

Life Insurance Company of the Southwest

A Member of the



Get Guaranteed
Income for **LIFE!**

True Innovation from LSW —
the Trusted Leader in Fixed Indexed Annuities!

Income for LIFE!

Live the Good Life and Protect it in Retirement!

Like many successful people, you have worked hard to build a good life for you and your family. You have set priorities, provided for the necessities of life, and saved for retirement. As you approach retirement, you have to be more careful and thoughtful about your money. Why? There remains a major risk ahead that could disrupt your best plans. It is outliving your income – not having enough income to maintain your lifestyle in retirement.

In today's volatile stock market, a poor-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 income and retirement solution to the aforementioned needs, Life Insurance Company of the Southwest (LSW) has the answer for you!

It is the Guaranteed Lifetime Income Rider ("Rider") 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

Guarantees – Guarantees you a withdrawal payment from your annuity 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 withdrawals, systematic and lump-sum withdrawals.

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

The SITUATION

Jason and Elizabeth Bright are both age 55. They would like to save more for retirement and are concerned about outliving their income. They also want access to their retirement savings because they may need to assist their children with their financial needs.

The Brights are conservative investors who own several blue-chip stocks and mutual funds. Jason has a 401(k) plan from his employer. His goal is to maximize the value of his savings without putting his principal at risk or losing any of it at death. Jason is concerned about accomplishing his goals since he isn't a professional money manager.

One of the Brights' concerns arose because of a recent 2007 article on *Forbes.com*.¹ It quoted a retirement expert. The article said if a couple wants an annual retirement income of \$85,000 and intends to stop working at age 65, they'll need about **\$838,000 in savings** to supplement their Social Security income for 20 years.

But if they both live to 100, they'll need more than one-and-a-half times that amount — a portfolio worth about **\$1.3 million** — to preserve the same lifestyle in retirement.

How can the Brights save more money for retirement and guarantee an income stream that they cannot outlive? They believe they need \$40,000 a year (above Social Security) for life to cover any medical or unforeseen expenses.

The SOLUTION

Life Insurance Company of the Southwest (LSW) has an excellent solution. Today, Mr. and Mrs. Bright can contribute \$406,679 in an LSW single premium deferred indexed annuity with the **Guaranteed Lifetime Income Rider**. Then, 10 years later at age 65, they could choose to receive income of \$40,000 a year for the rest of their lives. The Guaranteed Withdrawal Payment of \$40,000 per year will continue even if their annuity's Accumulation Value eventually went to zero because of the payments.²

If Mr. and Mrs. Bright wait longer to start receiving payments, their Joint Life Guaranteed Withdrawal Payment will be even higher. For instance, they would receive \$61,712 per year if they started payments at age 70.

Most importantly, Mr. and Mrs. Bright will have access to their annuity's policy values if a need arises. If they choose to make Excess Withdrawals, however, future Guaranteed Withdrawal Payments will be affected. Also, if both Mr. and Mrs. Bright so choose, before or after starting the Guaranteed Withdrawal Payments, they may surrender the Policy and have its Cash Value paid to them.

If you are like the Brights, and your goal is to have a guaranteed stream of income in retirement, then the Guaranteed Lifetime Income Rider is an excellent solution for you.

¹ *Forbes.com, Retirement Solutions, October 2007.*

² *These examples assume the Guaranteed Lifetime Income Rider's 7 percent Roll-up Rate of the Income Calculation Base, as is currently guaranteed on new issues.*

How Does the Rider **WORK?**

LSW's new Guaranteed Lifetime Income Rider is an optional living benefit. The Rider allows you to take lifetime income from your annuity in the form of an annual Guaranteed Withdrawal Payment when the annuitant is age 60 or older and the Policy has been in force for at least one year.† LSW uses a formula to determine your lifetime payment. The formula involves **(a)** the Rider's Income "Calculation" Base multiplied by **(b)** a Guaranteed Withdrawal Percentage. The result equals your **(c)** Guaranteed Withdrawal Payment.

