

# Preparing for Retirement Transitions

Protecting, building and generating income



Retirement Strategies



**AMERICAN EQUITY**  
INVESTMENT LIFE INSURANCE COMPANY®

# Benefits of a Fixed Index Annuity

In the past, planning for retirement meant saving for retirement. While saving is still an important part of the equation, it's not the only part. Today's retirees can expect to spend a quarter of their life in retirement.<sup>1</sup> As a result, the demand for accumulation opportunities to grow retirement funds has increased.

As more Americans retire every day, many are looking for options that protect the assets they've worked hard to achieve while also growing their income potential.

A **fixed index annuity** can provide clients a powerful combination of benefits that work in concert to deliver protection and growth opportunities. With options like diverse index-linked allocations and locked-in interest growth, these products offer you the opportunity to grow your assets for guaranteed income through retirement.

# Retirement Income Goals

Matching fixed index annuity benefits with concerns to help meet goals



## GOAL: PROTECT NEST-EGG

**Concern:** For 71% of pre-retirees, protecting hard-earned dollars is the top retirement goal.<sup>2</sup> As the transition from retirement saving to retirement income nears, the importance of protecting assets from market instability increases. An inopportune downturn can be a significant setback to the day you retire and your retirement funds.

**Benefit:** As an insurance product, money used to purchase a fixed index annuity is not directly invested in an index or stock. This allows for complete principal protection from volatility. The contract value will never decrease due to index volatility.



## GOAL: GROW PORTFOLIO

**Concern:** Today's pre-retirees and retirees are living longer. As a result, we spend more time and money in retirement. While retirees' portfolios may be more risk averse than in the past, they may still benefit from growth opportunities that can help build assets to last through retirement.

**Benefit:** Portioning a part of your portfolio into a fixed index annuity opens those funds to a variety of growth opportunities. Funds are able to grow tax-deferred until income is withdrawn. That allows for faster growth than taxable funds and helps shore up retirement reserves. The contract value may earn interest through a guaranteed fixed rate, as well as credited increases from an underlying index, like the S&P 500<sup>®</sup>. Any growth credited to the contract value is locked in and cannot be lost due to volatility.



## GOAL: MANAGE RISKS

**Concern:** Retirement comes with unknowns. To name a few: longevity, market volatility, medical costs. Any, or all, of these can put retirement income at risk. The fact that there is no predicting the future only makes the value of managing its risks all the more important.

**Benefit:** Diversifying your assets can help balance risk factors. Fixed index annuity contract owners have the choice to allocate funds to different fixed and index-linked crediting strategies. Leveraging the strengths of different strategies can help deliver stability and growth opportunities. Additionally, an optional lifetime income benefit rider<sup>3</sup> may be added to the fixed index annuity to help generate lifetime income through reliable payments and enhanced payments.



## GOAL: GUARANTEED CASH FLOW

**Concern:** Shifting from a paycheck to relying on your retirement portfolio can be intimidating. Even though a lot of time and energy goes into long-term budgeting for retirement expenses, access to cash can go a long way in covering the day-to-day or a rainy day.

**Benefit:** The fixed index annuity design offers nest-egg protection for long-term income, as well as liquidity options. In addition to an annual withdrawal of up to 10% of the contract value, the annuity contract owner is able to secure guaranteed income through scheduled payment installments in the years ahead. Electing an income rider can bring added flexibility to turn payments off and on.

# Seeing How It Fits

Know your stable money options

A comprehensive retirement strategy can rely on a number of stable money products. To understand where a fixed index annuity fits with other traditional products, compare benefits across various vehicles with less exposure to volatility.

**Fixed Index Annuity (FIA)** – An insurance contract that earns interest based on the benchmark performance of an underlying index, such as the S&P 500®.

**Certificate of Deposit (CD)** – A savings account with a fixed rate of return for a fixed amount of time or rate of return that fluctuates with the movements of an index, such as the S&P 500®.

**Mutual Funds** – Invests in a variety of markets or securities to reach a stated objective with shares redeemable at Net Asset Value.

**Bonds** – Debt issued by financial institutions whose returns are based on, among other things, interest rates.

Benefits	FIA	CD	Mutual Funds	Bonds
Tax Deferred Interest Accumulation	✓	✗	✗	✗
Growth Potential	✓	✓	✓	✓
Flexible Premium	✓	✗	✓	✗
Penalty-Free Withdrawal Available	✓	✗	✓	✓
Principal Protection from Volatility	✓	✓	✗	✗
Immediate Liquidity	✗	✗	✓	✓
No-Fee Nursing Care and Terminal Illness Rider	✓	✗	✗	✗
Multiple Allocation Options	✓	✗	✓	✓
Lifetime Income Options	✓	✗	✗	✗
Variety of Terms Available	✓	✓	✗	✗
FDIC Insured	✗	✓	✗	✗

# Who It Can Work For\*

Retirement income planning is unique to each individual and should be designed according to their goals.



