FIXED INDEX ANNUITIES IN YOUR PRACTICE

REDUCE RISK, REDUCE FEES AND GENERATE REVENUE WITH FIXED INDEX ANNUITIES

Fixed index annuities (FIAs) can offer intrinsic benefits to your clients in the form of 100% principal protection and guaranteed income for life. But what advantages can it bring to your practice, especially during a market correction?

// *A risk reduction* tool for your client's looking for 100% principal protection

// *Reduce the annual fees* paid by clients

// *Generate revenue* for your practice

RISK REDUCTION TOOL

In the first twenty years of this century we have witnessed the dot-com bubble bursting in the early 2000s, the Great Recession in 2008, and at the end of March 2020, markets were reeling due to the COVID - 19 global pandemic. They have since recovered quite a bit, but we remain in uncertain times.

Boomers who own an annuity are more than twice as likely as those who do not own annuities to believe they will be more secure in retirement than the average American.*

*(SOURCE)"Boomer Expectations For Retirement 2019."
Insured Retirement Institute.

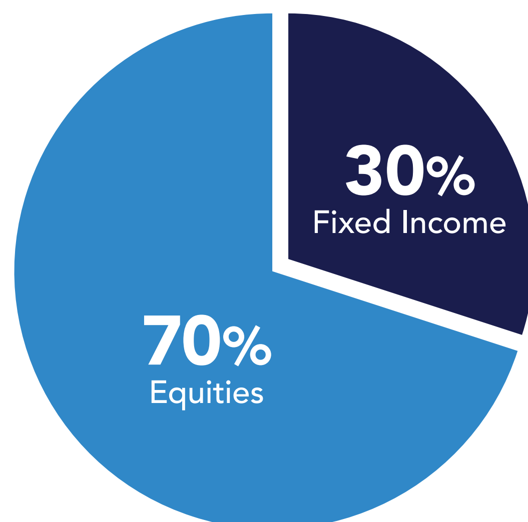
You may have clients with long-term savings allocated to money-market funds, who would benefit from the growth potential of incorporating a fixed index annuity.

Likewise, you may find that FIAs can be beneficial in generating revenue for your practice.

70/30 EQUITY-FIXED INCOME ALLOCATION

First let's assume a very standard portfolio.

Let's take a potential client, who has $1,000,000 in a traditional 70/30 equity to fixed-income allocation. If we assume a 1% advisory fee, the client will have to pay $10,000 in management expenses on that initial investment amount. Additionally, the revenue from this 1% advisory fee does not remain stagnant, as portfolios appreciate and depreciate in value. This results in either increased advisory costs when the clients view their statements, in the event their portfolio appreciates in value, or it results in a lower stream of income for the financial professional (especially during times of high systematic risk that occur during recessions).



Fees to Client

Current	$1,000,000 @1%	$10,000

Income to Advisor

Current	$1,000,000 @1%	$10,000

THE BENEFITS OF A 15% ALLOCATION TO FIXED INDEX ANNUITIES

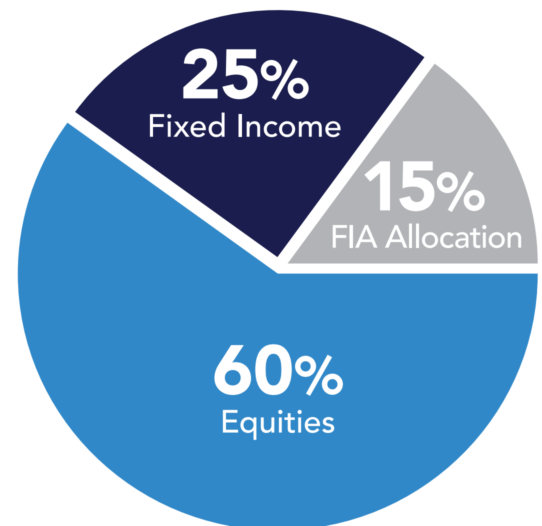
What if we were to alter the portfolio in order to expose the clients to less risk and increase your annual income? We can take 10% of the equity value and 5% of the current fixed income and position that 15% in a fixed index annuity (FIA).

For the purposes of this scenario let's assume a *7-year* surrender schedule on the fixed index annuity with a *6%* upfront commission.