LSW deducts these Guaranteed Withdrawal Payments from the Policy's Accumulation Value, but you will continue to receive these payments even if your Accumulation Value declines to zero. With the Guaranteed Withdrawal Payments, you choose how often you will receive payments, either annually, semiannually, quarterly, or monthly. You may stop the payments anytime. You can also restart them.

† *Rider payments cannot begin until you repay all Policy loans, if applicable. You may not take a Policy loan after Rider payments begin.*

Designed to Pay You the Highest Payment

LSW's Guaranteed Lifetime Income Rider offers additional benefits and features that can provide you with an even higher Guaranteed Withdrawal Payment. Before electing the Guaranteed Withdrawal Payment, we offer an Automatic Reset of the Income "Calculation" Base on the 5th, 10th, 15th, and 20th anniversaries. After election, we offer an Enhanced Benefit and a Guaranteed Withdrawal Payment Step-up, both of which can dramatically increase your Guaranteed Withdrawal Payments. For more information about these unique features and benefits, see page 12.



Overview: How the Rider and Policy Interact

	Guaranteed Lifetime Income Rider	LSW Indexed Annuity Policy
At Issue	<p>The Income “Calculation” Base is a measure used to determine your initial Guaranteed Withdrawal Payment. At issue, the Income “Calculation” Base is equal to the Policy’s Accumulation Value. The Income “Calculation” Base, however, is neither a Policy Value nor an Accumulation Value.</p>	<p>Policy’s Accumulation Value* equals the premium paid plus any applicable immediate interest credit.</p> <p>*A few states require LSW to pay premium taxes. If LSW must pay a premium tax, we will deduct that amount from your Policy’s Accumulation Value.</p>
Accumulation Phase	<p><i>(Before Election of the Guaranteed Lifetime Payments)</i></p> <p>The Income “Calculation” Base increases at an annual rate, guaranteed for up to 20 years. At the time of this publication, the Roll-up Rate is 7 percent annually. The Income “Calculation” Base includes the amount of any immediate interest credits and/or any Bonus Accumulation Value that is transferred to the Policy’s Accumulation Value. (Please contact LSW to determine the guaranteed Roll-up Rate that is in effect for new issues.)</p>	<p>Indexed Interest, if any, is credited to your Accumulation Value annually, using a formula based on changes to the S&P 500 Index ¹ or the Russell 2000 Index.² Interest is credited to the Declared Account daily.</p>
Distribution Phase	<p><i>(At Election)</i></p> <p>LSW calculates your Guaranteed Withdrawal Payment. The Income “Calculation” Base or the Policy’s Accumulation Value (whichever is higher) (a) is multiplied by (b) a Guaranteed Withdrawal Percentage. The result is (c) the Guaranteed Withdrawal Payment.</p> <p>The Income “Calculation” Base ceases to exist when the Guaranteed Withdrawal Payment begins.</p>	<p>Free Partial Withdrawals</p> <p>Lump-sum or systematic Withdrawals</p> <p>Annuitization options</p> <p>Death Benefit = Accumulation Value</p> <p>Guaranteed Withdrawal Payments reduce the Policy’s Accumulation Value. The payments will continue for a lifetime even if the Accumulation Value reaches zero.</p>

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² The Russell 2000® Index is a trademark of the Russell Investment Group and has been licensed for use by Life Insurance Company of the Southwest. This product is not sponsored, endorsed, sold or promoted by the Russell Investment Group and Russell Investment Group makes no representation regarding the advisability of purchasing the Product.

How Do We Determine Your Guaranteed Withdrawal PAYMENTS?

Step 1:

Determining the Income “Calculation” Base

The Income “Calculation” Base is a measure, not a policy benefit or a 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.

