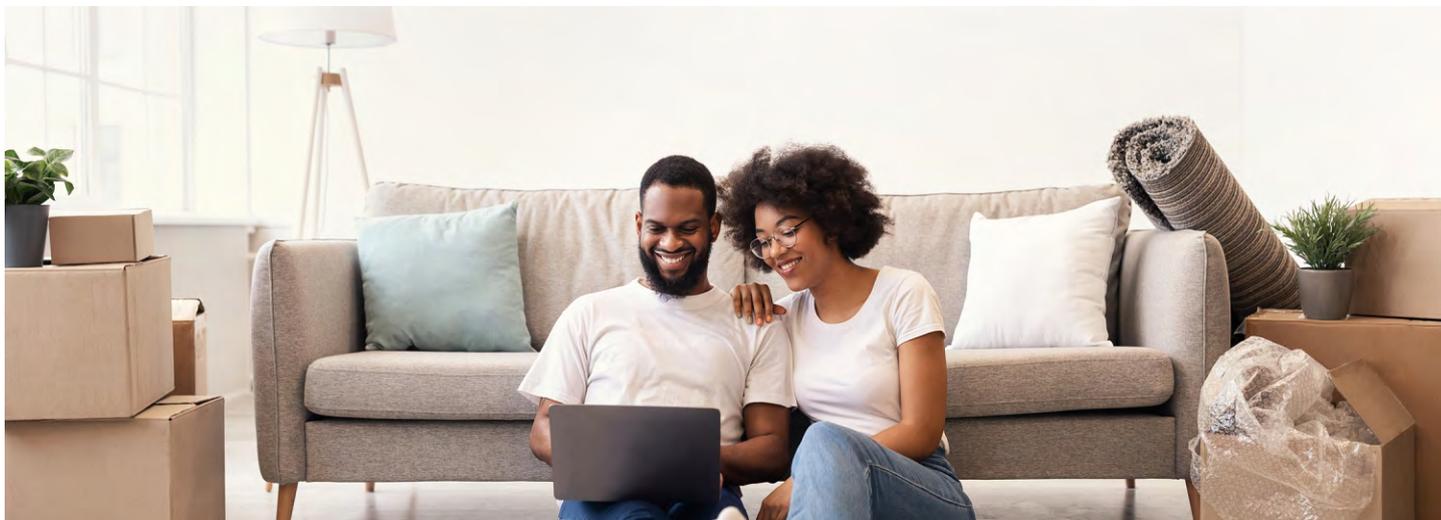
*Guiding Your Financial Future.*

The Highlander 7 Fixed Indexed Annuity can be a useful tool for people in a variety of stages in their lives. Many view annuities as a product that is only appropriate for those nearing their retirement age or as a retirement income vehicle, but with the advances in annuities there are many other applications throughout all stages in life.

Let's take a look at three different cases where the Highlander 7 may be a suitable fit for your financial needs.

## Meet JD and Beth Ages 35 and 33

JD and Beth are in their mid-thirties and have just moved to a new city due to a job promotion.



With both of them taking on roles at new companies, they thought it would be a good idea to speak with someone in regards to their 401(k) retirement accounts from their previous employers. After receiving a recommendation of a local insurance agent, they met with her to discuss the various options each one of them had in regards to the assets from the previous retirement plans. Susan, the agent, described to JD and Beth the options that lay ahead of them with their 401(k) accounts. The options were as follows:

### **Option 1**

They may keep the funds in the 401(k)'s, however, they will no longer receive updates on any investment option changes and will not have access to annual meetings or reviews with the provider of the plan.

### **Option 2**

They have the option to roll the assets over to the 401(k) plan of their new employer. They are reminded, however, that none of these assets will receive any type of match the new employer may offer.

### **Option 3**

They may choose to withdraw all of the funds and keep them as liquid assets. Keep in mind, with this option there will be substantial penalties for early withdrawals along with a large amount due in taxes on the full amount.

### **Option 4**

Finally, the last choice the couple can make would be to rollover the funds into an Individual Retirement Account or IRA. After a discussion around the couple's risk tolerance, they felt it would be best to safeguard these funds in a fixed indexed annuity that offers potential to gain a portion of market growth while limiting the risk from market losses. Since they will be investing new retirement funds into their new employer plans that are open to market risk, they felt this would be the best option moving forward.

