TSA Information Guide

GREAT AMERICAN INSURANCE GROUP

Uncomplicate Retirement®

Simplify Your Path To Financial Security

When it comes to planning your retirement, it helps to know what options are available, and how you can use them to reach your savings goals. One retirement planning tool that is offered exclusively to those who work for certain educational or non-profit organizations is called a 403(b) tax-sheltered annuity, or TSA. TSAs offer several key advantages:

Tax deferral

The money you contribute comes out of your salary before taxes, so the full amount you set aside can work for you. Any earnings from your contributions are also tax-deferred. See the example on page six for details.

Disciplined savings

Because you contribute to a TSA through payroll deduction, saving on a regular basis is easy. You determine the amount of money you want to contribute (within certain guidelines), and how often.

Guaranteed retirement income

When you're ready to turn the money you've accumulated in your annuity into retirement income, you can select from a variety of payout options, including an income stream that will last for the rest of your life.

Protection for your loved ones

No one likes to think about it, but part of achieving peace of mind is knowing what would happen to your money if you pass away unexpectedly. With a TSA, any death benefit is paid directly to your beneficiaries, allowing them to receive your financial legacy without the cost and delays of probate.

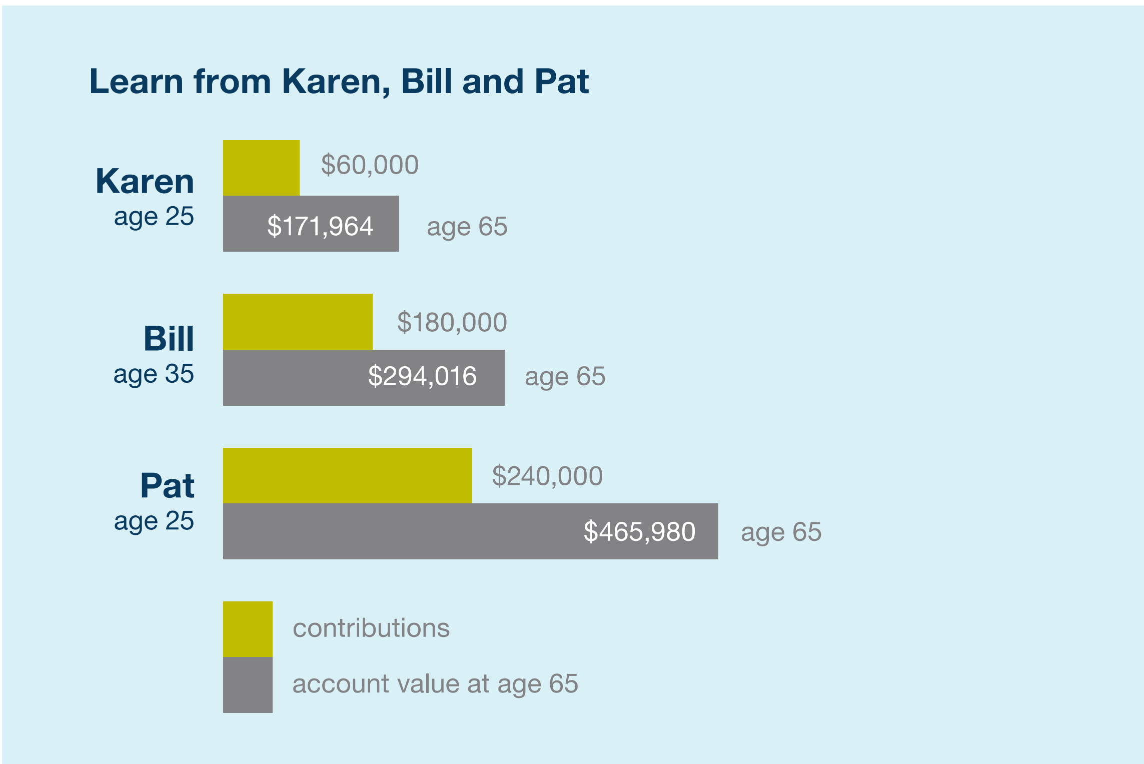
Annuity Basics

Simply put, an annuity is a contract between you and an insurance company. It is a long-term financial vehicle that's designed to protect and grow your money, and then provide a stream of income during your retirement. In fact, other than pensions, **annuities are the only products that provide guaranteed lifetime income.**

Great American Insurance Group is committed to offering annuities that are simpler and easier to understand – helping to achieve your goals with no surprises.

