



SECURITY BENEFIT  
LIFE INSURANCE COMPANY

# Foundations Annuity

FIXED INDEX ANNUITY



Being close to or in retirement may not be the time to take risks with your retirement savings.

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Does that mean you have to sacrifice growth for safety?



## Protect your retirement savings from all market risk, but still benefit from market upswings.

As a fixed index annuity, Foundations helps grow retirement savings without investing in the stock market. You can receive interest credits based on a portion of the increase of a financial market index, but are guaranteed to never lose money due to market loss.

# Sequence of Returns Risk

...or how the timing of market risk can impact your retirement investments.

What happens to the market as you near or are beginning your retirement can have a significant impact on your retirement savings. When you're in your accumulation years, time is on your side and you can ride out the ups and downs of the market. But, if market losses occur during the early years of retirement, the risk of running out of retirement

income is much higher than if such losses occur later in retirement. This principle is known as the sequence of returns risk. The example below illustrates how the timing of market performance in the first years of retirement can impact your retirement savings over time.

## Sequence of Returns Risk Example

Anne

begins taking retirement income in 1991

Anne retires in 1991 and decides to withdraw \$30,000 annually from her \$500,000 account. She does this for ten years. At the end of ten years, she has withdrawn \$300,000, yet has an account balance of nearly \$1.4 million dollars. This is due to the tremendous performance of the stock market in the 1990s.

Date (Dec. 31)	S&P 500® Return	Withdrawals	Account Value
1990	--	--	\$500,000
1991	26.31%	\$30,000	\$601,534
1992	4.46%	\$30,000	\$598,388
1993	7.06%	\$30,000	\$610,605
1994	-1.54%	\$30,000	\$571,206
1995	34.11%	\$30,000	\$736,048
1996	20.26%	\$30,000	\$855,198
1997	31.01%	\$30,000	\$1,090,379
1998	26.67%	\$30,000	\$1,351,168
1999	19.53%	\$30,000	\$1,584,998
2000	-10.14%	\$30,000	\$1,394,292

David

begins taking retirement income in 2001

Anne's brother, David, doesn't retire until 2001 and does so with the same beginning balance and withdrawals as Anne. However, stock market performance is quite different from the previous ten years, and he has taken major hits to his account early on. After ten years of withdrawing the same \$300,000 as Anne, David's account balance was vastly depleted to only \$147,000.

Date (Dec. 31)	S&P 500® Return	Withdrawals	Account Value
2000	--	--	\$500,000
2001	-13.00%	\$30,000	\$404,787
2002	-23.37%	\$30,000	\$280,204
2003	26.38%	\$30,000	\$324,123
2004	8.99%	\$30,000	\$323,273
2005	3.00%	\$30,000	\$302,975
2006	13.62%	\$30,000	\$314,238
2007	3.53%	\$30,000	\$295,329
2008	-38.49%	\$30,000	\$151,669
2009	23.45%	\$30,000	\$157,242
2010	12.78%	\$30,000	\$147,342