## Meet Jeff Age 52

Jeff recently just received an inheritance and he knows that he would like to save the assets to supplement his own retirement someday.



Jeff has done a fairly decent job staying informed of various financial products and knows there have been some changes in annuities recently so he thought it would be a good idea to meet with his financial advisor to see what his available options were. After discussions with his advisor, Jeff figured a fixed indexed annuity would be the best route to go according to his goals and purpose for his inheritance.

The main features that aided his decision were tax deferral, no loss to his account value due to market risk, and the potential to obtain a portion of the market gains. Jeff chose the Highlander 7 annuity so he may have the option to look into future products in just a few years.

He also liked how the product was straight forward which gave him comfort and confidence in this financial decision.

## Meet Bob and Christine Both Age 66



**Bob and Christine have been enjoying the retirement life for a little over a year now.**

They finally have gotten around to meeting with their advisor, Travis, for their annual consultation and they have found different changes may need to be made due to some potential shifts in their risk profile. A little over 7 years ago Travis had advised the couple to diversify their retirement assets across a variety of investment products. They took his advice and spread their money across mutual funds, bond funds, and a couple of variable annuities.

Overall, they have been very happy with the performance of their portfolio, so they were a bit shocked to hear Travis suggest changes may be in their best interest in order to better align with their financial goals. After a discussion about market volatility, inflation, and their current financial position things started to make more sense.

With the recent growth in the market, Bob and Christine have seen their account balances produce significant returns over the past 5 years. Travis explains to them that even though these returns have been great, they are also open to risk of a possible downturn in the market. He then went on to explain if a large market correction were to occur they could be in some trouble meeting their retirement goals.

The solution was to minimize the risk on the variable portion of the couple's portfolio by utilizing the Highlander 7. In essence, they have the opportunity to "lock in" the gains from previous years and at the same time give themselves the ability to still receive a portion of market gains (if any) moving forward.

After getting set up with their new Highlander 7 Fixed Indexed Annuity, Bob and Christine have more confidence moving forward in their retirement because they limited the risk of market fluctuation. This security now has allowed them to rest easy at night and focus on the joys of retirement.

# What is Sequence of Returns Risk

There is another risk that many people, including Bob and Christine, weren't aware of until they sat down with their advisor or agent. The risk is negative returns early in retirement and how they can drastically affect the entire retirement picture.

The reason many aren't aware of this risk is because it isn't a factor during the accumulation years. Luckily for them, the Highlander 7 Fixed Indexed Annuity prevents any negative account balance movement due to market losses. In fixed indexed annuities... zero is definitely your hero.

We can see how this all changes in these two hypothetical examples. The examples start with \$250,000.

## Sequence of Returns During Accumulation Phase

Hypothetical Annual Returns	Hypothetical Account Value	Reverased Hypothetical Annual Returns	Reverased Hypothetical Account Value
17.31%	\$293,275	-9.17%	\$227,075
9.24%	\$320,374	-13.67%	\$196,034
5.20%	\$337,033	1.45%	\$198,876
14.35%	\$385,397	-8.47%	\$182,032
12.47%	\$433,456	-16.34%	\$152,288
-16.34%	\$362,630	12.47%	\$171,278
-8.47%	\$331,915	14.35%	\$195,856
1.45%	\$336,728	5.20%	\$206,041
-13.67%	\$290,697	9.24%	\$225,079
-9.17%	\$264,040	17.31%	\$264,040

