

Report on Fixed Indexed Annuities

BILL McCARTHY & ASSOCIATES
P.O. BOX 1075
HUDSON, OHIO 44236
(330) 656-5580

Since their debut in 1995 Fixed Indexed Annuities (FIAs) have presented an ingenious opportunity, combining the guarantees of traditional annuities with the opportunity to get stock market-like gains. They are ideal for the retiring investor who wants competitive gains without exposure to loss.

Stable growth without exposure to market declines

Tax deferred growth just like IRAs, 401(k)s, 403(b)s and similar accounts

Not subject to Probate in the event of untimely death

Withdrawals up to 10% per year without penalties

Transferable from CDs, mutual funds, brokerage accounts and more

Tax-free transfers from IRAs, 401(k), 403(b) and similar accounts

NO sales charges or commissions

Why doesn't it ever lose money?

Indexed Annuities are a special kind of annuity designed for growth, tax deferral and retirement income. They are distinct from traditional annuities, which are contracts wherein you deposit money as either in a lump sum (like a company buy out) or deposits over time usually during your working career. With traditional annuities the insurance company invests your money for you and when you are ready to start taking it out you get your money back with interest. The big feature of most annuities is that they will continue to pay you even after you have received all your money back.

Indexed Annuities are different, they are investment vehicles. They have all the features of traditional annuities but they also give you the opportunity to share in the gains of the stock market-- without taking any of the stock market losses! The way they work is that the insurance company buys options in your behalf. If the market goes up and the options grow, they credit your account with most of the gains. If the market goes down, the options expire but no losses are taken from your account.

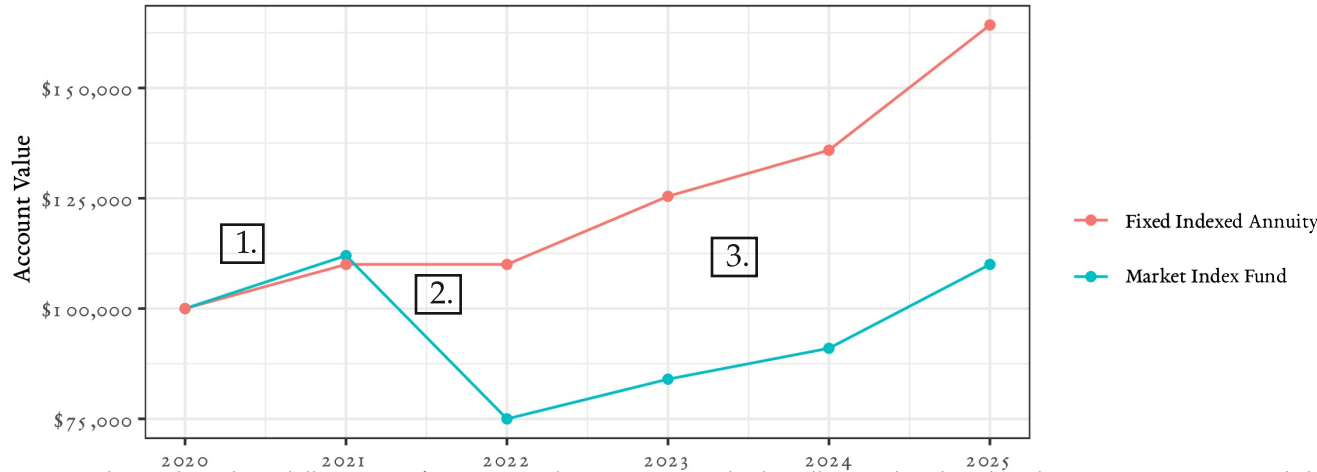
In this report learn:

- Why doesn't it ever lose money?
- What do the returns look like?
- Is this the same thing as buying a CD?
- What are the management fees?
- Is it really impossible to lose money?
- How can I learn more?

What do returns look like over time?

