JACKSON®

Stock your Retirement Toolbox with smart financial risk-management strategies

Discover the versatility of using fixed index annuities to manage retirement risks and support holistic planning

Introduction:
A planning tool that balances flexibility and protection

- **For investors who want to balance growth with protection from loss, fixed index annuities (FIAs) may offer an appealing choice.**
- **Many financial professionals now use FIAs not only to meet the needs of conservative investors, but as part of broader, more personalized, client-focused strategies.**
- **Financial planning is becoming increasingly tailored and goal-oriented. Clients today are planning not just for income, but for the kind of life they want to enjoy in retirement.**
- **FIAs can offer features that help support goals like safeguarding assets, tax deferral* and opportunities for income.**

What is a fixed index annuity?
Fixed index annuities are long-term, tax-deferred vehicles designed for retirement, combining the advantages of a traditional fixed annuity with the potential for additional interest linked to the return of an index. Earnings are taxable as ordinary income when distributed. Individuals may be subject to a 10% additional tax for withdrawals before age 59½ unless an exception to the tax is met. Living benefits may be available or included for an extra charge and may be subject to conditions and limitations. There is no guarantee that an annuity with a living benefit will provide sufficient supplemental retirement income.

* Tax deferral offers no additional value if an IRA or a qualified plan, such as a 401(k), is used to fund an annuity and may be found at a lower cost in other investment products. It also may not be available if the annuity is owned by a legal entity such as a corporation or certain types of trusts.

CORE FEATURES OF A FIXED INDEX ANNUITY

	GROWTH	**Contract value may increase through interest credits linked to a market index's performance.** Fixed index annuities do not invest directly in an index, but use its performance to determine credited interest. Various crediting methods are available to help lock in growth.
	PROTECTION	**Fixed index annuities help avoid market volatility** by protecting credited interest from market losses, since funds are not directly invested in the market. For income needs, many FIAs offer optional add-on living benefits for an additional fee, subject to availability and specific contract terms.
	FLEXIBILITY	**Fixed index annuities are designed to offer flexibility,** with features such as a choice of crediting methods and index strategies to help adapt to changing retirement goals. Many FIAs also provide options for taking required minimum distributions (RMDs) from qualified contracts, though availability and terms may vary by product.
APR 15	**TAX ADVANTAGES**	Income taxes can impact retirement savings. **Fixed index annuities offer tax deferral,** allowing earnings to grow without immediate taxation, which can help preserve more of the contract's value over time.

FIXED INDEX ANNUITIES: BALANCING RISK AND RETURN

When clients want to protect part of their portfolios from market losses—while maintaining exposure to market-linked performance—they may consider an FIA.

As retirement approaches, many investors worry that a market downturn could derail their plans. If they want to protect part of their assets from near-term losses while still tracking equity performance, a fixed index annuity can help meet that goal.

Financial professionals familiar with structured notes may recognize the concept. An insurer creates an FIA by purchasing options on a market index—such as the S&P 500 Price Index. An option strategy might set a minimum return at zero and a maximum return at a capped or partial portion of index growth for the year ahead.[1]

The insurer earns interest—net of expenses—on its general account assets and uses that yield to fund the option strategy. The contract owner receives a return based on a portion of index growth—the less predictable the returns, the higher the cost of the option.[2]

If the index declines, the option expires worthless, and the insurer simply absorbs that cost. The client's account value doesn't fall. The primary trade-off is the opportunity cost—clients won't capture market returns beyond the cap or chosen crediting method.[3]

1 Spencer Look, Morningstar Center for Retirement & Policy Studies, "Under the Microscope: Fixed-Indexed Annuities With Guaranteed Lifetime Withdrawal Benefits," June 2023.
2 Susan Rupe, InsuranceNewsNet, "Anatomy of an FIA: 6 benefits to investors," August 1, 2024.
3 Kerry Pechter, Retirement Income Journal, "The Derivatives that Power Index Annuities," June 20, 2019.

BALANCING RISK AND PROTECTION BY ANNUITY TYPE: WHERE FIAs FIT

Fixed

Some guaranteed returns over a specified period with no risk of principal loss due to market downturns.

Fixed index

Greater potential returns based on the performance of an index, and there is no return—nor loss—when the index is negative.

