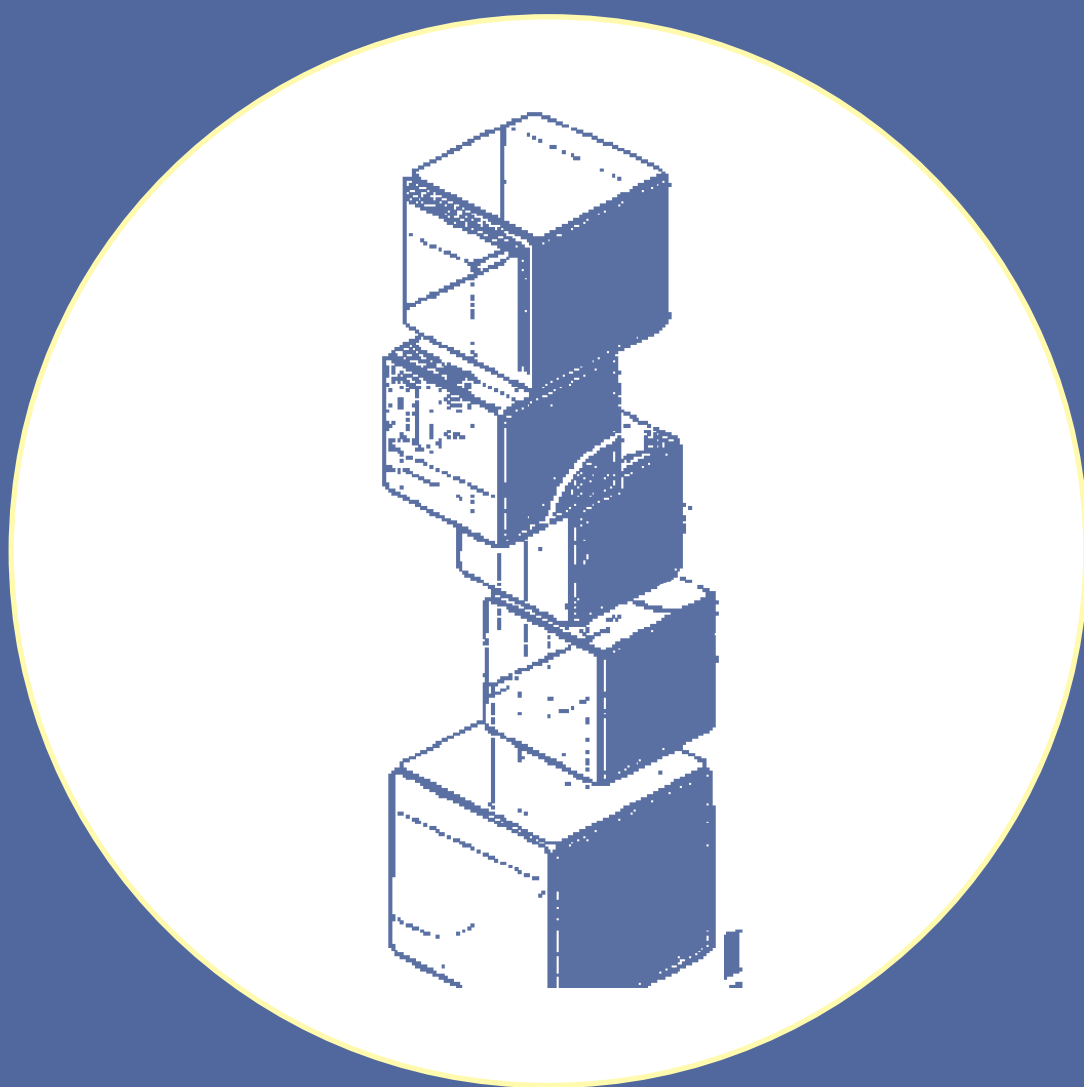


2002 Retirement Plans Brochure
North American Company for Life & Health Insurance



Retirement planning is a challenge.
Let North American help.



Retirement Planning

Everyone has a different definition for retirement. While we all have different visions and goals for this phase of our life, one thing remains constant: planning for retirement is a responsibility not to be taken lightly.