Over the history of the stock market it has been a pretty safe assumption that in the long run returns will be positive. However, if you're looking to retire before the long run short term declines can be a big hurdle. Let's look the impact of a downturn on an imaginary market index fund and a related Fixed Indexed Annuity:

Annual Returns, Hypothetical Market Index vs. Fixed Indexed Annuity



This is a hypothetical illustration of an annuity. The non-guaranteed values illustrated are based on the current non-guaranteed elements.

1. In an up market, both the index and FIA grow.
2. During a down period, the insurance company behind the FIA protects against loss.
3. With no losses, the FIAs have more principal working for you.

Which account would you rather have? Although there's only a downturn in one period it takes years to just get back ahead of where we started. The FIA grows when the market grows, but since it didn't take the same hit during the downturn it ends up way ahead. **You don't have to win all the time, you just need to not lose!**

Year	Market Index	Market Index Change	Market Value	FIA Change	FIA Value
2021	112	12.00%	\$112,000.00	12.00%	\$112,000.00
2022	75	-33.00%	\$75,000.00	0.00%	\$112,000.00
2023	84	12.00%	\$84,000.00	12.00%	\$125,440.00
2024	91	8.00%	\$91,000.00	8.00%	\$135,893.33
2025	110	21.00%	\$110,000.00	21.00%	\$164,266.67

This is a hypothetical illustration of an annuity. The non-guaranteed values illustrated are based on the current non-guaranteed elements.

Is this the same thing as buying a CD?

Not at all. A CD ("Certificate of Deposit") is a banking vehicle in which a fixed amount of money is invested for a contract term, and at the end of the term a pre-specified return is earned.

Indexed Annuities have a lot of advantages compared to CDs:

Fixed Indexed Annuity	Certificate of Deposit (CD)
Guaranteed minimum return (1-2%) or market gains, whichever is greater	Flat rate of return, generally below 1%
Taxes on gains paid at time of disbursement, like 401(k) or IRA	Taxes paid same year as interest, as with bank accounts
Partial withdrawals at any time after the first year	Only withdraw at end of term
Only available through financial professionals	Only available through banks

What are the management fees?

There are no sales charges, no commissions, no fees. 100% of your money goes into your account, generating your returns. The issuing company pays sales commissions on each FIA, which means no extra charges to you and no ongoing "under management" fees.

Sales commissions are paid out of the insurance company's general fund and are not deducted from your account.

Is it really impossible to lose money?

Although FIAs are very safe investments, misuse or violation of contract terms can result in penalties. The details vary between contracts, but such circumstances can include

- Early non-exempt withdrawals before age 59 ½ (similar to 401(k), IRA)
- Surrender charges for withdrawing more from the principal than the contract allows (often more than 10% in a single year).

How can I learn more?

There are literally hundreds of indexed annuities with different characteristics and it's our job to help you find the right solution for you and your circumstances.

Contact us to schedule a free consultation to discuss your retirement priorities and find the right solutions to make the most of your savings.

Bill McCarthy & Associates
P.O. Box 1075 Hudson, OH 44236
(330) 656-5580
bill@mccarthyandassociates.com

More Information

Updated Investor Bulletin: Indexed Annuities

Securities and Exchange Commission

https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_indexedannuities

Real World Index Annuity Returns

David Babbel et al, The Wharton School

<https://mortachfinancial.com/wp-content/uploads/2019/05/Wharton-Study.pdf>

The Complicated Risks and Rewards of Indexed Annuities

FINRA, The Financial Industry Regulatory Authority

<https://www.finra.org/investors/insights/complicated-risks-and-rewards-indexed-annuities>

About Bill McCarthy

Bill has served Northeast Ohio as a Registered Investment Advisor for more than twenty years, during which time he has guided many seniors and their families through the often-confusing investment landscape.

Representing a multitude of different firms offering a variety of Indexed Annuities, Bill has proudly sold hundreds of FIAs since their debut in 1995, earning their owners returns without losing a cent.