Registered index-linked (RILA)

Even greater potential returns in exchange for some protection when an index is negative.

Variable

Full market participation with exposure to market downturns.

Less risk / Less reward → **More risk / More reward**

CDs | **Bonds** | **Mutual funds** | **Stocks**

Investment types

This risk spectrum is for illustrative purposes only, is not intended as a complete comparison of all characteristics of the referenced investments, and does not showcase all potential differences and risks.

Investors may use FIAs to reduce the risk of market exposure over a defined period. FIAs effectively transform equity exposure into a tailored return and risk profile—offering downside protection with some growth potential.[4] That balance can appeal to clients who are diversifying income beyond bonds or seeking more predictable outcomes than equities alone may provide.[5]

4 Jennifer Schell, Annuity.org, "How to Use Fixed Index Annuities To Avoid Common Investing Mistakes," May 6, 2025.
5 Kerry Pechter, Retirement Income Journal, "The Derivatives that Power Index Annuities," June 20, 2019.

STRATEGY SNAPSHOT*

Imagine a client with an after-tax portfolio of $1 million. She has $600,000 in equity mutual funds and $400,000 in fixed income. She plans to retire in seven years and expects to spend $300,000 in the first three years of retirement.

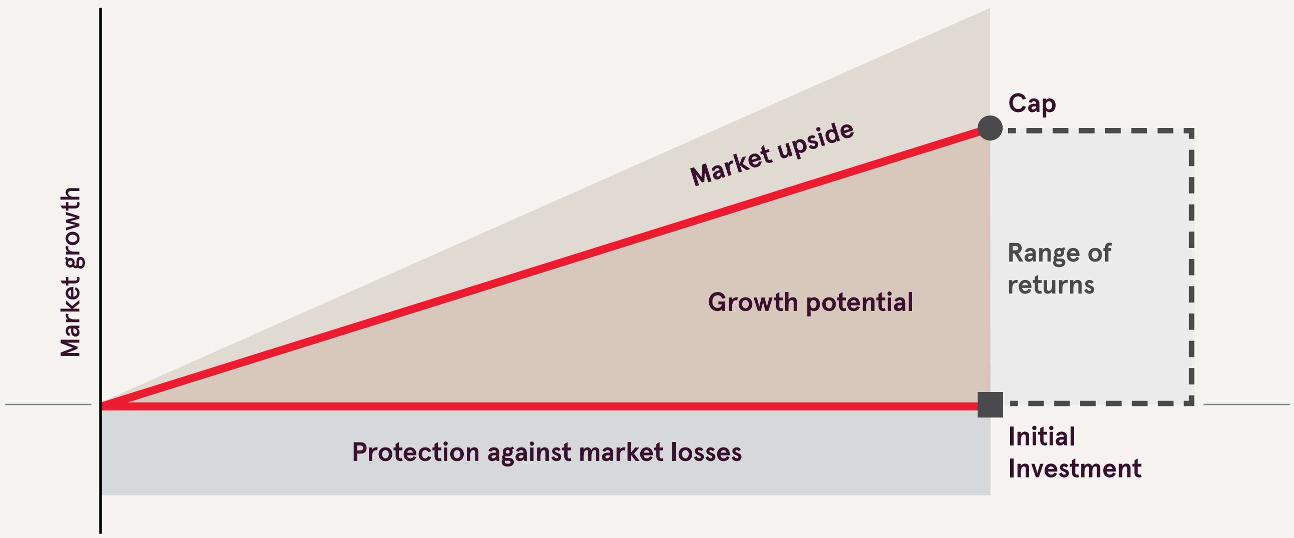
She worries a market drop during that seven-year window could jeopardize her retirement timing. To reduce that risk, she transfers $150,000 from equities and $150,000 from bonds into an FIA with a seven-year term, tied to the S&P 500 Price Index.

By repositioning part of her portfolio, she limits the impact of short-term market volatility without stepping out of the market entirely. The FIA's option strategy won't capture all the upside, but it shields her from a downturn that might delay her retirement.

She now holds a portfolio that's 45% equity and 55% fixed income with added protection. Her near-term retirement budget is better protected from volatility, and she's not chasing returns at the worst possible time. This allocation offers her a steadier path through early retirement.

