USAA LIFE INSURANCE COMPANY | USAA LIFE INSURANCE COMPANY OF NEW YORK

ANNUITY MARKET VALUE ADJUSTMENT

When it applies and how it is calculated

WHAT IS A MARKET VALUE ADJUSTMENT (MVA)?

An MVA only applies if you access more than the 10% free annual withdrawal[1] before the end of the term or initial interest rate guarantee period of the annuity.[2]

An MVA is a tool that annuity issuers use to manage the risk of changing interest rates. The MVA can be a positive or negative adjustment on the value of the annuity based on current interest rates at the time the contract is ended.

Due to the mechanics of an MVA, the surrender value (the amount you will have returned to you when you end the annuity early) can decrease as the MVA reference rate rises. When the MVA interest rate (which is based on Treasury Constant Maturity rate) decreases, the surrender value increases.

IMPACT OF INTEREST RATE CHANGES

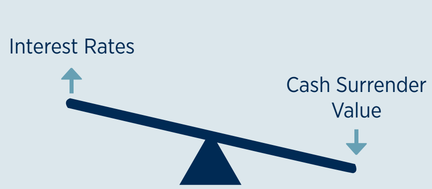

Figure 1.
If interest rates have risen since purchasing the annuity, an additional fee can be assessed to your surrender value.

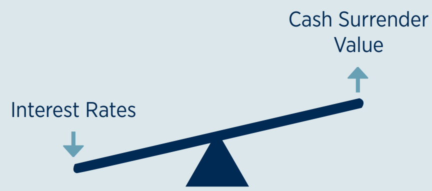

Figure 2.
Conversely, if the interest rates have dropped since purchasing the annuity, you're allowed to withdraw more.

When do MVAs not apply?

- If the annuity is kept through the initial guaranteed period
- If the contract is annuitized*
- Withdrawals taken after the guaranteed period/term
- A free annual withdrawal, including the Required Minimum Withdrawal or RMD
- A nursing home waiver/critical care need
- A death benefit
- If the money is returned under the free look period

What are the advantages and disadvantages of an MVA?

Since MVAs help reduce interest rate risk for carriers, these annuities can offer a higher rate. An MVA may be beneficial or more costly when an annuity is surrendered. When interest rates are lower, it can be a benefit and can be more costly if interest rates are higher. While MVAs can be helpful when rates are low, there may be other financial consequences for early withdrawal or surrender.

Before withdrawing money from an annuity or surrendering it, be sure to read the terms of the annuity contract to understand whether an MVA or other penalties and fees will be applicable.

*For New York MVA see contract for details

USAA annuities are available to the general public through select broker dealers. Membership is not required.

HOW IS AN MVA CALCULATED?

The Market Value Adjustment will be calculated by multiplying the portion of any full or partial surrender that exceeds any available penalty-free withdrawal amount before the reduction for any surrender charge.

MVA Calculation Example*

A three-year fixed deferred annuity is being surrendered at the end of year two. There is a balance of $111,617 and the free annual withdrawal is $11,162 (10% of the balance). This creates a new balance of $100,455, which is subject to an MVA (-0.00575682) because interest rates on the three-year treasury moved from 0.17% to 0.75%. In addition, there would be a surrender charge (this example is 7%) because of ending the annuity contract early. Plugging those figures into the formula comes up with an MVA charge of $578 and a surrender charge of $7,032.

MARKET VALUE ADJUSTMENT (MVA)	$100,455 x 0.00575682 = $578
SURRENDER CHARGE	$100,455 x 0.07 = $7,032

MVA FACTOR $= \left[1 + K \;/\; 1 + J \right]^{(N/12)} - 1$

$= \left[1.0017 \;/\; 1.0075 \right]^{(12/12)} - 1$

$= -0.0575682$

K = The interest rate when you purchase your annuity contract

J = The interest rate the date you close the contract

N = The number of months left in your contract

Calculating Surrender Value (what you get back)

FIXED ANNUITY BALANCE	$111,617
CHARGEABLE BALANCE (after deducting the annual free withdrawal)	$100,455
SURRENDER CHARGE	$7,032
MARKET VALUE ADJUSTMENT (MVA) BALANCE	$578
AFTER DEDUCTIONS (not including the annual free withdrawal of $11,162)	$92,845
SURRENDER VALUE (includes the annual free withdrawal of $11,162)	$104,007

*Calculations are educational examples and do not necessarily reflect individual contract detailsA

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No bank guarantee • Not a deposit • May lose value • Not FDIC/NCUA insured • Not insured by any federal government agency

1 Money not previously taxed is taxed as income when withdrawn. Withdrawals before age 59½ may be subject to a 10% federal tax penalty.A

2 Guarantees apply to certain insurance and annuity products and are subject to product terms, exclusions and limitations and the insurer's claims-paying ability and financial strength.

An annuity is a long-term insurance contract issued by an insurance company designed to provide a retirement income stream for life. Once the contract principal is converted into an income stream, you will no longer have access to your principal as a lump sum. Terms, conditions, limitations and surrender charges may apply.A

MVA applies only during the initial guaranteed period. MVA applies only on withdrawals above the surrender charge free withdrawal amount. MVA adds or deducts an amount from the annuity, or withdrawal amount received. MVA is an adjustment to withdrawals and surrenders that is calculated in part by utilizing the U.S. Constant Maturity Treasury rate based on the guarantee period elected.

Protected Deferred Annuity (PDA): Forms ICC19996663P 06-20, 3P99678CA 06-20, 3P99672DE 06-20, 3P99679FL 06-20, 3P99673ND 06-20, 3P99674SD 06-20, 3P99710NY 06-20.A