At issue the Income “Calculation” Base is equal to the Policy’s Accumulation Value. The Income “Calculation” Base is increased daily at an annual rate that is guaranteed at issue (Roll-up Rate), and it increases until you begin taking Guaranteed Withdrawal Payments, or to the 20th Policy anniversary, if earlier. The Income “Calculation” Base does not increase further beyond the 20th Policy anniversary.

If the Policy’s Accumulation Value is greater than the Income “Calculation” Base on the date you elect the initial Guaranteed Withdrawal Payment, LSW increases the Income “Calculation” Base to equal the Accumulation Value. The Roll-up Rate in effect at the date of this publication is 7 percent. Once a Rider is issued, this rate is guaranteed for that Rider, regardless of the rate subsequently applied to Riders attached to new policies in the future.

Partial withdrawals from the Policy’s Accumulation Value are available. However, these withdrawals will reduce the Income “Calculation” Base by the same proportion that the withdrawal reduced the Policy’s Accumulation Value. For example, if you take a free withdrawal of 10 percent of the Accumulation Value, the Income “Calculation” Base will be reduced by 10 percent. It will, however, continue to be increased from that point forward at the 7 percent annual Roll-up Rate.



Automatic Reset – Increasing the Income “Calculation” Base

The Income “Calculation” Base will increase every year by the guaranteed Roll-up Rate, and it may increase even more with LSW’s Automatic Reset feature. If your Policy’s Accumulation Value is higher than your Income “Calculation” Base on your Policy’s 5th, 10th, 15th, or 20th Policy anniversaries, your Income “Calculation”

Base will automatically increase to the level of your Policy’s Accumulation Value. Your Policy’s Accumulation Value will not change because of the automatic reset. Your Income “Calculation” Base will continue to increase from this new reset level by the 7 percent annual Roll-up Rate until Guaranteed Withdrawal Payments begin or 20 years, if earlier.

Example: Automatic Reset on Fifth Anniversary

A hypothetical initial premium of \$100,000 and a 7 percent annual Roll-up Rate on the Income “Calculation” Base

Years of Income Deferral	Income “Calculation” Base:	Hypothetical Policy Accumulation Value*
1	107,000	\$105,000
5	140,225	\$140,500
	Reset @ 140,500	
	140,500	\$140,500

*These are hypothetical only. Actual Policy Accumulation Values will be reflective of actual interest credited to the Policy. It is presented solely to explain the concept.

Step 2:

Determining the Guaranteed Withdrawal Percentage

The Guaranteed Withdrawal Percentage is the second measure or factor that LSW uses to determine your Guaranteed Withdrawal Payment. It is multiplied by the Income “Calculation” Base to determine your Guaranteed Withdrawal Payment.

LSW offers Guaranteed Withdrawal Percentages based on:

- A Single Life Income Percentage
- An Enhanced Benefit Percentage (if annuitant qualifies)
- A Joint Life Income Percentage (Based on the lives of two spouses)

Single Life Income Percentage

The Guaranteed Withdrawal Percentage on a single life is 5 percent at the annuitant’s age 60 and increases by 0.10 percent (10 basis points) for each one-year increase in attained age — until age 90. The Guaranteed Withdrawal Percentage at age 90 and older is 8 percent.

Enhanced Benefit Percentage

If an annuitant qualifies for the Enhanced Benefit and begins taking the income at age 60, the Guaranteed Withdrawal Percentage would be based on the Enhanced Benefit percentage. The Enhanced Benefit percentage is 8 percent at age 60 and increases by 0.10 percent for each one-year increase in attained age until age 90 at 11 percent. The Enhanced Benefit percentage at age 90 and older is 11 percent.

Joint Life Income Percentage

You have the flexibility to have Guaranteed Withdrawal Payments for as long as either you or your spouse are alive. LSW uses the Joint Life Income Percentages to determine the Guaranteed Withdrawal Payment. The Joint Life Percentage is determined by the age of the younger of the Annuitant and the Annuitant’s spouse.