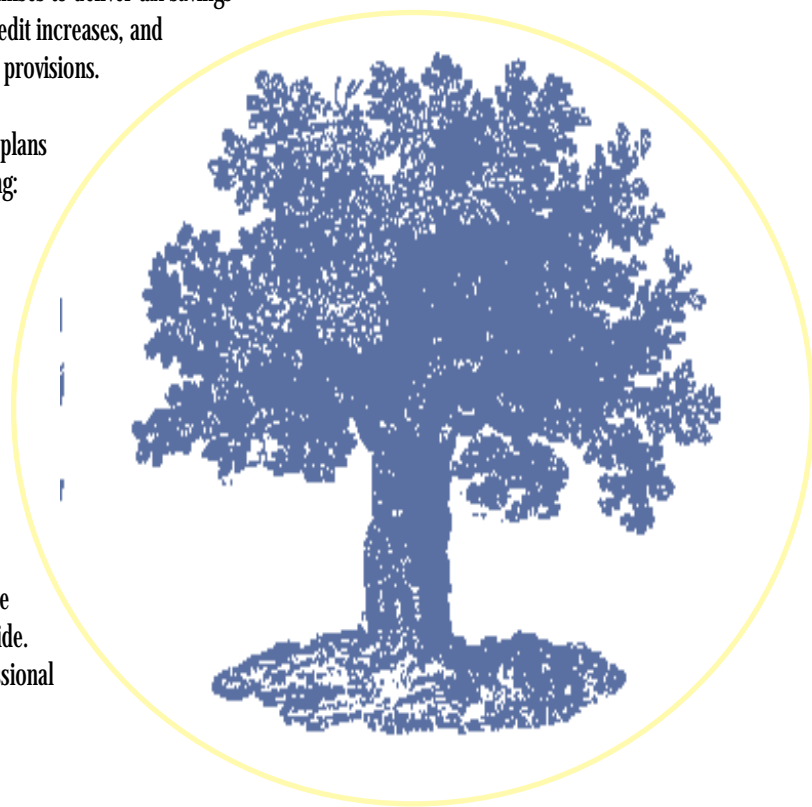
The Economic Growth and Tax Relief Reconciliation Act of 2001 promises to deliver tax savings to nearly every American. In addition to tax-rate reductions, child credit increases, and other directives, the act made significant changes to retirement plan provisions.

The **2002 RETIREMENT PLANS BOOKLET** summarizes the plans offered by North American. You will find information on the following:

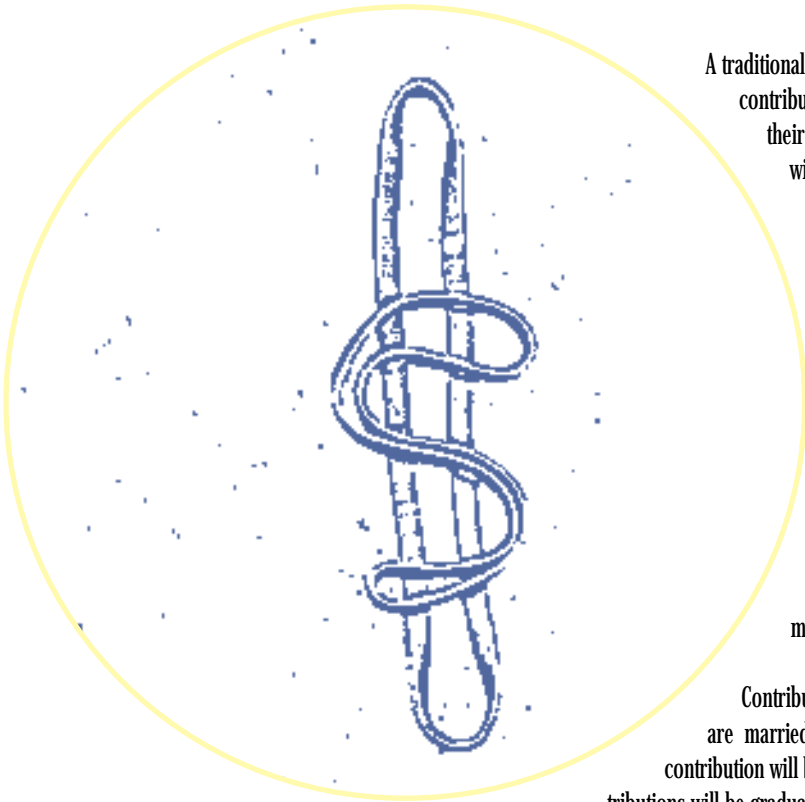
- **TRADITIONAL IRAS**
- **ROTH IRAS**
- **SEP IRAS**
- **403(B) TAX SHELTERED ANNUITIES**
- **457 PLANS**

