

Creating Retirement Income  
with Fixed Indexed Annuities  
A Detailed Guide



# Introduction

Retirement planning is a journey that evolves with time, and as individuals enter their golden years, preserving assets becomes paramount. When in retirement, it is important to safeguard at least a portion of your nest egg while helping to ensure a steady stream of income. This is where Fixed Indexed Annuities (FIAs) may fit into your retirement income for their financial stability features. FIAs offer a unique blend of guarantees, growth potential, and flexibility, making them potentially valuable for many retirees in post-retirement planning. In this booklet, we will delve into the definition of an FIA and six key benefits they can offer, and how they may help you to enjoy your golden years with greater confidence.

## What is an FIA?

Fixed Indexed Annuities (FIAs) are insurance products that offer a unique combination of guarantees to your principal and the potential for interest growth linked to the performance of underlying market indexes while never being invested in the market itself. Let's delve deeper into what an FIA entails and why it may hold appeal for some retirees.

At its core, an FIA provides principal protection, ensuring that your funds are left intact regardless of market volatility. This means that you can rest assured knowing that your hard-earned savings are shielded from potential losses due to market downturns. In an era marked by economic uncertainty, this principal protection can serve as a cornerstone of your financial foundation, allowing you to navigate retirement with greater financial assurance.



# The 6 Major Benefits of an FIA

## 1. Principal Protection:

At the heart of every retirement plan lies the need for principal protection. You've worked hard to accumulate your savings, and the last thing you want is to see it dwindle due to market volatility. FIAs offer a shield against market downturns by guaranteeing you won't lose your principle or any interest credited regardless of how the market performs. This principal protection can help you to weather financial storms without the fear of losing these hard-earned assets due to market losses.

## 2. Lifetime Income:

One of the greatest concerns of many retirees is outliving your savings. With increasing life expectancy, you need a reliable source of income that will last a lifetime; and Social Security benefits are likely to be insufficient for most retirees. FIAs provide a potential solution through guaranteed lifetime income options. By allocating a portion of your savings into an FIA, you can help secure a steady stream of income that will continue for as long as you live, helping to provide a greater level of financial stability.

## 3. Interest Earnings Credited:

While principal protection and lifetime income are paramount, many people also seek opportunities for growth. FIAs offer the potential for interest earnings credited based on the performance of underlying market indexes each year, subject to limits set by the issuing company. However, unlike traditional investments, FIAs cap the downside risk, ensuring that you never experience principal losses due to market downturns. This unique fea-

ture allows you to benefit from potential market index gains while safeguarding against potential principal losses from the markets.

## 4. Beneficiary Protection:

Retirement planning is not just about securing one's own financial future but also helping to ensure a legacy for loved ones. FIAs allow you to designate beneficiaries who will receive the remaining account value upon your passing. This provides the opportunity to leave a financial legacy for your heirs.

## 5. Spousal Opportunities:

For married couples, retirement planning often involves considerations for both spouses. Some FIAs offer unique spousal opportunities by offering joint ownership options that ensure continued income payments for the surviving spouse. In the event of one spouse's passing, the surviving spouse can seamlessly continue to receive guaranteed lifetime income.

## 6. Flexibility:

In the dynamic landscape of retirement planning, flexibility is key. FIAs offer flexible options allowing you to customize your financial strategy based on your unique needs and goals. Whether you seek to optimize income, protect assets, or leave a legacy for loved ones, FIAs can be tailored to help meet your specific requirements. Additionally, FIAs often come with flexible withdrawal options, giving you access to your funds when needed, potentially without incurring surrender charges.



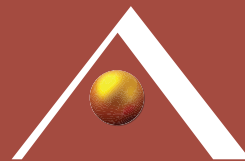
When considering Fixed Indexed Annuities (FIAs) as part of your financial strategy, it's essential to understand several key aspects to make informed decisions. While FIAs offer unique benefits, there are important factors to be aware of:

## Limitations on Interest

While FIAs offer the potential for interest credits growth linked to the performance of underlying market indexes, it's crucial to recognize that these credits are limited. FIAs typically impose caps, spreads or participation rates that govern the extent to which annuity owners can benefit from market index gains. Caps set an upper limit on the interest credited to the annuity, meaning that even if the underlying index performs exceptionally well, the annuity owner's interest growth will be capped at a predetermined rate. Similarly, participation rates determine the percentage of market index gains that will be credited to the annuity, further constraining potential annuity growth. You should carefully review the terms of the FIA to understand how interest is limited and how it may impact their overall financial strategy. The issuing company can (and typically do) change these limits at their discretion due to a number of factors, including market conditions, which affect the annuity's long-term value. FIAs do have surrender penalties making types a long-term retirement income vehicle.

## Participation Rates

Participation rates determine the percentage of market index gains that will be credited to the annuity in interest. For example, if the participation rate is 80%, and the underlying index experiences a 10% gain, the annuity would be credited with 8% (80% of 10%) in interest. Participation rates can vary among FIAs and are determined by the insurance company based on various factors, including market conditions and the annuity's design. You should carefully review participation rates and understand how they impact the potential for growth within the annuity.



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## Conclusion

In the realm of post-retirement planning, Fixed Indexed Annuities (FIAs) may be a valuable addition to your portfolio. With their unique blend of principal protection, lifetime income, interest earnings potential, and flexibility, FIAs can help you prepare for your golden years with greater confidence. By leveraging these six benefits of FIAs—principal protection, lifetime income, interest earnings potential, beneficiary protection, spousal opportunities, and flexibility—retirees can help secure a portion of their assets, create a reliable source of income, and leave a lasting legacy for future generations. As you embark on this new chapter of your life, FIAs may serve as an ally, guiding you toward a confident retirement journey.

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Annuity withdrawals are subject to ordinary income taxes, including an additional 10% IRS penalty before age 59-1/2.

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