The Enhanced Benefit, however, is no longer available if payments have started under the Joint Option. With the Joint Life Income Option (lives of husband and wife), the Guaranteed Withdrawal Percentage starts at 4.5 percent at age 60 and increases to 7.5 percent at age 90.



Guaranteed Withdrawal Percentage Table

Annuitant's Attained Age at Time of Election	Single Life Income Percentage	Enhanced Benefit	Joint Life Income Percentage
60	5.0%	8.0%	4.5%
61	5.1%	8.1%	4.6%
62	5.2%	8.2%	4.7%
63	5.3%	8.3%	4.8%
64	5.4%	8.4%	4.9%
65	5.5%	8.5%	5.0%
66	5.6%	8.6%	5.1%
67	5.7%	8.7%	5.2%
68	5.8%	8.8%	5.3%
69	5.9%	8.9%	5.4%
70	6.0%	9.0%	5.5%
71	6.1%	9.1%	5.6%
72	6.2%	9.2%	5.7%
73	6.3%	9.3%	5.8%
74	6.4%	9.4%	5.9%
75	6.5%	9.5%	6.0%
76	6.6%	9.6%	6.1%
77	6.7%	9.7%	6.2%
78	6.8%	9.8%	6.3%
79	6.9%	9.9%	6.4%
80	7.0%	10.0%	6.5%
81	7.1%	10.1%	6.6%
82	7.2%	10.2%	6.7%
83	7.3%	10.3%	6.8%
84	7.4%	10.4%	6.9%
85	7.5%	10.5%	7.0%
86	7.6%	10.6%	7.1%
87	7.7%	10.7%	7.2%
88	7.8%	10.8%	7.3%
89	7.9%	10.9%	7.4%
90 and above	8.0%	11.0%	7.5%

Step 3: Determining the Guaranteed Withdrawal Payment

When you elect to start taking the Guaranteed Withdrawal Payments, LSW will calculate the payment by:

Determining the Income "Calculation" Base. Then LSW multiplies **(a)** the Income "Calculation" Base by **(b)** the appropriate Guaranteed Withdrawal Percentage (Single Life Income, Joint Life Income, or Enhanced Benefit) from the Guaranteed Withdrawal Percentage Table.

The result is **(c)** your Guaranteed Withdrawal Payment.

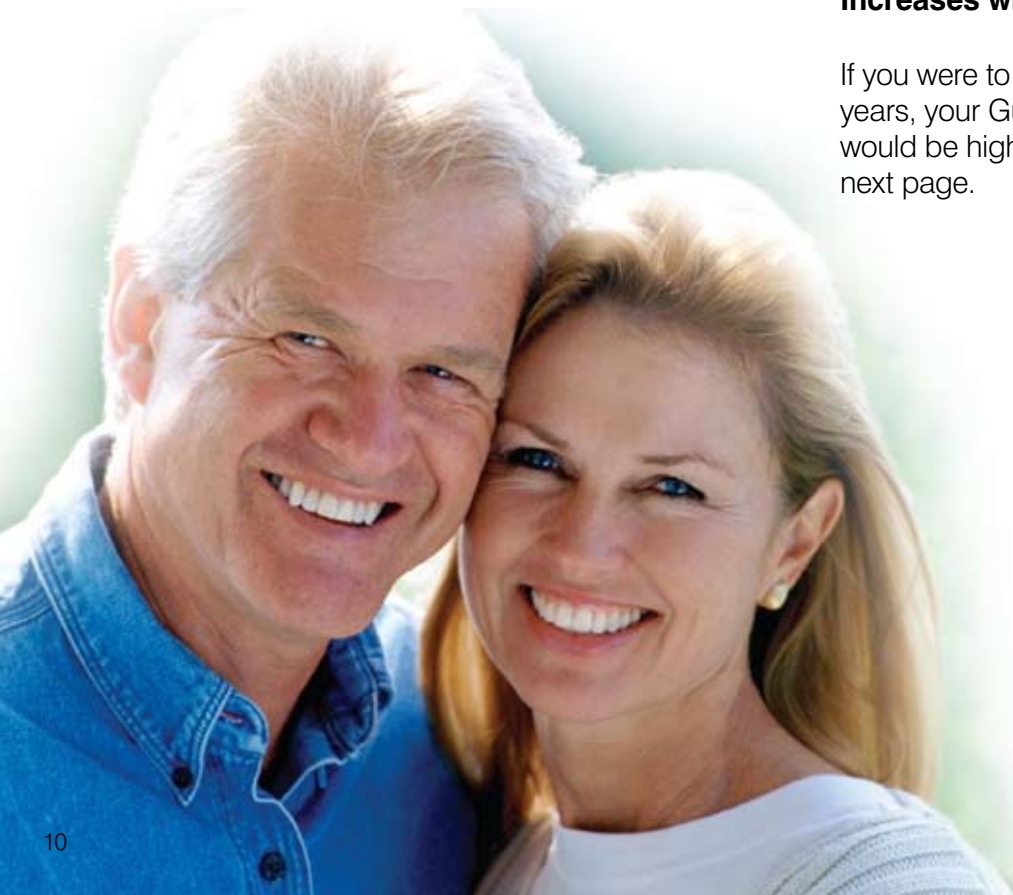
Case Study:

In the following example, you are 55 years old, and you contribute \$100,000 to an LSW indexed annuity with the Guaranteed Lifetime Income Rider. At age 65, 10 years later, you decide to elect the annual Guaranteed Withdrawal Payment.

The Income "Calculation" Base is higher than the Policy's Accumulation Value. When multiplied by the Single Life Income Guaranteed Withdrawal Percentage at age 65 (5.5 percent), LSW determines that the Guaranteed Withdrawal Payment is \$10,819.33.

The Guaranteed Withdrawal Payment Increases when you wait to elect it.

If you were to forego the election for several more years, your Guaranteed Withdrawal Payment would be higher, as is seen in the table on the next page.



End of Year	Attained Age	Guaranteed Withdrawal Payment*	Annual Percentage Increase for Deferring Payments	5-Year Percentage Increase for Deferring Payments
Issue	55	n/a		
10	65	\$10,819.33	8.95%	53%
11	66	\$11,787.17	8.91%	
12	67	\$12,837.49	8.88%	
13	68	\$13,977.10	8.84%	
14	69	\$15,213.35	8.81%	
15	70	\$16,554.19		

By waiting five years, you will increase your Guaranteed Withdrawal Payment by 53 percent!

**Assumes no withdrawals prior to the start of Guaranteed Withdrawal Payments.*

Excess Withdrawals

Even though you have started taking Guaranteed Withdrawal Payments, you still control the Policy's Accumulation Value and may make additional withdrawals. However, it is important to note that an Excess Withdrawal occurs during the distribution phase when the total withdrawals you make during a policy year exceed the Guaranteed Withdrawal Payment. If you take an Excess Withdrawal, the Guaranteed Withdrawal Payment will be reduced on the next policy anniversary in the same proportion that the Policy's Accumulation Value is reduced. Important note: *Excess Withdrawals will significantly reduce your Guaranteed Withdrawal Payment.*

Required Minimum Distributions

The excess of your Required Minimum Distribution over your Guaranteed Withdrawal Payment, if any, is not considered an Excess Withdrawal.

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 will terminate and Rider charges will end. Your spouse (as beneficiary) will have all of the benefits provided by the annuity policy and may continue taking Guaranteed Withdrawal Payments until the Policy's Accumulation Value is reduced to zero.