Now Is The Time To Save

In this hypothetical example, all have the opportunity to save $6,000 per year starting at age 25. The difference? Karen starts now and only saves for 10 years. Bill waits until he's 35 and saves for 30 years. Pat also starts now, but continues until she is 65. Whose account would you want for retirement?

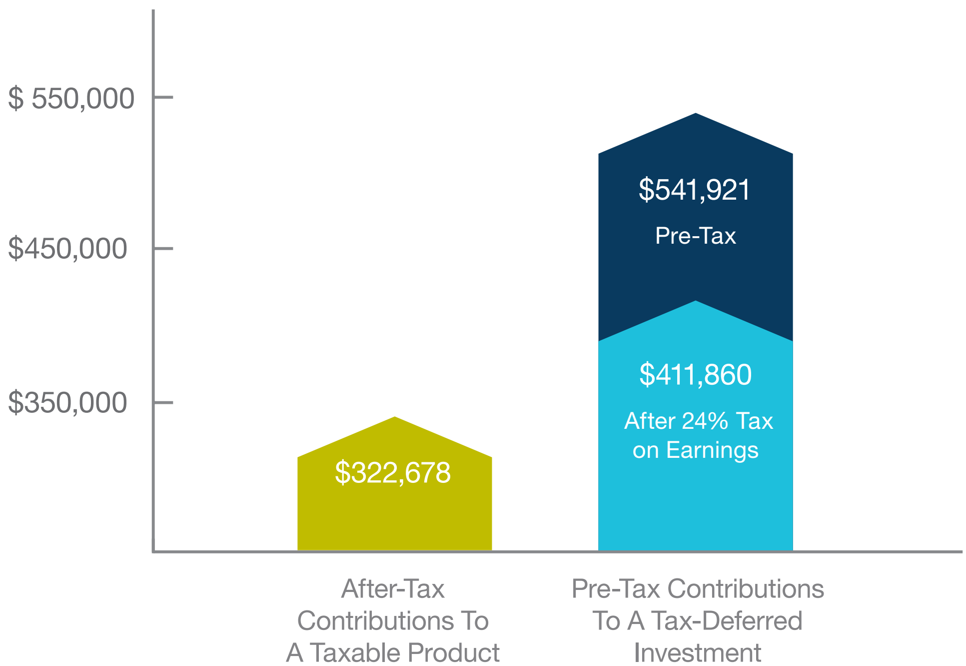


Assumes account earns interest at an annual rate of 3% for the entire 40-year period. The effects of taxes and product changes have not been included and would reduce results if included.

What Is The Benefit Of Tax-Deferred Growth?

One of the benefits of an annuity is the opportunity for your money to grow tax deferred. This means no taxes are paid until you take a withdrawal, so your money can grow at a faster rate than it would in a taxable product.

The following example shows how 5% growth would affect both a tax-deferred investment made with pre-tax earnings and a taxable investment made with after-tax earnings. For qualified contracts, the full amount withdrawn is generally subject to income tax. If you are under age 59½, the taxable amount is also generally subject to a 10% federal penalty tax. For other contracts, only the gains are subject to income tax.



This is a hypothetical scenario for illustration purposes only. It does not reflect the performance of any specific variable annuity investment option(s), fixed-indexed annuity crediting strategy, or fixed annuity interest rates.

This graph compares the following two scenarios:

- Tax deferred: saving $6,000 per year for 35 years on a pre-tax basis in a qualified plan through a salary reduction agreement with your employer
- Currently taxable: receiving that same $6,000 per year as taxable compensation and then investing the amount after taxes in a taxable investment

This graph assumes that the investing party has a marginal tax bracket of 24%. In 2020, the 24% tax bracket for a married couple applies to taxable income over $171,050 and not over $326,600. Capital gains and dividend tax rates may be lower than the 24% illustrated rate and change the comparison results. Consider your current and anticipated tax brackets in making your investment decisions, as they may also impact comparison results.