## Sequence of Returns During Distribution Phase

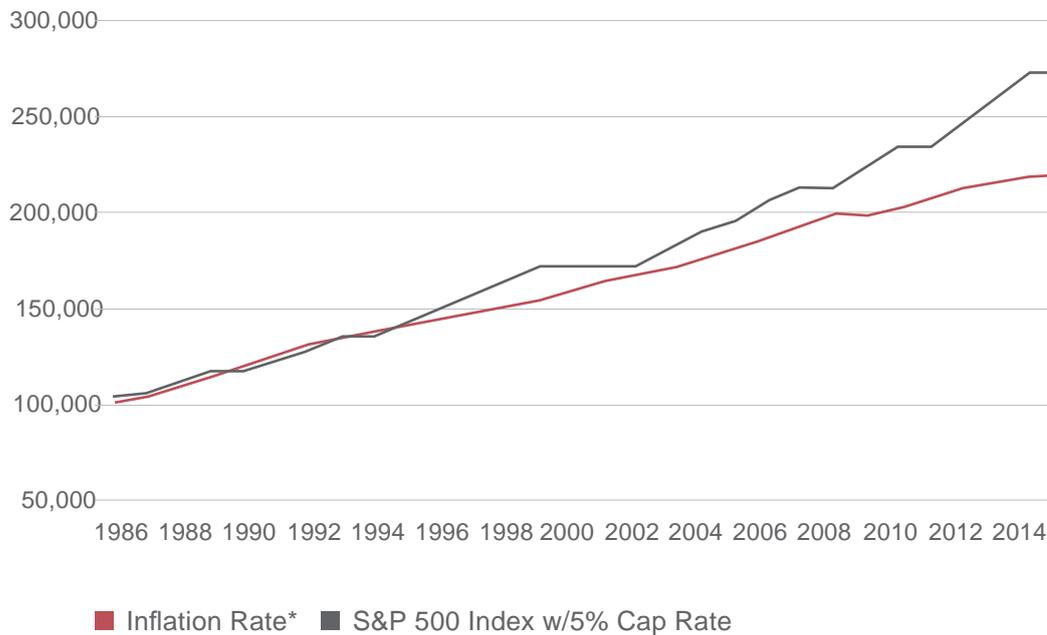
Hypothetical Annual Returns	Hypothetical Account Value	Withdrawal of \$15,000 per Year	Reverased Hypothetical Annual Returns	Reverased Hypothetical Account Value
17.31%	\$278,275	\$15,000	-9.17%	\$212,075
9.24%	\$288,988	\$15,000	-13.67%	\$168,084
5.20%	\$289,015	\$15,000	1.45%	\$155,522
14.35%	\$315,489	\$15,000	-8.47%	\$127,349
12.47%	\$339,830	\$15,000	-16.34%	\$91,540
-16.34%	\$269,302	\$15,000	12.47%	\$87,955
-8.47%	\$231,492	\$15,000	14.35%	\$85,577
1.45%	\$219,849	\$15,000	5.20%	\$75,027
-13.67%	\$174,795	\$15,000	9.24%	\$66,959
-9.17%	\$143,767	\$15,000	17.31%	\$63,550

# Think About Inflation...

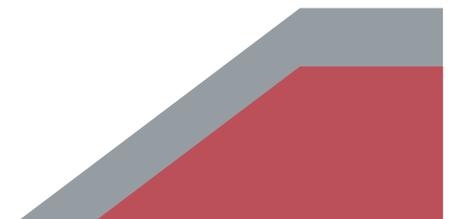
The main issue with holding assets in cash is the risk of inflation over time. Effectively, what once bought two candy bars now may only be enough to afford one. Candy bars may not be a major concern, but having enough income in retirement sure is for any retiree.

Thankfully, with the Highlander 7 Fixed Indexed Annuity, not only does their account value never decrease, it has the opportunity to increase over time. Let's take a look at how an investment strategy with a "Cap Rate" of the S&P 500 Index has compared to the historical U.S. inflation rate over the past 30 years.

S&P 500 Index with Cap vs. U.S. Inflation Rate



\*Information gathered from the "Bureau of Labor Statistics" in the U.S. Department of Labor [www.bls.gov/home](http://www.bls.gov/home)



# Key Features of the Highlander 7 Fixed Indexed Annuity

## Issue Age Range

0-80

## Premiums

Minimum Qualified  
\$5,000

Minimum Non-Qualified  
\$10,000

## Tax Deferral

Federal income tax on interest accumulated in the Highlander 7 is deferred until you take withdrawals out of the contract. This means that you will be earning interest on money that you would otherwise have to pay taxes on. If you withdraw money from the contract before you are age 59 ½, you may have to pay a tax penalty.