HOW FIAs OFFER GROWTH POTENTIAL WITH PROTECTION FROM MARKET LOSSES

With fixed index annuities, interest is credited based on the performance of a selected index, using features such as caps, participation rates, or spreads to determine the amount of interest that can be added to the contract.



This chart is for illustrative purposes only and does not reflect any specific outcomes.

* This investor scenario is a hypothetical example for illustrative purposes only. It is not intended as investment advice or a recommendation. Individual circumstances may vary. Investors should work closely with a financial professional and consider their individual situation, including time horizon, risk tolerance, investment objectives, and the need for an annuity before investing.

How FIA contracts are structured and customized

Every FIA contract is customizable to reflect the financial goals of the investor.[6] Once a financial professional and client select a provider, a contract, and a premium amount—typically starting between $5,000 and $25,000[7]—they choose a contract term length, one or more indexes and a crediting strategy.

Contract term length

- FIAs are often issued with terms of three, five, seven, or 10 years.[8] The term is the period when the insurer guarantees* protection of the principal.
- Shorter terms may offer more immediate flexibility, but longer terms help reduce the risk of needing to "time" the market. A longer term gives the insurer time to reset caps or strategies in response to market conditions—and protects policyholders from needing to make a decision during a downturn.[9]

Indexes

- Most contracts offer a choice of two or more indexes. Clients can typically split their premium across several indexes, depending on the strategy. These might include familiar benchmarks like the S&P 500, or custom-engineered indexes designed specifically for FIAs—discussed later in more detail.

Crediting period

- Each contract term contains one or more crediting periods—defined intervals when index performance is measured and interest is credited. This could be monthly, annually, or multi-year. One of the most common setups is the annual point-to-point, which locks in index gains at each contract anniversary.[10]

Crediting method

- Each index allocation must also have a crediting method: a formula that determines how much of the index gain, if any, is credited to the contract.
- These strategies reflect the options budget set by the insurer and define how index-linked interest is calculated. *Each approach is explained directly below.*

* Guarantees are backed by the claims-paying ability of the issuing insurance company.
6 Aaimi M. Chalisa and Christy Bieber, Annuity.org, "Fixed Index Annuity Cap Rates for June 17, 2025," June 13, 2025.
7 Rachel Christian, Bankrate, "How much money do you need for an annuity?" August 27, 2024.
8 Blueprint Income, "Fixed Index Annuities," accessed June 17, 2025.
9 Blueprint Income, "Index Term Period in Fixed Index Annuities: How Does It Work," December 11, 2023.
10 Jennifer Schell, Annuity.org, "Point-to-Point Indexing Method," April 17, 2025.

Cap

- With a cap, the insurer sets a maximum return the client can earn during the crediting period. For example, if the cap is 6% and the index gains 8%, the client receives 6%.[11]

Participation rate

- This method passes through a percentage of index gains to the policyholder. For instance, if the participation rate is 80% and the index gains 10%, the policyholder would be credited 8%.[12]

Interest rate spread

- A spread acts as a hurdle rate. The index must outperform the spread before any gains are credited. Example: If the index rises 7% and the spread is 2%, the client receives 5%.[13]

Performance trigger

- Some contracts use a performance trigger—a flat rate credited when the index ends the period positive or flat. The actual return doesn't matter, as long as it's zero or positive.[14]
- In most FIA contracts, returns are measured annually. The insurer uses most of the client's premium to buy bonds that provide principal protection, and the rest to purchase call options on a market index—allowing for potential upside without direct exposure to losses.[15]
- This structure helps insurers provide consistent interest crediting—even in years when markets are flat or mildly positive—and insulate contract owners from volatility.

[11] Aaimi M. Chalisa and Christy Bieber, Annuity.org, "Fixed Index Annuity Cap Rates for June 17, 2025," June 13, 2025.
[12] Ibid.
[13] Ibid.
[14] Shawn Plummer, The Annuity Expert, "How a Performance Trigger Works on a Fixed Index Annuity," accessed June 17. 2025.
[15] Leora Friedberg and Anthony Webb, Retirement Income Institute, "A Primer on Annuities," July 2022.

