



# The freedom of guaranteed income

Guaranteed money means you'll have a continuous stream of income in retirement that you can't outlive<sup>1</sup>. This gives you the freedom to budget for essential expenses and plan for your financial future. But a Principal Income Annuity offers you additional freedom — the freedom to withdraw a portion of your money if you need it.

Our Liquidity Rider<sup>2</sup> — which comes automatically with your contract at no extra cost — can help ease your fears of losing access to your money. You can take a one-time withdrawal<sup>3</sup> any time after your first contract anniversary and before the end of your guarantee period. That's cash you can count on if something unexpected occurs.

## Here's how it works

- 1 You choose how much you want to withdraw — up to 100% of the discounted value of the remaining income payments in your guarantee period.<sup>4</sup>
- 2 Your income payments will be reduced proportionately from the time you take the withdrawal until the guarantee period ends. So, if you take a 50% withdrawal, the remaining income payments in the guarantee period will be reduced by 50%.
- 3 If the annuitant is alive at the end of the guarantee period, annuity payments will then resume for the life of the policy.<sup>5</sup>

## One-time withdrawal

Our Liquidity Rider allows you to take one withdrawal over the life of your contract if:

- You haven't chosen the Life Income benefit option
- You withdraw at least \$2,500
- You've had the annuity at least one year

## How interest rates could affect your withdrawal amount

When you take a withdrawal, the actual dollar amount you get depends on the amount of your withdrawal, the amount of time left in your guarantee period, and the interest rate environment at the time you take the withdrawal. If the interest rate has changed since you purchased your annuity, it may increase or decrease the amount of your withdrawal. This is known as a market value adjustment.

<sup>1</sup>Guarantees based on the claims-paying ability of Principal Life Insurance Company.

<sup>2</sup>Not available with the optional Consumer Price Index Rider.

<sup>3</sup>Withdrawals may be subject to a 10% IRS penalty tax if you're under age 59½.

<sup>4</sup>The guarantee period for Life Income with Cash Refund and Life Income with Installment Refund benefit options is determined by dividing the initial premium by the annualized income benefit amount.

<sup>5</sup>If a Fixed Period benefit option is elected, payments will cease at the end of the guarantee (fixed) period.

**Not FDIC or NCUA Insured**

May lose value • Not a deposit • No bank or credit union guarantee  
Not insured by any federal government agency



## A closer look at how the Liquidity Rider works

We've put together some hypothetical examples to show how making a withdrawal will affect your guaranteed income payments, and how interest rates might affect the amount of your withdrawal. These are meant only to show how the Liquidity Rider works. These aren't actual outcomes and shouldn't be used to determine your individual situation.

**In both examples, John is 75 years old and has put \$100,000 into a Principal Income Annuity. During the fifth year of his contract he has some unexpected expenses and decides to take a withdrawal.**

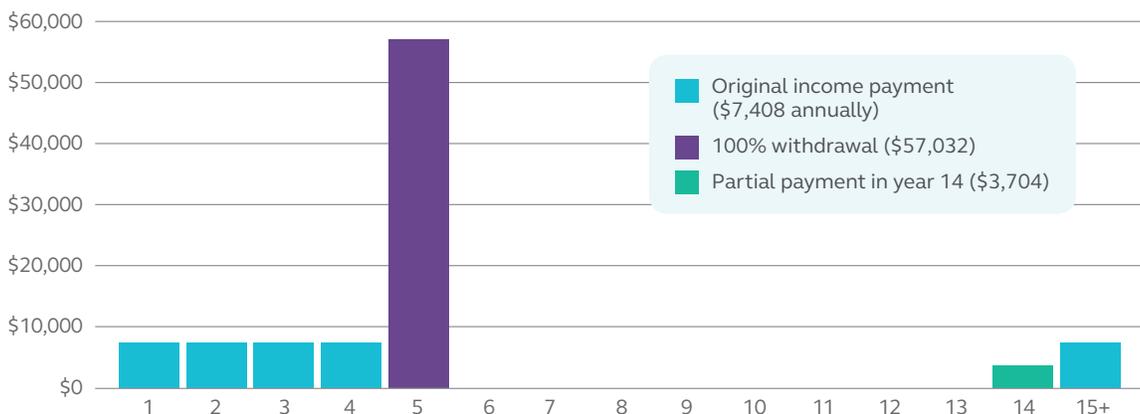
### Example 1

#### Assumptions:

- **Withdrawal:** 100%
- **Benefit option:** Life Income with Cash Refund
- **Yearly income payment from annuity:** \$7,408
- **Guarantee period:** 13½ years

Assuming there's been no change in the interest rate environment since he purchased his annuity, John will receive a lump sum payment of \$57,032. This is the discounted value of his remaining guaranteed income payments. Because he opted to take a full 100% withdrawal, his payments will be reduced to \$0 for the remainder of his guarantee period.