This **2002 RETIREMENT PLANS BOOKLET** will illustrate how the new tax laws affect these plans. This booklet is, however, only a guide. As always, we at North American urge you to consult your tax professional before entering into any retirement plan.

For more information, please contact your North American agent.



Traditional IRA



A traditional IRA offers the opportunity for tax-deferred growth for retirement, and tax-deductible contributions of up to \$3,000 in 2002. For most retirement savers, an IRA is the foundation of their retirement portfolio. In some cases IRAs provide a means of consolidation for savers with multiple retirement plans in which they no longer participate. Anyone who is under age 70 1/2 and has an earned income may be eligible to make a contribution of up to \$3,000 or the amount of the earned income which ever is less.

Under a Spousal IRA, spouses who do not earn an income may still be able to make contributions of up to \$3,000. That means that even if only one member of a family earns an income, the family can still contribute a total of \$6,000 to two separate IRAs. Due to the recent changes in contribution limits and less restrictions on Spousal IRAs this can mean significant retirement savings for single income families.

If you are age 50 or older in 2002 you may be eligible to make an additional contribution of up to \$500. This means that "Baby Boomers" have an excellent chance to make some "catch up" contributions to their IRA.

Contributions to a Traditional IRA are deductible within certain income levels. In 2002, if you are married filing jointly, covered by an employer plan, and earn less than \$54,000 your contribution will be fully deductible. If you earn between \$54,000 and \$64,000 your deduction for contributions will be gradually **PHASED OUT**. If your income is beyond \$64,000 you may not make a deductible contribution.

2002 **PHASE OUT** levels for other filers covered by an employer plan are listed below.

- Married couple or qualified widow(er) filing a joint return **PHASE OUT** at \$54,000-\$64,000
- Single individual or head of household **PHASE OUT** at \$34,000-\$44,000
- Married individual filing a separate return **PHASE OUT** at 0-\$10,000

IRA's provide an excellent vehicle for the consolidation of non-active retirement accounts. Many of today's retirement savers have multiple accounts in which they are not active participants of, whether it is due to a change in their employer's plan or a change of employer. By rolling those accounts into Traditional IRA's they can preserve their tax-deferred status, and consolidate accounts. This may also help if the retirement saver desires a change of investment options.

Withdrawals from your IRA may begin as soon as age 59 1/2. Prior to that distributions will be penalized with an excise tax of 10%, unless the distributions meet one of the following requirements:

1. A distribution taken prior to 59 1/2 and used for higher education
2. A distribution taken prior to 59 1/2 and used to buy, build or rebuild a first home

IRA account holders must also begin taking distributions, if they haven't already, based on their life expectancy starting at age 70 1/2. This is required by the IRS and is often referred to as a Required Minimum Distribution.

Roth IRA

Roth IRA's are a recent development due to the Taxpayer Relief Act of 1997. Effective for the first time in 1998, retirement savers could make contributions to this new type of retirement account. Since that time the number of retirement savers who are contributing to a Roth IRA has grown immensely.

Contributions to a Roth are made as after-tax contributions. There is no deduction that can be made for a Roth IRA, but the real feature comes when it is time to take distributions out. Distributions from a Roth may come out tax-free if the account is at least five years old and the account holder is 59 1/2. In addition, there is no age limit on how long contributions can be made and no IRS requirement on the time and frequency of distributions. There is no RMD requirement on a Roth IRA.

