

# Positioning the Strategy PLUS Indexed Annuity

American National introduced the ANICO Strategy PLUS 7 & 10 Indexed Annuities in 2013, offering multiple index crediting strategies and two lifetime income rider options in two products. The question begged is where and how should these products be positioned in a market flooded with products ranging from fixed to variable?



**"younger customers looking to increase their assets..."**

**"...to seasoned customers looking for conservative accumulation and protection"**



The ASIA PLUS products offer a unique blend of interest crediting options based upon the performance of the S&P 500® Index which may make this an appropriate product for younger customers looking to increase their assets to seasoned customers looking for conservative accumulation and protection of principal while still having the opportunity to earn a higher

interest rate than those provided with a traditional fixed annuity. The flexibility of these ANICO products makes them natural alternatives to other types of annuities.

**For Agents that are also Registered Representatives, position these products as a more conservative product than Variable Annuities**

Companies that build variable annuities and the wholesalers that support their sales efforts have done their work in positioning VAs as flexible products designed to fit the needs of a wide variety of clients. Sub accounts provide the upside potential of underlying investment options, typically coupled with the tax favorable status of an annuity. Additionally, lifetime income riders offered on many VAs have been widely marketed as protection against annuity value losses, sometimes guaranteeing a specific rate of growth despite the performance of the sub accounts.

Variable Annuity products have two key weaknesses that can negatively impact an owner's investment. First, generally there is no downside protection against losses in the sub accounts other than through an added rider. Second, internal fees and management fees systematically and consistently impact or reduce the gains in the sub accounts.

The challenge for owners of variable annuities is that in most instances the annuity value is not protected against investment losses. When the client experiences a negative return, the markets must first make up the loss before they will see any future gains. An added LIR (downside protection) does not provide value unless the client is in a position to take income against the annuity.

These risks and concerns bring to question the suitability of a variable annuity product for customers who are at or nearing retirement. It is not uncommon to hear stories of customers who believed that a guaranteed lifetime income rider protected their principal only to learn that their annuity value was reduced in a down market.

## Indexed Annuities

ASIA PLUS provides a strong alternative to variable annuity products for customers with risk tolerances ranging from aggressive to conservative based on its multiple interest crediting

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strategies with available high caps, optional lifetime income riders and the protection of a 0% floor for indexed strategies that credit interest based upon the performance of the S&P 500® Index.

**Multiple Interest Crediting Strategies.** One of the key benefits of a variable annuity is the ability to allocate premium to the sub accounts that best fit the customer's investment profile and risk strategies. The ASIA PLUS products offer multiple interest crediting strategies ranging from simple to more complex:

- Declared Rate
- One Year Performance with a Specified Rate
- Total Sum Performance with a Monthly Cap
- Point to Point Performance with Cap (various segment terms, Participation Rates and Caps available)

**Competitive Caps.** There are currently caps as high as 50%. With multiple year interest crediting methods and optional reduced participation rates, customers are able to choose the amount of risk they are comfortable with. There is no downside risk because the client is never invested directly in the market. Higher caps help make the ASIA PLUS products appropriate for younger customers looking to accumulate cash value.

**No Internal Fees.** With no "hidden" internal management fees, the client can choose from several crediting strategies that allow 100% of their premium to go to work for them.

**Lifetime Income Riders.** The ASIA PLUS products offer two optional Lifetime Income Riders providing income options to customers with conservative or more aggressive options.

- Lifetime Income Rider with Fixed Rate
- Lifetime Income Rider with Fixed Rate Plus Index Credit

The option between the two provides the opportunity to choose an income strategy that is most appropriate for the customer. For advisors who have positioned the VA sale based on an available LIR, the ANICO Strategy PLUS Indexed Annuities offer the same feature.

**NO DOWNSIDE RISK.** The ASIA PLUS Indexed Annuities have no downside risk. If the S&P 500® decreases, no matter how

far, your client's annuity value will not reduce at the end of the contract year as a result. Additionally, the client will start the next contract year at the lower S&P 500® index value.

One concern clients may still express is the possibility of a zero percent increase for the year. For customers who want to protect against a 0% return for the year there are options.

- One idea is to place 50% of the initial premium (or annuity value) in the Declared Rate option and the other 50% in one or more of the additional indexed strategies. At a minimum, the client will receive the declared rate for the portion in the declared rate strategy, which is 50% of the entire annuity value for the year. The client has the potential to earn additional interest based on the performance on the index for the premium placed in the indexed strategy(ies).

The ANICO Strategy Indexed Annuity PLUS can be positioned to provide your clients with upside potential and a 0% floor. With proper selection among the available interest crediting strategies the product may be appropriate for clients with risk tolerances ranging from aggressive to extremely conservative. There are no hidden internal fees or expenses to reduce accumulation in the product. Two optional Lifetime Income Riders (subject to annual fees) offer additional benefit and protection to customers concerned about outliving their income in retirement. Consider the ASIA PLUS as an alternative for your typical variable annuity customers.

## For Agents that are not Registered Representatives, consider this from Indexed Annuities

**Interest earnings.** Indexed annuities offer greater the possibility of higher interest earnings based on the performance of an Index, but the customer is never directly invested in any stocks or underlying funds. Consider a three year strategy with a 50% participation rate and 27% cap. If a \$5,000 premium were placed in this strategy and over the three years, the economy was positive causing a 35% increase in the index value, the strategy would be credited \$1,350 at the end of the three years. This would be more interest credited than a standard fixed product that may only be offering 1.80% per year, for example.

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For additional peace of mind, Indexed strategies are protected by a 0% floor for the years where there may be a decline in the Index value. Therefore, the annuity value would never decrease as the result of a decline in the Index.

**Lifetime Income Riders.** The ANICO Strategy PLUS 7 & 10 products also offer Lifetime Income Riders which many fixed products would not. The LIRs have a separate Income Base that may accumulate value more rapidly (though for an annual fee) offering the opportunity for larger income payments to be made

at a specified time than if the client were just to wait for Required Minimum Distributions.

**Interest Crediting Strategies.** ASIA PLUS offers multiple interest crediting strategies so if after each Segment Term, if a client is unhappy with the interest credited to their account, they can move premiums to different strategies or into the Declared Rate.

Stacy Papajohn  
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Contract form series: IA13, RLIR (forms may vary by state)

**Neither American National Insurance Company nor its agents give tax advice.**

**Clients should contact their attorney or tax advisor on their specific situation.**

*Indexed strategies earn interest related to the performance of the S&P 500® Index. Whether an indexed strategy earns interest or not and how much interest is earned is dependent on a number of factors: index performance, participation rate, cap and segment term. The performance of the index cannot be predicted over any given period of time. Past history of the Index is no guarantee of future performance. **There is not one particular interest crediting strategy that will deliver the most interest under all economic conditions.** American National Insurance Company and its agents do not make any recommendations regarding the selection of indexed strategies. American National Insurance Company and its agents do not guarantee the performance of any indexed strategies.*

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