



What's the Price of Certainty?

How some FIAs can unlock potential beyond guaranteed rates

When it comes to fixed index annuities, or FIAs, guaranteed cap products may be appealing, but they don't come without a cost. That cost may be a lost opportunity for more interest crediting in products without a guaranteed cap rate.

Clients who choose an annuity with a lower cap rate and guaranteed renewals over a higher cap rate could miss out on significant interest earnings without those guarantees. Let's take a look at a few hypothetical examples.

	Annuity 1	Annuity 2	
Crediting Strategy	Lower cap with renewals guaranteed	Higher initial cap with no renewal guarantee	
		Renewals decline 0.5% a year	Renewals remain at issue level
Cap Rate	<ul style="list-style-type: none">• 10% cap rate in first year• 9.5% cap rate in second through fifth years	<ul style="list-style-type: none">• 13.5% cap rate in first year• 13% in second year• 12.5% in third year• 12% in fourth year• 11.5% in fifth year	<ul style="list-style-type: none">• 13.5% cap rate each year
Fee	<ul style="list-style-type: none">• No fee	<ul style="list-style-type: none">• 1.5% fee for the high initial cap rate• Credited rate is the cap rate minus the 1.5% fee	<ul style="list-style-type: none">• 1.5% fee for the 13.5% cap rate• 12% crediting rate for all index returns above 13.5%
Index Performance	<ul style="list-style-type: none">• 3 years above 13.5%• 2 years negative	<ul style="list-style-type: none">• 3 years above 13.5%• 2 years negative	<ul style="list-style-type: none">• 3 years above 13.5%• 2 years negative
FIA Interest Crediting Performance	<ul style="list-style-type: none">• 1 year: 10%• 2 years: 9.5%• 2 years: 0%	<ul style="list-style-type: none">• 1 year at 13.5% gross (12% net)• 1 year at 13% gross (11.5% net)• 1 year at 12.5% gross (11% net)• 2 years at 0% gross (-1.5% net)	<ul style="list-style-type: none">• 3 years at 13.5% gross (12% net)• 2 years at 0% gross (-1.5% net)
Total Interest	\$31,893	\$34,489	\$36,310

Each sample annuity assumes a \$100,000 purchase amount of a five-year FIA, with annual point-to-point crediting and a cap rate on the S&P 500® index.

Not FDIC-Insured • No Bank Guarantee • May Lose Value • Not Insured by any Federal Government Agency • Not a Bank Deposit

Keep in mind that the average positive return in the S&P 500® has been over 16% each year since 1957. Capturing as much of that return opportunity as possible, without risk of market losses, is the reason FIAs exist.



Want to explore FIAs? Get to know [The Standard's annuities](#)



For example purposes only and not intended to represent how your annuity may actually perform.

Performance data provided by [Rafferty Annuity Framing LLC](#), 2024.

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