

# Interest Adjustment

This piece is designed to provide an important explanation of how the Interest Adjustment feature can affect your annuity contract with Midland National®. Please read carefully.

## When is the Interest Adjustment Applied?

The Interest Adjustment is applied during the surrender charge period of your annuity contract. The surrender charge period will vary by product. *(See your product brochure for details.)* The Interest Adjustment only applies during the surrender charge period should you elect to surrender your annuity. The Interest Adjustment will also apply if you elect to exceed your penalty-free withdrawal amount. Please understand annuity contracts have limited liquidity during the surrender charge period, so make sure the annuity selected meets your liquidity needs. The Interest Adjustment is not applied upon death of the owner and/or annuitant and may not apply upon annuitization. The Interest Adjustment does not apply after the surrender charge period.

## Interest Adjustment Formula

The Interest Adjustment will be calculated by multiplying the portion of any full or partial surrender (before the reduction for any surrender charge) that exceeds any available penalty-free withdrawal amount by the formula described to the right.

$$[(i_0 - i_t - 0.005) \times (T)]$$

\*Formula may vary by state, see your contract for details.

$i_0$  = The current interest rate, excluding any additional interest, when the contract is issued.

$i_t$  = The current interest rate, excluding any additional interest, offered for new contracts at the time of partial or full surrender.

T = Time in years as follows: number of days from the date of the partial or full surrender to the end of the current contract year divided by 365; plus whole number of years remaining in the surrender charge period.

## How does the Interest Adjustment Work?

The Interest Adjustment affects the Surrender Value of your annuity contract. The Surrender Value is defined in your annuity contract and is guaranteed to be greater than or equal to the Minimum Guaranteed Contract Value (MGCV).

The Surrender Value of your annuity will generally decrease as new money interest rates for your annuity rise, which creates a negative adjustment to your Surrender Value. This is similar to how bond rates are impacted by interest rates. Likewise, when new money rates for your annuity fall, the Surrender Value generally increases.

However, the total Interest Adjustment applied over the life of the contract is limited to the interest credited to the Accumulation Value.

The table below illustrates the effect of future new money interest rate changes on annuity surrender values<sup>1,2</sup> assuming the future rate increases or decreases by 1% or 2%.

### Annuity Surrender Values

Contact Year	2% Decrease	1% Decrease	0.50% Decrease	No Change	1% Increase	2% Increase
1	\$5,000	\$2,100	0	(\$2,100)	(\$3,000)	(\$3,000)
2	\$4,689	\$1,563	0	(\$1,563)	(\$4,689)	(\$7,200)
3	\$3,281	\$1,094	0	(\$1,094)	(\$3,281)	(\$5,468)
4	\$1,706	\$569	0	(\$569)	(\$1,706)	(\$2,844)
5	0	0	0	0	0	0

1. Illustration assumes no change in renewal rates. Values assume a \$100,000 single premium allocated to the Fixed Account with a 4% interest rate and 1% interest rate bonus based on a MNL Dynamic Choice® 5-Year contract issued by Midland National.

2. The effect on the values of the contract you purchased may differ from those in this table. Refer to your Contract for details.

Sample calculation

If you put \$100,000 into a 5-Year contract with a 4% interest rate and a 1% interest rate bonus, you would have an Accumulation Value of \$113,568 in three years. This example assumes that an Interest Adjustment would be applied upon full surrender at the end of the third contract year, a penalty-free withdrawal of \$4,200 is available and a 7% surrender charge would apply.

If the new money interest rate changes from 4% to:		
Current Interest Rate for New Contracts	3%	5%
Interest Adjustment Calculation	$(0.04 - 0.03 - 0.005) \times 2 = 0.01$	$(0.04 - 0.05 - 0.005) \times 2 = (0.03)$
Accumulation Value (before Interest Adjustment)	\$113,568	\$113,568
Interest-Only Penalty-free Withdrawal	\$4,200	\$4,200
Interest Adjustment	$(\$113,568 - \$4,200) \times .01 = \$1,094$	$(\$113,568 - \$4,200) \times .03 = (\$3,281)$
Accumulation Value (after Interest Adjustment)	\$114,662	\$110,287
Surrender Charge	$(\$113,568 - \$4,200) \times .07 = \$7,656$	$(\$113,568 - \$4,200) \times .07 = \$7,656$
Cash Surrender Value*	\$107,006	

\*Guaranteed not to be less than the minimum required by state laws where the contract is written. It is not the intent of Midland National, this brochure, or your representative to give tax advice. Consult with and rely on your personal tax advisor on specific points of importance to you.

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

This Flyer is not complete without the MNL Dynamic Choice® product brochure.

The MNL Dynamic Choice® is issued on forms AC/AS129A (certificate/contract) and AR158A (rider/endorsement) by Midland National® Life Insurance Company, West Des Moines, IA and is not approved in all states. Interest Adjustment is an optional feature that can be added at issue to your annuity contract and may not be available in all states.

This brochure is for solicitation purposes only. Please refer to your contract for any other specific information. With every contract that Midland National issues there is a free-look period. This gives you the right to review your entire contract and if you are not satisfied, return it and have your premium returned.

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