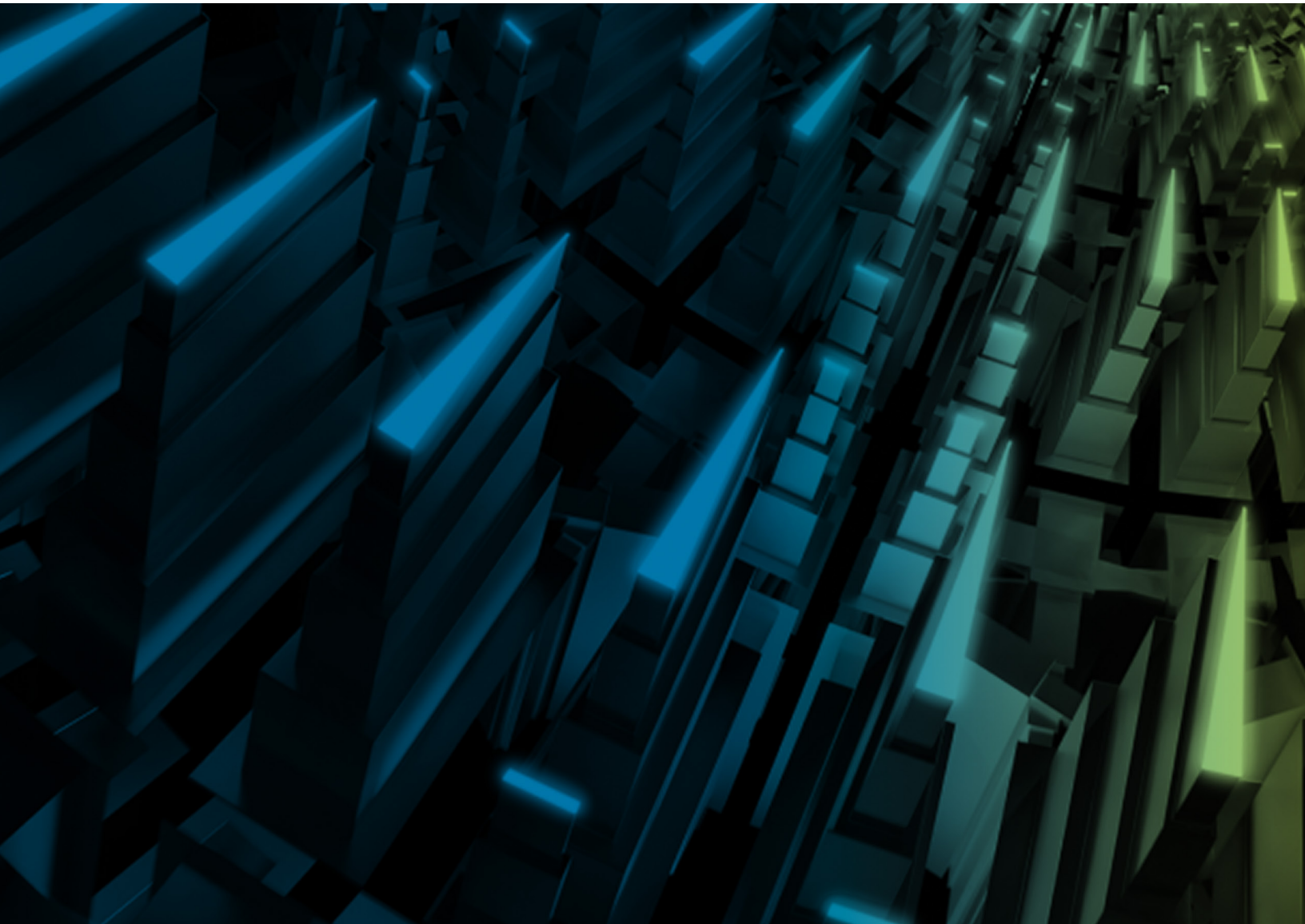


Annuity Fast Facts: Structured Annuities

August 2023

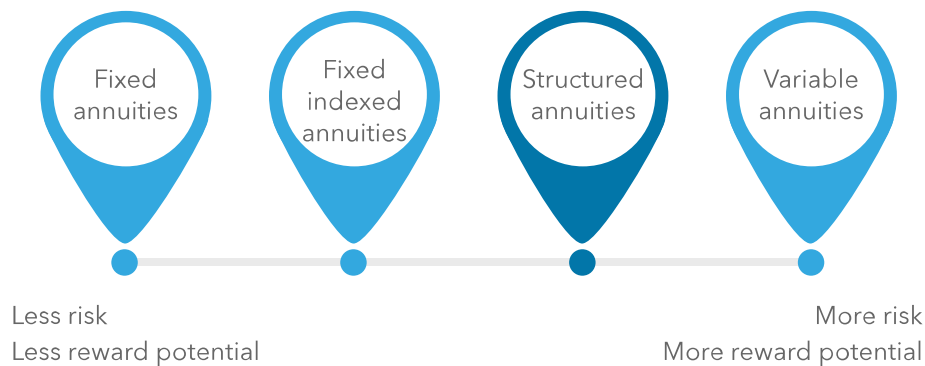


Annuity fast facts

This profile of structured annuities is one in a series created to increase awareness of annuities by providing market color, friendly tips, and interesting stats at a glance.

A deferred annuity is a long-term, tax-deferred investment issued by an insurance company and purchased through a qualified professional.

There are four main types:



Structured annuities

Structured annuities offer some potential for market growth with reduced downside risk.

Market color

After bottoming in March 2009, the S&P 500 climbed more than 550% and sat at record highs at the end of 2021.¹ 2022 brought new challenges for the equity market though. Market uncertainty creates an understandable desire to find a way to participate in any future increases in the market, while protecting against future downturns.

With structured annuities, investors choose a strategy that provides a level of upside potential and downside protection over a specified term, called the crediting period. Note, however, that greater protection comes with less upside potential.

Sound a bit like structured notes? Sure enough, insurance companies began developing structured annuities back in 2010 after seeing the success of structured notes, which provided a degree of market upside with reduced downside risk.

Customize structure

Each structured annuity allows an investor to customize based on four factors:

1. **Reference index:** The index on which the returns are based
2. **Crediting period:** A period of time used to calculate the interest based on the crediting strategy
3. **Downside protection:** The amount and form of protection against a drop in the reference index
4. **Upside participation:** The rate and method used to calculate interest

Tax fact: Keep more to earn more