When the question comes of who may contribute, many of the same rules apply to a Roth IRA as to a Traditional IRA. Anyone who has an earned income may be eligible to contribute up to \$3,000 or the amount of the income which ever is less. With Roths, as with Traditional IRAs, if you are over 50 years of age in 2002 you may be eligible to contribute an additional \$500. The rules are also the same for spousal Roth contributions. A single income family may be eligible to contribute up to \$6,000 total for two separate Roth IRAs.

The rules start to differ when looking at eligibility of Roth contributions based on Adjusted Gross Income (AGI) requirements. In most cases the Roth has much higher limits than the Traditional IRA.

You may contribute...	If you are married filing jointly and your AGI is...	If you are single head of household and your AGI is...	If you are married filing separately, and reside with your spouse and your AGI is...
A full contribution of \$3,000	Up to & including \$150,000	Up to & including \$95,000	\$0
A partial contribution	Between \$150,000 and \$160,000	Between \$95,000 and \$110,000	Between \$0 and \$10,000
No contribution	\$160,000 and above	\$110,000 and above	\$10,000 and above

Simplified Employee Pension SEP IRA

A Simplified Employee Pension IRA, or SEP IRA for short, provides a means of retirement saving for self employed persons and employees of small businesses. For many small businesses the SEP can be a simple alternative to many more complicated and costly qualified plans. A self employed person may choose a SEP plan for much the same reason, and also for the ability to defer much of the income they award themselves.

Contributions are made by the employer only and are based on an employee's total income for the year. (*Contributions for self-employed individuals will be based on their net reported income for the year.*) The amount of the contribution must not be more than 25% or \$40,000 whichever is less. Contributions are not required each year, but if a contribution is made to one participant, then it must be made to all other participants as well.

UNDER A SEP PLAN WHO IS ELIGIBLE?

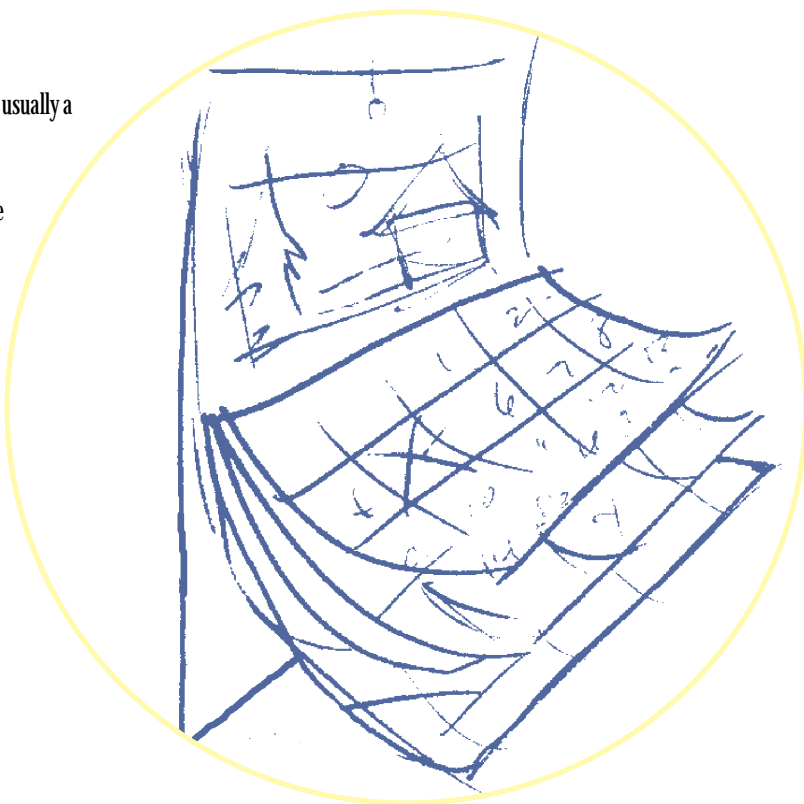
A SEP-IRA must be set up for each eligible employee. The IRS has established guidelines on how discriminatory SEP Plans can be. Guidelines concerning eligibility may not be **MORE** restrictive than those listed below.