# How can a fixed index annuity help?

## Foundations avoids sequence of returns risk by eliminating all market risk.

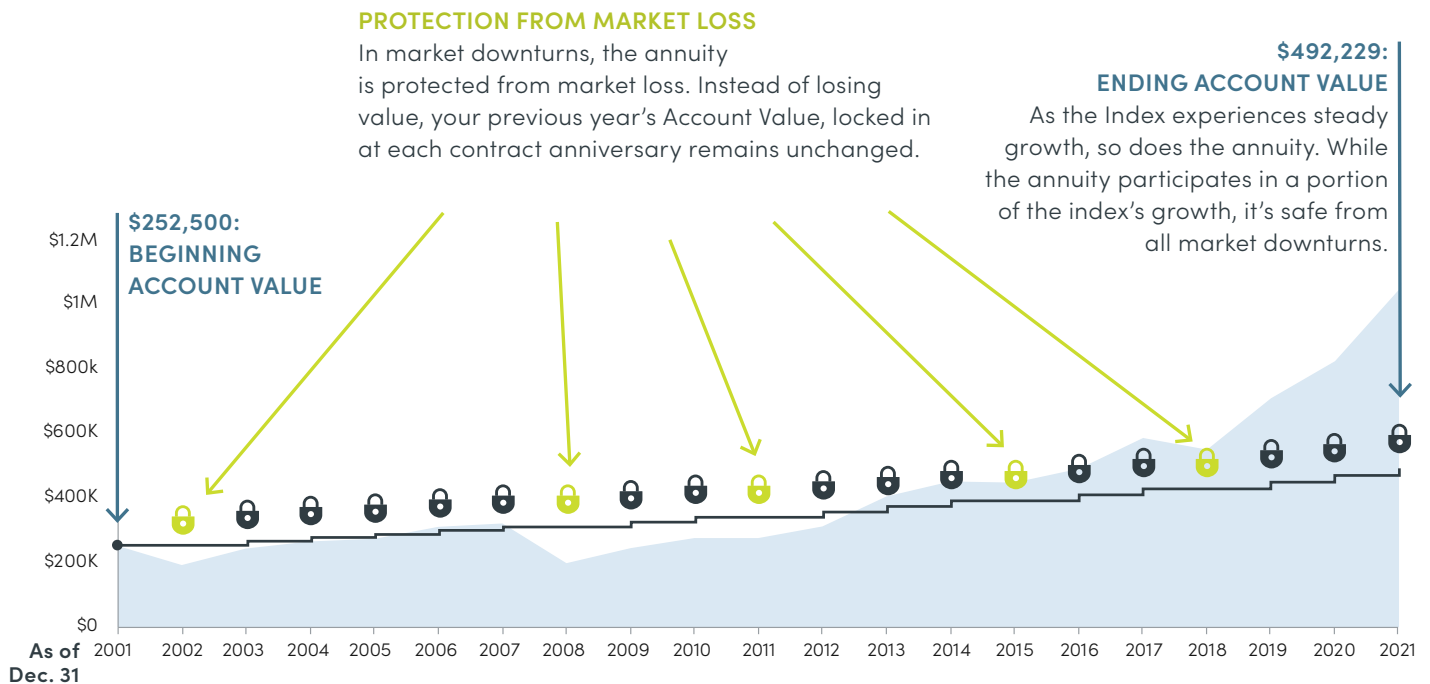
Unlike a fixed annuity, a fixed index annuity (FIA) offers options to have interest credits which are determined by part of the change in one or more financial market indices instead of interest rates.

Those index options limit both upside participation and downside risk, regardless of how well or poorly the benchmarked indices perform.

## Some Market Participation. No Market Downside.

This example shows how the annuity participates in some, but not all, of the Index's growth. However, the annuity does not lose value due to market downturns, which can be critical in protecting yourself from sequence of returns risk.

100% Allocation into the S&P 500® Annual Point to Point Index Account   Annual 4.75% Cap	
\$250,000 Foundations purchase on Dec. 31, 2001	■ S&P 500® Index
1% Bonus of \$2,500	🔒 S&P 500® Annual Point to Point Index Account Value
Beginning Account Value: \$252,500	



The example makes hypothetical assumptions, which are not a guarantee and do not reflect the interest that would be credited to your annuity. The values of the S&P 500® Index are actual values for the periods shown. The Foundations Annuity was not available until September 2012 and is not reflected in this example. The hypothetical interest calculations are based upon assumptions on the cap applied in computing Annual Point to Point Index Account interest credits. Different caps and different index crediting accounts may produce significantly different results. The hypothetical values assume no withdrawals and no additional Purchase Payments. All returns shown are cumulative and not on an annualized basis. Withdrawals are subject to ordinary income tax and if made before age 59½, may incur a 10% IRS penalty tax and may be subject to product-specific charges.