Investors have the flexibility to choose a crediting period as short as one year. As long as they renew into a new crediting period within the same contract, interest in the contract grows tax deferred. Thereby, annual savings stay in the account to earn interest and grow savings faster until funds are withdrawn.

Market trend

Structured annuities were a mere footnote in the annuity industry just five short years ago. Today, they are a fast-growing segment in the market, as baby boomers move into retirement with a desire to protect a portion of their portfolio from market reversals.

Tech tip

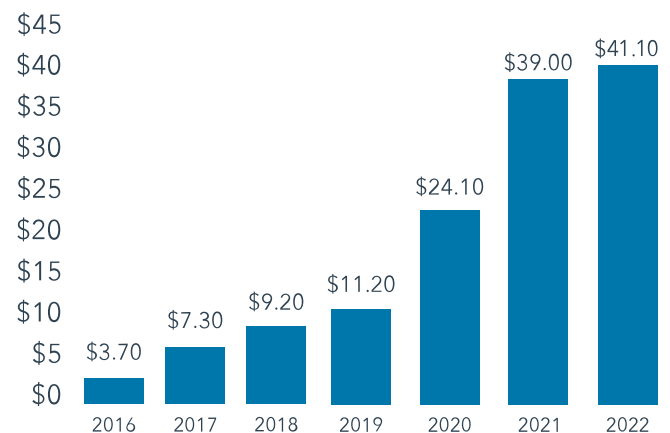
Growing choice in this market can lead to complex allocation decisions—fortunately, digital tools and analytics exist today to help make a challenging decision process more straightforward.

Know that structured annuities:

- Are complex and subject to risk, including the potential for significant losses.
- Have renewal terms that are subject to change from crediting period to crediting period, at the carrier's discretion.

- Are not FDIC insured and any guarantees under a structured annuity contract are backed by the issuing insurance company and subject to its claims paying ability.
- Are considered a long-term investment, typically carrying penalties (such as a surrender charge) if money is withdrawn during the stated surrender period.
- Come with an additional 10% federal tax penalty for withdrawals prior to age 59½.

Structured annuities sales (\$billions)²



Working with a professional, an investor can then narrow in on a structured annuity that provides a personalized balance between risk and reward—a balance that can be adjusted over time as needs and objectives evolve.

As always, investors should consult with a financial professional on which annuity products and features best fit their needs.

ENDNOTES

1. [Bloomberg](#), SPX performance as measured March 9, 2009 low of 676 to Dec. 31, 2021 closing level of 4,778.
 2. [Secure Retirement Institute: Record Annuity Sales in 2022 Expected to Continue Into First Quarter 2023](#), LIMRA, March 8, 2023.
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