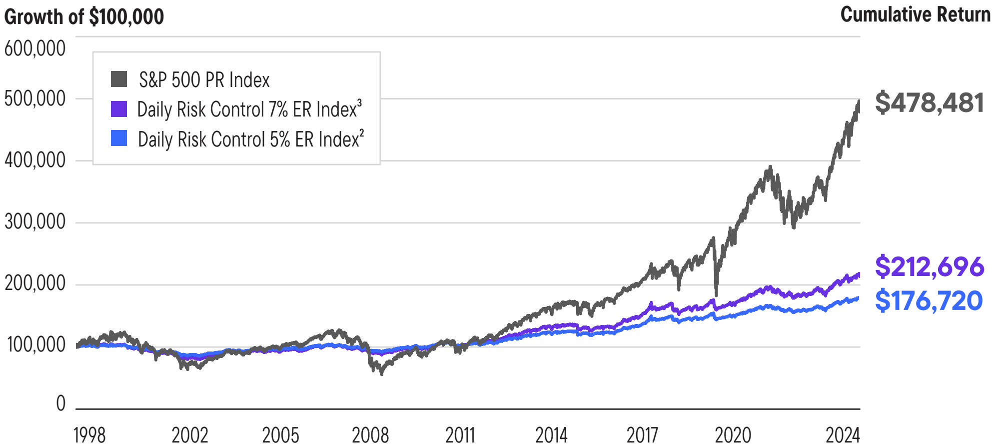
It's not what you make...

It's what you keep

Protected Income

Strong performance is just a start

When it comes to choosing the right **fixed index annuity**, performance of the underlying index is important—but is it the only factor to consider? As seen in the chart below, since 1999 the S&P 500 has outperformed 5% and 7% risk control indices[1] by at least $150,000 on an absolute return basis.



Past performance is not an indicator or a guarantee of future performance. It is not possible to invest directly in an index.

Did you know?

A **fixed index annuity** is an insurance product that tracks an index, either a traditional index or a custom index, and provides interest credits based in part on the returns of that index.

Interest crediting strategy determines how interest changes to a fixed index annuity are measured. The interest crediting strategy chosen measures the amount of interest the annuity holder can receive over a specific time period.

Absolute returns don't tell the whole story

If the only consideration is absolute returns, the choice is easy. However, performance is not the whole story when it comes to a fixed index annuity. The **interest crediting strategy** needs to be as big a part of the decision-making-process as how the underlying index is performing. By applying a participation rate to the three indices above, it quickly becomes clear that it's not just about what you make (performance)—it's about what you keep (interest crediting strategy) that matters:

Participation rate

Percentage of the index return that is credited to the annuity holder for the strategy term.

S&P 500 Index with 43% participation rate[4]

Daily Risk Control 7% Index[3] with 110% participation rate[4]

Daily Risk Control 5% Index[2] with 145% participation rate[4]

1. Risk Control Indices are designed to shift allocations, based on signals in the market, to keep volatility at or near the stated target. When market volatility is relatively low the index will maintain its exposure riskier assets, such as equities. When volatility increases, the index is reallocated so that it is weighted toward risk-free assets, such as cash.
2. S&P 500 Daily Risk Control 5% ER Index. The S&P 500 Risk Control™ series relies on S&P 500® methodology and overlays mathematical algorithms to maintain specific volatility targets. Index exposure is dynamically rebalanced based on observed S&P 500 historic volatility to maintain various volatility targets.
3. S&P 500 Daily Risk Control 7% ER Index. The S&P 500 Risk Control™ series relies on S&P 500® methodology and overlays mathematical algorithms to maintain specific volatility targets. Index exposure is dynamically rebalanced based on observed S&P 500 historic volatility to maintain various volatility targets.
4. Participation rates were generated by dividing an estimated insurers options budget by the estimated cost of a 1-year vanilla call option for each index as of 12/31/2024. The options budget was estimated as a general account yield (LCB1YW – Baa Yield) minus assumed carrier expenses of 2%. The volatility controlled indices were replicated using the S&P 500 as the underlying and targeting 5% and 7% volatility targets, and all option prices were generated using the Black-Scholes options pricing model using historical interest rates, the VIX, and the dividend yield of the S&P 500. The dividend yield of the S&P 500 is derived by subtracting price return from the total return of the index. The Indexes do not include fees, expenses or sales charges

'What you make' account values represent compounded returns from 12/31/1998 to 12/31/2024. 'What you keep' account values represent compounded 1-year point to point interest credits adjusted by the specified participation rate and a 0% floor on negative years. All crediting periods start and end on December 31st of each year.

Fixed indexed annuities are insurance contracts, not registered securities or stock market investments. Fixed indexed annuities are not invested in the index itself, but rather interest is credited based on the performance of the index and the rules prescribed in the insurers index crediting strategy. Fixed indexed annuities are not issued by Franklin Templeton.

Guide to what you keep

Participation rate

LOWER market volatility = **HIGHER** participation rate = **MORE** interest awarded based on performance of index

HIGHER market volatility = **LOWER** participation rate = **LESS** interest awarded based on performance of index

Additional interest crediting strategies

In addition to participation rates, two common interest crediting strategies for fixed index annuities are spreads and caps. Much like participation rates, spreads and caps will determine how much interest the annuity owner will receive over a specific time period.

Spread

Percentage by which an interest amount will be reduced before being credited for strategy term.

LOWER market volatility = **SMALLER** spread = **MORE** interest awarded based on performance of index

HIGHER market volatility = **LARGER** spread = **LESS** interest awarded based on performance of index

Cap

Highest rate of interest that will be credited for the strategy term.

LOWER market volatility = **HIGHER** cap = **MORE** interest awarded based on performance of index

HIGHER market volatility = **LOWER** cap = **LESS** interest awarded based on performance of index

As of December 31, 2024. Sources: Bloomberg and Franklin Templeton Analysis. All numbers were sourced from Bloomberg, and the participation rates were generated from Franklin Templeton Analysis. Please see footnote 4 for more information.

There is no guarantee that any strategies utilizing the index will be effective or successful. Multi-asset indices and diversification do not promise any level of performance, success or guarantee against loss of principal. It is not possible to invest directly in an index.

Annuities are long-term investments designed for retirement purposes. The value of annuities is subject to market risk and will fluctuate. Product guarantees are subject to the claims-paying ability of the issuing insurance company. Earnings, when withdrawn, are subject to federal and/or state income tax, including a 10% tax penalty for withdrawals before age 59½. Some income guarantees offered with annuities take the form of optional riders and carry charges in addition to the fees and charges associated with annuity products.

There is no guarantee that any investment will achieve its objectives, generate positive returns or avoid losses. Investments in annuity contracts may not be suitable for all investors.

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