

FIXED INDEX ANNUITIES EXPLAINED

Market Upside with Principal Protection

Introduction

Fixed Index Annuities (FIAs) are insurance contracts that offer a unique combination of safety and growth potential. They protect your principal from market downturns while allowing you to participate in market gains. This guide explains how FIAs work and whether they might be right for your retirement strategy.

What is a Fixed Index Annuity?

A Fixed Index Annuity is an insurance contract issued by an insurance company. Your principal is protected (guaranteed by the insurance company), but your returns are linked to the performance of a market index, typically the S&P; 500. You don't own the index directly; instead, the insurance company credits your account based on the index's performance.

Key Features of FIAs

Principal Protection: Your initial investment is guaranteed. If the market declines, you don't lose money.

Participation Rate: You receive a percentage of index gains, typically 60-100%, depending on the product.

Cap Rate: The maximum return you can earn in a given period. For example, a 10% cap means you won't earn more than 10% even if the index gains 15%.

Floor Rate: The minimum return guaranteed, usually 0%. This means you earn at least 0% even if the index declines.

How FIAs Work

1. You invest money (premium) into the annuity contract.
2. The insurance company credits your account based on index performance during the crediting period (usually 1 year or monthly).
3. If the index is up, you earn a percentage of the gains (participation rate).
4. If the index is down, you earn 0% (floor rate), protecting your principal.
5. After the accumulation period, you can take income, annuitize, or access your funds.

Advantages of FIAs

- Principal protection from market downturns
- Participation in market growth
- Guaranteed income options available
- Tax-deferred growth
- No direct market risk
- Suitable for conservative investors seeking growth

Disadvantages & Considerations

- Surrender period (typically 5-10 years) with withdrawal penalties
- Limited liquidity during accumulation phase
- Participation rates may be lower than direct market returns
- Cap rates limit upside potential
- Fees and charges apply
- Complexity requires careful review of contract terms

Optional Riders

Guaranteed Lifetime Income Rider: Provides guaranteed income for life, regardless of market performance or account value.

Death Benefit Rider: Ensures beneficiaries receive at least the initial investment.

Long-Term Care Rider: Provides additional income if you require long-term care services.

Withdrawal Flexibility: Allows penalty-free withdrawals up to a certain percentage annually.

Who Should Consider an FIA?

Fixed Index Annuities may be suitable for:

- Investors concerned about market volatility
- Those seeking guaranteed income in retirement
- People who want principal protection
- Individuals with a 10+ year investment horizon
- Small business owners planning for retirement
- Those nearing or in retirement who want to reduce risk

FIA vs. Other Investments

Feature	FIA	Stock Market	Fixed Annuity
Principal Protection	Yes	No	Yes
Market Upside	Partial	Yes	No
Guaranteed Income	Optional	No	Yes
Liquidity	Limited	High	Limited
Fees	Moderate	Varies	Low

Conclusion

Fixed Index Annuities can be a valuable tool for retirement planning, offering a balance between safety and growth. However, they're not right for everyone. It's important to carefully review the contract terms, understand the fees and charges, and consider your personal financial situation and goals before investing.

This guide is for educational purposes only and does not constitute financial advice. Please consult with a qualified financial advisor for personalized recommendations. Document prepared by Goldstein & Co. LLC on December 18, 2025.