

Annuity



# 403(b) plan

Issued by Midland National® Life Insurance Company



Make a commitment...  
grow your future

# Why should I elect a 403(b)-qualified annuity with Midland National?

A 403(b) or tax-sheltered annuity (TSA) plan is a retirement savings program allowed by the Internal Revenue Code which enables you to save pre-tax dollars for your retirement, thus reducing your current taxable income. Your contributions grow on a tax-deferred basis until distributions are received, usually at retirement. This retirement program is available to employees of most public and private education institutions, colleges and universities, nonprofit hospitals and other tax-exempt 501(c)(3) organizations, such as charitable institutions, foundations, and religious organizations. Generally, annuities and mutual funds are available within 403(b) plans.

## A 403(b) plan offers you:

- Higher pre-tax contribution limits than a traditional IRA
- Reduced taxes on your income
- A convenient, regular savings program
- Tax-deferred growth on your earnings
- Within our products, we offer varied allocation options - flexibility to individualize how you may receive interest

## Things to consider when starting a 403(b):

- Mandatory 20% withholding for withdrawals
- Employer/plan may limit financial transactions
- 10% early withdrawal penalty for withdrawals taken prior to 59 1/2 may apply
- May have administrative costs
- Investment options are limited to those offered by the employer

# Pre-tax contributions

Take control of your taxes. Contributions made to your 403(b) immediately reduce your current taxable income. The amount you contribute to your 403(b) is not reported as taxable income on your W-2 to the Internal Revenue Service (IRS). If you contribute \$4,000 of your annual salary of \$40,000 to a 403(b), only \$36,000 is reported as taxable income to the IRS. If you already have a traditional non-qualified savings account, you can make the same contributions to your 403(b) program and actually increase your take-home pay.

This hypothetical example assumes a 5% state and a 28% federal tax rate. 403(b) contributions are taxed when withdrawn. Example does not reflect local taxes. Tax rates and brackets are subject to change. The below chart is for illustrative purposes only and is not meant to replace the counsel of your tax advisor. Please consult your tax professional for your particular situation.

|                               | 403(b) plan | Traditional non-qualified savings account |
|-------------------------------|-------------|---|
| <b>Monthly gross earnings</b> | \$3,333     | \$3,333                                   |
| <b>Monthly savings</b>        | \$334       | \$334                                     |
| <b>Federal withholding</b>    | \$839       | \$933                                     |
| <b>State withholding</b>      | \$150       | \$166                                     |
| <b>FICA</b>                   | \$254       | \$254                                     |
| <b>Net pay</b>                | \$1,756     | \$1,646                                   |

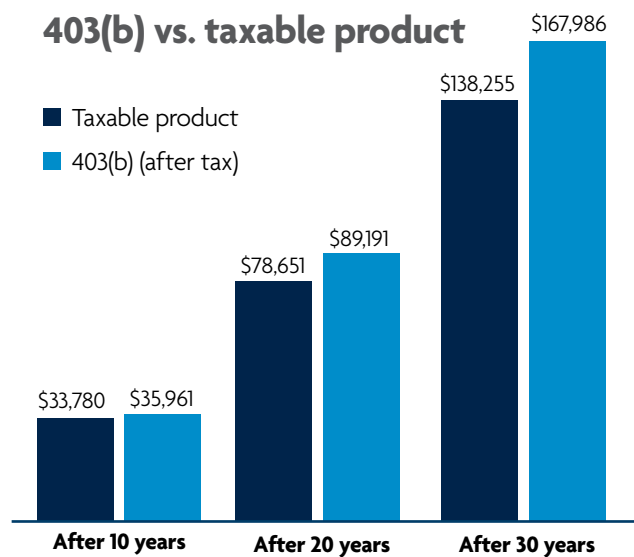
Midland National does not give tax advice. The tax-deferred feature of annuities is not necessary for a tax-qualified plan. In such instances, you should consider whether other features, such as the death benefit, lifetime annuity payments and riders make the contract appropriate for your needs. Before purchasing this contract, you should obtain competent tax advice both as to the tax treatment of the contract and the suitability of the investment.