After the Guaranteed Withdrawal Payments **BEGIN**

Ways the Guaranteed Withdrawal Payments May Increase

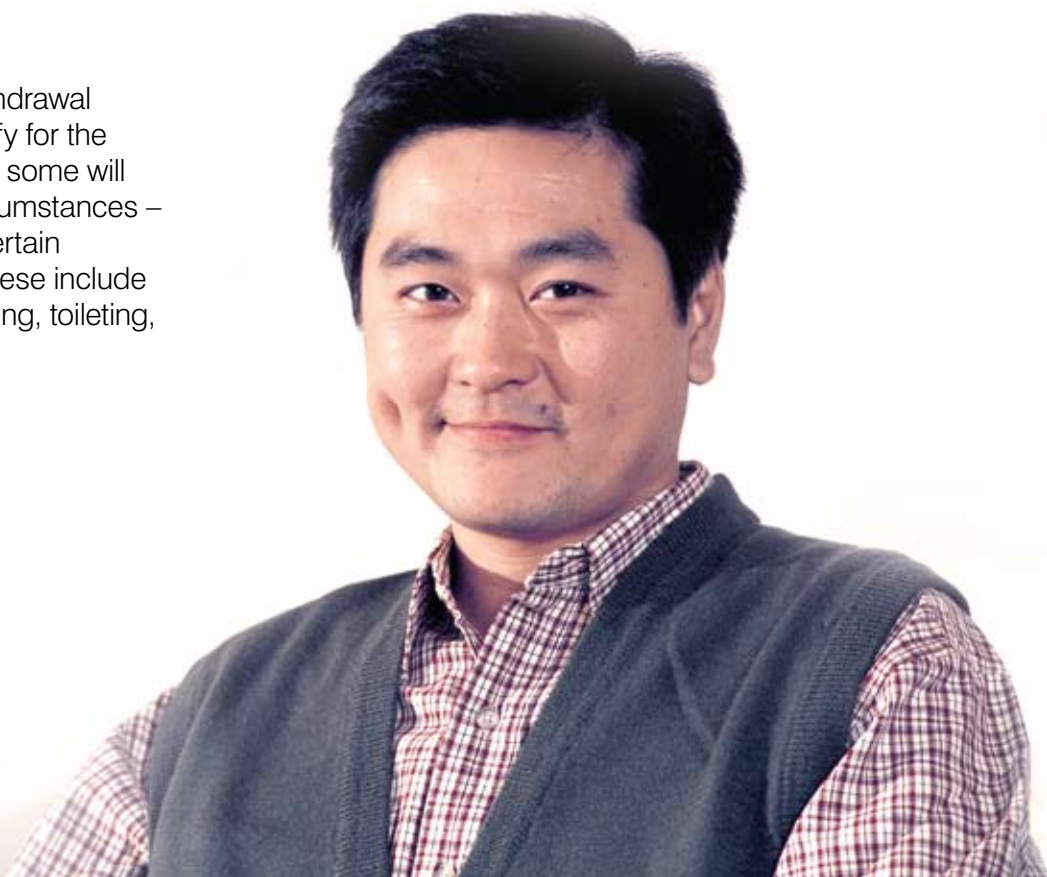
Guaranteed Withdrawal Payment Step-up

Once you begin taking scheduled payments, your Guaranteed Withdrawal Payment can “step-up.” On each Rider’s anniversary after the Guaranteed Withdrawal Payments start, the step-up payment amount is calculated. It equals the Policy’s Accumulation Value multiplied by the Guaranteed Withdrawal Percentage on the annuitant’s then attained age. If the step-up payment amount is larger than the Guaranteed Withdrawal Payment, LSW will increase the Guaranteed Withdrawal Payment to the step-up payment amount.

Enhanced Benefit

Another way your Guaranteed Withdrawal Payments may increase is to qualify for the Enhanced Benefit. As people age, some will experience certain debilitating circumstances – making them unable to perform certain Activities of Daily Living (ADLs). These include eating, bathing, dressing, transferring, toileting, and continence.

Should the annuitant qualify and become permanently unable to perform two or more of these ADLs before starting the Guaranteed Withdrawal Payments, LSW will use the Enhanced Benefit percentages to calculate the Guaranteed Withdrawal Payments. If the Guaranteed Withdrawal Payments have begun, and the annuitant qualifies for the Enhanced Benefit, then we recalculate the payment as described to determine if the Guaranteed Withdrawal Payment can be increased.



