Building for Your Future

Q: How does a 403(b) Tax Deferred Annuity (TDA) work?

A: You decide how much of your salary you want your employer to contribute to your account within limits established by the federal government. You then complete a salary reduction agreement with your employer.

Q: How much can I contribute through salary deferrals?

A: For the year 2002, you can contribute $11,000. This amount will be indexed in $1,000 increments until 2006, after that it will be indexed in $500 increments for the cost of living until 2010*.

Q: Will the 403(b) deferral affect my Social Security benefits?

A: No, the calculation of your Social Security benefits will include these contributions. Your 403(b) salary deferral contributions will be included in the calculation of your Social Security taxes.

Q: May I change the amount to be contributed?

A: You may enter into more than one salary reduction agreement in any tax year. You may stop making contributions at any time. Should you terminate your agreement, you may start contributions again as allowed by your employer's plan.

Q: What if I change jobs?

A: If you change jobs and your employer is an eligible institution (public school or 501(c)(3) organization), it may be possible to continue TDA contributions to AUL. Your new employer would have to agree to forward your salary reductions to AUL. If not, you may roll your money over to a single premium TDA or single premium IRA with AUL.

Q: When may I withdraw my money?

A: In order to emphasize the use of a 403(b) as a long-term retirement savings plan, the IRS restricts distributions from your account unless you first:

- reach age 59 1/2,
- separate from the service of your employer,
- die or become disabled, or
- suffer a hardship as defined by the Internal Revenue Code.

While the federal government has not restricted distributions from your contributions and earnings[1] accumulated prior to 1989, there will be a 10% IRS tax penalty on this money when distributed unless:

- you have attained age 59 1/2,
- you have separated from the service of your employer after reaching age 55,
- you have died or become disabled,
- you purchase a life contingency annuity following separation of service,
- the distribution is used to pay for medical expenses in excess of 7.5% of your adjusted gross income, or
- the distribution is paid to an alternate payee under a qualified domestic relations order.

[1] Upon distribution, withdrawal of both contributions and earnings will be subject to ordinary income tax.

**Additional deferral amounts for participants 50 years and older are available through a "catch up" election. Check with your employer to see if your plan allows "catch up" elections.*

Q: When must I begin required distributions from my account?

A: As a TDA participant, you must receive either your entire account balance or periodic payments over your life or the joint lives of you and your beneficiary by the required beginning date. Distributions must begin by April 1st of the calendar year following the later of either (1) the calendar year in which you attained age $70^1/_2$ or (2) the calendar year in which you retire.

The rule on when minimum distributions must begin and on how they are figured are continued in IRS Publications 575, Pension and Annuity Income.

Q: How can I be sure that I satisfy the government's "required minimum distribution"?

A: There are three ways to satisfy the "required minimum distribution":

- receive your entire interest in the plan by the required beginning date,
- use your entire interest in the TDA to receive an annuity benefit which is payable over your life expectancy or over the joint life expectancies of you and your designated beneficiary, or,
- begin receiving periodic distributions by the required beginning date in annual amounts calculated to distribute your entire interest over your life expectancy, or over the joint life expectancies of you and your designated beneficiary (or over a shorter period using the AULflex - AUL's Systematic Withdrawal Option).

Q: What are my benefit options at retirement?

A: There are a wide range of benefit options available at retirement. One such option is designed to guarantee monthly payments to you for as long as you live. Another type of retirement option is designed to guarantee[1] monthly income to you for as long as you live and then, upon your death, to your spouse or another person for life. Your AUL representative can explain the options available to you prior to retirement.

Q: May I borrow from my 403(b) Group Variable Annuity Contract?

A: If your 403(b) contract allows for loans, you may borrow against the savings in your 403(b) plan. The minimum loan is $2,000. The maximum loan is 50% of the value of your 403(b) plan less any withdrawal or surrender charges or $50,000, if less; however, the $50,000 loan limit is reduced by the highest outstanding loan balance(s) of any similar loans to you, during the one year period ending the day before the loan date. Loans must be repaid in five years under most circumstances. Please see your loan brochure for additional information.

Q: How can I get more information or enroll?

A: Visit AUL's Web site at **www.eretirement.aul.com** or contact your local AUL representative.

[1]The guarantee is based on the claims paying ability of American United Life Insurance Company®

The investment return and principal value of the variable accounts will fluctuate so that accumulation units, when redeemed, may be worth more or less than their original cost. Investment return is not guaranteed and subject to market risk.

This material must be preceded or accompanied by a current prospectus which contains more complete information including charges, expenses, risks, and limitations. Please read the prospectus carefully before you invest or send money.

Group variable annuity contracts issued by American United Life Insurance Company® (AUL) are distributed by OneAmerica Securities, Inc., Member NASD, SIPC, a wholly owned subsidiary of AUL.

AUL 403(b) plans are funded by group variable annuity contracts. While a contract owner may benefit from tax deferral under a 403(b) plan without the use of a variable annuity, variable annuities may provide additional investment flexibility and annuity related benefits to contract owners.

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