Additional TSA Details

Withdrawals and loans

Your TSA is intended to be a long-term product. However, you may have access to a portion of your money in an emergency through a loan or a withdrawal.

Withdrawals taken before age 59½ are restricted by tax law, but when permitted, may be subject to a 10% federal penalty tax in addition to normal income taxes. Qualified loans are not taxable unless you default on repayment.

After age 59½, there are no tax-law restrictions on withdrawals, though your employer may impose restrictions under its plan document. Most annuities also have a withdrawal charge in the early years of the annuity contract.

Service credit purchase

Funds from a TSA plan may be used to buy permissive service credits or to buy back forfeited years of service under a state retirement system. If allowed by your employer and the state retirement system, this direct transfer can occur at any time, even if before age 59½. There will be no taxes or IRS penalties, but any early withdrawal charges under the annuity contract will still apply.

Tax credit for low- and moderate-income savers

Certain low- and moderate-income taxpayers are eligible to receive a non-refundable tax credit of up to $1,000 for elective contributions made to TSA plans or other eligible retirement savings arrangements.

The credit for 2020 is:

- 50% of the first $2,000 contributed for individuals with modified Adjusted Gross Income (AGI) below $19,500, or married filing jointly below $39,000;
- 20% of the first $2,000 contributed for individuals with modified AGI between $19,501 and $21,250, or married filing jointly between $39,001 and $42,500;
- 10% of the first $2,000 contributed for individuals with modified AGI between $21,251 and $32,500, or married filing jointly between $42,501 and $65,000.

Additional TSA Details *continued*

Contributing is easy

Once you decide to contribute to a TSA, you must complete an annuity enrollment application and a salary reduction agreement with your employer. When you enter into such an agreement, your gross salary will be reduced by an amount equal to the contributions you wish to apply to your TSA. Your contribution is deducted automatically from your paycheck.

Contributions will not affect your State Teachers Retirement System (STRS) contributions or benefits. STRS contributions and benefits are calculated as though no TSA contributions have been made.

Contribution limits

As of January 1, 2020, you may contribute 100% of your salary, up to a maximum of $19,500 per year. Additional contributions in excess of the $19,500 limit may be allowed if you are age 50 or older, or if you have 15 years of service with your employer. In addition, these limits are subject to increase annually. Your tax advisor and financial professional can help you determine the amount you may contribute.

You may stop contributing or change the contribution amount to your annuity at any time by contacting your payroll department or financial professional. If you stop contributing, the amount that you've put in up until that point will continue to be tax deferred until you begin making withdrawals. Please keep in mind that even if you stop contributing due to a financial situation, you can always restart at any time without opening a new contract.

The dollar limit on TSA contributions must be reduced by any elective deferrals to a 401(k) plan or salary reduction SEP plan in which you participate. Other limits may apply if contributions are made for you under a qualified retirement plan for an outside business of which you are an owner.

To use the 15-year-of-service additional contributions limit, your employer must be an educational organization, a hospital, a health and welfare service agency or a church related organization.

Accessing your money

In order to receive a distribution from your TSA, generally, you must be age 59½ or older or have severed employment with the employer that sponsors your TSA program, become disabled, incurred certain financial hardships or be a reservist called to active duty for at least 180 days or an indefinite period. Provided you satisfy one of the eligibility requirements, you can generally receive payments in a lump sum (subject to contract provisions), or by annuitizing your contract to receive a series of payments. Earnings cannot be distributed due to hardship, nor can your contract be annuitized due to hardship.

A distribution from your TSA is taxable as ordinary income in the year taken, unless the distribution is rolled over. For any distributions before age 59½, an additional 10% federal penalty tax may apply unless the distribution is rolled over. There are exceptions from this penalty tax for payments made for life, payments made following retirement after age 55 and certain other situations.

You do not have to take distributions when you reach age 59½. However, according to tax law, you must begin taking certain required minimum distributions (RMDs) by the later of:

- April 1 following the year in which you reach age 72, age 70½ if you reached that age before January 1, 2020 or;
- April 1 following the year you sever employment with the employer that sponsors your TSA program.

Distributions from your TSA are meant to supplement your State Teachers Retirement System (STRS) benefits, and do not reduce those benefits.