## ALAN

**Age:** 55  
**Retirement Phase:** Pre-retiree  
**Top Concerns:** Market impacts to retirement funds  
**Top Goal:** Protect a portion of his portfolio from market volatility and loss

### Why an FIA

Alan was just starting to plan for his retirement when a financial crisis hit. While it did not have a huge impact on his portfolio then, he saw co-workers forced to push back their retirement plans as the nation's 401(k) and IRAs lost trillions in the last quarters of 2008. So, as he approaches retirement, he wants to ensure that a portion of his portfolio will not be directly invested in stocks or bonds.

The fixed index annuity design provides principal protection from index volatility, while also giving him the opportunity to participate in potential increases. By choosing a guaranteed option such as an FIA, he knows that any increases are locked in when credited and will be there for him when he chooses to draw income.



## LINDA

**Age:** 67  
**Retirement Phase:** Recent retiree  
**Top Concern:** Current tax situation  
**Top Goals:** Flexibility to draw income now or later

### Why an FIA

As Linda transitions from saving for retirement to retirement income, she wants a more conservative option that could help her dollars continue to work for her in retirement while also having access to her money. By placing a portion of her portfolio in a fixed index annuity, her money is able to grow tax-deferred up to when she draws an income. Plus, she is able to withdraw up to 10% of her contract value annually prior to income payments starting.

To ensure she receives lifetime income payments that she can start and stop, she elects to add a lifetime income benefit rider to her fixed index annuity.

\*These are hypothetical examples shown for illustrative purposes only and should not be considered advice or a recommendation.

# Demonstrating How It Works

Providing accessibility and flexibility

There are a variety of reasons why a client may choose a fixed index annuity for their retirement income planning goals.

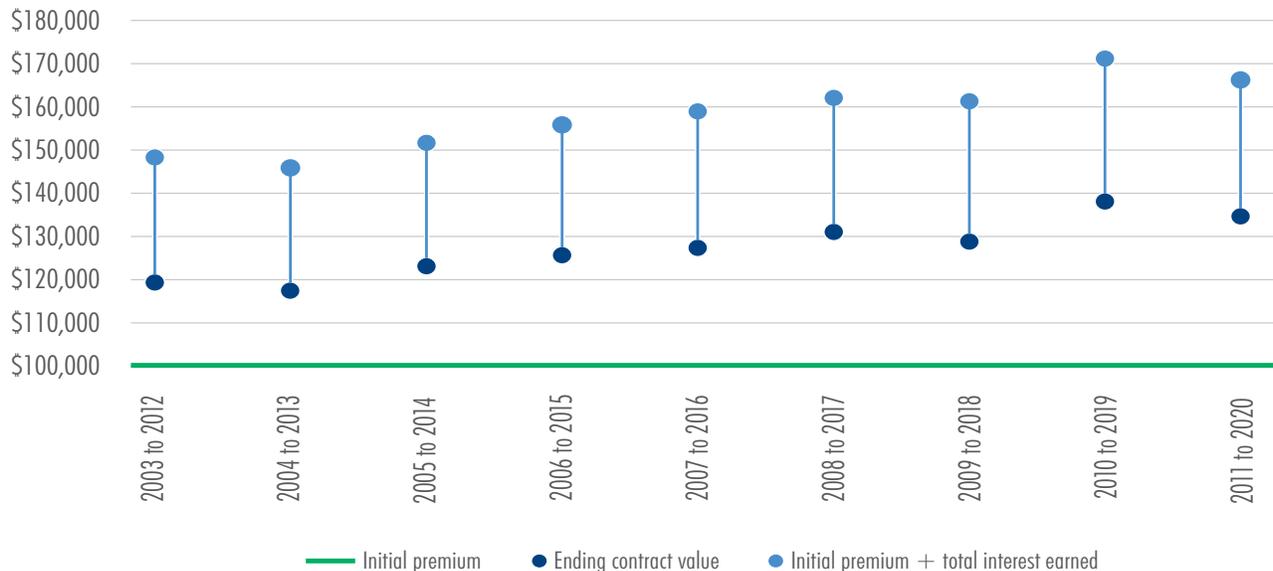
## ACCESS AND STABILITY

Two key benefits are access options and the stability of principal protection. After the first contract anniversary, a contract owner can make annual free withdrawals of up to 10% of the contract value, while their principal remains protected from index decreases. To demonstrate the strength of these benefits overtime, we look at the actual CS Tech Edge Daily Risk Control 5% Excess Return Index performance over 10-year historical rolling time frames, with a \$100,000 initial premium.

Annual Withdrawal Percentage	Crediting Strategy	Rolling Period Time Frames
3%	Annual Point to Point with 85% participation rate <sup>4</sup>	2003-2020

Allowing for 3% annual withdrawal, the contract value stayed above principal 12 of 12 rolling time periods.