## Free Withdrawals

A single penalty-free withdrawal, of up to 10% of the account value, may be taken each year beginning in the second contract year. Surrender charges or market value adjustment will be waived on free withdrawal amounts. Please refer to the contract for full details.

## Nursing Home Care

Should the owner become confined to a nursing home, Highlander 7 provides access to the full account value, without surrender charges or applicable market value adjustments. The benefit becomes available after the first contract anniversary. The contract must be issued prior to the owner's age of 76 and the confinement in a nursing home must be for at least 90 continuous days. Not available in MA. Please refer to the Contract for full details.

## Terminal Illness

If the owner is diagnosed with a critical illness or is deemed terminally ill by a physician, Highlander 7 allows withdrawals up to the full account value without surrender charges or market value adjustments. Please refer to contract for full details.

## Death Benefit

The Highlander 7 annuity pays your named beneficiary the full account value on death. Options for income payments may be available instead of taking a lump sum. If the spouse is the sole Primary Beneficiary, they have the option to continue the annuity in the surviving spouse's name.

# Definition and Key Terms

## Fixed Rate Strategy Value

A fixed rate strategy value equals the amount applied to the 1-year fixed rate strategy, less any amounts withdrawn, including any early surrender charges deducted from those amounts, plus interest credited at the 1-year fixed interest rate.

## Indexed Strategy Value

An indexed strategy value equals the amount applied to an indexed strategy, plus Index Credits, if any, less any gross withdrawals.

## Account Value

The account value equals the premium you pay into your annuity and any interest we credit. Withdrawals, surrender charges, and any other fees or charges will decrease your account value dollar-for-dollar.

## Surrender Value

The surrender value equals the account value, plus or minus the market value adjustment that would apply on a surrender, and minus the surrender charge that would apply on a surrender. Your cash surrender value will never be less than the Minimum Guaranteed Contract Value.

## Cap

A cap is a preset limit that we use to calculate the Index Credit for an index allocation with some crediting methods. With some point-to-point crediting options, we apply a cap, the interest rate is equal to the cap percentage. Caps for the first Term are established when you purchase your Contract. On the Contract Anniversary of the Term, we may change these caps for the coming Term. Caps will never be less than the guaranteed minimum rate.

## Participation Rate

A participation rate is a preset limit that we use to calculate the Index Credit for an index allocation with some crediting methods. The participation rate for the first Contract Year is established when you purchase your Contract. On the Contract Anniversary of the Term, we may change this rate for the coming Term, but it will never be less than the guaranteed minimum.

## Index Credits

The Index Credit is the amount credited to the Strategy at the end of each Term. It is calculated by applying the rates from the particular strategy to the growth in the index over the Term. Credits can only be applied at the end of the Term.

## Point-to-Point

The index credit is based on the gain in the index from two points in time, the beginning of the Term and the end of the Term.

## Market Value Adjustment

Any amounts that are assessed a surrender charge will also be subject to an MVA, which may increase or decrease the Account Value. The MVA generally increase the contract withdrawal value when interest rates fall, and decrease the contract withdrawal value when interest rates rise. The MVA is not applicable in all states.

## The MVA is not applied:

- At the end of the surrender charge period;
- To free withdrawals;
- To the death benefit for the death of owner.

## Is the Highlander 7 Right For You?

### Do other options often seem too complicated?

In today's environment of multiple investment options and ways to prepare for retirement, it is quite easy to have it all become much too complicated. The Highlander 7 Fixed Indexed Annuity focuses on simplifying this daunting task by offering the opportunity to enjoy the positives of the S&P 500 and S&P MARC 5 market indices, while mitigating the risk of a declining market. Your annuity is backed by Clear Spring Life and Annuity Company.

### Is it time for Peace of Mind?

The Highlander 7 Fixed Indexed Annuity gives you the opportunity to grow your assets and build income for the future. The simplicity of two indices, the guarantee of a fixed account, and growing income potential provides balance and peace of mind!

### Does your money have good balance?

In our early accumulation years it is okay to take on risk for the potential of greater returns. Nearing retirement many flip the switch and go a completely conservative route. With the Highlander 7 Fixed Indexed Annuity, there is an option for balance of capturing a portion of the gains in the market and protecting you against any market downturns.

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