# Diverse crediting options provide growth opportunity without the risk.

While non-market investments may have lower earnings than their riskier counterparts, placing a portion of your retirement savings in the Foundations Annuity can protect it from all market loss while still providing growth potential.

Choose from one or any combination of the following crediting options to help safely grow your Account Value:

## Fixed Account

The Fixed Account provides a predictable rate of interest each year.

When We Credit Interest	How We Calculate Interest
We credit interest daily.	Security Benefit credits an interest rate that is guaranteed to be no less than the contract's Guaranteed Minimum Interest Rate (GMIR) for each contract year.

In the following Index Accounts, we credit interest based on the performance of either the S&P 500® Index or the S&P 500® Low Volatility Daily Risk Control 5% Index. These index accounts give you the potential to earn higher interest credits than the Fixed Account. Refer to the Foundations Rate Sheet for current Fixed Account rates and index account caps and spreads.

## S&P 500® Index

This Index is a widely recognized benchmark of U.S. stock market performance, comprised of the stocks representing 500 U.S. companies. (Interest credits with cap, based on the S&P 500® Index without dividends).

When We Credit Interest	How We Calculate Interest
<b>Annual Average Index Account</b> We credit interest annually on your contract anniversary.	We calculate how much interest we credit to your Account Value based on the average of your monthly contract anniversary ending values of the S&P 500® Index, compared to the Index value on the previous contract anniversary.  We credit a positive percentage difference, up to a cap, as interest on the amount you allocate to this Index Account.
<b>Annual Point to Point Index Account</b> We credit interest annually on your contract anniversary.	We calculate how much interest we credit to your Account Value based on the percentage change in the Index from one contract anniversary to the next.  We credit a positive percentage difference, up to a cap, as interest on the amount you allocate to this Index Account.
<b>Monthly Sum Index Account</b> We credit interest annually on your contract anniversary.	On each contract anniversary, interest is calculated based on the sum of the capped monthly changes in the S&P 500® Index value for the previous year. A positive one-month change in the Index, subject to your monthly cap, increases the annual sum. A negative one-month change is subtracted in full from the annual sum. There is no floor on a negative return for that month.  The positive sum of the 12 monthly Index returns is credited as interest.

## S&P 500<sup>®</sup> Low Volatility Daily Risk Control 5% Index

This Index is comprised of a portfolio of the S&P 500<sup>®</sup> Low Volatility Index plus a cash component. The Index is a total return index (uncapped index credits, includes dividends), designed to measure the performance of the 100 least volatile stocks within the benchmark index. As an uncapped strategy, you may benefit from higher interest credits compared to capped index account strategies. The goal of these Index Accounts is to reduce volatility that's normally associated with a single-component Index while increasing your opportunity to receive interest credits.

When We Credit Interest	How We Calculate Interest
<b>Annual Point to Point Index Account</b> We credit interest annually on your contract anniversary.	We calculate the interest we credit to your Account Value based on the percentage change in the Index from one contract anniversary to the next. We credit a positive percentage difference, less an annual spread, as interest on the amount you allocate to this Index Account. <sup>1</sup>
<b>2-year Point to Point Index Account<sup>2</sup></b> We credit interest on every second contract anniversary.	We calculate how much interest we credit to your Account Value based on the percentage change in the Index from each two-year contract anniversary to the next. We credit a positive percentage difference, less an annual spread, as interest on the amount you allocate to this Index Account.

## S&P 500<sup>®</sup> Factor Rotator Daily RC2 7% Index

This Index is a weighted return index that is designed to track the two best performing S&P 500 factor indices, based on past risk-adjusted return, out of the following five indices: S&P 500 Quality, S&P 500 Enhanced Value, S&P 500 Momentum, S&P 500 Low Volatility, and S&P 500 High Dividend, with the ability to allocate to the S&P 2-Year U.S. Treasury Note Futures Index or a cash account should all factor indices experience downturns at each monthly rebalancing. The goal of the Index is a weighted return while seeking to provide above-average risk-adjusted returns with a targeted level of volatility.