# Tax-deferred growth

403(b) values accumulate tax deferred. With a 403(b) program, your money grows faster because you earn interest on dollars that would otherwise be taxed. Your premium earns interest, the money saved in taxes earns interest and the interest compounds. With this tax-deferred status, you can accumulate more money over a shorter period of time, thus earning a greater return.

This hypothetical example assumes a \$4,000 annual contribution, a 4% annual rate of return and a 28% federal tax bracket. The taxable contributions are made after tax, the earnings are taxed every year and the tax liability is deducted from the balance. The 403(b) contributions are made pre-tax; the earnings grow tax deferred until withdrawn at the end of each specified period, when they are taxed at a rate of 28%. Any withdrawals made prior to age 59 1/2 may be subject to additional tax penalties.

Midland National does not give tax advice. 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, lifetime annuity payments and riders make the contract appropriate for your needs. Before purchasing this contract, you should obtain competent tax advice both as to the tax treatment of the contract and the suitability of the investment.



# How Midland National makes it easy for you

- **Diversification**<sup>1</sup>. Midland National offers a broad range of product alternatives across the risk spectrum.
  - Fixed index annuities
  - Traditional fixed annuities
- **Toll-free access**. Our customer service representatives are accessible toll-free for your existing contract information.
  - 7:30 a.m. – 5:00 p.m. (Central Time), Monday through Thursday
  - 7:30 a.m. – 12:30 p.m. (Central Time), Friday

**Fixed annuity customer service:** 877-586-0244

- **Easy-to-read statements and reports**. You will receive annual statements for fixed and index annuities and any applicable year-end tax forms (i.e. 1099) for all products.
- **24-Hour web access**. You will have 24-hour access to your contract information through our website at MidlandNational.com.

*1. Diversification does not ensure a profit or guarantee against loss; it is a method used to help manage risk.*

## Commonly asked questions: Contributions/transfers/rollovers

### What makes an employee eligible to set up a 403(b)?

In general, any employee may elect to participate in the salary reduction portion of the 403(b) program provided that the minimum contribution they elect is \$200 or more annually (Midland National requires a minimum of \$50 per month on all flexible contracts). There are some exclusions to this rule (e.g. employee of a church or qualified church-controlled organization), therefore please consult a tax advisor to determine which employees could potentially be excluded.

### May part-time employees participate in a 403(b) plan?

Yes, part-time employees working 20 hours or more per week may participate in a 403(b) arrangement. If you are a part-time employee working less than 20 hours per week, please check with your plan administrator to determine your eligibility.

### How much may be contributed to a 403(b)?

You may contribute the lesser of 100% of includable compensation or the maximum contribution allowed in the corresponding tax year. All elective contributions come directly from your paycheck before taxes (however, FICA taxes apply unless your employer has opted out of Social Security).

See the chart below for the maximum employee contribution allowed in each tax year:

| Tax year | Basic deferral limit  |
|----------|-----------------------|
| 2023     | \$22,500 <sup>1</sup> |

If you are age 50 or older at the end of the calendar year of the contribution, an additional catch-up amount may be contributed. See the chart below for the maximum catch-up contribution in each tax year.

| Tax year | “Catch up”           |
|----------|----------------------|
| 2023     | \$7,500 <sup>1</sup> |

As an example, assume the employee is a 52 year-old earning \$50,000 in 2023. This employee may be able to contribute \$30,000<sup>1</sup> without exceeding the elective deferral limit by utilizing the catch-up provision.

If permitted, your plan may allow “catch-up” contributions for employees with 15 years of service with the same eligible employer<sup>1</sup>. Contact your plan administrator for contribution limits and details specific to your plan.

Employees must combine contributions made to their 403(b) accounts with contributions made to all other plans in which they participate (other than 457 plans): 401(k)s and other qualified plans, and SIMPLE IRAs. The employee’s total elective deferrals to all of these plans combined cannot exceed the annual deferral limit.

*1. Source: <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-403b-contribution-limits>*

## **Limit on annual additions<sup>1</sup>**

The limit on annual additions (the combination of all employer contributions and employee elective salary deferrals to all 403(b) accounts) generally is the lesser of:

- \$66,000 in 2023 (\$61,000 for 2022), or
- 100% of includible compensation for the employee's most recent year of service.

