



Guarantee Gains

Tax Deferred Fixed Annuities

MYGA | SPIA | FIA



Simple And Guaranteed Approach To Savings! The Risk Averse Saver Is Our Type Of Client Too!

By: Jeff Affronti

There is a segment of the population that is extremely risk averse, not at all greed driven when it comes to their financial savings. These people are most interested in security over return, guarantees over assumptions. These are the type of clients I have seen migrate from large institutional banks, savings accounts and CDs, to large insurance carriers fixed annuities. Historically, more in MYGA products that most resemble a CD in structure. The reason being MYGA's offer a clear rate for a set time. The clients know exactly what the final walk away yield and value will be from day one. A satisfied client and very often repeat client as rollovers and transfers to new MYGA's are common.

Conservative by nature and heavily interested in the guarantees, these clients have seen rates consistently drop over the last 9+ years. Compounding the issue, many top carriers that offered straightforward walk away MYGA, FIA and SPIA products have disappeared. Now, often overlooked, the simplicity of vintage fixed annuities are still a great fit for these clients and the agents who want to offer a client oriented, simple, easy to understand and guaranteed insurance option.

What is a vintage fixed annuity? I consider a vintage fixed annuity as a product designed before the rise of fee based riders. These are the products marketed based on guaranteed accumulation rates, annuitization rates illustrated on a guaranteed/current basis and transparent guaranteed minimum walk away yield. Other features in this vintage approach include:

- Strong minimum guaranteed interest rates (gains guaranteed)
- Bailout options if rates fall below reasonable rate
- Competitive initial base rates and caps
- No Market Value Adjustment added to surrender
- Shorter Surrender Periods 3-8 years
- Strong carrier ratings and higher surplus
- Simple crediting methods and terminology
- Focuses on the merits "steak" not the feel good "sizzle"
- Minimum principal + interest return at end of term/death

Compare these fixed annuity types when offering guaranteed accumulation or income options.

MYGA - Multi Year Guarantee Annuity (Accumulation)

A MYGA guarantees a fixed rate for a set period of time. The surrender period and the guaranteed rate period match in a MYGA. Be aware of the end of term options. The friendliest MYGA's do NOT reset surrender charges after the guarantee period. Instead the product will simply continue to accumulate with a 0% surrender charge thereafter.

FIA Fixed Indexed Annuities (Accumulation)

The original FIA's were designed to offer a shot at higher than current fixed accumulation rates by allowing the client to participate in an index without the downside risk. Combined

with the an annual ratchet that locks in gains, the FIA is a great option for the risk averse saver. The point to point annual reset cap option is one of the simplest and aggressive crediting method. This method is the fastest way to hit the cap as there is no averaging, just a straight look at the increase over the policy year. Look for the highest cap with a minimum cap or "bail out" that is close to the initial cap rate.

SPIA Single Premium Immediate Annuity (Income)

Immediate income needs can be insured using a SPIA. Clients looking to maximize lifetime income can get the most income using a SPIA. The combination of principal and interest being returned is how the SPIA maximizes income while offering a potential tax exclusion as well. If a client is looking for income in the next 36 month a SPIA calculation should be shown as it may kick off the most income and can offer 20+ years of beneficiary guarantees. Most fee based income riders are being triggered sooner than later, it would appear the SPIA is being underutilized in a big way in that case. If maximizing immediate income for the client is the goal the SPIA is often the champion!



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Jeff Affronti

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