When We Credit Interest	How We Calculate Interest
<b>Annual Point to Point Index Account</b> We credit interest annually on your contract anniversary.	We calculate the interest we credit to your Account Value based on the percentage change in the Index from one contract anniversary to the next. We credit a positive percentage difference, multiplied by the participation rate and less any annual spread, as interest on the amount you allocate to this Index Account. <sup>1</sup>
<b>2-year Point to Point Index Account<sup>2</sup></b> We credit interest on every second contract anniversary.	We calculate how much interest we credit to your Account Value based on the percentage change in the Index from each two-year contract anniversary to the next. We credit a positive percentage difference, multiplied by the participation rate and less any annual spread, as interest on the amount you allocate to this Index Account.

<sup>1</sup> Fixed Rates, Caps, Participation Rates, and Annual Spreads may be changed after each Index Term, but will not be lower than the guaranteed minimum or higher than the guaranteed maximum. Participation Rates may be higher or lower than 100% and Spreads may be 0%. Ask your financial professional for the current rate information.

<sup>2</sup> It is important to understand that the S&P 500<sup>®</sup> Low Volatility Daily Risk Control 5% and the S&P 500<sup>®</sup> Factor Rotator Daily RC2 7% 2-year Point to Point Index Accounts have two-year terms. No transfers to the Fixed Account or other Index Account from the multi-year Index Account are permitted before the end of the respective Index Term. In addition, to receive the full index interest from a two-year Index Account, no withdrawals, deductions, or amounts for annuitization can be taken from the multi-year Index Accounts.

## Diversify Your Retirement Portfolio

The 60/40 portfolio — 60% equities and 40% fixed income and cash equivalents — has been a traditional benchmark for a balanced growth portfolio. However, in a rising rate environment, the value of many fixed income investments declines — putting your potential retirement income at risk. In this hypothetical example we show how you could allocate a portion of your fixed income portfolio into the Foundations Annuity.

## Advantages of Foundations in Your Portfolio

- ✓ Higher Potential Growth than Fixed Income in a Rising Rate Environment
- ✓ Tax-deferred Growth
- ✓ Safety of Principal

## Traditional 60/40 Portfolio

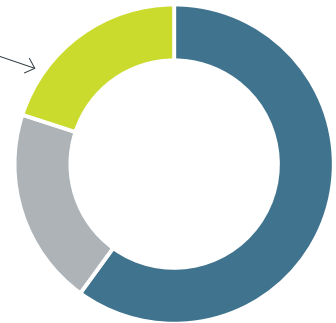
### Equities

Fixed Income and Cash



## Portfolio With Foundations

### Foundations Annuity



Foundations Features			
1% Bonus	An advantage of the Foundations Annuity is the bonus on all Purchase Payments made within the first contract year. The bonus goes directly into your contract and gives an immediate increase in your Account Value. For example:		
	First Year Purchase Payment	1% Bonus	Account Value Upon Issue
	\$100,000	\$1,000	\$101,000
	\$250,000	\$2,500	\$252,500
Higher Potential Growth	As the market index goes up, you can receive interest rate credits up to a cap or spread defined in your contract; however, in a down market, you're guaranteed to never lose principal (minus withdrawals and fees). With Foundations, you aren't invested in the market which means you can never lose your principal due to market losses or performance.		
Tax-deferred Growth	Like a traditional IRA or 401(k) plan, Foundations benefits from tax-deferred accumulation. <sup>3</sup> This means that when your contract is credited with interest, the interest isn't taxed until it's withdrawn. <sup>4</sup> You benefit from compounded growth, which can lead to a larger account value than that of a similar taxable account with the same rate of interest.		
No Risk to Your Account Value	If the market experiences negative returns, there is no risk of your Account Value declining. Your principal and minimum interest rates within the contract are guaranteed (principal may be reduced by withdrawals and fees).		
10% Free Withdrawals	After the first contract anniversary and during the surrender charge period, you may withdraw up to 10% of your Account Value, free of surrender charges or market value adjustments. Free withdrawals don't apply to full surrender or annuitization.		
RMD-friendly	Currently, on qualified contracts during the surrender charge period and upon request, we process Required Minimum Distributions (RMDs), with no surrender charge or market value adjustment assessed on withdrawal amounts for clients over the age of 72. This is not a guaranteed feature; Security Benefit reserves the right to change or cancel this feature in the future.		