*1. Source: <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-403b-contribution-limits>*

## **Are FICA taxes paid on the amount contributed to a 403(b) plan?**

Yes, FICA (Social Security and Medicare) taxes are taken out of your gross salary, unless the employer has opted out of Social Security (some public education and church employers do not participate in Social Security).

## **How are contributions made to a 403(b) program?**

Contributions are made through a salary reduction agreement that is arranged through your employer. If you elect to purchase a Midland National annuity through your 403(b) plan, the contributions are deducted directly from your paycheck and remitted to Midland National. Contributions may not be remitted in any other manner (e.g. money cannot be taken from your savings or checking accounts).

## **Can you stop or change the amount of the contribution?**

You may stop contributing or change the amount being contributed at any time. However, an employer may limit the number of changes you may make in a year.

## **Can you transfer/rollover existing retirement accounts to a Midland National 403(b)?**

Yes, 403(b) regulations allow for the change of contracts within the same plan ("rollover") a transfer of assets from one plan to a plan of a different qualified employer ("transfer").

## **Can a 403(b) be rolled into an IRA?**

Yes, a 403(b) may be rolled into an IRA, but you must 'qualify' for an eligible distribution (see next page for details). An IRA will not have the same advantages as a 403(b). For example, only the 403(b) has a loan provision, an exemption from the premature withdrawal penalty if you retire after age 55, and permits required minimum distributions (RMDs) to be waived until you separate from service.

# Commonly asked questions: Withdrawals

## What are the restrictions on a 403(b) distribution?

Unlike a traditional IRA, Roth IRA or SEP IRA, you may not withdraw funds at any time, but rather the IRS requires that you be eligible for the distribution by qualifying for a distributable event. The following situations may allow you to be eligible to take a distribution:

1. Severance of employment from the sponsoring employer
2. Age 59 1/2
3. Death or disability of participant
4. Qualifying hardship
5. QDRO (qualified domestic relations order due to divorce or legal separation)
6. Pre-1989 account values
7. Employer contributions

While the restrictions stated above are dictated by your 403(b) plan and tax law, early withdrawals may also be subject to required withholding, penalty taxes, and contractual surrender charges, market value adjustment, and bonus recapture.

## When am I required to take distributions from my 403(b) plan?

Under current federal law, plan participants are required to begin taking RMDs at age 73.

## Are loans allowed on a 403(b)?

Yes, many 403(b) plans offer loan availability. If yours does, you may borrow from the plan without being subject to surrender charges and tax consequences (in most cases). The loans must be repaid with after-tax dollars and you must make payments at least quarterly. In most cases, the loan must be repaid within five years to avoid becoming a taxable distribution. Midland National requires loans taken from its 403(b)-qualified annuities to be allocated to the fixed account option. Please check with your plan administrator to verify that your plan offers this feature.

## Can a 403(b)-qualified annuity be annuitized?

Yes, provided that you are eligible for a qualified distribution, Midland National can provide you with a guaranteed income stream from the 403(b) plan. You have the ability to choose from several different income options, including payments for a specified number of years or income for your life no matter how long you live. Guarantees are based on the claims-paying ability of Midland National.

## When are taxes paid on a 403(b)?

Taxes are payable when money is distributed from the 403(b). It is possible that you may be in a lower tax bracket at the time funds are withdrawn.

## What happens to my Midland National annuity if I die?

Your beneficiaries will receive the applicable contract value, minus the balance of any outstanding loans. This amount will generally avoid the process of probate. If your spouse is your beneficiary, he/she may roll it over to a qualified plan in his/her name to avoid a taxable distribution.

## What happens if I change employers or quit my job?

If you go to work for another organization eligible to sponsor a 403(b) program and Midland National is an approved vendor within their plan, you may continue to contribute to your 403(b)-qualified annuity. If you quit and your new employer is not eligible to sponsor a 403(b) plan, your contract with Midland National will continue to earn interest until withdrawn at retirement. You may also roll over your 403(b) tax-free into a traditional IRA account or receive an income stream or partial distribution if you are eligible for these payments.

# Make a commitment to grow your future with a 403(b)-qualified annuity from Midland National

With a 403(b)-qualified annuity from Midland National, you have the opportunity to participate in a retirement savings plan that offers the potential to earn interest without the risk of losing premium due to market volatility.