The employee is eligible if:

- They have attained age 21.
- Worked with the provider for at least 3 of the last 5 years.
- Has earned at least \$450 in compensation.

SETTING IT UP

1. A formal written agreement must be executed with each eligible employee; usually a 5305-SEP form (*this does not need to be submitted to the IRS*).
2. Information regarding employee benefits must be disclosed with all eligible employees.
3. A SEP-IRA must be set up for ALL eligible employees.
4. Refer to IRS Pub. 560 for instructions on when NOT to use 5305-SEP form, and with questions on leased employees



403(b) Tax Sheltered Annuity

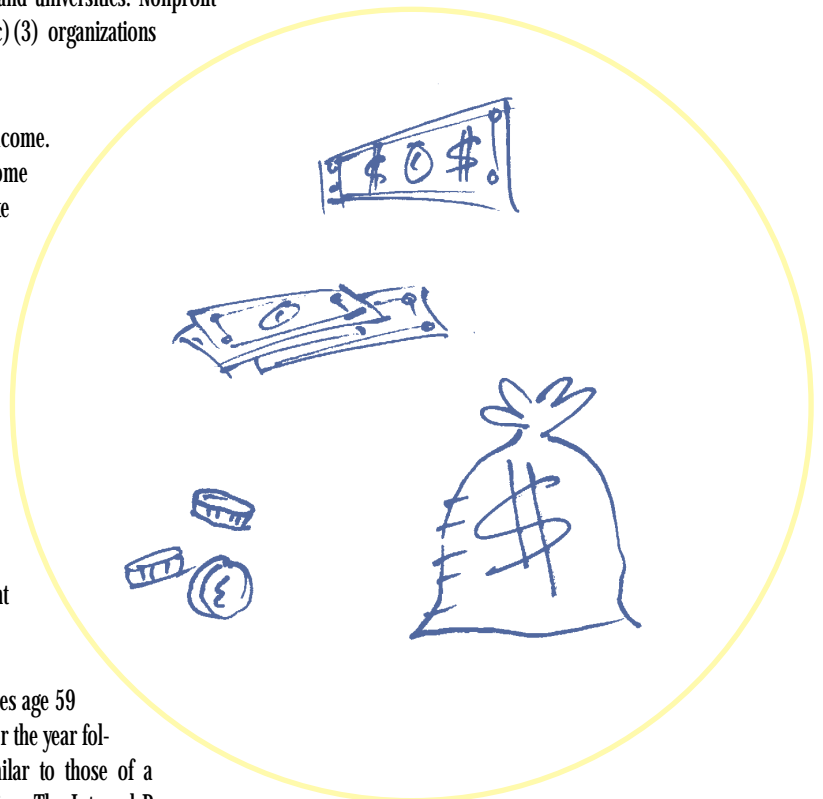
403(b)

A 403(b) is a retirement savings program allowed by the Internal Revenue Code, which allows you to save pre-tax dollars for your retirement. Your contributions grow on a tax-deferred basis until distributions are taken, usually at retirement. This retirement program is available to employees of most public and private educational institutions, colleges, and universities. Nonprofit hospitals, charitable institutions, religious organizations and other 501(c)(3) organizations may also be eligible.

Contributions to your 403(b) immediately reduce your current taxable income. The amount you contribute to your 403(b) is not reported as taxable income on your W-2 to the Internal Revenue Service. Example: If you contribute \$4,000 of your annual salary of \$33,000 to a 403(b), only \$29,000 is reported as taxable income to the IRS. In 2002, the Internal Revenue Service allows for an elective deferral of up to \$11,000. The maximum for 2002 annual additions (including employer contributions) is the lesser of \$40,000 or 100% of your annual includable income.

Values inside a 403(b) are allowed to accumulate tax-deferred. This means money in a 403(b) will grow faster because interest is earned on dollars that would otherwise be paid in taxes. The principal earns interest, and the money saved in taxes earns interest. A saver can earn more money over a shorter period of time than with a non-qualified investment due to the tax-deferral.