<sup>3</sup> Security Benefit does not offer tax advice. Please seek independent tax, accounting or legal advice. If you are purchasing an annuity to fund a retirement plan, such as an IRA that receives preferential tax treatment under the Internal Revenue Code, you should consider that an annuity does not provide any additional tax advantages to those already available from a retirement plan. However, an annuity does offer other features and benefits in addition to tax deferral that other funding vehicles may not offer, including death benefit protection for your beneficiaries and annuity options that guarantee income for life. You should consult your financial professional about whether the overall benefits and costs of an annuity are appropriate considering your circumstances.

<sup>4</sup> Withdrawals are taxable as ordinary income and, if made before age 59½, may be subject to a 10% IRS penalty tax.



## Choose Between Two Surrender Charge Schedules

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
<b>Foundations 5-year</b>								
Standard	9.00%	8.00%	7.00%	6.00%	5.00%	0.00%	--	--
CT & DE	8.25%	7.25%	6.50%	5.50%	4.50%	0.00%	--	--
<b>Foundations 7-year</b>								
Standard	9.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	0.00%
CT & DE	8.25%	7.25%	6.50%	5.50%	4.50%	3.50%	2.50%	0.00%

<b>Foundations Annuity Overview</b>		
<b>Purchase Payment</b>	Minimum Initial Purchase Payment	\$25,000
	Minimum Subsequent Purchase Payment	\$1,000
	Maximum Without Prior Approval	\$1,000,000
<b>Account Types</b>	Non-qualified, 403(b), 403(b) Roth, IRA, Roth IRA, SEP IRA rollover	
<b>Issue Ages</b>	0-80 years (oldest Owner or Annuitant) May vary by state. For details, talk with your financial professional.	
<b>Fixed Account Crediting Option</b>	The Fixed Account's Guaranteed Minimum Interest Rate (GMIR) is set at issue, is guaranteed for the life of the contract and will be between 1% and 3%.	
<b>Index Crediting Options</b>	You have the potential to receive higher interest credits if you allocate to one or more of the available index accounts other than in the Fixed Account. You can choose one of three index accounts based on the performance of the S&P 500® Index, without dividends, up to a cap, two uncapped index accounts based on the S&P 500® Low Volatility Daily Risk Control 5% Index with an annual spread, and two uncapped index accounts based on the S&P 500® Factor Rotator Daily RC2 7% Index with a participation rate and annual spread.	
<b>Terminal Illness and Nursing Home Waivers</b>	If after you purchase the annuity you are confined to a nursing home or hospital for longer than 90 days, or if you are diagnosed with a terminal illness, surrender charges and any applicable MVA may be waived if you request a withdrawal after the third contract anniversary. A request to waive these charges must be made on forms provided by Security Benefit, and must be accompanied by a physician's statement. The Nursing Home Waiver is not available in CA and MA, and the Terminal Illness Waiver is not available in CA and NJ. Other state variations may apply.	
<b>Death Benefit</b>	The Foundations Annuity provides the reassurance of a death benefit. If the Annuitant dies before receiving annuity payments (annuitization), the beneficiaries will receive 100% of the Account Value, less any applicable premium tax, or the cash surrender value if higher. An annuity with properly named beneficiaries may also avoid the expenses and delays of probate. Talk with your financial professional for more information about your death benefit.	