Your Midland National financial professional can help you get started today. Let your financial professional explain the benefits to you, answer your questions, and help you put your money to work for you.

All annuities come with the backing of state requirements and company practices. State insurance laws require the insurance company carry reserves equal to the withdrawal value of your annuity contract at all times. In addition, state laws require certain amounts of capital. Midland National at all times carries surplus for your further protection. All Midland National tax-deferred annuities are backed by the financial strength of Midland National.

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.

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, lifetime annuity payments and riders make the contract appropriate for your needs. Neither Midland National, nor any financial professionals acting on its behalf, should be viewed as providing legal, tax or investment advice. Consult a qualified tax professional. Taxes are payable upon withdrawal of funds, and a 10% penalty may apply to withdrawals before age 59 1/2.

The term financial professional is not intended to imply engagement in an advisory business in which compensation is not related to sales. Financial professionals that are insurance licensed will be paid a commission on the sale of an insurance product.

Fixed index annuities are not a direct investment in the stock market. They are long term insurance products with guarantees backed by the issuing company. They provide the potential for interest to be credited based in part on the performance of specific indices, without the risk of loss of premium due to market downturns or fluctuation. Although fixed index annuities guarantee no loss of premium due to market downturns, deductions from your accumulation value for additional optional benefit riders or strategy fees associated with allocations to enhanced crediting methods could exceed interest credited to the accumulation value, which would result in loss of premium. They may not be appropriate for all clients. Interest credits to a fixed index annuity will not mirror the actual performance of the relevant index.

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 policyholders. S&P Global Ratings is an independent, third-party rating firm that rates on the basis of financial strength. Ratings shown reflect the opinions of the rating agencies and are not implied warranties of the company's ability to meet its financial obligations. The ratings above apply to Midland National's financial strength and claims-paying ability. **A)** A.M. Best rating affirmed on July 29, 2022. For the latest rating, access [ambest.com](http://ambest.com). **B)** Awarded to Midland National® as part of Sammons® Financial Group Inc., which consists of Midland National® Life Insurance Company and North American Company for Life and Health Insurance®. **C)** S&P Global rating assigned Feb. 26, 2009 and affirmed on May 25, 2022. **D)** Fitch Ratings, a global leader in financial information services and credit ratings, on Dec. 7, 2022, assigned an Insurer Financial Strength rating of A+ Stable for Midland National. This rating is the fifth highest of 19 possible rating categories. The rating reflects the organization's strong business profile, low financial leverage, very strong statutory capitalization, and strong operating profitability supported by strong investment performance. For more information access [fitchratings.com](http://fitchratings.com).



## Midland National® is a Sammons Financial Group company.

We are committed to our customers, distribution partners, employees and communities – and the deeply rooted belief that we grow stronger together.

With so much change happening in the world, people are looking for companies that can stand the test of time. They need a partner that can weather life’s storms. That’s us. For over a century, we have been here for our customers and honoring our commitments. And because we’re privately owned, we don’t measure our impact by the number of years we’ve been in business, investor goals or size of the company. We are proud of our impact of the financial futures we help secure, and the legacies we help establish.

We believe that we aren’t here to serve just today’s customers, but customers for generations to come. As we look ahead to our next hundred years, that fundamental principle remains rich in its vision. No matter how much change happens in the world around us, we strive to find new ways to create value for our customers.

Just like always.

Midland National has continued to earn high ratings, based on our financial strength, operating performance, and ability to meet obligations to our policyholders and contract holders. Midland National currently holds the following ratings:

“A+”

**A.M. Best<sup>A,B</sup>** (Superior) (Second category of 15)

**S&P Global Ratings<sup>B,C</sup>** (Strong) (Fifth category of 22)

**Fitch Ratings<sup>D</sup>** (Stable) (Fifth category of 19)

Ratings are subject to change.

|                       |  |                     |
|-----------------------|--|---------------------|
| Not FDIC/NCUA Insured | Not A Deposit Of A Bank                      | Not Bank Guaranteed |
| May Lose Value        | Not Insured By Any Federal Government Agency |                     |