Distributions from a 403(b) may be taken as soon as the participant reaches age 59 1/2. A participant is required to start making distributions by age 70 1/2, or the year following retirement, based on their life expectancy. These rules are similar to those of a Traditional IRA, however, most 403(b) plans will allow for a loan provision. The Internal Revenue Service allows for a potential maximum loan of up to \$50,000 that must be paid back within 5 years.



Pension/Profit Sharing 457 Plan

A 457 tax-savings plan¹ allows for employees of certain state and local government agencies the ability to defer a portion of their gross income and achieve tax-deferred retirement savings. Employees of agencies such as public libraries, public utilities, fire houses, and park services are some examples of organizations that would qualify. The plan allows for the deferrals as well as the gains to grow tax-deferred until such time as they are taken out in the form of a distribution.

All employees of a qualifying employer may be eligible, however, guidelines concerning service requirements such as years of service or part-time employees are left up to the individual plan.

Example: A plan may choose to include all employees, even seasonal or part-time employees, but they may not be eligible until they have worked for a certain number of years. A plan does not need to have a certain number of employees or percentage of employees in order to qualify as a 457 plan. As long as the agency itself qualifies any number of employees, no matter how small, may be acceptable. Any plan maintained by a state or local government must be held in an annuity contract, trust, or custodial account.

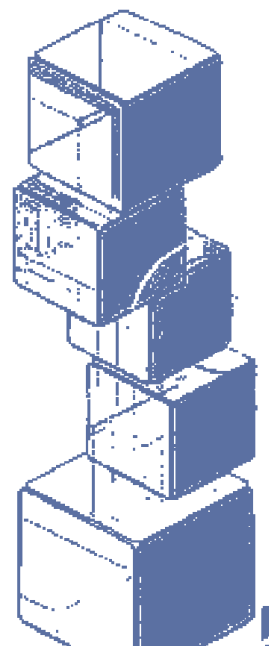
In 2002 an eligible employee may choose to defer up to \$11,000 or 100%, whichever is less, of includable compensation. This reduces the amount of taxable income in a given year due to the salary deferral. This means that a person may not only significantly reduce their taxable income while saving for retirement, but also put those dollars that would have gone to taxes to work as well. For persons age 50 and over an additional deferral of \$1,000 is allowed in 2002 as part of a "catch-up" provision. Also in the last 3 years prior to retirement the allowable salary deferral is double what the applicable amount is in that year.

Funds inside of a 457 plan are taxable only when taken out of the plan in the form of a distribution. An individual is eligible to begin taking withdrawals only when one of three qualifying events happen:

- the participant reaches age 70 1/2.
- the year in which the participant has a severance from employment.
- the year in which the employee incurs an unforeseeable emergency
(this includes death).

Upon reaching age 70 1/2 the participant must begin taking out a Required Minimum Distribution. This amount is the minimum that must come out of the plan in a given year based on the participant's life expectancy. Once they have reached age 70 1/2 they are required to take the minimum amount each year, but may always take out more if needed.

¹North American only accepts government plans, and these are offered as a funding vehicles only.