Foundations Annuity Overview	
<p><b>Understanding the Surrender Charge</b></p>	<p>The Security Benefit Foundations Annuity has two versions of the surrender charge period from which you may choose:</p> <ul style="list-style-type: none"> <li>• Foundations 5-year: five year surrender charge period</li> <li>• Foundations 7-year: seven year surrender charge period</li> </ul> <p>The Security Benefit Foundations Annuity offers flexibility to avoid some or all surrender charges, depending on your circumstances through the free withdrawal option, the Terminal Illness Waiver, the Nursing Home Waiver and the death benefit paid upon the death of the Annuitant or Joint Owner if he or she is the spouse of the Annuitant.</p> <p>If you take withdrawals that are greater than the free withdrawal amount during the surrender charge period (either the first five or seven years of the contract), your Account Value will be subject to a surrender charge. Surrender charges will also generally apply if you annuitize during the surrender charge period and may apply under certain circumstances involving death and joint ownership. The amount of the surrender charge is equal to the amount withdrawn (less any free withdrawal amount) after any applicable MVA is applied, multiplied by the applicable surrender charge percentage.</p>
<p><b>Market Value Adjustment (MVA)</b></p>	<p>In order to more effectively manage changing market conditions and interest rates, Security Benefit applies an MVA to withdrawals that exceed the free withdrawal amount during the surrender charge period. The MVA will also apply if you annuitize during the surrender charge period and may apply under certain circumstances involving death and joint ownership. In general, if at the time of withdrawal the interest rates in the market, as measured by the 10-year Constant Maturity Treasury rate, are higher than when you purchased your annuity, an additional amount is deducted from your annuity. Conversely, if market interest rates are more than 0.25% lower than when you purchased your annuity, an additional amount will be added to your annuity, which reduces the amount deducted from your contract. The MVA will not apply to withdrawals that are less than the free withdrawal amount or to the death benefit paid upon the death of the Annuitant or the death of the Joint Owner if the Joint Owner is the spouse of the Annuitant. For contracts issued in AK, CA, IN, MN, MO, NH, NJ, OH, OR, PA, SC, TX, UT, and WA, an MVA does not apply. Ask your financial professional for more information on the MVA.</p>



**Plan for your future  
with confidence.**

# Your path *To and Through Retirement*<sup>®</sup> begins here.

Talk to your financial professional to see whether the Foundations Annuity can complement your retirement portfolio or contact us at 800.888.2461.

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This brochure contains highlights only. Please refer to the annuity contract for a full explanation of the product and any charges or limitations. The Security Benefit Foundations Annuity (Form 5800 (11-10) and ICC10 5800 (11-10)), a fixed index flexible premium deferred annuity contract is issued by Security Benefit Life Insurance Company. Product features, limitations and availability may vary by state. In Idaho, Foundations is issued on form ICC10 5800 (11-10).

Guarantees provided by annuities are subject to the financial strength of the issuing insurance company. Annuities are not FDIC or NCUA/NCUSIF insured; are not obligations or deposits of, and are not guaranteed or underwritten by any bank, savings and loan, or credit union or its affiliates; are unrelated to and not a condition of the provision or term of any banking service or activity.

Bonus annuities may use factors to determine interest rates that result in lower interest credited in future years, have higher surrender charges, and longer surrender charge periods or other charges than similar annuities without a bonus or other charges. The reduction of interest or higher charges may exceed the amount of the bonus.

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Fixed index annuities are not stock market investments and do not directly participate in any equity, bond, other security, or commodities investments. Unless otherwise stated, indices do not include dividends paid on the underlying stocks, and therefore do not reflect the total return of the underlying stocks. Neither an index nor any fixed index annuity is comparable to a direct investment in the equity, bond, other security or commodities markets.

Neither Security Benefit nor its representatives offer legal or tax advice. Please consult your personal attorney and/or advisor regarding any legal or tax matters.



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