#### Annual income plus a withdrawal in year five



For the *Life Income with Cash Refund* benefit option, the guarantee period is the period of time it takes for the total of all income payments received to equal the initial premium payment. In this example, \$100,000 divided by \$7,408 equals 13½ years. Because John takes his withdrawal in year five of his contract, the remaining guarantee period is 8½ years. So, in year fourteen he'll receive a partial payment of \$3,704. In year 15, his income payments return to the original payment amount of \$7,408 and continue for the rest of his life.

#### Here's how John's 100% withdrawal will be affected due to changes in market conditions

Our example assumes there was no change in the interest rate environment from when John bought his contract and when he made a withdrawal. But changes in the interest rate environment will affect his withdrawal amount.

If rates have...	His withdrawal	He receives
⬆ increased by 2.00%	is adjusted negatively	\$51,977
⊞ remained the same	remains the same	\$57,032
⬆ decreased by 2.00%	is adjusted positively	\$62,867

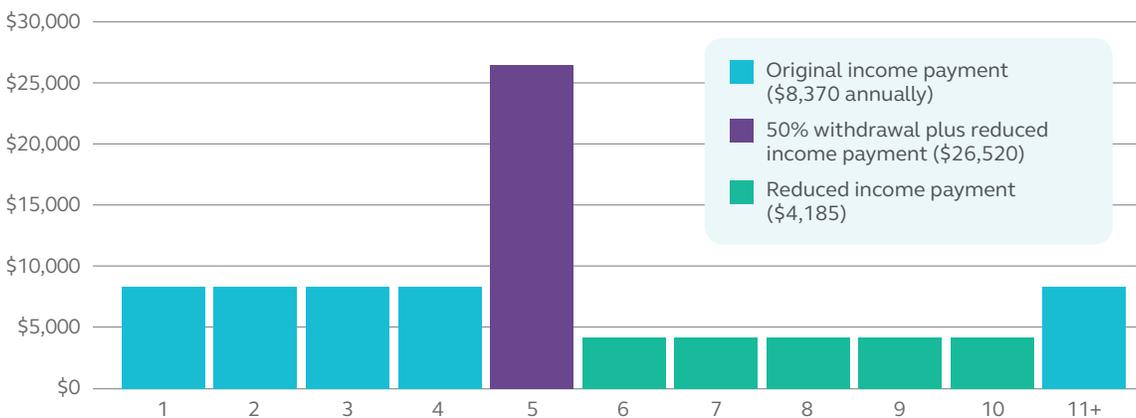
## Example 2

### Assumptions:

- **Withdrawal:** 50%
- **Benefit option:** Life Income with 10-year Guarantee Period
- **Yearly income payment from annuity:** \$8,370
- **Guarantee period:** 10 years

Assuming there's been no change in the interest rate environment since he purchased his annuity, John will receive a lump sum payment of \$22,335. This is 50% of the discounted value of his remaining guaranteed income payments. His yearly income payments will also be reduced by 50% for the remainder of his guarantee period. So, for the next five years his income payment is \$4,185.

### Annual income plus a withdrawal in year five



When John takes his 50% withdrawal he receives a total of \$26,520. This includes the lump sum withdrawal (\$22,335) and the reduced income payment (\$4,185). John's guarantee period is 10 years and he makes his withdrawal in year 5 of his contract. So, for the remaining 5 years his income payments are reduced by 50%, or \$4,185. In year 11, after the guarantee period has ended, his income payments return to the original payment amount of \$8,370 and continue for the rest of his life.

### Here's how John's 50% withdrawal will be affected due to changes in market conditions

Our example assumes there was no change in the interest rate environment from when John bought his contract and when he made a withdrawal. But changes in the interest rate environment will affect his withdrawal amount.

If rates have...	His withdrawal	He receives
↑ increased by 2.00%	is adjusted negatively	\$20,938
= remained the same	remains the same	\$22,335
↓ decreased by 2.00%	is adjusted positively	\$23,882

## How a 100% withdrawal can impact your benefit options

### Fixed period/Fixed amount

Payments cease and the contract ends.

### Life Income with Guaranteed Period (single and joint life)

Payments cease until the end of the guarantee period. If the annuitant is alive at the end of the guarantee period, payments will resume at the original amount for the rest of their life. If they are no longer alive, payments will not resume and the contract ends.

### Life Income with Installment Refund (single and joint life)

Payments cease until the end of the guarantee period. If the annuitant is alive at the end of the guarantee period, payments will resume at the original amount for the rest of their life. If they are no longer alive, payments will not resume and the contract ends.

### Life Income with Cash Refund (single and joint life)

Payments will cease until the end of the guarantee period. If the annuitant is alive at the end of the guarantee period, payments will resume at the original amount for the rest of their life. If they are no longer alive, payments will not resume and the contract ends.

**The guarantee period is the period of time it takes for the total of all income payments received to equal the initial premium payment.**



**Learn more**

Contact your financial professional today to learn more about the Principal Income Annuity and the role it can play in your retirement income plan.



[principal.com](https://www.principal.com)

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