Understanding FIA market indexes

FIA performance is tied to the returns of market indexes—but not through direct investment. Instead, insurers use options to link contract returns to a chosen index. Over time, the number and type of indexes available in FIA contracts has grown significantly, offering more flexibility to meet various investor needs and risk tolerances.[16]

Most FIA contracts reference one or more of three main types of indexes. Each offers a different balance of cost, performance potential and volatility management:

Equity indexes

- These include the "price-return" versions of widely used benchmarks like the S&P 500, Nasdaq-100, Russell 2000, and MSCI-EAFE.[17] Because price-return benchmarks exclude dividends,[18] options on them are typically less expensive than those tied to total-return indexes.[19]

Multi-asset—or hybrid—indexes

- Hybrid indexes blend at least three different asset classes—often stocks, bonds and one additional class like commodities or gold. They're designed to deliver broad diversification and may support retirement strategies such as time segmentation or income layering.[20]

Volatility-controlled (VC) indexes

- VC indexes aim to manage to a target volatility level, typically based on the actual movements of the underlying index. They are commonly used in modern FIA product designs.[21]
- These indexes adjust allocations between stocks and a cash component. When markets become more volatile, the index shifts more toward cash to help smooth returns. When volatility is lower, it can allocate more to stocks—sometimes exceeding 100%. This approach aims to deliver more consistent returns for insurance products.[22]

[16] John Forcucci, InsuranceNewsNet, "The evolution of indexed products," October 1, 2024.
[17] Ibid.
[18] James Chen, Investopedia, "Total Return Index: Definition, Example, Vs. Price Index," March 10, 2021.
[19] Timothy Yi, The Hartford, "Indexed Annuity Product Pricing and Risk Management," August 4, 2012.
[20] Mint, "Your Questions Answered: How are multi-asset allocation funds different from equity funds," March 7, 2025.
[21] Sara Pollock, S&P Dow Jones Indices, "Demystifying Volatility-Controlled Indices," March 2024.
[22] Ibid.

FIA INDEX TYPES: A SUMMARY

INDEX TYPE	DESCRIPTION	INDEX EXAMPLES	BENEFITS
Equity indexes	Benchmarks that exclude dividends (price return)[23]	S&P 500, Nasdaq-100, Russell 2000, MSCI-EAFE[24]	Options are generally less expensive than those tied to total-return indexes.[25]
Multi-asset/hybrid indexes[26]	Combinations of asset classes like stocks, bonds and additional asset classes.	S&P MARC 5% ER	Designed to boost diversification and align with retirement strategies
Volatility-controlled (VC) indexes[27]	Dynamic allocation targeting specific volatility levels	S&P MARC 5% ER, S&P 500 Daily Risk Control 5% ER	Designed to smooth volatility by adjusting allocations between stocks and a cash component, depending on market conditions.

WHY INDEX SELECTION MATTERS

> "... All else equal, an option on a lower-volatility index will cost less than an option on a higher-volatility index," according to a report by Morningstar on FIAs. "This is why insurers can offer a 200% participation rate, or something similar, with certain indexes. The liquidity of the options on the index are another factor that impacts cost."[28]

Unlike bond funds, FIAs offer protection from loss with exposure to market-linked performance. Their index structures and contract terms make them a flexible tool in long-term planning, particularly in income-oriented or time-segmented strategies.

When used as part of a broader asset allocation, FIAs can function like bonds—but with returns tied to index performance rather than interest rates.[29] For example, DPL Financial Partners suggests that adding a 15% FIA allocation to a 70/15/15 portfolio can produce stronger results than using only bonds for fixed income. DPL says FIAs also can help reduce overall portfolio risk and generate efficient income that keeps pace with inflation.[30]

23 James Chen, Investopedia, "Total Return Index: Definition, Example, Vs. Price Index," March 10, 2021.
24 John Forcucci, InsuranceNewsNet, "The evolution of indexed products," October 1, 2024.
25 Timothy Yi, The Hartford, "Indexed Annuity Product Pricing and Risk Management," August 4, 2012.
26 Mint, "Your Questions Answered: How are multi-asset allocation funds different from equity funds," March 7, 2025.
27 Sara Pollock, S&P Dow Jones Indices, "Demystifying Volatility-Controlled Indices," March 2024.
28 Spencer Look, Morningstar Center for Retirement & Policy Studies, "Under the Microscope: Fixed-Indexed Annuities With Guaranteed Lifetime Withdrawal Benefits," June 2023.
29 Horizon Investments, "Annuities in a Goals-Based Framework," 2021.
30 DPL Financial Partners, "Using Annuities in Today's Market," January 30, 2023.