In all instances, the Policy must be in force for five years and the annuitant must be at least 60 years old before Enhanced Benefits can begin. The Enhanced Benefit Percentage is 3 percent larger than the single life income percentage. See page 9. The Enhanced Benefit Percentage is not available for spousal Guaranteed Withdrawal Payments.

In the following example, you are 55 years old, and you contribute \$100,000 to an LSW indexed annuity with the Guaranteed Lifetime Income Rider. At age 65, 10 years later, you decide to elect the annual Guaranteed Withdrawal Payment and you qualify for the Enhanced Benefit. The result is an Enhanced Benefit of **\$16,720.79**.

If you are already receiving Guaranteed Withdrawal Payments at the time you qualify for the Enhanced Benefit LSW will use the following to determine if the Guaranteed Withdrawal Payment can be increased. We will multiply the Policy's Accumulation Value by the Enhanced Benefit Withdrawal Percentage for the annuitant's then-attained age. If the recalculated payment is greater than the Guaranteed Withdrawal Payment then effective as of the next Policy Anniversary, the Guaranteed Withdrawal Payment will be increased to this larger amount.

Case Study:

Qualifying for the Enhanced Benefit After Receiving Guaranteed Withdrawal Payments

Assume you are 60 years old and purchased an LSW annuity with the Rider. Five years later, at age 65, you choose to take the Guaranteed Withdrawal Payment of \$7,012 annually. At age 67, you qualify for the Enhanced Benefit. LSW determines that based on your age 67 and your qualification for the Enhanced Benefit, you would receive a higher payout based on the Enhanced Withdrawal Percentage of 8.7 percent. LSW multiplies the 8.7 percent by your Policy's Accumulation Value of \$113,118 (a hypothetical amount for this example only). The Enhanced Benefit increases to \$9,698 a year for the rest of your life!

How Can the Guaranteed Withdrawal Payments Decrease

If you take an Excess Withdrawal, the Guaranteed Withdrawal Payment will be reduced in the same proportion that the Policy's Accumulation Value is reduced. Please see *Excess Withdrawals* on page 11 for more detail.

Rider Charges

By choosing to add this Rider to your Policy, your Policy's Accumulation Value will be reduced on each policy anniversary as follows:

- If you start taking Guaranteed Withdrawal Payments before the 11th year, the Rider Charge will be at 0.40 percent for the life of the Policy.
- If Guaranteed Withdrawal payments are not elected until after the 10th year, the Rider Charge is .40 percent for 10 years and .50 percent thereafter.

There will be no Rider Charge once the Policy's Accumulation Value is zero. After the Rider has been in force for five years, you may cancel the Rider and its benefits on the next policy anniversary with a 30-day written prior notice.

Control and Safety of Your LSW Index Annuity's Assets

With the **Guaranteed Lifetime Income Rider and an LSW Index Annuity**, you will achieve:

- A steady stream of guaranteed income for your lifetime
- Control and access to your money when you need it the most, and
- Protection of your retirement savings and the ability to transfer as much of it as possible at death to your beneficiaries.

About LSW...

Life Insurance Company of the Southwest (LSW) specializes in retirement solutions for its policyholders. LSW is an innovative leader and offers outstanding traditional fixed annuities, indexed annuities, and life insurance to thousands of customers nationwide. Integrity, honesty, and trust are the hallmarks of the company. LSW, founded in 1955, is headquartered in Dallas, Texas. It is a member of the National Life Group, a group of life and annuity companies that are mutually owned by its policyholders. National Life Insurance Company was founded in 1850, and continues to be one of the premier American owned and operated insurance companies. Its headquarters is located in Montpelier, Vermont.

