



American Equity Investment Life Insurance Company
P.O. Box 9304, Des Moines, IA 50325
O/N Address: 6000 Westown Parkway, West Des Moines, IA 50306
Phone: 888-221-1234 • Fax: 515-221-9450
www.american-equity.com

Suitability Guide for Financial Professionals

Under the suitability model and American Equity's guidelines, you are responsible for having reasonable grounds for believing each recommendation you make to purchase an American Equity annuity is suitable for each consumer by taking the following steps:

- Make reasonable efforts to obtain the consumer's profile information
- Have adequate knowledge of the American Equity annuity being recommended
- Put the consumer's needs first without regard to compensation, bonuses, or other incentives you may receive as a result of the purchase of an American Equity annuity
- Document and retain your reasoning for recommending the American Equity annuity
- Ensure the consumer is educated on the annuity features
- Cooperate with American Equity regarding suitability, including providing follow-up information as needed

Financial Viability Guidelines

A financial viability review determines the suitability of a sale based on the applicant's financial situation as it relates to the purchase of an annuity contract. It is required for ALL annuity applications, and is covered on pages 1 and 2 of our Suitability Acknowledgement form.

The financial viability review considers financial factors such as:

- The applicant's liquidity after the sale
- The portion of applicant's assets under surrender in annuities
- The applicant's monthly income and expenses

Financial Exclusion Scenarios

These financial scenarios would likely exclude an applicant from consideration for a suitable annuity sale:

- More than 75% of the applicant's total assets are under surrender charge in annuities
- The applicant's expenses are greater than income
- There is insufficient liquidity after purchase. Example chart below:

Applicant Age	Required Liquidity
< 65	\$5,000
≥ 65	\$50,000

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Replacement Comparison Guidelines

A replacement comparison ensures the annuity product being purchased provides a substantial benefit to the applicant over the product being replaced. It is required for ALL annuity replacements, and is covered on pages 3 and 4 of our Suitability Acknowledgement form.

Replacement Comparison Exclusion Scenarios

These replacement scenarios would likely exclude an applicant from consideration for a suitable annuity sale:

- There is a material day 1 net loss (defined below) without substantial benefit
- There is any day 1 net loss in California or Minnesota
- The applicant is replacing a policy less than 1 year old
- The applicant is replacing a policy less than 3 years old with a day 1 net loss
- The applicant is replacing an income rider product with an American Equity income rider product that does not provide a significant payout increase
- The product does not align with the applicant's financial objectives

Calculating a Net Loss

American Equity calculates a net loss by finding the difference between the surrender value of the replaced contract times a front-end premium bonus applied at American Equity compared to the accumulation value of the replaced contract, expressed using this formula:

Net loss = (Surrender Value x Premium Bonus) – Accumulation Value

Note that the surrender value includes any surrender charge loss, bonus recapture charges, and positive or negative Market Value Adjustment (MVA) charges. Example net loss below:

Current contract accumulation value: 100,000
Current contract surrender value: 85,000
Premium bonus: 10%
Calculation:
 $85,000 \times 1.10 = 93,500$ (starting value at AEL)
 $100,000 - 93,500 = 6,500$ loss
 $6,500 / 100,000 = 6.50\%$ loss this is the net loss

Example Replacement Scenarios to Avoid

- Selecting *Guaranteed Stream of Lifetime Income* as a top 2 objective but writing a MYGA product
- Selecting an income rider with a fee when *Guaranteed Stream of Lifetime Income* is not a top 2 objective
- Selecting *Potential Growth or Preservation of Principle* as a top 2 objective and writing a product that does not offer an up-front bonus and significant interest rate increase to offset a net loss



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Suitability Form Items to Consider

Consider the following when completing the *Financial Information* section:

Financial information (Including spouse/domestic partner information)

1	Total investable assets (including funds used to purchase this annuity)	
2	Total liquid assets Including: annuities out of surrender, stocks, bonds, mutual funds, CDs, savings and checking	\$
	All annuities currently under surrender charge	\$
	All other non-liquid assets Excluding: primary residence, automobiles, personal property Including: life insurance cash value, investment real estate	\$

1. *Total investable assets* **includes** any funds being used to purchase the annuity. We need to see the applicant's entire financial profile to conduct a suitability review.
2. Any annuity outside of the surrender period is considered a *liquid asset*. Penalty free annuities are **not** considered an asset under surrender charge in annuities.

Consider the following completing the *Replacement Comparison* section:

Interest rates/guarantees (all replacements): Use N/A if a field is not applicable.

1	Current fixed interest rate		
	Minimum guaranteed interest rate		
Additional benefits		Current contract	Proposed contract
Does the contract have a lifetime income rider, guaranteed withdrawal rider, or an enhanced annuitization value?	Yes (If yes, please complete the information below.) No Benefit base/income account value: \$ _____ Fee: _____ Expected annual payout amount: \$ _____	Yes (If yes, please complete the information below.) No Fee: _____ Expected annual payout amount: \$ _____	
	2 Expected payout year: 20_____ (should match for current and proposed contract)	Expected payout year: 20_____ (should match for current and proposed contract)	

1. The current fixed interest rate is the current rate in the fixed allocation. This is not the Lifetime Income Benefit Rider roll-up rate.
2. The expected payout year should be the same for both products being compared. We need to see a direct comparison of income payout amounts.