Reduced Fees to the Client

Proposed	$ 850,000 @1% *(advisory fee)*	$8,500
	$ 150,000 @6% *(commission net client)*	$0
	Total Fees: $8,500	

A 15% reduction in annual client fees when compared to the portfolio without a fixed index annuity.



Increased Revenue For Your Practice

Proposed	$ 850,000 @1% *(advisory fee)*	$8,500
	$ 150,000 @6% *(commission net client)*	$9,000
	Advisory Income: $17,500	

With this restructured portfolio, we see the client saves $1,500 in fee drag (as commissions paid on a FIA are net the client), going from $10,000 to $8,500. Additionally, our hypothetical financial professional makes an additional $7,500 in income, going from $10,000 at the 1% advisory fee to $17,500 using an advisory fee/FIA commission combination.

Of course, the benefits of having everything under an actively managed wrap account, results in greater income in years where the investments perform well and the FIA sales charge in this hypothetical example is a front-load commission structure, meaning you are not paid on years 2-7.

However, in the midst of depleted incomes and portfolios, such a structure can provide ample benefits to both financial professionals and clients as they attempt to rebuild from a tough market environment.

PROTECT FROM MARKET DECLINES **WHILE DELIVERING COMPETITIVE RETURNS.**

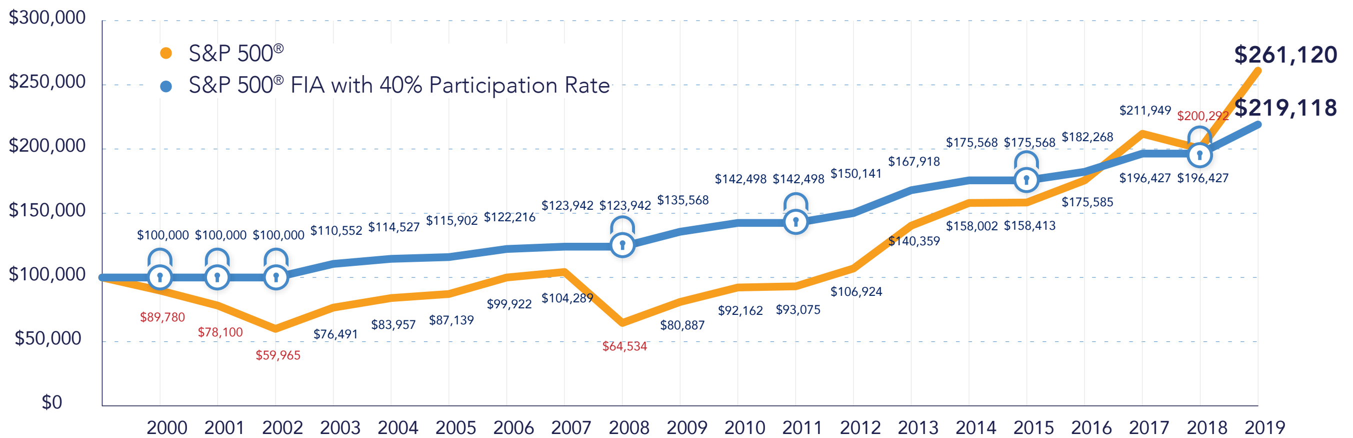
This graph demonstrates how fixed index annuities move with the S&P 500®. In up years, the contract's account value is credited interest, but in the down years, it maintains its value. This serves as a hedge against market corrections, especially when market valuations are high. Assets are protected and **what goes up won't come down.**

LOCKS IN INTEREST CREDITS DURING MARKET DECLINES

// DID YOU KNOW?

Fixed index annuities do not have a memory past one year, so interest credits are locked in during market declines. This allows the fixed index annuity contract value to remain level during declines at the next annual point to point interest crediting date[1].

HOW FIXED INDEX ANNUITIES PERFORM THIS CENTURY



1. *The annual reset sets the index starting point each year at the contract anniversary. This reset feature is beneficial when the index experiences a severe downturn during any given year because not only do you not lose accumulation value from the downturn, but the new starting point for future growth calculations is the lower index value.*

These hypothetical examples are intended to illustrate how index fluctuations might affect your contract values based on the selected crediting methods. It is not intended to show past or future results. The hypothetical products were purchased on 12/31/1999 and the initial FIA premium and hypothetical investment amount was $100,000. The depiction assumes no withdrawals or additional premiums added during the 20-year period ending 12/31/2019. Index returns for a given year have been calculated by comparing the adjusted close from the last trade day of the proceeding year with the adjusted close from the last trade day of the given year. For example, the return for 2003 is calculated using the adjusted close of the index on 12/31/2002 and the adjusted close of the index on 12/31/2003.

