

# Leveraging Annuities During Market Uncertainty



by Kim Beil  
Vice President, Head of Insured and Cash Solutions

ASSET PROTECTION

MARKET VOLATILITY

During economic uncertainty and market instability, annuities can be a powerful tool for securing your investments and financial future—offering asset protection, tax deferral, guaranteed income, and peace of mind.



Annuities have always played a role in retirement planning, but increasingly, they have become a valuable tool in buffering market volatility. There are many different types of annuities, and they won't all offer identical benefits or protections, so it is essential to understand which types can assist you in accomplishing your goals.

**Below is a summary of the four types of annuities that have the potential to be enhanced with riders.**

- 1. Fixed Annuities:** With a fixed annuity, the insurance company guarantees a fixed interest rate for a specified period. This type of annuity provides a predictable stream of income and is ideal if you seek stability in your investments.
- 2. Fixed Index Annuities:** Interest credited to a fixed indexed annuity is linked to the performance of a stock market index; however, your participation in any gain experienced by the index will be limited to the percentage of the gain set by the insurance company. This limits your upside potential, while the insurance company helps to protect your principal in negative markets through a minimum guaranteed contract value.
- 3. Registered Index-Linked Annuities (RILA):** The performance of a RILA annuity is linked to the performance of a market index; however, your participation in any gain experienced by the index will be limited to the percentage of the gain set by the insurance company. This limits your upside potential, while the insurance company helps to protect your annuity value from market volatility. This protection from market volatility is limited and will not prevent your annuity from losing value.
- 4. Variable Annuities:** Variable annuities allow you to invest in a selection of sub-accounts, similar to mutual funds. The returns on a variable annuity are not fixed and depend on the performance of the chosen investments. While they offer the potential for higher returns, they also come with greater risk.

## Annuity Comparison Chart

	<b>Fixed Annuity:</b> Guaranteed Rate of Return	<b>Fixed Index Annuity:</b> Avoid Downside Exposure	<b>Registered Index-Linked Annuity:</b> A Portion of Downside Protection	<b>Variable Annuity:</b> No Downside Protection/100% Market Exposure
<b>Tax Deferred Gains</b>	Yes	Yes	Yes	Yes
<b>Market Exposure</b>	None	None	Yes	Yes
<b>Downside Protection</b>	Yes	Yes	Some	No
<b>Risk/Reward</b>	Principal Protection	Principal Protection	Partial Downside Protection	Greatest Exposure to Market Risk
<b>Return Potential</b>	Fixed Rate Growth	Partial Upside Capture	Partial Upside Capture	Highest Return Potential

### Benefits of Annuities During Times of Market Volatility

**Asset Protection:** Fixed annuities, in particular, offer protection against market downturns. Since the interest rate is fixed, your principal is shielded from market volatility. This can be especially reassuring during economic crises when stock markets may experience significant declines.

**Investment Growth:** A fixed annuity can provide a fixed growth rate on an annual basis for a predetermined number of years. A fixed annuity eliminates market exposure in exchange for the fixed interest rate determined by an insurance carrier.

**Guaranteed Income:** One of the most significant advantages of annuities is the guarantee of a regular income stream. In a volatile market where the value of traditional investments like stocks and bonds can fluctuate dramatically, knowing that you'll receive a predetermined amount on a regular basis can provide peace of mind. Additionally, many annuities offer the option of guaranteed lifetime income, ensuring income for life.

**Tax Deferral:** Annuities offer tax advantages, such as tax-deferred growth. This means you won't pay taxes on your earnings until you start receiving payments, potentially allowing your investments to grow faster over time.

**Peace of Mind:** In a volatile market, emotional stress and anxiety can lead to impulsive financial decisions. Annuities provide a sense of security and stability, reducing the temptation to make rash choices during turbulent times.

While annuities are popular tools if you are looking for protection as well as growth potential—they are not for everyone. Due to their complexity, it is important to consult with your Financial Advisor for assistance in deciding on

the appropriate annuity based on your financial goals and investment preferences.

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