Guaranteed Lifetime Income Rider [Rider Form No. 7960] is issued by Life Insurance Company of the Southwest, Dallas, Texas. The Guaranteed Lifetime Income Rider is an optional benefit for which premium is charged. Product availability may vary by state.

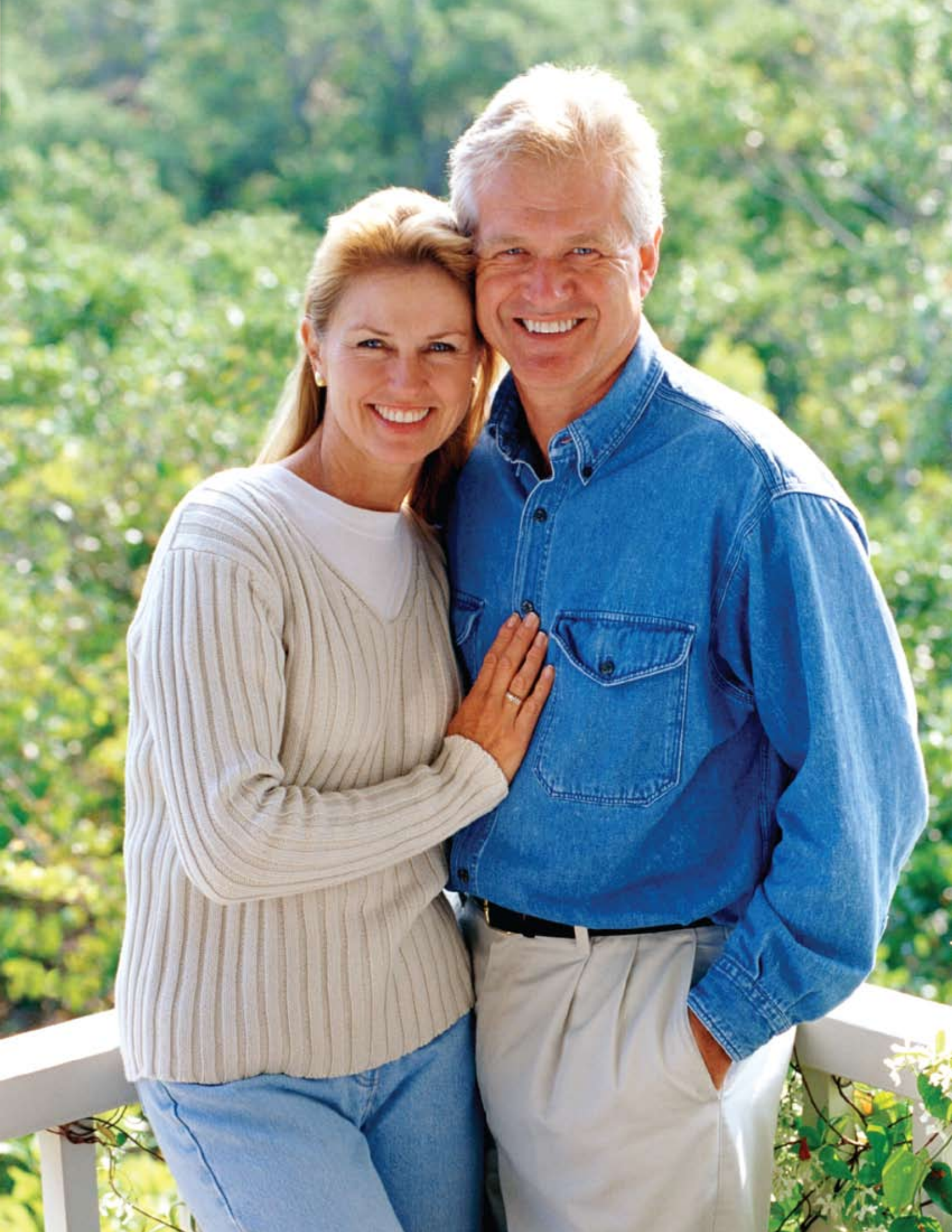
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