** The S&P 500® returns shown include dividends. Annual returns were modeled using ticker symbol (^SP500TR).*

** The S&P 500® returns shown are net of assumed management fees. The annual assumed management fee used within the model was 1.12% and is based on a summation of the annual average fee for households with managed assets of $1 million to $1.5 million in 2019 of 1.05% and the average equity index mutual fund average fee of 0.07%.*

The returns for the participation rate crediting method were calculated using the S&P 500® return for a given year, excluding dividends and fees. This was done to mimic how fixed index annuity interest credits are calculated in the real world. These returns were modeled using quotes from ticker symbol (^GSPC). All data used was from Yahoo! Finance.

The annual reset allows for any interest credited on each contract anniversary to be "locked-in" and it can never be taken away due to market decreases. The interest credited is added to the accumulation value of your contract, which then becomes the guaranteed Accumulation Value "floor" that will be included in the calculation of the interest that is credited going forward, subject to any withdrawals and applicable rider fees. The annual reset sets the index starting point each year at the contract anniversary. This reset feature is beneficial when the index experiences a severe downturn during any given year because not only do you not lose accumulation value from the downturn, but the new starting point for future growth calculations is the lower index value.

Although an external index may affect your interest credited, the contract does not directly participate in any equity investments. You are not buying shares in an index. The index value does not include the dividends paid on the equity investments underlying any equity index. These dividends are not reflected in the interest credited to your contract.

Guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company and do not apply to the performance of the index, which will fluctuate with market conditions. Annuities are designed to meet long-term needs of retirement income. Annuity contracts typically require money being left in the annuity for a specified period of time, usually referred to as the surrender charge period. If you fully surrender your annuity contract at any time, guaranteed payments provided for in the contract and/or any rider will typically no longer be in force, and you will receive your contract's cash surrender value. Before purchasing an annuity, read and understand the disclosure document for the early withdrawal charge schedule. The purchase of an annuity is an important financial decision. Talk to your financial professional to learn more about the risks and benefits of annuities.

Guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company and do not apply to the performance of the index, which will fluctuate with market conditions. Annuities are designed to meet long-term needs of retirement income. Early withdrawal charges will apply if money is withdrawn during the early withdrawal charge period.

The S&P 500® is a trademark of Standard & Poor's Financial Services, LLC and its affiliates and for certain fixed index annuity contracts is licensed for use by the insurance company producer, and the related products are not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC or their affiliates, none of which make any representation regarding the advisability of purchasing such a product. WealthVest is not affiliated with, nor does it have a direct business relationship with Standard & Poor's Financial Services, LLC. When you buy a fixed index annuity, you own an insurance contract. You are not buying shares of any stock or index.

Annuity contracts typically require money being left in the annuity for a specified period of time, usually referred to as the surrender charge period. If you fully surrender your annuity contract at any time, guaranteed payments provided for in the contract and/or any rider will typically no longer be in force, and you will receive your contract's cash surrender value.

Although an external index might affect your interest credited, the contract does not directly participate in any equity investments. You are not buying shares in an index. The index value does not include the dividends paid on the equity investments underlying any equity index. These dividends are not reflected in the interest credited to your contract.

Pursuant to The Employee Retirement Income Security Act (ERISA) Prohibited Transaction Exemption 84-24, an agent writing a fixed index annuity contract for a client using qualified funds for which that agent will receive a commission, must provide a Disclosure Statement For Qualified Annuity Purchase to the client that includes disclosure of commissions paid in the first year and commission paid in succeeding contract years (if applicable).

Please note that in order to provide a recommendation to a client about the liquidation of a securities product, including those within an IRA, 401(k), or other retirement plan, to purchase a fixed or variable annuity or for other similar purposes, you must hold the proper securities registration and be currently affiliated with a broker/dealer or registered investment advisor. If you are unsure whether or not the information you are providing to a client represents general guidance or a specific recommendation to liquidate a security, please contact the individual state securities department in the states in which you conduct business.

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