Rollovers

Most distributions from your TSA can be rolled over to another TSA or to an IRA, 401 plan or 457(b) Governmental plan. Required minimum distributions, hardship distributions and certain periodic payments cannot be rolled over. If you roll over a payment from your TSA, the tax on that payment will be deferred.

Roth TSAs

If permitted by your employer's TSA program, you may designate your contributions as Roth TSA contributions. Your employer's program may also permit you to transfer all or part of your traditional TSA balance into a Roth TSA. Roth contributions and related earnings must be tracked separately.

Unlike a traditional TSA contribution, a Roth TSA contribution comes out of your salary after taxes. This means that there is no reduction in your taxes on account of the contribution. A transfer of your traditional TSA balance into a Roth TSA will be taxable on the date of the transfer.

However, unlike a traditional TSA distribution, a distribution of Roth TSA contributions and related earnings (or Roth TSA rollovers and related earnings) is completely free of federal income taxes if it is a qualified distribution. To be a qualified distribution, two conditions must be met.

- The distribution cannot be made during the five-year period that begins with the year of your first Roth TSA contribution to your employer's TSA program (or to a prior Roth TSA program from which a rollover was made).
- The distribution must be made after you reach age 59½, become disabled or die.

A Roth TSA is subject to the same distribution restrictions as a traditional TSA. Until you reach age 59½, you can only take a distribution from a Roth TSA if you sever employment with your employer, become disabled, incur a hardship (as defined by the IRS), or are a reservist called to active duty for 180 days or more or an indefinite period.

When permitted, if you take a distribution that is not a qualified distribution, there is still no federal income tax on the portion of the distribution that represents your Roth TSA contributions. The portion of the non-qualified distribution that represents earnings will be subject to income tax, and a 10% penalty tax may also apply if taken before age 59½.

Great American.
It Pays To Keep Things Simple.®

Serving with great pride for more than a century

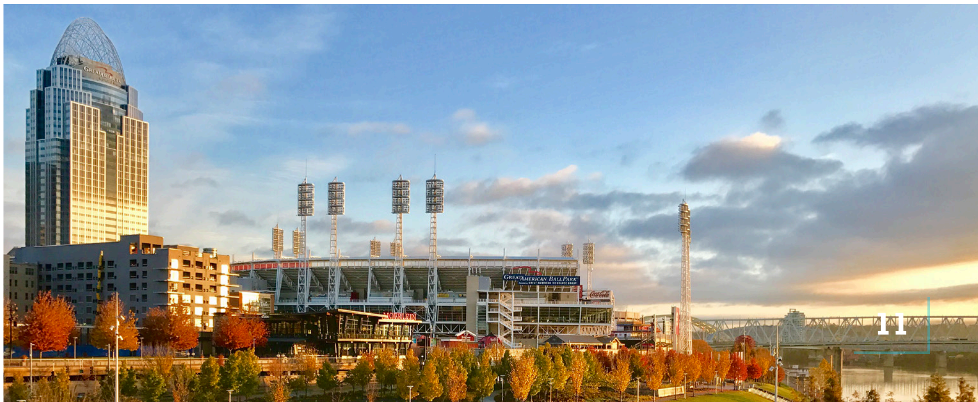
With a heritage dating back to 1872, our insurance companies have a long history of helping people achieve their financial goals. Annuity Investors® Life is a member of Great American Insurance Group and a subsidiary of American Financial Group, Inc. (AFG), which is publicly traded on the New York Stock Exchange (NYSE: AFG). Headquartered in Cincinnati, Ohio, AFG has assets of more than $60 billion.

The importance of financial strength

With medical advances in health care leading to increased longevity, it's possible your retirement may last longer than 30 years. That's why it's important to work with a company that has long-term financial strength and experience. Annuity Investors Life Insurance Company® is proud to be rated **"A" (Excellent)** by A.M. Best and **"A+"** by Standard & Poor's.

A.M. Best rating affirmed September 11, 2019. "A" (Excellent) is third highest of 16 categories. S&P rating affirmed March 14, 2019. "A+" is fifth highest of 21 categories.

Our simple promise to you: superior service and annuities that are easier to understand.



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