ACADEMIC INDEX COLLABORATIONS: SHILLER AND IBBOTSON

Several FIAs feature indexes created by leading academics in finance:

ROBERT SHILLER

Yale professor and Nobel Laureate,[31] co-developed the Shiller Barclays CAPE US Sector Index, which is used in some FIA crediting strategies. His work emphasizes consistency of returns and managing downside risk.

- "... Downside protection and the beneficial sequencing of returns should dominate investor considerations," Shiller noted, after reviewing a simulation tied to his CAPE Index.[32]
- He also pointed out that steady performance over time, not just how high the returns are, may matter most to investors nearing retirement.[33]

ROGER IBBOTSON

Professor emeritus of finance at Yale and founder of Zebra Capital, he helped develop the NYSE Zebra Edge index. The index targets less popular stocks with lower trading volume and volatility.[34]

- Ibbotson's research found that these stocks have historically delivered more consistent long-term returns than their more frequently traded counterparts.[35]

Access to advisory annuities for IARs

For investment advisor representatives (IARs) reading this paper, a brief note on advisory annuities may be helpful as the advisory annuity landscape has evolved significantly in recent years.

RIAs now have access to a growing number of fee-based annuity options that don't require an insurance license or broker-dealer affiliation. These products are designed specifically for fiduciary environments and are typically available through platforms that facilitate compliance, billing, and integration with third-party asset management.

As RIAs grow more familiar with these products, many are using them to:

- Manage longevity risk without introducing commission-based products
- Offer guaranteed income streams within a fiduciary model
- Help clients reduce sequence-of-returns risk during the critical transition into retirement

Firms can access advisory annuities through select insurance carriers, outsourced insurance desks (OIDs), and digital insurance marketplaces like DPL and RetireOne. For RIAs interested in exploring annuities within a fee-only framework, these channels offer increasingly practical paths.[36]

[31] Yale News, "Robert Shiller 2013 Nobel Prize in Economic Sciences," October 14, 2013.
[32] Andrew Abramczyk, et al., Barclays, "Investment Characteristics of FIAs," March 2019.
[33] Ibid.
[34] NYSE, "NYSE Zebra Edge Index," accessed June 19, 2025.
[35] Ibid.
[36] Jerry Vanderzanden, Halo Investing, "How Fee-Only Advisors are Growing Their Business with Insurance in 2025," May 15, 2025.

Why FIAs belong in the modern planning toolbox

- **Balancing growth potential with protection against market loss continues to be a central challenge—**especially for clients navigating market uncertainty, rising costs and shifting retirement timelines.
  - **Fixed index annuities can play a meaningful role in addressing this challenge.**
- Unlike traditional accumulation vehicles or fixed income alone, FIAs offer a unique combination: **market-linked upside potential with a level of protection against market losses.**
- Their **design flexibility—**through index choice, crediting strategy and term length—gives financial professionals the tools to adapt the product to each client's unique situation.
- Whether the goal is to **protect income during the early years of retirement, manage sequence-of-returns risk or diversify beyond traditional asset classes,** FIAs can support plans built around the outcomes clients care about most—like stability, income and the freedom to retire on their terms.
- FIAs are not a one-size-fits-all solution, but when positioned appropriately with guidance from a financial professional, **they can help clients stay invested with confidence—without exposing them to risks they're unwilling or unable to bear.**
- As part of a broader toolbox, fixed index annuities offer financial professionals a way to customize planning with greater precision. **They can help meet client expectations and support more predictable retirement outcomes.**

To learn how fixed index annuities can help manage retirement risks and support holistic retirement planning, financial professionals should connect with their Jackson representatives.

RIAs and wealth managers should call 800/711-7397, and financial professionals on insurance platforms should dial 800/711-7305.

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