AN EDUCATIONAL GUIDE

THE VALUE OF A PARTICIPATION RATE

Many Americans are looking for market participation and principal guarantees; a fixed index annuity using a participation rate strategy may be the perfect fit.

// HOW FIXED INDEX ANNUITIES PERFORM THIS CENTURY.

![Graph showing the performance of fixed index annuities from 1999 to 2019.](image)

// 20-YEAR PERFORMANCE - CREDITING METHODS COMPARED

When comparing popular fixed index annuity crediting methods over the last 20 years, the results are clear: A participation rate strategy can provide significant consumer value when compared to crediting methods using caps or fixed returns. The table below shows the cap or fixed rate needed to match the performance of a participation rate since 2000.

Since 2000, a 40% participation rate yielded the same return as a 6.74% cap and a 4.12% fixed rate.

![Chart showing the comparison of participation rate, cap rate, and fixed rate for different participation rates.](image)

To match the performance of a 40% participation rate since 2000, either an 6.74% cap rate or 4.12% fixed rate would be needed.

FIXED INDEX ANNUITY (FIA):

A fixed index annuity (FIA) is a tax-deferred, long-term retirement savings vehicle issued by an insurance company. FIAs are designed to meet long-term needs for retirement income. While product and feature availability may vary by insurance carrier and state, in general, FIAs provide guarantees of premiums (backed by the financial strength and claims-paying ability of the issuing company), credited interest (subject to surrender charges), and a death benefit for beneficiaries. Any distributions may be subject to ordinary income taxes and if taken prior to age 59 1/2, an additional 10% federal tax. Early withdrawals may result in loss of the premium and credited interest due to surrender charges.
These hypothetical examples are intended to illustrate how index fluctuations might affect your contract values based on the selected crediting methods. It is not intended to show past or future results. The hypothetical products were purchased on 12/31/1999 and the initial FIA premium and hypothetical investment was $100,000. The depiction assumes no withdrawals or additional premiums added during the 20-year period ending 12/31/2020. Index returns for a given year have been calculated by comparing the adjusted close from the last trade of the proceeding year with the adjusted close from the last trade day of the given year. For example, the return for 2003 is calculated using the adjusted close of the index on 12/31/2002 and the adjusted close of the index on 12/31/2003.

* The S&P 500® returns shown include dividends. Annual returns were modeled using ticker symbol (^SP500TR).

* The S&P 500® returns shown are net of assumed management fees. The annual assumed management fee used within the model was 1.12% and is based on a summation of the annual average fee for households with managed assets of $1 million to $1.5 million in 2019 of 1.05% and the average equity index mutual fund average fee of 0.07%.

The returns for the participation rate and cap rate crediting methods were calculated using the S&P 500® return for a given year, excluding dividends and fees. This was done to mimic how fixed index annuity interest credits are calculated in the real world. These returns were modeled using quotes from ticker symbol (^GSPC). All data used was from Yahoo! Finance.

The S&P 500® is a trademark of Standard & Poor's Financial Services, LLC and its affiliates and for certain fixed index annuity contracts is licensed for use by the insurance company producer, and the related products are not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC or their affiliates, none of which make any representation regarding the advisability of purchasing such a product. WealthVest is not affiliated with, nor does it have a direct business relationship with Standard & Poors Financial Services, LLC. When you buy a fixed index annuity, you own an insurance contract. You are not buying shares of any stock or index.

This is not a comprehensive overview of all the relevant features and benefits of fixed index annuities. Before making a decision to purchase a particular product be sure to review all of the material details about the product and discuss the suitability of the product for your financial planning purposes with a qualified financial professional.

The annual reset allows for any interest credited on each contract anniversary to be “locked-in” and it can never be taken away due to market decreases. The interest credited is added to the accumulation value of your contract, which then becomes the guaranteed Accumulation Value “floor” that will be included in the calculation of the interest that is credited going forward, subject to any withdrawals and applicable rider fees. The annual reset sets the index starting point each year at the contract anniversary. This reset feature is beneficial when the index experiences a severe downturn during any given year because not only do you not lose accumulation value from the downturn, but the new starting point for future growth calculations is the lower index value.

Although an external index may affect your interest credited, the contract does not directly participate in any equity investments. You are not buying shares in an index. The index value does not include the dividends paid on the equity investments underlying any equity index. These dividends are not reflected in the interest credited to your contract.

 Guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company and do not apply to the performance of the index, which will fluctuate with market conditions. Annuities are designed to meet long-term needs of retirement income. Annuity contracts typically require money being left in the annuity for a specified period of time, usually referred to as the surrender charge period. If you fully surrender your annuity contract at any time, guaranteed payments provided for in the contract and/or any rider will typically no longer be in force, and you will receive your contract’s cash surrender value. Before purchasing an annuity, read and understand the disclosure document for the early withdrawal charge schedule. The purchase of an annuity is an important financial decision. Talk to your financial professional to learn more about the risks and benefits of annuities.