Inflation. Volatility. Rising rates. If left unchecked, this triple threat to the portfolio can have a significant impact on your client's retirement and your firm's succcess. Here are three ways you can manage through this.

Improving Fixed Income Allocations

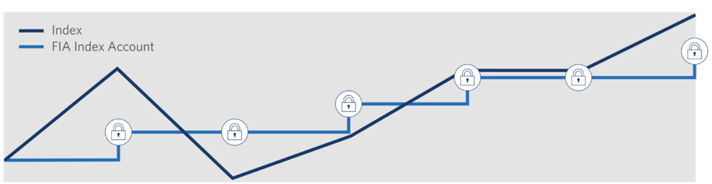
Product Type: Fixed Index Annuity
Client Risk Profile: Conservative
Protection Level: High
Funding Source: Fixed Income

If there was a Swiss Army knife of the annuity world, the fixed index annuity (FIA) would be a front-runner given its variety of uses. This annuity provides complete principal protection, accumulation based on a fixed rate or index performance, and may offer living benefit options to generate efficient income.

Accumulation: When used effectively in an asset allocation, FIAs can serve a similar purpose to bonds, but with returns driven by an index, not yield. This helps improve returns in fixed income allocations, while reducing overall portfolio risk. A 15% allocation within a 70/15/15 portfolio can produce significant results when compared to only using bonds for fixed income.[1]

Annual "Reset" Mark Helps Preserve Principal

The annual high-water market feature of the FIA contract offers benefits similar to rolling short-term bonds to maturity.



Hypothetical Illustration. Source: Avantis Investors.

Decumulation: When purchased with a living benefit, fixed index annuities offer competitive income payouts that can increase throughout retirement, helping combat loss of purchasing power from inflation. Regardless of market conditions, these payments are guaranteed, which reduces pressure on the portfolio and allows for greater allocations to growth strategies.

Takeaway: Consider using a fixed index annuity for improving fixed income allocations, reducing overall portfolio risk, and generating efficient income that keeps pace with inflation.

De-Risking Equity Positions

Product Type: Registered Index-Linked Annuity
Client Risk Profile: Moderate
Protection Level: Moderate
Funding Source: Equity Allocations

Registered index-linked annuities (RILAs) can be thought of as a hybrid between variable and fixed index annuities, allowing for defined levels of equity market participation and downside protection.

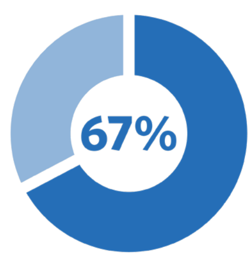
Accumulation: Registered index-linked annuity performance is tied to equity markets, helping provide a hedge against inflation. The protection component can be tailored to a client's risk tolerance, which allows for greater upside potential as more risk is assumed. This balance between upside potential and downside protection helps maintain equity allocations, while offering a smoother ride during periods of volatility.

Decumulation: When purchased with a living benefit, income payouts have the potential to increase based on the price return performance of chosen index, up to a certain amount. If the price return is negative, the amount will remain the same. This helps protect the portfolio against the inflation while also reducing market risk.

ASSUMPTIONS

Age	Retirement Age	Planning Horizon	Income Needed	Portfolio Value	Cap/Buffer	Income Benefit Cap
60	65	90	$6,000/mo.	$2M	23%/-10%	6.25%

PORTFOLIO 1: Without Annuity

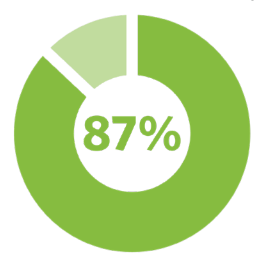


Legacy wealth at age 95 (terminal value)

Low	$0.00
Median	$999,682.81
High	$4,461,898.00

Low=15th percentile of all simulations
High=85th percentile of all simulations

PORTFOLIO 2: With Annuity



Legacy wealth at age 95 (terminal value)

Low	$138,186.94
Median	$1,932,345.88
High	$4,882,619.50

Hypothetical Illustration. Source: Allianz Life.

Using Annuities in Today's Market
Advisor Insights

Takeaway: RILAs offer a compromise between total protection and uncapped growth potential. Consider a 20% allocation within a 40/40/20 portfolio to reduce market risk while still providing for upside participation and guaranteed lifetime income through a living benefit rider.[2]

Tax-Deferred Market Rebound

Product Type: Variable Annuity
Client Risk Profile: High
Protection Level: Low
Funding Source: Equity Allocations

Variable annuities (VAs) offer the greatest performance potential of all annuity types, as returns are dictated by the underlying fund allocations. While there is no downside protection like what RILAs or FIAs offer, the upside potential is unlimited.

Accumulation: In today's market, variable annuities offer an opportunity to maximize growth potential as the market rebounds. By harvesting losses from current equities, those positions can be repurchased in an annuity. As the market rebounds, the upside can be captured tax deferred, which can add 100-200 bps to a portfolio without introducing additional market risk.[3]

Decumulation: Like RILAs or FIAs, variable annuities offer optional living benefits (for an additional cost) that convert accumulated values into a guaranteed lifetime income stream. Living benefits can also be used to help unwind the taxable gains within the annuity, providing an exclusion ratio on the income distributions over a defined period.

Takeaway: Variable annuities can be a viable option for harvesting losses and maximizing tax-deferred growth potential as the market rebounds, and using those values to generate tax-efficient income with a living benefit.

Conclusion

Today's markets require thinking beyond traditional investment-only total return-focused strategies to address risk. Whether your clients are in their accumulation or income years, Commission-Free annuities can help advisors effectively address market volatility, inflation, and rising interest rates, which helps increase client retention, and protects client lifestyles and firm AUM.

To learn more about our Commission-Free annuities, call 888.327.0049 to speak with a DPL Consultant.

[1]Avantis Investors. "Fixed Index Annuities: A Compelling Tool to Help Improve Asset Allocations." March 2022.

[2]Allianz. "Controllable Factors and Uncontrollable Risks in a Retirement Spending Plan: Using a Registered Index-Linked Annuity to Mitigate Risk Exposure." January 2022.

[3]WealthManagement.com. "Why Asset Location is Key to Enhancing Tax Efficiency." April 2017.