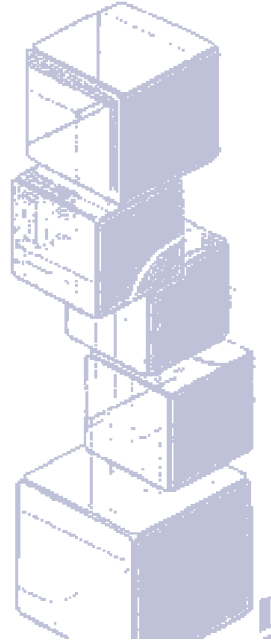


Retirement Plans Quick Reference¹

	TRADITIONAL IRA	ROTH IRA	SEP IRA	403(b)	457 ³
Minimum Age to Qualify	No Minimum Age	No Minimum Age	No employee age 21 or older can be excluded	Must be employee of qualified organization	Age requirement depends on plan
Service Requirement	Participant must have earned income	Participant must have earned income	Plan may require service in 3 out of 5 preceding years	Must be employee of qualified organization	Service requirement depends on plan
Contribution Limit	\$3,000 in 2002 or 100% of earned income whichever is less	\$3,000 in 2002 or 100% of earned income whichever is less, subject to income limits	\$40,000 or 25% of income whichever is less	In 2002, \$11,000 elective deferral; total contributions \$40,000 or 100% compensation if less.	In 2002, \$11,000 or 100% of includable income whichever is less
Deduction Limit	Deductibility may depend on Adjusted Gross Income (pg. 3)	Roth contributions are not deductible	Employer is eligible to deduct up to 25% of total compensation	Not deductible by employee or exempt employer. <small>(pre-tax contributions only)</small>	Elective deferrals are not tax deductible. <small>(pre-tax contributions only)</small>
Maximum Contribution Age	Contributions cannot be made in the year the participant attains 70 1/2	There is no maximum age for contributions	No age limit as long as employee is still eligible participant	No age limit as long as employee is still eligible participant	Elective deferrals may not continue past age 70 1/2
Annual Contribution Deadline	Contributions must be made by the due date of tax returns (typically April 15)	Contributions must be made by the due date of tax returns (typically April 15)	Contributions must be made by the employer's tax filing deadline	End of the calendar year	End of the calendar year
Required Minimum Distributions	Required Minimum Distributions must begin by April 1 of the year after the participant's age 70 1/2	No Required Minimum Distribution while Roth owner is alive	Required Minimum Distributions must begin by April 1 of the year after participant's age 70 1/2	Required minimum distributions must begin by 4/1 after the year the participant reaches age 70 1/2, or the year following retirement	Required Minimum Distributions must begin by April 1 after the participant's age 70 1/2
Beneficiary	Participant may designate any individual	Participant may designate any individual	Participant may designate any individual	Employee may designate any individual	Employee may designate any individual
Quick Facts/Eligibility	To calculate Adjusted Gross Income refer to IRS publication 590	Distributions from a Roth IRA after 59 1/2 and 5 yrs. from Roth start are tax free	Contributions may be made by an employer only; contributions may not be made every year, but if a contribution is made to 1 eligible employee then it must be made to all	Only employees of a school district, non-profit hospital, and other 501(c)(3) organizations are eligible for a 403(b)	An eligible person must be an employee of a state or local government agency or a federal tax-exempt organization
Eligible to Transfer to²	SEP IRA, 403(b), Roth IRA, Deferred Comp Plan 457, Pension/Profit Sharing	May be re-characterized to a Traditional IRA	IRA, Roth IRA, 403(b) TSA, Deferred Comp Plan 457	IRA, Roth IRA, SEP IRA, Deferred Comp Plan 457	IRA, Roth IRA, 403(b) TSA, SEP IRA

1. North American does not give tax advice. Tax laws and tax implications change frequently. We urge you to seek professional assistance before acting on statements made in this summary.
2. Provided the plans accept such rollovers. Contact your plan administrator or tax professional for more details.
3. North American only accepts government plans, and these are offered as a funding vehicles only.

Notes



North American Annuities are backed by the strength of North American Company for Life & Health Insurance . . .

Since 1886, Chicago-based North American Company for Life and Health Insurance has established a tradition of producing quality insurance products. North American's product lines are marketed in 49 states and the District of Columbia.

Portrait of Financial Stability

Independent rating agencies are an important source of information on an insurance company's ability to meet its obligations. Based on its financial strength and operating performance, North American continues to receive high ratings from the most well-respected ratings services, including:

A (Excellent) from A.M. Best

A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to policyholders. (A is the third highest rating out of 15.)

AA (Very Strong) from Standard & Poor's Corporation (S&P)

Standard & Poor's rates companies on the basis of capitalization, earnings, and asset risk. (North American's AA rating is the second highest rating out of 8 total ratings, which range from AAA to CC.)

Contact your North American Agent for complete information:



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Annuity Service Center

PO Box 79905
Des Moines IA 50325-0905

North American does not offer tax advice or legal advice, nor are its agents qualified to give tax advice. Please consult an independent tax advisor or attorney. Tax laws and tax implications change frequently. We urge you to seek professional assistance before acting on statements made in this summary.

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