### Access funds and still secure a legacy



Initial Premium	Average Withdrawn*	Average Ending Contract Value
\$100,000	\$30,603	\$127,520

\*Average withdrawn is determined by 3% withdrawn across all 10-year historical rolling time frames represented from 2010-2020.

# Demonstrating How It Works

## Accumulation and distribution

A fixed index annuity also provides ongoing growth potential. Diverse allocation options, linked to an underlying index, give contract owners the opportunity to build up retirement reserves for when they choose to draw income. To demonstrate, let's look at the accumulation and distribution stages for a hypothetical fixed index annuity, purchased at age 55 with an initial premium of \$100,000.

Annual Withdrawal Amount	Crediting Strategy	Accumulation Time Frame
\$10,000	BofA Destinations Index™ Annual PT to PT with 85% participation rate <sup>5</sup>	2011-2020

Actual and back tested Index performance from 2010-2020 was repeated for contract years 1-10, 11-20 and 21-30. Actual interest credited will vary.

### GROW YOUR RETIREMENT FUNDS

#### Client Age: 55-65

After letting their initial premium of \$100,000 grow for 10 years, the contract value is \$177,676.

### WITHDRAWAL OPTIONS IF YOU NEED IT

#### Client Age: 65-70

At 65, the client starts accessing money, withdrawing \$10,000 annually for the next five years, totaling \$50,000 in distributions and an ending contract value of \$176,971.

#### Client Age: 70-75

Through their early 70s, the client continues to withdraw \$10,000 annually for a total distribution of \$50,000 over the last five years and an ending contract value of \$175,410.

#### Client Age: 75-80

At 75, the client has continued to withdraw \$10,000 annually, for a total distribution of \$150,000 from an initial premium of \$100,000 and ending contract value of \$173,964.

#### Client Age: 80-85

At 80, the client has continued to withdraw \$10,000 annually, for a total distribution of \$200,000 from an initial premium of \$100,000 and ending contract value of \$171,383.

Contract Year	Withdrawal	Total Contract Value
11	\$10,000	\$178,911
12	\$10,000	\$178,589
13	\$10,000	\$178,907
14	\$10,000	\$182,419
15	\$10,000	\$176,971
16	\$10,000	\$168,858
17	\$10,000	\$174,061
18	\$10,000	\$166,325
19	\$10,000	\$170,941
20	\$10,000	\$175,410
21	\$10,000	\$176,492
22	\$10,000	\$176,032
23	\$10,000	\$176,194
24	\$10,000	\$179,489
25	\$10,000	\$173,964
26	\$10,000	\$165,816
27	\$10,000	\$170,728
28	\$10,000	\$162,946
29	\$10,000	\$167,246
30	\$10,000	\$171,383

### LEAVE A LEGACY

Initial Premium	Total Withdrawals	Ending Contract Value
\$100,000	\$200,000	\$171,383

# American Equity

## Commitment to Values

### Service

Our contract owners are why we are here, and we do our best to provide service, second to none, every day.

### Integrity

Our values of honesty, fairness and truthfulness have been central to our past success and will continue to be for generations to come.

### Excellence

Our dedication to going above and beyond in every facet of our business has established us as a top-tier fixed index annuity provider.

### Protection

Our products provide assurance for contract owners that they can trust their principal is protected and their income is guaranteed for life.

For additional resources and blogs, visit [www.american-equity.com](http://www.american-equity.com)



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Rates are set at issue and subject to change.

Possible interest credits for money allocated to an index-linked crediting strategy are based upon performance of the specific index; however, fixed index annuities are not an investment, but an insurance product, and do not directly invest in the stock market or the index itself.

<sup>1</sup> Source: Social Security Benefit. Life Expectancy of 85.25 for American turning 65 year old in 2019.

<sup>2</sup> Source: IALC, Retirement Readiness, 2017.

<sup>3</sup> Provisions of the Lifetime Income Benefit Rider, such as Income Account Value Accumulation Rates, (and IAV multiplier) may change prior to issue. Income Account Value is only used to calculate Lifetime Income. It is not part of the underlying Contract Value, or available in a lump sum. Available for issue ages [50 to 80.] Rider fee is calculated based on the income account value and deducted from the contract value on each contract anniversary as long as the rider is attached to the contract.

<sup>4</sup> Index launch date: January 14, 2021. All information for an index prior to its launch date is back-tested, based on the methodology that was in effect on the launch date. Back-tested performance, which is hypothetical and not actual performance, is subject to inherent limitations because it reflects application of an index methodology and selection of index constituents in hindsight. No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from, and be lower than, back-tested returns.

<sup>5</sup> The BofA Destinations Index™ (BOFADST5) was created on 4-June-2020. Levels for the Index before 4-June-2020 represent hypothetical data determined by retroactive application of a backtested model, itself designed with the benefit of hindsight. Past performance is not indicative of future performance. Actual performance will vary, perhaps materially, from the performance set forth herein.

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